

March 11, 2003

H 397. 2003 APPROPRIATIONS ACT. TO APPROPRIATE FUNDS FOR CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS FOR STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES. Blank bill.

Intro. by Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright.

Ref. to Appropriations	APPROP
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April 15, 2003

H 397. 2003 APPROPRIATIONS ACT. Intro. 3/11/03. House committee substitute makes the following changes to 1st edition. Replaces blank bill.

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

Appropriations from the General Fund for the maintenance of state departments, institutions, and agencies, and for other purposes as enumerated are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations – General Fund	2003-2004	2004-2005
EDUCATION		
Community Colleges System Office	659,110,455	662,184,769
Department of Public Instruction	6,017,691,217	6,025,509,098
University System	1,761,408,589	1,796,324,529
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Office of the Secretary	81,783,833	80,583,833
Division of Aging	27,535,838	27,535,838
Division of Blind Services/Deaf/HH	9,302,670	9,387,008
Division of Child Development	250,943,174	250,943,174
Division of Education Services	31,606,862	31,470,076
Division of Facility Services	9,442,530	9,442,530
Division of Medical Assistance	2,270,544,822	2,558,592,984
Division of Mental Health	577,021,583	580,154,434
NC Health Choice	45,057,907	45,057,907
Division of Public Health	123,425,475	122,421,895
Division of Social Services	176,728,674	186,579,268
Division of Vocation Rehabilitation	39,798,384	40,591,118
Total	3,643,191,752	3,942,760,065
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	49,214,757	49,237,156
Department of Commerce		
Commerce	32,925,728	33,165,487
Commerce State-Aid	10,999,731	10,999,731
NC Biotechnology Center	5,883,395	5,883,395

Rural Economic Development Center	4,425,677	4,425,677
Department of Environment and Natural Resources		
Environment and Natural Resources	146,337,419	153,052,962
Clean Water Management Trust Fund	25,000,000	25,000,000
Office of the Governor – Housing Finance Agency	4,750,945	4,750,945
Department of Labor	13,265,001	13,273,651
JUSTICE AND PUBLIC SAFETY		
Department of Correction	940,840,075	960,172,282
Department of Crime Control and Public Safety	29,034,326	28,139,010
Judicial Department	303,251,883	310,448,697
Judicial Department – Indigent Defense	72,578,130	70,645,094
Department of Justice	70,673,310	71,459,312
Department of Juvenile Justice and Delinquency Prevention	130,313,473	130,505,498
GENERAL GOVERNMENT		
Department of Administration	55,733,844	56,312,231
Office of Administrative Hearings	2,409,683	2,411,797
Department of State Auditor	10,243,471	10,243,471
Office of State Controller	9,694,464	9,719,451
Department of Cultural Resources		
Cultural Resources	54,193,964	53,915,314
Roanoke Island Commission	1,500,000	1,500,000
State Board of Elections	7,439,982	4,915,939
General Assembly	41,561,463	44,971,305
Office of the Governor		
Office of the Governor	4,856,503	4,826,503
Office of State Budget and Management	4,176,537	4,180,842
OSBM – Reserve for Special Appropriations	3,130,000	3,130,000
Department of Insurance		
Insurance	21,735,135	21,766,272
Insurance – Volunteer Safety Workers' Compensation	4,500,000	4,500,000
Office of Lieutenant Governor	601,722	601,722

Department of Revenue	73,501,897	73,501,897
Rules Review Commission	310,454	310,454
Department of Secretary of State	7,754,229	7,453,229
Department of State Treasurer		
State Treasurer	19,941,830	19,944,585
State Treasurer – Retirement for Fire and Rescue Squad Workers	7,181,179	7,181,179
TRANSPORTATION		
Department of Transportation	11,429,525	11,460,101
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Reserve for Compensation Increases	132,350,000	126,250,000
Statewide Reserve for State Health Plan	72,000,000	96,000,000
Reserve for Teachers' and State Employees' Retirement Rate Adjustment	26,546,000	154,200,000
Retiree Health Benefits	36,800,000	36,800,000
Contingency and Emergency	5,000,000	5,000,000
Reserve for Salary Adjustments	500,000	500,000
Mental Health, Developmental Disabilities and Substance Abuse Services Trust Fund	10,000,000	0
Reserve to Implement HIPAA	2,000,000	0
Economic Incentives Reserve	2,600,000	0
Judicial Staffing/Salary Reserve	461,198	461,198
State Surplus Real Property System	250,000	0
Blue Ribbon Commission on Medicaid Reform	500,000	0
Debt Service		
General Debt Service	387,785,920	474,479,452
Federal Reimbursement	1,155,948	1,155,948
TOTAL CURRENT OPERATIONS – GENERAL FUND	14,940,740,811	15,535,630,248

GENERAL FUND AVAILABILITY STATEMENT

The General Fund availability used in developing the 2003-2005 biennial budget is shown below:

FY 2003-2004 FY 2004-2005

Unappropriated Balance	103,885	0
Beginning Unreserved Credit Balance	375,000,000	0
Revenues Based on Existing Tax Structure	13,398,700,000	14,203,160,000
Nontax Revenues		
Investment Income	126,266,801	132,056,801
Judicial Fees	137,520,000	144,430,000
Disproportionate Share	100,000,000	100,000,000
Insurance	51,900,000	53,900,000
Other Nontax Revenues	116,050,000	120,100,000
Highway Trust Fund Transfer	252,422,125	231,774,330
Highway Fund Transfer	16,379,000	16,166,400
Subtotal Nontax Revenues	800,537,926	799,171,131
Total General Fund Availability	14,574,341,811	15,002,331,131
Adjustments to Availability: 2003 Session		
Finance Committee Revenue Initiatives	384,000,000	480,900,000
Tobacco Settlement Funds – Tobacco Trust Fund	40,000,000	40,000,000
Tobacco Settlement Funds – Health & Wellness Trust Fund	20,000,000	20,000,000
Transfer from Disaster Reserve	100,000,000	0
Credit Savings Reserve Account	(100,000,000)	0
Credit to Repairs and Renovations Account	(50,000,000)	0
Subtotal Adjustments to Availability: 2003 Session	394,000,000	540,900,000
General Fund Availability for 2003-2005 Biennium	14,968,341,811	15,543,231,131
Total General Fund Appropriations 2003-2005 Biennium	(14,968,341,811)	(15,535,630,248)
Unappropriated Balance	0	6,857,283

Notwithstanding G.S. 143-16.4(a2), of the funds credited to the Tobacco Trust Account from the Master Settlement Agreement pursuant to Section 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of forty million dollars (\$40,000,000) shall be transferred from the Department of Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Fund) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

Notwithstanding G.S. 143-16.4(a1), of the funds credited to the Health Trust Account from the Master Settlement Agreement pursuant to Section 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of twenty million dollars (\$20,000,000) that would otherwise be deposited in the Fund Reserve established by G.S. 147-86.30(c) shall be transferred from the Department of State Treasurer, Budget Code 23460 (Health and Wellness Trust Fund) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

On July 1, 2003, the State Controller shall transfer one hundred million dollars (\$100,000,000) from the Disaster Reserve Fund, Budget Code 13017, to Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2003-2004 fiscal year.

Notwithstanding G.S. 105-187.9(b)(1), the sum to be transferred to the General Fund for each of the fiscal years 2003-2004 and 2004-2005 is two hundred fifty million dollars (\$250,000,000).

Notwithstanding G.S. 143-15.2 and G.S. 143-15.3, the State Controller shall transfer only one hundred million dollars (\$100,000,000) from the unreserved credit balance to the Savings Reserve Account on June 30, 2003. This is not an "appropriation made by law", as that phrase is used in Article V, Section 7(1) of the North Carolina Constitution. This subsection becomes effective June 30, 2003.

Notwithstanding G.S. 143-15.2 and G.S. 143-15.3A, the State Controller shall transfer only fifty million dollars (\$50,000,000) from the unreserved credit balance to the Repairs and Renovations Reserve Account on June 30, 2003. This subsection becomes effective June 30, 2003.

Notwithstanding G.S. 147-86.30(c), the Health and Wellness Trust Fund Commission may expend the balance of funds remaining from funds transferred from the Fund Reserve to Health and Wellness Trust Fund nonreserved funds pursuant to Section 2.2(h) of S.L. 2002-126. These funds shall be expended in accordance with G.S. 147-86.30(d) during the 2003-2005 fiscal biennium.

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation, and for other purposes as enumerated, are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations – Highway Fund	2003-2004	2004-2005
Transportation Admin. (84210)	\$70,917,203	\$69,242,486
Transportation Operations (84220)	28,190,393	28,150,605
Transportation programs (84230)		
State Construction		
Secondary	89,600,000	90,590,000
Urban	14,000,000	14,000,000
Public access	2,000,000	2,000,000
Spot safety	9,100,000	9,100,000
Contingency	10,000,000	10,000,000
Federal Aid Match	4,160,000	4,280,000
Maintenance	600,933,217	576,859,889
Asphalt plant/OSHA	425,000	425,000
Capital	7,000,000	0
Ferry Operations	19,677,283	19,677,283
Aid to municipalities	89,600,000	90,590,000
Rail 15,090,919	15,531,153	
Public transit	76,232,576	78,475,484
Governor's highway safety (84240)	292,449	293,118
Transportation regulation (84260)	100,255,703	100,323,363
Reserves, transfers, other agencies (84270)	213,455,257	218,670,347
TOTAL	1,350,930,000	1,328,208,728

HIGHWAY FUND AVAILABILITY STATEMENT

The Highway Fund availability used in developing the 2003-2005 biennial budget is shown below:

Highway Fund Budget Reform Statement	2003-2004	2004-2005
Beginning Credit Balance		-
Estimated Revenue	\$ 1,350,930,000	\$ 1,373,080,000
Estimated Reversions		-
Total Highway Fund Availability	\$ 1,350,930,000	\$ 1,373,080,000

HIGHWAY TRUST FUND APPROPRIATIONS

Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation, and for other purposes as enumerated, are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations – Highway Trust Fund	2003-2004	2004-2005
Intrastate System	\$ 423,993,831	\$ 459,363,570
Urban Loops	79,689,271	84,350,953
Aid to Municipalities	171,445,448	185,747,496
Total for Secondary Roads	44,486,843	48,197,953
Program Administration	38,001,482	39,636,698
Transfer to General Fund	252,422,125	231,774,330
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	\$ 1,010,039,000	\$ 1,049,071,000

BLOCK GRANTS

DHHS BLOCK GRANTS

Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2004, according to the following schedule:

COMMUNITY SERVICES BLOCK GRANT

01.	Community Action Agencies	\$ 15,266,973
02.	Limited Purpose Agencies	848,165
03.	Department of Health and Human Services to administer and monitor the activities of the Community Services Block Grant	848,165

TOTAL COMMUNITY SERVICES BLOCK GRANT \$ 16,963,303

SOCIAL SERVICES BLOCK GRANT

01.	County departments of social services (Transfer from TANF - \$4,500,000)	\$ 28,868,189
02.	Allocation for in-home services provided	

	by county departments of social services	2,101,113
03.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	3,234,601
04.	Division of Services for the Blind	3,105,711
05.	Division of Facility Services	426,836
06.	Division of Aging - Home and Community Care Block Grant	1,840,234
07.	Child Care Subsidies	3,000,000
08.	Division of Vocational Rehabilitation - United Cerebral Palsy	71,484
09.	State administration	1,693,368
10.	Child Medical Evaluation Program	238,321
11.	Adult day care services	2,155,301
12.	Comprehensive Treatment Services Program	422,003
13.	Department of Administration for the N.C. State Commission of Indian Affairs In-Home Services Program for the Elderly	203,198
14.	Division of Vocational Rehabilitation Services - Easter Seals Society	116,779
15.	UNC-CH CARES Program for training and consultation services	247,920
16.	Office of the Secretary - Office of Economic Opportunity for N.C. Senior Citizens' Federation for outreach services to low-income elderly persons	41,302
17.	Division of Social Services - Child Caring Agencies	1,500,000
18.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services - Developmentally Disabled Waiting List for services	5,000,000
19.	Transfer to Preventive Health Services Block Grant for HIV/AIDS education, counseling, and testing	145,819

20.	Division of Facility Services - Mental Health Licensure	213,128
21.	Transfer to the Division of Aging for training provided through Alzheimer's Associations	150,000
TOTAL SOCIAL SERVICES BLOCK GRANT		\$ 54,775,307
LOW-INCOME ENERGY BLOCK GRANT		
01.	Energy Assistance Programs	\$ 12,775,323
02.	Crisis Intervention	9,192,927
03.	Administration	2,957,339
04.	Weatherization Program	4,212,740
05.	Department of Administration - N.C. State Commission of Indian Affairs	54,840
06.	Heating Air Repair and Replacement Program	1,966,153
TOTAL LOW-INCOME ENERGY BLOCK GRANT		\$ 31,159,322
MENTAL HEALTH SERVICES BLOCK GRANT		
01.	Provision of community-based services for severe and persistently mentally ill adults	\$ 5,442,798
02.	Provision of community-based services to children	2,513,141
03.	Comprehensive Treatment Services Program for Children	1,500,000
04.	Administration	783,911
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		\$ 10,239,850
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
01.	Provision of community-based alcohol and drug abuse services, tuberculosis services, and services provided by the Alcohol and Drug Abuse Treatment Centers	\$ 18,901,711
02.	Continuation of services for pregnant women and women with dependent children	8,069,524

03.	Continuation of services to IV drug abusers and others at risk for HIV diseases	4,616,378
04.	Provision of services to children and adolescents	7,740,611
05.	Juvenile Services - Family Focus	851,156
06.	Allocation to the Division of Public Health for HIV/STD Risk Reduction Projects	383,980
07.	Allocation to the Division of Public Health for HIV/STD Prevention by County Health Departments	209,576
08.	Allocation to the Division of Public Health for the Maternal and Child Health Hotline	37,779
09.	Administration	2,596,307
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		\$ 43,407,022
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
01.	Child care subsidies	\$154,713,475
02.	Quality and availability initiatives	16,449,256
03.	Administrative expenses	6,969,533
04.	Transfer from TANF Block Grant for child care subsidies	79,562,189
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		\$257,694,453
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		
01.	Work First Cash Assistance	\$129,396,275
02.	Work First County Block Grants	94,653,315
03.	Transfer to the Child Care and Development Fund Block Grant for child care subsidies	79,562,189
04.	Child Care Subsidies for TANF Recipients	26,621,241
05.	Child Welfare Workers for local DSS	10,382,391

06.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
07.	Support Our Students – Department of Juvenile Justice and Delinquency Prevention	1,925,000
08.	Residential Substance Abuse Services for Women With Children	2,000,000
09.	Domestic Violence Services for Work First Families	1,200,000
10.	After-School Services for At-Risk Children	1,925,000
11.	Division of Social Services - Administration	400,000
12.	Child Welfare Training	1,600,000
13.	TANF Automation Projects	592,500
14.	Work First/ Boys and Girls Clubs	1,000,000
15.	Work Central Career Advancement Center	550,000
16.	WCH-Teen Pregnancy Prevention	570,000
17.	Transfer to Social Services Block Grant for Child Caring Institutions	1,500,000
18.	Special Children's Adoption Fund	2,000,000
19.	NC Fast Implementation	630,000
20.	Maternity Homes	838,000
21.	Pregnancy Prevention of NC	127,500
22.	Individual Development Accounts	180,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		\$362,153,411

MATERNAL AND CHILD HEALTH BLOCK GRANT

01.	Healthy Mothers/Healthy Children Block Grants to Local Health Departments	9,838,074
02.	High-Risk Maternity Clinic Services, Perinatal Education and Training,	

	Childhood Injury Prevention, Public Information and Education, and Technical Assistance to Local Health Departments	2,307,918
03.	Services to Children With Special Health Care Needs	5,078,647
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		\$ 17,224,639

PREVENTIVE HEALTH SERVICES BLOCK GRANT

01.	Statewide Health Promotion Programs	\$3,282,810
02.	Rape Crisis/Victims' Services Program - Council for Women	197,112
03.	Transfer from Social Services Block Grant - HIV/AIDS education, counseling, and testing	145,819
04.	Office of Minority Health	159,459
05.	Administrative Costs	108,546
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		\$3,893,746

NER BLOCK GRANT FUNDS

Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2004, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	\$1,000,000
02.	Urgent Needs and Contingency	50,000
03.	Scattered Site Housing	13,200,000
04.	Economic Development	
	a. Administered by Rural Economic Development Center, Inc.	2,250,000
	b. Administered by Finance Center of the Department of Commerce	8,710,000
05.	Community Revitalization	12,200,000
06.	State Technical Assistance	450,000
07.	Housing Development	2,000,000
08.	Infrastructure	5,140,000

TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT –
2004 Program Year

\$45,000,000

General Provisions

No expenditure of unbudgeted receipts. GS 143-27 currently provides that, except for receipts within The University of North Carolina, if general receipts of state agencies and institutions collected in a fiscal year exceed the receipts certified for that agency in General Fund Codes, Highway Fund Codes, or Wildlife Fund Codes, the Director of the Budget shall decrease the amount he allots that agency from appropriations from that fund by the amount of the excess receipts. The statute, however, contains an exception to this “loss of receipts” clause if the Director of the Budget makes certain findings. The bill repeals this exception.

Contingency and Emergency Fund allocations. Of the funds appropriated to the Contingency and Emergency Fund, \$5 million in 2003-04 and \$5 million in 2004-05 may be expended only for purposes outlined in GS 143-23(a1)(2) (certain court orders and natural disasters).

Change effective date-private plates on public vehicles. In the 2001 Session, GS 20-39.1(b) was rewritten, effective Oct. 1, 2003, to delete the authority of DMV to issue private registration plates to certain state-owned vehicles. The bill postpones the effective date to Oct. 1, 2004.

HIPPA Reserve. Appropriates \$2 million to a reserve to implement HIPPA.

HIPPA implementation. Directs the Governor or the Governor’s designee to coordinate the implementation of HIPPA and sets out guidelines for implementation.

State surplus real property system. Directs the Dep’t of Administration to develop and implement a uniform real property disposal system to identify, evaluate, and dispose of all unused and underused state-owned land and buildings. Creates the Real Property Management Advisory Council in the Dep’t of Administration to examine the use of state-owned property and advise the Sec’y regarding unused and underused properties. Appropriates \$250,000 to implement this provision.

Expedite sale of surplus land. Directs Dep’t of Administration to work with other state agencies and departments to identify surplus state property and expedite the sale of that property. Unless otherwise provided by law, proceeds of sale to be credited to the General Fund.

Government agencies to use products of recycled steel. Enacts new GS 130A-309.14(l) as title indicates.

Joint Committee on Executive Budget Act revisions. Creates a 12-member committee of Senators and Representatives as title indicates. Committee is directed to recommend changes in the Executive Budget Act needed to improve the processes of budget preparation, adoption, and execution and report to the General Assembly by April 1, 2004.

Blue Ribbon Commission on Medicaid Reform. Creates 12-member commission as title indicates. Comm’n is to make recommendations for fundamental reforms in the program and make its final report to the 2005 General Assembly.

Competitively bid beverages contracts. Enacts new GS 143-64 to require local school administrative units, community colleges, and The University of North Carolina institutions to competitively bid contracts that involve the sale of juice or bottled water.

Distinguished Professors Endowment Trust Fund Amends GS 116-41.15 to define “focused growth institution” as the following institutions: Elizabeth City State, Fayetteville State, NC A & T, NC Central, UNC-Pembroke, Western Carolina, and Winston-Salem State; and “special needs institution” as the following institutions: NC School of the Art, and UNC-Asheville. Provides that for focused growth and special needs institutions funds from the trust shall be allocated on a one-to one basis, rather than a one-to-two basis. Amends GS 116-41.16 to provide that for focused growth and special needs institutions contributions may be eligible for matching based on a schedule to be adopted by the Board of Governors such that at least one-sixth of the commitment will be donated each year.

Public Schools

Teacher salary schedules. For 2003-2004 school year, establishes 30-step monthly teacher (including instructional support personnel) salary schedules that range for "A" teachers, from \$2,525 to \$5,083, and for "M" teachers, from \$2,778 to \$5,591. Includes annual longevity payments ranging from 1.5% to 4.5% of base salary. Specifies step equivalencies and longevity payment provisions for school psychologists, speech pathologists, audiologists, and nurses.

School-based administrator salary schedule. Establishes school-based administrator salary schedules that range for assistant principals and principal classifications I through IV, from \$3,226 to \$6,270, and for principal classifications V through VIII, from \$4,259 to \$7,492. Provides that participants in an approved full-time masters in school administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the masters program.

Central office salaries. Establishes salary ranges for school administrator classifications I through VII, from \$2,932 to \$7,072, and for superintendent classifications I through V, from \$4,187 to \$9,499. Overall, provides average annual salary increase of 1.6% for employees paid from the Central Office Allotment.

Noncertified personnel. Provides funds to support salary increases of 1.6% for the 2003-2004 school year for all noncertified personnel and authorizes State Board to adopt salary ranges for noncertified personnel reflecting that increase

Reserve for experience step increase for teachers and principals in public schools. Provides that effective July 1, 2003, teachers already at the top of the salary schedule are to receive a one-time bonus equivalent to the average salary increase from the 26 to the 29-year steps. Principals and assistant principals at the top of their schedules are to receive a one-time 2% bonus. Retired personnel who have returned to work while receiving their retirement benefits are not eligible.

Supplemental funding in low-wealth counties. Sets rules for distribution of funds to low-wealth counties from State Aid to Local School Administrative Units. Provides that the funds are to be used only (1) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks, (2) to provide salary supplements for instructional personnel and instructional support personnel, and (3) to pay up to \$10,000 of the plant operation contract cost charged by DPI for services. Encourages local boards to use at least 25% of the funds to improve the academic performance of children performing at Level I or II in reading or mathematics in grades 3-8 and Level I or II on writing tests in grades 4 and 7. Provides that school administrative units are eligible for these funds if they are located wholly or in part in a county in which the county wealth as a percentage of the state average wealth is less than 100%. The amount each unit receives per student is to be the difference between the state average current expense appropriations per student and the current expense appropriations per student that the county could provide given the county's wealth and an average effort to fund public schools. If the funds allocated for supplemental funding are not adequate to fully fund the formula, each unit is to receive a pro rata share of the funds. Sets rules for reducing the funding for counties that have fallen from above the state average effective tax rate in 1996-97 to below it thereafter. Also requires that counties must use these funds to supplement current expense appropriations, not to supplant them.

Small school system supplemental funding. Sets rules for distribution of supplemental funds to small school administrative units. Provides that a county school administrative unit is eligible if it has an average daily membership of fewer than 3,175 students, or is between that number and 4,000 and is in a county with a county-adjusted proper tax base per student that is below the state-adjusted property tax base per student. The allocation formula is to provide (1) five-and-a-half additional classroom teachers in counties in which the average daily membership per square mile is greater than 4, and 7 additional classroom teachers where the average daily membership per square mile is 4 or fewer, (2) additional program enhancement teachers adequate to offer the standard course of study, and (3) provide a base for the consolidated funds allotment of at least \$577,111, excluding textbooks. Encourages local boards to use at least 20% of the funds to improve the academic performance of children performing at Level I or II in reading or mathematics in grades 3-8 and level I or II on writing tests in grades 4 and 7. Requires that counties must use these funds to supplement current expense appropriations, not to supplant them.

Appropriations for continually low-performing schools. Directs that funds from State Aid to Local School Administrative Units be used in the following ways to provide assistance to chronically low-performing schools: \$1,657,345 in each year of the biennium is to be used to reduce class size in grades four through eight to 17 students and in grades nine through twelve to 20; and \$298,770 to provide 10 additional days of employment for teachers, including five additional days of instruction.

Immediate assistance to the highest priority elementary schools. Directs that funds from State Aid to Local School Administrative Units be used in the following ways to provide assistance for the 37 elementary schools in the state in which, for the 1999-2000 school year more than 80% of the students qualified for a free or reduced-price lunch and no more than 55% of the students performed at or above grade level: \$6,093,181 for each year of the biennium is to be used to reduce class size in grades K through 3 to 15 students; \$2,266,026 to provide 10 additional days of employment for teachers, including five additional days of instruction; and \$1,775,400 to provide one additional instructional support position at each school.

Evaluation of initiatives to assist high-priority schools. Provides that for the highest priority elementary schools identified in the preceding paragraph to remain eligible for these funds, they must meet the expected growth for each year and achieve high growth for at least two years out of three. Sets rules under which class sizes may exceed minimums and methods for correcting that overage. Allocates \$500,000 for each year of biennium to be used by the State Board of Education to contract with an outside organization to evaluate the initiatives undertaken for the high-priority schools.

At-risk student services/alternative schools. Authorizes State Board of Education to use up to \$200,000 for each year of the biennium for evaluation of effectiveness of alternative learning programs and at-risk student programs under GS 115C-12(24).

Additional teacher positions for second grade. Reduces second grade class size by two to 18.

Children with disabilities. Sets State Board allocation of funds for children with disabilities at \$2,670.28 per child for up to 165,266 children for the 2003-04 school year. Each school administrative unit is to receive funds for the lesser of (1) the actual number of children identified with disabilities or (2) 12.5% of the unit's average daily membership.

Funds for academically gifted students. Sets State Board allocation of funds for academically- or intellectually-gifted children at \$884.55 per child for up to 53,712 children for the 2003-04 school year. Each school administrative unit is to receive funds for the lesser of (1) the actual number of children identified as gifted or (2) 4% of the unit's average daily membership.

Students with limited English proficiency. Requires the State Board of Education to develop guidelines for identifying and providing services to students with limited proficiency in the English language. Sets rules for allocating funds: (1) school unit or charter school must have at least 20 students with limited proficiency, (2) students with limited proficiency must comprise at least 2.5% of the average daily membership, and (3) for the portion of funds allocated on the basis of the number of students with limited proficiency, the maximum number may not exceed 10.6%. Directs the Department of Public Instruction to prepare a current head count of the number of students with limited proficiency each year.

Funds to implement the ABCs of Public Education. Sets incentive awards for personnel at schools that exceed their student performance projections for the 2003-04 school year at \$1,500 for teachers and \$500 for teacher assistants, and at schools that meet their projections at \$750 for teachers and \$375 for teacher assistants.

LEA assistance program. Provides that of the funds appropriated to State Aid to Local School Administrative Units, \$500,000 are to be used in 2003-04 to provide assistance to the state's low-performing administrative units and to assist schools in meeting adequate yearly progress in each subgroup identified in the No Child Left Behind Act of 2001.

Expenditure of funds to improve student accountability. Provides that funds appropriated for each year of the biennium for Student Accountability Standards are to be used to improve the academic performance of students performing at Level I or II in reading or mathematics in grades 3-8, at Level I or II on writing tests in grades 4 and 7, and at Level I or II on high school end-of-grade tests. Provides that funds in Student Accountability Standards do not revert but remain available for expenditure until August 31 of the subsequent school year.

Funds for teacher recruitment initiatives. Authorizes the State Board of Education to use up to \$200,000 each year of the biennium from State Aid to Local School Administrative Units to enable certain highly honored teachers to advise the board on teacher recruitment and other strategic issues.

Recruitment and retention initiative to address teacher shortage. Directs that \$2,890,000 in each year of biennium be used from State Aid to Local School Administrative Units to pay annual bonuses of \$1,800 to teachers certified in mathematics, science, or special education in grades 6 through 12 and teaching in those fields in schools in which 80% or more of students are eligible for a free or reduced-cost lunch and 50% or more of students are performing below grade level in Algebra I or Biology. Provides that loss of that bonus is not a demotion for purposes of the Teacher Tenure Act.

Funds for testing and implementation of the new student information system. Authorizes transfer of up to \$1,000,000 each year of biennium from funds appropriated for the Uniform Education Reporting System to the NC WISE system for testing and implementation. Funds do not revert.

Litigation reserve funds. Authorizes State Board to expend up to \$500,000 each year of biennium from unexpended funds for certified employees' salaries to pay expenses related to pending litigation.

Local education agency flexibility. Directs the State Board to notify each school administrative unit within 10 days of the effective date of this act of the amount the unit must reduce from state General Fund appropriations, with the reductions based on average daily membership. The units must then report back to the board how they intend to reduce spending. The Governor urges local school administrators to make every effort to reduce spending in ways that do not directly impact classroom services or supports required by Personal Educational Plans or Individual Education Plans. If reductions in those areas are necessary, the local board must report to the State Board on the anticipated impact on student services.

Base budget reduction to Department of Public Instruction. Authorizes the department to use salary reserve funds and other funds, and to transfer funds within its continuation budget, to implement budget reductions for the 2003-04 fiscal year.

Replacement school buses funds. Authorizes the State Board to use up to \$15,000,000 in 2003-04 and \$47,752,813 in 2004-05 for allotments to local boards for school bus replacement. Sets criteria purchase contracts and the buses themselves must meet.

Expenditures for driving eligibility certificates. Authorizes the State Board to use funds appropriated for drivers education in each year of the biennium for driving eligibility certificates.

Discrepancy between anticipated and actual ADM. Authorizes the State Board to make allotment adjustments to local units from funds appropriated to State Aid for Public Schools if it does not have sufficient resources in the ADM Contingency Reserve. Sets rule for reduction where the average daily membership is 2% or 100 students lower than the anticipated level.

Charter school advisory committee/charter school evaluation. Authorizes the State Board to spend up to \$50,000 each year of the biennium from State Aid to Local School Administrative Units to continue support of a charter school advisory committee and to evaluate charter schools.

Study of issues related to rapid growth in student population. Directs the Joint Legislative Education Oversight Committee to conduct cited study and report to 2004 General Assembly.

Mentor teacher funds may be used for full-time mentors. Directs the State Board to grant flexibility to local boards regarding the use of mentor teacher funds, provided a local board submits a detailed plan on the use of funds and the State Board approves. All local boards are to use the funds to provide mentoring support to all state-paid newly certified teachers, second-year teachers who were assigned a mentor during the prior school year, and entry-level instructional support personnel. Directs the State Board to adopt standards for mentor training.

Explornet audit. Provides that no funds appropriated for distribution to ExplorNet, Incorporated, are to be distributed until the State Auditor and the Office of State Budget and Management certify that it has received an audit report for 2001-02 that is free of audit exceptions.

Community Colleges

Community college funding flexibility. Provides that a community college may use all state funds allocated to it, except literacy funds and funds for new and expanding industries, for any authorized purpose that is consistent with the college's Institutional Effectiveness Plan. No more than 2% systemwide may be transferred from faculty salaries without the approval of the State Board of Community Colleges.

Flexibility to implement budget reductions. Authorizes the State Board to use salary reserve funds and other funds, and to transfer funds within the Community College System Office continuation budget, to the extent necessary to implement budget reductions for 2003-04.

State Board of Community Colleges management flexibility. Directs the State Board to notify each college within 30 days of the effective date of this act of the amount the college must reduce from state General Fund appropriations, with the reductions based on full-time equivalent or other method. The colleges must then report back to the board how they intend to reduce spending. The General Assembly urges colleges to make every effort to reduce spending in ways that do not directly impact classroom services or services identified as high-need areas for the state. If reductions in those areas are necessary, the college must report to the State Board on the anticipated impact on student services.

Registration fees for occupational continuing education or focused industrial training. Authorizes State Board to spend up to \$100,000 in each year of biennium to pay registration fees and material costs for cited training for eligible companies that have fewer than 150 employees and are determined to face challenges in paying the fees themselves.

Summer school funding. Encourages the community college system to use funds appropriated to support summer term curriculum full-time equivalent to address issues with worker shortages in specified high-need industries.

Carry-forward for equipment. Permits the community college system to carry forward up to \$15,000,000 of the operating funds held in reserve that were not reverted in fiscal 2002-03 to be reallocated to the State Board's Equipment Reserve Fund.

Hosiery Center funds. Provides that all fees collected by the Hosiery Technology Center of Catawba Valley Community College for the testing of hosiery products are to be retained by the center and used for its operations. Purchases made with the funds need not comply with Art. 3 ("Purchases and Contracts") of GS Chapter 143.

Scholarships for prospective teachers. Authorizes the State Board to grant up to \$1,000,000 in 2003-04 to the North Carolina Community College Foundation to be used to match a similar grant from the Glaxo Smith Kline Foundation to create a new scholarship program for prospective teachers enrolled in baccalaureate completion programs at community colleges.

Management information system funds. Provides that funds appropriated for the Community Colleges System Office Management Information System do not revert at the end of the 2002-03 and 2003-04 fiscal years but remain available until expended.

Use of literacy funds for literacy labs. Authorizes community colleges to use up to 5% of the Literacy Funds allocated to them to procure computers for literacy labs.

Faculty and professional staff salaries. Directs that \$3,250,000 in the Reserve for Compensation Increases in this act is to be used to increase faculty and professional staff salaries by an average of 0.5% in addition to the 1.6% salary increase provided for elsewhere in this act. Colleges may provide additional increases from funds available. Directs State Board to adopt rules to ensure that these funds are used only to move faculty and professional staff to the respective national averages.

Evaluation of the comprehensive articulation agreement. Directs the Joint Legislative Education Oversight Committee to contract with an independent entity to study the cited agreement, according to standards set out. The UNC Office of the President and the NC Community College System Office are each to transfer \$35,000 to the Joint Legislative Education Oversight Committee to fund the study. Contractor is to conclude the study in four months.

Automotive training incentive. Authorizes State Board to use \$125,000 in 2003-04 to match a similar grant from the North Carolina Automotive Dealers Association to increase awareness of careers available in the franchised automobile and truck industry, increase awareness among school counselors, increase public awareness of teaching opportunities in high schools and community colleges in the area of automotive technology, and increase resources to assist high

school and community colleges in gaining and maintaining certification for their respective automotive technology programs.

Universities

UNC flexibility guidelines. Requires the chancellor of each constituent institution to report to the Board of Governors on the reductions made to the General Fund budget codes to meet the reduction reserve amounts for that institution. Requires the president to report to the Board on the reductions made to codes controlled by the Board. Requires Board to make a summary report on all reductions to the Office of State Budget and Management and the Fiscal Research Division.

Escheat funds. Appropriates from the Escheat Fund income to the Board of Governors \$18,607,293 for each year of the biennium and to the State Board of Community Colleges \$7,062,806 for each year, to be allocated by the State Educational Assistance Authority for need-based student financial aid. Directs the State Educational Assistance Authority to perform all of the administrative functions necessary to implement the program of financial aid.

UNC bond project modifications. Makes the following changes in projects funded by proceeds of the bonds approved by the voters in 2000: (1) At Elizabeth City State University: substitute "Campus Infrastructure Improvement" for "Doles Resident Hall—Comprehensive Renovation." (2) At North Carolina Central University, substitute "Pearson Cafeteria--Expansion" for "Pearson Cafeteria-Renovation," delete "Old Senior Dorm—Conversion to Academic Use," and reduce amount in "Farrison-Newton Building—Comprehensive Renovation of Classroom Building." (3) At UNC-Asheville, substitute "Carmichael Hall Classroom Building—Demolition and New Construction" for "Carmichael Hall Classroom Building—Comprehensive Renovation." (4) At UNC-Pembroke, add "General Purpose Classroom Building" and reduce "Residence/Dining Hall—Replacement of Jacobs & Wellons Halls." (5) At Winston-Salem State University, substitute "Anderson Center—Comprehensive Renovation" for "Anderson Center—Comprehensive Renovation and Change of Use for Early Childhood/Gerontology Programs," reduce the amount from this latter one, add "Coltrane Hall—Renovation to House Gerontology," and add "New Facility for the Early Childhood Program." (6) At Winston-Salem State University, substitute "New Student Health Center" for "Health Center Bldg. & Old Nursing Bldg.—Comprehensive Renovation for Student Health."

Department of Health and Human Services

Petroleum overcharge funds allocation. Appropriates from funds and associated interest from the case of US v. Exxon that remain in the Special Reserve for Oil Overcharge Funds to the Department of Health and Human Services \$1,000,000 for 2003-04 to be allocated for the Weatherization Assistance Program.

Office of Policy and Planning. Directs the Secretary of HHS to establish the cited office. The director of that office is to have responsibility for coordinating development of department policies, plans and rules and development of processes for policies, plans, and rules. The director may require elements within DHHS to conduct periodic reviews of their policies, plans, and rules.

Weatherization assistance program. Adds new GS 108A-70.30 authorizing DHHS to administer the Weatherization Assistance Program for Low-Income Families and the Heating/Air Replacement Program functions.

Nonmedicaid reimbursement changes. Provides (1) that providers of medical services under state programs, other than Medicaid, offering medical care are to be reimbursed at rates no more than those under the North Carolina Medical Assistance Program; (2) that DHHS may reimburse hospitals at the full prospective per diem rates without regard to that program's annual limits on hospital days. Provides that when the program's per diem rates for inpatient services and its interim rates for outpatient services are used to reimburse providers in nonmedicaid medical service programs, retroactive adjustments to claims already paid are not required; and (3) that DHHS may negotiate with providers of medical services under the various DHHS programs other than Medicaid, for rates as close as possible to Medicaid rates for contracts or agreements for medical services and purchases of medical equipment and other medical supplies, but only to meet the medical needs of nonmedicaid eligible patients, residents, and clients who require such

services which cannot be provided when limited to the Medicaid rate. Sets out eligibility standards for services in several specified program, including the Medical Eye Care Program in the Division of Services for the Blind and the Atypical Antipsychotic Medication Program in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

Senior cares program administration. Authorizes DHHS to administer the "Senior Cares" prescription drug access program approved by the Health and Wellness Trust Fund Commission and funded by the Health and Wellness Trust Fund.

Physician services. Authorizes DHHS, with approval of the Office of State Budget and Management, to use funds appropriated in this act for across-the-board salary increases and performance pay to offset similar increases in the costs of contracting with private and independent university for the provision of physician services to clients in facilities operated by Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. The offsetting is to be done in the same manner as is currently done with the constituent institutions of UNC.

Liability insurance. Authorizes the secretaries of DHHS, Dep't of Environment and Natural Resources, and Dep't of Correction to provide medical liability coverage up to \$1,000,000 per incident on behalf of (1) employees of those departments who are licensed to practice medicine or dentistry, (2) all licensed physicians who are faculty members of UNC and who work on contract for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and (3) physicians in all residency training programs of UNC who are in training at institutions operated by DHHS. Coverage may be through commercial insurance or self-insurance.

Butner community land reservation. Directs DHHS to reserve a specified two-acre tract of land for the construction of a community building and related facilities to serve the Butner Reservation, to be funded by Granville County, the residents of Butner Reservation, cablevision franchise rebate funds, and other public and private sources.

Mental Health, Developmental Disabilities, and Substance Abuse Services Trust Fund for system reform bridge and capital funding needs and Olmstead. Provides that moneys in the trust fund established pursuant to GS 143-15.3D (Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs) may be used to establish or expand community-based services only if sufficient funds can be identified within DHHS from funds currently budgeted for mental health, developmental disabilities, and substance abuse services, area mental health programs or county programs, or local government.

Extend mental health consumer advocacy program contingent upon funds appropriated by the 2005 General Assembly. Cited program was created by an act of the 2001 General Assembly, but was to become effective only if funded by the 2002 General Assembly. The 2002 General Assembly amended that to say the program would be effective only if funded by the 2003 General Assembly. This section extends that to the 2005 General Assembly.

Substance abuse prevention services reporting. Sets out reporting requirements for DHHS on its activities under Sec. 10.24 of the budget act, relating to substance abuse prevention services.

Dorothea Dix Hospital. Directs DHHS to develop and implement a plan for construction of a replacement facility for the cited hospital and for the transition of patients to the community or to other long-term care facilities, as appropriate, using these principles: (1) individuals are to be provided acute psychiatric care in non-state facilities when appropriate; (2) individuals are to be provided acute psychiatric care in state facilities only when non-state facilities are unavailable; (3) individuals are to receive evidence-based psychiatric services and care that are cost-efficient; and (4) the state is to minimize cost shifting to other state and local facilities and institutions. Any savings that result from reduction in beds or services are to be used to facilitate the transition of clients into appropriate services.

Comprehensive treatment services program. Directs DHHS to report on its continuing implementation of the cited program, initiated under the 2001 budget act.

Mental retardation center downsizing. Directs DHHS to insure that as mental retardation centers are downsized, it makes corresponding financial reductions related to staff size. Specifies how savings from staff reductions are to be used.

Mental retardation center outreach plan. Directs DHHS to develop and implement a plan for the reorganization of outreach services performed by state mental retardation centers, including

(1) the elimination of all activities in state facilities centered on the identification and referral of individuals in the community in need of special services to the mental retardation centers, (2) transfer of responsibility to area and county mental health programs for all community referral functions for special services at the mental retardation centers, (3) the method for allocating savings in state appropriations from the mental health centers across the area and county mental health programs, and (4) the retention in the mental retardation centers of community transition activities currently performed as part of outreach. Specifies how savings from the reductions in services are to be used.

Services to multiply-diagnosed adults. Directs DHHS Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to implement the following principles in its delivery of services to multiply-diagnosed adults: (1) service delivery must be outcome oriented and evaluation based, (2) services should be delivered as close to the consumer's home as possible, (3) services selected should be those that are the most efficient in terms of cost and effectiveness, (4) services should not be provided solely for the convenience of the provider or the client, and (5) families and consumers should be involved in decision making throughout treatment planning and delivery. Directs (i) use of utilization review of services provided, (ii) preauthorization for all services except emergency services, (iii) clinically appropriate services, (iv) development of criteria for determining medical necessity, and (v) a review of individual service plans for certain multiply-diagnosed adults. Provides that no state funds may be used for the purchase of single-family or other residential dwellings to house multiply-diagnosed adults.

Area mental health administrative costs. Directs area mental health, developmental disabilities, and substance abuse authorities (or counties administering these programs) to implement plans to reduce administrative costs to no more than 13%.

Private agency uniform cost finding agreement. Authorizes DHHS Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to require private agencies that provide services under contract with an area mental health, developmental disabilities, and substance abuse authority to complete an agency-wide uniform cost finding, with the resulting cost to be the maximum included for the private agency in the contracting program's unit cost finding.

Medicaid. States that funds appropriated in this act are for both the categorically needy and the medically needy. Sets out the services and payment bases for (1) hospital—inpatient, (2) hospital—outpatient, (3) nursing facilities, (4) intermediate care facilities for the mentally retarded, (5) drugs, (6) physicians, chiropractors, podiatrists, optometrists, dentists, certified nurse midwives, nurse practitioners, (7) community alternative program EPSDT screens, (8) home health and related services, private duty nursing, clinic services, prepaid health plans, durable medical equipment, (9) Medicare buy-in, (10) ambulance services, (11) hearing aids, (12) rural health clinic services, (13) family planning, (14) independent laboratory and X-ray services, (15) optical supplies, (16) ambulatory surgical centers, (17) Medicare crossover claims, (18) physical therapy and speech therapy, (19) personal care services, (20) case management services, (21) hospice, (22) other mental health services, (23) medically necessary prosthetics or orthotics for EPSDT eligible children, (24) health insurance premiums, (25) medical care/other remedial care, and (26) pregnancy related services. Sets standards for dental coverage limits and rules on generic drugs. Provides that DHHS may waive service limitations, eligibility standards, and payments bases with the approval of the Governor to carry out pilot programs. Sets out rules for volume purchase plans and cost containment programs.

Provides that payment is limited to Medicaid enrolled providers that purchase a performance bond of at least \$100,000 naming DHHS as beneficiary (or other approved letter of credit). Provides for waiver of the bond in certain circumstances. Provides for reimbursement for up to 24 visits per recipient per year to any one or any combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Exempt from the limit are prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review.

Provides that the state will pay 85% and the counties 15% of the nonfederal costs of all services listed in this section. Authorizes DHHS to establish a copayment up to the maximum amount permitted by federal law. Sets maximum family income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance.

Provides that DHHS Division of Medical Assistance will provide Medicaid coverage to all elderly, blind, and disabled persons who have incomes less than 100% of the federal poverty guidelines. Authorizes DHHS to provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR facilities who are regularly engaged in work activities as part of their developmental plan and for whom retention of additional income contributes to their achievement and independence.

Prohibits DHHS from imposing prior authorization requirements on medications prescribed for Medicaid recipients for treatment of mental illness or HIV/AIDS.

Directs DHHS to provide coverage to pregnant women and children according to this schedule: (1) pregnant women under 150% of the federal poverty guidelines are eligible for Medicaid benefits. The income of a minor's parents count if the minor is residing at home. (2) infants under age 1 in families with income under 150% of the federal poverty guidelines are eligible for Medicaid benefits. (3) children age 1 to 5 are eligible if family income is under 133%. (4) Children age 6 to 18 are eligible if family income is under 100%. (5) Adoptive children with special or rehabilitative needs are eligible regardless of the adoptive family's income. Upon approval of a demonstration waiver by the Centers for Medicare and Medicaid Services, DHHS may provide Medicaid coverage for family planning services to men and women of child-bearing age with family incomes under 185%.

Authorizes DHHS to adopt temporary rules when necessary to maximum receipt of federal funds. Sets out rules on federal transfer of assets policies and rules on computation of income.

Directs DHHS to implement a new coding system for therapeutic mental health services. Prohibits DHHS from changing medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide those services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change. Sets rules for approval of such proposed changes.

Medicaid reserve fund transfer. GS 143-23.2 provides for appropriations and transfers of money directly to DHHS by political subdivisions of the state and by other public agencies and private sources for Medicaid programs. The statute provides further that these contributed funds are not to reduce state general revenue funding. This section provides that for 2003-04 and 2004-05 \$30,000,000 each year is to be transferred and may replace the reduction in general revenue funding effected by this act.

Disposition of disproportionate share receipts. Provides that disproportionate share receipts reserved at the end of each year of the biennium are to be deposited with the State Treasurer as nontax revenue. Provides further that DHHS Division of Medical Assistance is to deposit funds it receives associated with Disproportionate Share Payments from state hospitals up to \$100,000,000 as nontax revenue. Any amount in excess of \$100,000,000 is to be reserved by the State Treasurer for future appropriations.

County Medicaid cost share. Provides that effective July 1, 2000, the county share of the cost of Medicaid services currently and previously provided by area mental health authorities is to be increased incrementally each fiscal year until the county share reaches 15% of the nonfederal share by 2009-10, and a similar increase is to be made in the county share of the cost of Medicaid Personal Care Services paid to adult care homes.

Medicaid cost containment activities. Authorizes DHHS to use up to \$3,000,000 in the 2003-05 biennium to support the cost of administrative activities that are cost effective and produce savings, including contracting for services, hiring additional staff, prospective reimbursement methods, incentive-based reimbursement methods, service limits, prior authorization of services, periodic medical necessity reviews, revised medical necessity criteria, service provision in the least costly settings, and other cost-containment activities. Expenditures require prior approval of the Office of State Budget and Management.

Increases in federal Medicaid funds. Provides that the total amount of state funds that become available to DHHS for 2003-04 due to an increase in federal Medicaid funds resulting from increases in the Federal Financial Participation rate are to be used to increase funds available to DHHS for that fiscal year for the Medicaid program without any reduction in what is otherwise allocated to the department from appropriated funds. Provides that DHHS Division of Medical Assistance may reinstate eligibility policies changed by this act if (1) Congress approves enhanced Federal Financial Participation for state Medicaid programs, (2) receipt of the enhanced Federal Financial Participation is dependent on a state's maintenance of effort in Medicaid

eligibility, (3) DHHS has concluded that the enacted policy changes render the state ineligible for enhanced Federal Financial Participation, and (4) enhanced Federal Financial Participation receipts exceed the anticipated savings in state funds from enacted policy changes.

Public assistance and social services appeals and access to records. Rewrites GS 108A-79, which sets out appeal rights and procedures in public assistance and social services cases, to (1) require that notices to applicants or recipients state the right to a state-level hearing in cases involving disability; (2) specify that the issue of disability determination is governed by federal law (actually regulation) codified in 42 § C.F.R. 435.541; (3) provide that in an appeal from a local appeal hearing decision, from a food stamp recipient where there is no local hearing, or in a case involving disability, the de novo administrative hearing shall be conducted according to federal law (actually regulation) codified in 42 C.F.R. § 431, Subpart E, as well as Article 3 of GS Chapter 150B.

Transfer of property to qualify for Medicaid. Rewrites GS 108A-58, which applies to transfers made before July 1, 1988, to (1) delete references to specific time periods during which transfers occur and refer instead to time periods mandated by controlling federal law, referring to "section 1917(c) of the Social Security Act"; (2) provide that countable real property excludes a homesite, unless other applicable federal or state law requires the homesite to be counted for transfer of property purposes; and (3) delete specified time periods of ineligibility and refer instead to the period of time required under section 1917(c) of the Social Security Act.

Medicare enrollment required. Adds new GS 108A-55.1, which (1) directs DHHS to require state Medicaid recipients who qualify for Medicare to enroll in Medicare in accordance with Title XIX of the Social Security Act, in order to pay medical expenditures that qualify for payment under Medicare Part B; (2) provides that failure to enroll will result in nonpayment of those expenses by the state Medical Assistance Program; and (3) provides that a provider may seek payment for services from Medicaid enrollees who are eligible for but not enrolled in Medicare Part B.

Medicaid assessment program for skilled nursing facilities. Directs the Secretary of HHS to implement a Medicaid assessment program for licensed skilled nursing facilities. Requires that the assessment be imposed effective October 1, 2003, and in a manner consistent with federal regulations under 42 C.F.R. Part 433, Subpart B. Requires that funds realized from the assessment program be used only to draw down federal Medicaid matching funds for implementing the new reimbursement plan for nursing homes and for increasing nursing facility rates in accordance with that plan. Prohibits use of the funds to supplant state funds appropriated for nursing facility services, and directs that the funds be used to pay 100% of the nonfederal share of the new reimbursement plan.

Health Choice. Rewrites GS 108A-70.20 to provide that when applying Medicaid reimbursement rates to services provided under the Health Choice Program, DHHS may administer program benefits and claims processing when the Secretary determines that DHHS administration of benefits and claims processing would be more efficient and cost-effective than administration pursuant to GS 135-4, which calls for administration by the Executive Administrator and Board of Trustees of the NC Teachers' and State Employees' Comprehensive Major Medical Plan. Makes conforming change to GS 108A-70.24. Rewrites GS 108A-70.21 to (1) provide for a \$1.00 co-payment for each outpatient brand name prescription drug for which there is no generic substitution available and a \$10.00 co-payment for each outpatient brand name prescription drug for which there is a generic substitution available, and (2) make these fees applicable to covered families whose family income is at or below 150% of the federal poverty level. Provides that the total amount of state funds expended for Health Choice in the 2003-04 and 2004-05 fiscal year shall not exceed the amount of state funds appropriated to match federal funds for the program for the 2003-04 fiscal year and the 2004-05 fiscal year. Directs DHHS to manage the program enrollment in a way that maximizes the number of children served within existing funds.

Immunization program funding. Of funds appropriated to DHHS, authorizes use of \$1 million in 2003-04 and \$1 million in 2004-05 for projects and activities to increase childhood immunization rates in the state. Prohibits use of the funds for additional state positions in DHHS or contracts, except for contracts to develop an automated immunization registry or with local health departments for outreach.

AIDS Drug Assistance Program (ADAP). Provides that for fiscal years 2003-04 and 2004-05, HIV-positive individuals with incomes at or below 125% of the federal poverty level are eligible for

participation in ADAP, and eligibility shall not be extended to persons with incomes above 125% of the federal poverty level. Requires DHHS to make an interim report on ADAP program utilization by January 1, 2004, and a final report by May 1, 2004, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. Specifies types of information the reports must include.

Newborn hearing screening program report. Requires DHHS to report specified information about the newborn hearing screening program no later than May 1, 2004, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Eliminate Home Health Purchase of Care Program. Requires DHHS to eliminate the Home Health Purchase of Care Program and transfer \$3,001,253 from the budget of the Division of Public Health to the Division of Medical Assistance. Specifies that these funds and any additional administrative funds identified by closing the program shall be used only to maximize federal Medicaid matching funds for Home Care Personal Care Services, and that funds realized from the transfer shall not be used to supplant state funds appropriated for Home Care Personal Care Services.

Employees examined for asbestosis or silicosis under workers compensation statute. Rewrites GS 97-72(b) and 97-73(b), to provide that the Commissioner of Labor, rather than the Secretary of HHS, shall establish fees and adopt rules relating to examinations of employees having asbestosis or silicosis.

Child care funds matching requirement. Provides that DHHS may not require local matching funds as a condition of any locality's receiving any state child care funds appropriated by the act unless federal law requires a match.

Child care subsidy rates. Provides that maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be 200% of the federal poverty level, adjusted for family size. Provides that for families required to share in the cost of care, effective October 1, 2003, fees shall be determined as a percent of gross family income as follows: if there are 1-3 family members, 10%; 4-5 family members, 9%; and 6 or more family members, 8%. Provides that for purchase of child care services for low-income children, (1) religious-sponsored facilities operating under GS 110-106 and licensed child care centers and homes that meet the minimum licensing standards participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower; (2) licensed centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately, whichever is lower; (3) nonlicensed homes shall receive 50% of the county market rate or the rate they charge privately, whichever is lower; and (4) the Division of Child Development shall periodically calculate the maximum payment rates for transportation-related fees. For child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care, (1) payment rates shall be set at the statewide or regional market rate for licensed centers and homes, and (2) if it can be demonstrated that application of the statewide or regional market rate is lower than the county market rate and would inhibit the county's ability to purchase child care, then the county market rate may be applied. Requires the Division of Child Development to calculate market rates for each county as well as statewide and regional rates. Provides that noncitizen families residing in the state legally are eligible for child care subsidies if all other conditions of eligibility are met, and that noncitizen families residing in the state illegally are eligible only if the child (1) is receiving foster care or protective services, or (2) is developmentally delayed, or (3) is a citizen of the United States.

Child care allocation formula. Requires DHHS to allocate child care subsidy voucher funds for child care for children of needy families. Provides that the mandatory 30% Smart Start subsidy allocation under GS 143B-168.15(g) shall constitute the base amount for each county's allocation and that other funds shall be allocated based on the projected cost of serving children in a county under age 11 in families with all parents working who earn less than 200% of the federal poverty level; provided, no county's allocation shall be less than 90% of its 2001-2002 initial child care subsidy allocation. Authorizes DHHS to reallocate unused funds.

Child Care Revolving Loan. 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, and that the principal and income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

Early Childhood Education and Development Initiatives enhancements. Provides that administrative costs shall be equivalent, on an average statewide basis for all local partnerships, not more than 7% of the total statewide allocation to all local partnerships. Specifies competitive bidding requirements for contracting by the state Partnership or local partnerships. Requires the state Partnership and all local partnerships, in the aggregate, to match no less than 50% of the total amount budgeted for the program in each fiscal year of the biennium and sets out details of this matching requirement. Requires DHHS to continue to implement the performance-based evaluation system. Requires the state Partnership to develop a policy to allocate the reduction of funds for the 2003-04 and 2004-05 fiscal years, and prohibits capital expenditures and expenditures for playground equipment. Prohibits expenditure of state funds for advertising and promotional activities. Provides that the state Partnership (1) shall not approve local partnership plans that allocate state funds to child care providers for certain one-time quality improvement initiatives; (2) shall not reduce the level of expenditures for subsidies below those for fiscal year 2002-2003; (3) shall develop a plan to focus on quality day care initiatives and child care subsidies and study any duplication of services and activities; (4) shall impose a 10% penalty against a local partnership's allocation when the local partnership's audit is classified as a "needs improvement performance assessment." Shall report on activities and directives of the act by March 1, 2004, 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.

Early Childhood Education and Development Initiatives Evaluation. Authorizes DHHS to evaluate the Early Childhood Education and Development Initiatives.

More at Four Program. Of funds appropriated to DHHS, requires that \$43,056,500 in 2003-04 and \$41,856,500 in 2004-05 be used to implement More at Four, a voluntary prekindergarten program for at-risk four-year-olds. Requires DHHS and the Department of Public Instruction, with guidance from the Task Force, to continue to implement the program statewide in counties that choose to participate. Sets out 14 components the program must include, ranging from a process for identifying children at risk of academic failure, to recommendations for long-term organizational placement and administration of the program. Requires DHHS to plan for expansion of the program within existing resources and authorizes the department to use nonobligated program funds to reduce the waiting list for subsidies. Requires submission of a progress report by January 1, 2004, and May 1, 2004, including information specified in the act.

Residential schools reporting. Requires the Office of Education Services to report not later than December 1, 2003, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on the activities of the Eastern North Carolina School for the Deaf at Wilson, the North Carolina School for the Deaf at Morganton, and the Governor Morehead School for the Blind, including enrollment numbers, budgets, and academic status of the schools as defined under the ABCs program.

Senior center outreach. Requires Division of Aging in DHHS to use funds appropriated for the 2003-2005 biennium (1) to expand the outreach capacity of senior centers to reach unserved or underserved areas, or (2) to provide start-up funds for new senior centers. Before allocation of funds for a new senior center, requires that board of county commissioners formally endorse the need for a center, formally agree on the sponsoring agency for the center, and make a formal commitment to use local funds to support the ongoing operation of the center. Specifies that state funding shall not exceed 65% of reimbursable costs.

Adult care home model for community-based services. Requires DHHS to develop a pilot model project for delivering community-based mental health developmental disabilities, and substance abuse housing and services through adult care homes that have excess capacity and to report on development of the model by March 1, 2004, 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.

Child support program/enhanced standards. Requires DHHS (1) to develop and implement performance standards for each of the state and county child support enforcement offices in the state and, in doing so, to evaluate other private and public child support models and national standards as well as other successful collections models; (2) to monitor the performance of each office and implement a reporting system; (3) to publish an annual performance report that includes statewide and local office performance of each child support office; and (4) report on its progress in this regard by May 1, 2005, 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.

Special needs adoption incentive fund. Adds new GS 108A-50A, creating a Special Needs Adoptions Incentive Fund to provide financial assistance to facilitate the adoption of certain children residing in licensed foster care homes. Requires county matching funds. Specifies that the program does not create an entitlement, and directs the Social Services Commission to adopt rules to implement the program.

Foster care and adoption assistance payments. Establishes the following maximum monthly rates for state participation in foster care and adoption assistance payments: children ages birth through 5, \$415.00; ages 6-12, \$465.00; and ages 13-18, \$515.00. For HIV foster care and adoption assistance, the rates are \$800.00 for child with indeterminate HIV status; \$1,000 for child confirmed HIV-infected, asymptomatic; \$1,200 for child confirmed HIV-infected, symptomatic; and \$1,600 for a child who is terminally ill with complex care needs.

Special Children Adoption Fund. Of funds appropriated to DHHS, requires that \$1.1 million be used to support the Special Children Adoption Fund for the 2003-2005 biennium. Provides that funds shall be used solely to enhance adoption services and that no local match shall be required. Provides for 20% of the funds to be reserved for participating private adoption agencies, subject to reallocation if they have not been spent on or before March 31, 2004.

Intensive Family Preservation Services funding and performance enhancement (IFPS). Requires DHHS to review the IFPS Program and implement initiatives to focus on increasing its sustainability and effectiveness. Provides that the program shall implement 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. Directs that the program be implemented statewide on a regional basis and that it include standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement. Specifies types of information and data that must be provided to DHHS by any program or entity receiving funds for the program. Requires DHHS to establish performance-based funding protocol and to report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division by April 1, 2004.

TANF state plan. Requires DHHS to revise the 2003-2005 state TANF plan in relation to the following components: (1) Enhanced Employee Assistance Program, to reflect changes in funding; (2) Services for Families and Work Responsibility, to remove references to start-up activities; (3) Cabarrus County Waiver, to reflect changes in the law; and (4) goal number eight, to provide that caseload reduction goals are subject to economic conditions in the county. Approves as Electing Counties, for fiscal years 2003-2005, Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln, Macon, McDowell, Sampson, Surry, and Wilkes.

Electing County TANF funds revert. Rewrites GS 108A-27.11(c) to delete provision that DHHS shall transmit one fourth of the state funds contained in county block grants to Electing Counties at the beginning of each quarter.

Special Assistance demonstration project. Authorizes DHHS to use funds from the existing State/County Special Assistance for Adults budget for a demonstration project to provide payments to up to 800 eligible individuals in in-home living arrangements for fiscal years 2003-04 and 2004-05. Requires DHHS to report by April 1, 2004, including a description of cost savings that could occur by allowing individuals eligible for State/County Special Assistance the option of remaining in the home, and other specified information.

State/County Special Assistance. Provides that (1) eligibility of otherwise eligible recipients residing in adult care homes on August 1, 1995, shall not be affected by an income reduction in the eligibility criteria resulting from adoption of the Rate Setting Methodology Report and Related Services, and maximum monthly rate for these residents is \$1,231; (2) maximum monthly rate for residents in adult care home facilities is \$1,091, through September 30, 2003; (3) effective October 1, 2003, the maximum monthly rate is \$1,066 unless adjusted by DHHS as authorized by provision described below; and (4) eligibility of otherwise eligible recipients who live in adult care homes on September 30, 2003, shall not be affected by an income reduction in the eligibility criteria, and the maximum monthly rate for these residents shall be \$1,091. Directs that \$3,189,675 for 2003-04 and \$4,431,846 for 2004-05 appropriated to DHHS be transferred from the Division of Social Services to the Division of Medical Assistance and used as state match to draw down federal matching funds to help pay for Medicaid's personal care services for adult care homes rather than the State/County Special Assistance Program. Requires DHHS to review activities and costs related to 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 under federal law. Authorizes DHHS, with proper approvals, to transfer funds from the State/County Special Assistance Program to the Division of Medical Assistance for use to draw down federal funds under the personal care program, maximizing available federal funds. Authorizes DHHS to adjust monthly benefit rates to reflect any transfer of funds and transfer of costs and responsibilities to the Medical Assistance Program.

State/County Special Assistance Transfer of Assets. Makes the federal Supplemental Security Income (SSI) policy regarding transfer of assets and estate recovery applicable to applicants for State/County Special Assistance. Requires DHHS to continue reviewing program policy relating to contributions by family members to recipients' care and to report by March 1, 2004, 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.

Limitation on state abortion funding. Provides that no state funds shall be used for the performance of abortions; however, DHHS may expend funds to the extent necessary to comply with federal law and regulations governing Medicaid.

Funds for food banks. Provides that of funds appropriated to DHHS for fiscal year 2003-04, \$1 million shall be allocated equally among the six Second Harvest North Carolina food banks. Requires each organization to report to DHHS and the Fiscal Research Division on its activities and community impact by April 1, 2004, and to provide copies of their annual audited financial statements within 30 days of issuance of the statements.

Child welfare system pilots system. Requires DHHS to continue working with local departments of social services to implement an alternative response system of child protection in no fewer than 10 and no more than 33 demonstration areas. Allows the Division of Social Services to exceed the maximum number if a county specifically requests inclusion and the Division determines that the resources are available. Makes clear that demonstration projects in place in the 2003-04 fiscal year shall continue. Requires DHHS to evaluate the original pilots to determine their impact in regard to child safety, timeliness of response, timeliness of service, and coordination of local human services, and to report by April 1, 2004, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on its evaluation and any recommendations for expansion or for statutory changes.

Department of Environment and Natural Resources (DENR)

Grass Roots Science Program. Requires that of funds appropriated to DENR for the Grassroots Science Program, \$2,605,637 for fiscal year 2003-04 and the same amount for fiscal year 2004-05 be allocated as grants-in-aid for 16 museums and centers specified in the act.

Statewide beaver damage control program fund. Provides that of funds appropriated to the Wildlife Resources Fund, \$449,000 for each year of the 2003-05 biennium be used to provide the state share to support the beaver damage control program established in GS 113-291.10,

provided at least \$25,000 in federal funds is available in each fiscal year to provide the federal share.

Funds for cleanup of Warren County PCB landfill. Authorizes DENR to use up to \$500,000 for fiscal year 2003-04 from fees collected for water quality permits under GS 143-215.3D and credited to the Water Permits Fund if (1) the detoxification and remediation of the landfill in Warren County cannot be completed without these additional funds, and (2) all other funds available to DENR for the detoxification and remediation of the landfill have been spent or encumbered.

Commercial and noncommercial underground storage tank funds. Appropriates to DENR for each year of the 2003-2005 biennium \$2,625,000 from the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund and \$1,295,00 from the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund, to administer the underground storage tank program under Parts 2A and 2B of Article 21 A of GS Chapter 143. Repeals various session laws and makes clear that these are intended to be recurring funds.

Eliminate DENR position. Eliminates the position of Environmental Regulatory Supervisory II in DENR effective June 30, 2003.

Cost share funds for limited resource/new farmers. Rewrites GS 143-215.74(b) to provide that when the applicant is either a limited-resource farmer or a beginning farmer state funding shall be limited to 90% of the average cost for each practice with the assisted farmer providing 10% of the cost, which may include in-kind support of the practice, with a maximum of \$100,000 per year to each applicant. Defines relevant terms.

Clean water management trust fund/no acquisition of real estate interests in certain counties. Rewrites GS 113-145.3 to provide that money from the fund shall not be used to acquire any interest in real property for any purpose in any county in which the sum total of land owned by either the federal or state government exceeds 40% unless the board of county commissioners adopts a resolution consenting to the acquisition.

Clean water management trust fund appropriation. Provides that notwithstanding GS 143-15.3B(a), for the 2003-2005 biennium only, the appropriation to the Clean Water Management Trust Fund for each year of the fiscal biennium is only \$25 million, and that funds appropriated by the act to the Fund shall be used as provided by GS 143-15.3B(b).

Study reallocation of Bailey Fork Watershed Property to state park/access to state park. Requires DENR and DHHS to study the desirability of reallocating the 454 acres that comprise the Bailey Fork watershed property in Burke county, currently owned by DHHS, and study whether to provide access to new facilities at the South Mountains State Park to students at the North Carolina School for the Deaf at Morganton. Authorizes the departments to submit a request to the Council of State to reallocate the property as an addition to the South Mountains State Park. Requires the departments, by January 1, 2004, to report the results of the study and any findings and recommendations to the House and Senate Appropriations Subcommittees on Natural and Economic Resources. Prohibits transfer or sale of the property before July 1, 2005, without review and approval by the General Assembly.

Department of Commerce

Wanchese Seafood Industrial Park/Oregon Inlet Funds. Provides that of funds appropriated to the Department of Commerce for the Wanchese Seafood Industrial Park, \$127,870 for each year of the 2003-2005 biennium may be expended by the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements. Funds appropriated to the department for 2002-2003 fiscal year for the Oregon Inlet Project that are unexpended and unencumbered as of June 30, 2003, shall not revert to the General Fund but shall remain available to the department for legal costs associated with the Project.

Council of Government funds. Provides that of funds appropriated to the Department of Commerce, \$832,150 for each year of the 2003-2005 biennium shall be used to allocate to each regional council of government or lead regional organization up to \$48,950 for each fiscal year, to be used only to assist local governments in grant applications, economic development, community development, support of local industrial development activities, and other activities deemed

appropriate by the member governments. Sets out detailed reporting requirements related to the allocations.

Tourism promotion funds. Provides that funds appropriated to the Department of Commerce for tourism promotion grants shall be allocated to counties most in need, with determinations focused on counties with lowest per capita income, highest unemployment, and slowest population growth. Sets out criteria for determining maximum grant a county may receive.

One North Carolina – Industrial Recruitment Competitive Fund. Authorizes use of moneys from the fund for installation or purchase of equipment; structural repairs, improvements, or renovations related to expansion; and construction of or improvement to new or existing water, sewer, gas or electric utility distribution lines and related purposes. Requires the Department of Commerce to report by September 30, 2003, and quarterly thereafter, to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on the use of the funds. Provides that unexpended funds shall not revert.

Worker Training Trust Fund. Appropriates from the Worker Training Trust Fund for fiscal year 2003-04 (1) to the Employment Security Commission of North Carolina, (a) \$5 million for operation of local offices, (b) \$193,879 for the State Occupational Information Coordinating Committee to develop and operate an interagency system to track former participants in state education and training programs, and (c) \$53,856 to maintain compliance with duty to employ the Common Follow-Up Management Information System to evaluate the effectiveness of the state's job training, education, and placement programs; (2) to the Department of Labor, \$861,684 to continue the Apprenticeship Program; and (3) to the Community Colleges System Office, \$240,000 for operation of the Hosiery Technology Center. Sets out reporting requirements for recipients of these funds. Provides that funds appropriated from the Worker Training Trust Fund to the Community Colleges System Office for the Focused Industrial Training Program and the Training Initiates shall not revert, but shall remain available for support of each program in fiscal year 2003-2004.

Regional Economic Development Commission allocations. Specifies means of allocating funds appropriated to the Department of Commerce for regional economic development commissions.

Regional Economic Development Commission reports. Requires that by February 15 of each fiscal year, beginning in 2004, the seven regional economic development commissions shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division information specified in the act. Provides that the reports shall be reviewed annually by the North Carolina Partnership for Economic Development. Provides that the regional economic development commissions shall receive quarterly allocations and shall remain in the Department of Commerce's Budget Code 14601 with other state-aided nonprofit entities. Provides that the board structure of the Global TransPark Development Commission shall be studied in accordance with recommendations in the UNC Kenan-Flagler study.

Nonprofit reporting requirements. Sets out specific reporting requirements applicable to the N.C. Institute for Minority Economic Development, Inc., Land Loss Prevention Project, North Carolina Minority Support Center, North Carolina Community Development Initiative, Inc., North Carolina Association of Community Development Corporations, Inc., and Partnership for the Sounds, Inc. Makes release of appropriated funds to these entities contingent on compliance with reporting requirements.

Biotechnology Center. Requires the North Carolina Biotechnology Center to recapture funds spent in support of successful research and development efforts in the for-profit private sector and to provide funding for biotechnology, biomedical, and related bioscience applications under its Business and Science Technology Programs. Sets out detailed reporting requirements.

Rural Economic Development Center. Of funds appropriated to the Rural Economic Development Center, Inc., provides for \$1,714,677, each year of the 2003-2005 biennium, to be allocated as follows:

- Research and demonstration grants \$ 370,000
- Technical assistance/center administration of research and demonstration grants 444,399
- Center administration, oversight and other programs 437,278
- Administration of Clean Water/Natural Gas Critical Needs Bond Act of 1998 199,722
- Additional administration of supplemental funding program 138,278

- Administration of Capacity Building Assistance Program (1998 Bond Act) 125,000
Allocates \$2,359,500 for each fiscal year as follows:
- \$991,000 for community development grants to support projects and activities within minority communities;
- \$195,000 to the Microenterprise Loan Program to support the loan fund and program operations;
- \$983,000 to provide supplemental funding for matching requirements for projects and activities; and
- \$190,500 for the Agricultural Advancement Consortium.

Sets out reporting requirements.

Opportunities Industrialization Center Funds. Sets out allocations of \$351,500 for each year of the 2003-2005 biennium for Opportunities Industrialization Centers in Wilson, Rocky Mount, Kinston and Lenoir County, and Elizabeth City, and sets out reporting requirements.

Judicial Department

Collection of Worthless Check Funds. Authorizes Judicial Dep't to use balance in Fund as of June 30, 2003, for purchase or repair of office or information technology equipment during 2003-04.

Office of Indigent Defense Services Report. Requires that Office report by March 1 of each year on volume of cases, actions, and plans of Office to improve cost-effectiveness of operations, and recommended changes in funding procedures.

Drug Treatment Court Program. State Drug Treatment Court funds should not be used to fund case manager positions when services can be provided by Treatment Alternatives to Street Crime (TASC) Program.

Federal grant funds. Requires that Judicial Dep't use up to \$1.25 million from available funds to match federal grant funds and use proceeds from Court Information Technology Fund to fulfill obligations to criminal justice information projects receiving federal funds.

Public Defender Study. Requires that Office of Indigent Defense Services study establishment of additional public defender districts and report findings by March 1, 2004.

Transfer of equipment and supply funds. Requires that funds appropriated to the Judicial Dep't in biennium for equipment and supplies be certified in a reserve account for transfer by Administrative Office of the Courts (AOC) to appropriate programs.

Adjust magistrate authorizations. Amends GS 7A-133(c) to decrease minimum number of magistrates in Martin County to four (was, five) and in Duplin County to eight (was, nine); and to increase the maximum number in Swain County to four (was, three).

Suspension of court-ordered arbitration program. Directs the AOC Director to suspend program in those districts or counties in which personnel and funds are not available to operate program.

Department of Justice

Use of seized and forfeited property transferred to state law enforcement agencies by the federal government. Requires that assets transferred under federal law to Dep'ts of Justice, Correction, and Crime Control and Public Safety during biennium be credited to those dep'ts' budgets, but prohibits the use of those funds for new personnel positions, new projects, real property purchases, or building construction.

Private protective services and alarm systems licensing boards pay for use of state facilities and services. As title indicates.

Certain litigation expenses to be paid by clients. Requires that clients reimburse DOJ for court fees, attorney travel and subsistence, and other litigation-related costs.

Reimbursement for UNC Board of Governors legal representation. Requires that the Board reimburse DOJ for two Attorney III positions to provide legal representation to UNC System.

Report on criminal records checks conducted for concealed handgun permits/study fee adjustment for criminal record checks. Requires that DOJ report by Jan. 15 of each year on costs and receipts of record check services and that the Office of State Management and Budget

(OSMB) study feasibility of adjusting the fees charged for such checks and report on study results by March 1, 2004.

NC Legal Education Assistance Foundation report on funds disbursed. Requires that Foundation report by March 1, 2004 on its internal controls for ensuring that funds designated for education loan payoffs are used for that purpose.

Rape kit funds a priority. Requires that DOJ give funding priority to rape kit analysis over analysis of DNA samples taken for entry into DNA database.

Department of Juvenile Justice and Delinquency Prevention

S.O.S. administrative cost limits. Provides that not more than \$450,000 each year in 2003-04 and 2004-05 may be used to administer the S.O.S. Program.

Reports on certain programs. Requires that reports be submitted by April 1 of each year on the operation and effectiveness of Project Challenge NC, Inc., the Juvenile Assessment Center, and Communities in Schools programs.

State funds may be used as federal matching funds. Authorizes Dep't of Juvenile Justice and Delinquency Prevention (DJJDP) to use funds to match Juvenile Accountability Incentive Block Grant funds.

Annual evaluations of community programs. Requires DJJDP to evaluate Eckerd and Camp Woodson camp programs and report on results by March 1 of each year.

Use of funds for youth development center beds. Authorizes DJJDP to use 2003-04 funds to establish Youth Development Center beds and convert up to 50 beds in an Eckerd camp for this purpose. Further requires Dep't to consider reestablishing beds at Samarkand Manor Youth Development Center.

Planning for new youth development center. Authorizes DJJDP to use funds to continue planning and design of new youth development center with up to 50 beds and provide report on such plans.

Operation of Buncombe Youth Detention Center. Requires that DJJDP continue to operate Center at current site for 2003-04, and to the extent practicable, operate Center at same average population and staffing levels as 2002-03.

Department of Correction

Reimburse counties for housing and extraordinary medical costs for inmates, parolees, and post-release supervisees awaiting transfer to state prison system. Authorizes Dep't of Correction (DOC) to pay counties \$40 per day per inmate during biennium for housing needs as title indicates.

Shift pay for security staff. Authorizes DOC to use 2003-04 funds for shift premium pay of up to 10% and requires that Dep't take steps to reduce such costs by converting prisons from three eight-hours shifts to two 12-hours shifts and report on progress by April 1, 2004.

Department of Correction security staffing formulas. Requires that DOC conduct annual security staffing postaudits and annually update security staffing relief formula and report on progress by Feb. 1, 2004.

Use of closed prison facilities. Requires that in connection with the closing of prison facilities, DOC consult with local governments, other state agencies, and private firms about possibility of converting facility to other uses.

Inmate costs/medical budget for prescription drugs. Requires that if the amount of funds needed to provide prescriptions to inmates exceeds that budgeted for that purpose, DOC may use biennium funds appropriated for salaries and other personal costs.

Mobile medical operating room. Requires that DOC continue funds for operating room at Central Prison for 2003-04 at a reduced fixed rate and use room for additional procedures if there is a cost savings. DOC shall report by April 1, 2004, on the use of mobile operating room.

Conversion of contracted medical positions. Authorizes DOC to convert contract medical positions to permanent medical positions at correctional facilities.

Limit use of operational funds. Prohibits use of operational funds for additional positions until new facilities are within 120 days of projected completion, except for positions necessary to prepare facility for opening.

Federal grant matching funds. Authorizes DOC to use up to \$900,000 to provide match necessary to receive federal grants.

Computer/data processing services funds. Authorizes DOC to use biennium funds appropriated for salaries and other personnel purposes for computer and data processing services.

Medium custody road crew compensation/community work crews. Requires that \$10 million per year during biennium be transferred by the Dep't of Transportation to DOC for costs of highway-related labor performed by prisoners. Further requires DOT to transfer \$1.3 million per year during biennium from the highway fund to DOC to cover cost of up to 39 work crews for DOT litter control projects.

Energy for Committed Offenders/contract and report. Authorizes DOC to contract with Energy for Committed Offenders for prison bed purchases during biennium and requires that Energy report by Feb. 1 of each year on costs of program and re-arrest rates for inmates participating.

Electronic Monitoring Costs. Requires that DOC report by March 1, 2004, on increased use of electronic monitoring.

Collection of offender fees. Requires that DOC report by April 1, 2004, on collection rate of offender fees for probationers and nonprobationers sentenced to community service.

Criminal Justice Partnership Program. Provides that funds of Program shall not be used to fund case manager positions when services can be provided by Division of Community Corrections or TASC Program and authorizes DOC to reallocate funds from program to other counties.

Reports on nonprofit programs. Requires that Harriet's House, Summit House, Women at Risk, and the John Hyman Foundations report by Feb. 1 of each year on use of state funds and program effectiveness.

Report on probation and parole caseloads. Requires that DOC report by March 1 of each year as title indicates.

Community Service Work Program. Requires that DOC report by May 1, 2004, on integration of Program into Division of Community Corrections and average caseloads of Program coordinators.

Report on inmates eligible for parole. Requires that Post-Release Supervision and Parole Comm'n report by Jan. 15 and July 15 of each year on total number of inmates who were parole-eligible and were paroled and on plan for implementing staff reductions.

Department of Crime Control and Public Safety

Transfer CJIN to the Department of Crime Control and Public Safety. Amends GS 143-661(a) as title indicates.

The juvenile justice information system. Amends GS 143B-516(13) and 143-663(a)(1) to provide that DJJDP shall develop and administer system.

Annual evaluation of the Tarheel Challenge Program. Requires that Dep't of Crime Control and Public Safety (DCCPS) report on Program by April 1 of each year.

Legislative review of drug law enforcement and other grants. Requires that Governor's Crime Comm'n of the DCCPS report on state application for certain federal drug law enforcement grants and provides that unless a state statute directs otherwise, when federal law requires that grant applications be reviewed by legislature and legislature is not in session, application review shall be conducted by the Jt. Legis. Comm'n on Governmental Operations.

Department of Administration

Agencies to use mail service centers. Amends GS 143-341(8)g. to require that all state agencies except Employment Security Comm'n use mail service center and to require that agencies be charged their proportionate costs of center. Makes technical corrections.

Study of advocacy programs in the Department of Administration. Requires that Sec'y of DOA study functions and appropriate placement of advocacy programs within state government and whether function could be more effectively provided by nonprofit organizations, and report findings by May 1, 2004.

Office of the State Auditor

Smart Start Audits. Amends GS 143B-168.14(b) to require that annual audits of programs rated "needs improvement" be conducted and that biennial audits be conducted on programs rated "superior" or "satisfactory."

Office of the Governor

Housing Finance Agency matching funds. Requires that funds appropriated for the federal HOME program be used to match federal funds for Program and establishes priority of programs located in Tier One, Two and Three Enterprise Counties. Provides that funds shall not revert to General Fund on June 30, 2004 or 2005.

Information Technology

ITS Budget structure review/report. Requires that the Office of Information Technology Services conduct assessment of state's legacy information technology systems and develop a plan to determine needs, costs, and time frame for agencies to progress to more modern information technology systems, and report findings by March 1, 2004. Further requires that Office of State Budget and Management conduct a study of IT expenditures and recommend potential efficiencies in those operations by April 1, 2004.

Department of Insurance

Insurance Fund transfer to General Fund. Requires quarterly fund transfers to repay funds appropriated to Dep't of Insurance from General Fund, plus accrued interest.

Department of Revenue

DOR Taxpayer Telecommunications Service. Amends SL 2002-126, Sec. 22.6(a), to extend to 2005 period Dep't of Revenue may draw on collection assistance fee account for establishing Service. Makes technical corrections.

Certain DOR positions fee-supported. Authorizes DOR to use up to \$531,512 of collection assistance fee account each year of biennium for salary and benefits for listed Revenue Officer I and II positions.

Secretary of State

Transfer consultation requirement under Business License Information Office to Small Business Centers. Requires that by June 30, 2004, Dep't of Secretary of State and NC Community College System implement a plan to transfer functions as title indicates, plan to include the establishment of a Statewide Coordinator position to develop a web-based master application system of all state licensing and regulatory requirements. Requires that Sec'y use 2003-04 funds appropriated to BLIO for this purpose.

Publication of the North Carolina Manual. Requires that Sec'y pay for publication of Manual from sales receipts when budgeting for 2005-07 and consider providing Manual by Internet.

State Board of Elections

Help America Vote Act Matching Funds. Transfers \$1,791.936 of monies appropriated to Board of Elections to reserve fund to meet Act's Maintenance of Effort matching requirements; \$1,665,650 from Fund 1100 Administration for the SEIMS RCC to BOE reserve fund; and \$2,524,400 to Election Fund to meet Act's matching requirement for 2003-2006. Establishes Election Fund and requires that all funds received for implementation of Act shall be deposited in Fund and used only to implement Act. Adds new GS 147-69.2(a)(17d) creating Election Fund.

Office of State Budget and Management

NC Humanities Council. Requires that Council report by Jan. 15, 2004, on programs and expenditures for 2002-03 and plans and estimated expenditures for 2003-04.

Office of the State Controller

Overpayments audit. Requires that overpayments to vendors by state agencies be deposited in Special Reserve Account 24172, and that for 2003-04 \$200,000 of those funds shall be used for data processing, debt collection, or e-commerce costs.

Amending funding for retirement and escheat operations. Amends GS 116B-6(h) to require that cost of Escheat Fund be covered by an appropriation to State Treasurer and that Escheat Fund deposit in the General Fund amounts appropriated from that Fund to cover cost of Escheats program. Further amends GS 135-6(g) and 128-28(h) to require that cost of Retirement System be covered by appropriation to State Treasurer and that the System shall deposit its apportioned share of the cost to the General Fund. Effective July 1, 2003.

State Treasurer subject to Executive Budget Act. Amends GS 147-68(e) as title indicates, effective July 1, 2003.

Department of Transportation

Cash-Flow Highway Fund and Highway Trust Fund appropriations. Authorizes and certifies anticipated revenues of the (a) Highway Fund as follows: 2005-06 - \$1,409.2 million; 2006-07 - \$1,458.9 million; 2007-08 - \$1,509.4 million; and 2008-09 - \$1,558.8 million; and (b) Highway Trust Fund as follows: 2005-06 - \$1,096.3 million; 2006-07 - \$1,148.0 million; 2007-08 - \$1,202.6 million; and 2008-09 - \$1,252.4 million.

Small urban contingency funds. Requires that DOT allocate \$14 million in each year of biennium for small urban construction projects and \$10 million for each year of biennium for rural or small urban highway improvements, funds not subject to county allocation formulas in GS 136-44.5(b) and (c) or to GS 136-44.7.

Department of Transportation productivity pilot programs. Authorizes DOT to establish test incentive pay program for highway resurfacing program using road oil, using up to .25% of program budget for incentive payments, and one other incentive pay program, using up to \$25,000 to pay for program.

Reduce Highway Trust Fund administration allocation. Amends GS 136-176(b) to authorize DOT to use up to 3.8% (was, 4.5%) of revenue deposited in Fund under subdivisions (a)(1), (2) and (3) to administer Fund; 61.95% to plan and construct Intrastate System projects; 25.05% to plan and construct urban loops; 6.5% for secondary road construction; and 6.5% to supplement appropriation to cities for city streets.

Use of excess overweight/oversize funds. Requires that funds generated by overweight/oversize permit fees that are in excess of costs of program shall be used for highway and bridge maintenance

Environmental permits on Department of Transportation. Adds new GS 136-44.7B to require that Dep't of Environment and Natural Resources issue decision on permit applications required for transportation construction projects within 90 days of receipt of application and that once issued permit shall not expire or be modified or cancelled unless one of the conditions listed in act occurs.

Driver Education Privatization. Requires that BOE study statewide privatization of state-funded driver education.

Department of Transportation General Administration reductions. Requires that DOT reduce General Administration expenditures by \$1.8 million for 2003-04 and \$3.6 million for 2004-05, 75% of which shall be achieved through personnel reductions.

Salaries and Employee Benefits.

Governor and Council of State. Sets salary of Governor at \$120,325 and Council of State members at \$106,195.

Non-elected department head/salary increases. Sets salaries at \$103,753.

Certain executive branch officials/salary increases. Chairman, ABC-\$94,433, State Controller-\$132,159, Comm'r of Motor Vehicles-\$94,433, Comm'r of Banks-\$106,195, Chairman, ESC-\$131,992, State Personnel Director-\$103,753, Chairman, Parole Comm'n-\$86,229, Members, Parole Comm'n-\$79,610, Chairman, Utilities Comm'n-\$118,267, Members, Utilities Comm'n-\$106,195, Executive Director, Agency for Public Telecommunications-\$79,610, General Manager, Ports Railway Comm'n-\$71,887, Director, Museum of Art-\$96,764, Executive Director, NCHFA-\$116,872, Executive Director, NCAFA-\$91,918, and Chief Information Officer-\$132,080.

Judicial branch officials/salary increase. Chief Justice, Supreme Court-\$120,325, Assoc. Justice-\$117,181, Chief Judge, Court of Appeals-\$114,251, Appeals Court Judge-\$112,298, Judge, Sr. Regular Resident Superior Court-\$109,247, Superior Court Judge-\$106,195, Chief Judge, District Court-\$96,431, District Court Judge-\$93,380, Administrative Officer of the Courts-\$109,247, and Asst. Administrative Officer of the Courts-\$99,787. Establishes minimum salary of Asst. District Attorney or Public Defender at \$31,532 effective July 1, 2003, and provides that average salaries of those positions shall not exceed \$61,154 in each district. Requires that all other full-time permanent employees of Judicial Dep't be increased by 1.6%.

Clerk of superior court salary increases. Amends GS 7A-101(a) to establish annual salary of clerk of superior court in each county, based upon population of county, as follows: less than 100,000: \$71,030; 100,000 to 149,999: \$79,707; 150,000 to 249,999: \$88,386; 250,000 and above: \$97,066.

Assistant and deputy clerks of court/salary. Amends GS 7A-102(c1) to establish salary range of Asst. Clerk and Head Bookkeeper from \$26,939 to \$47,207 and of Deputy Clerks from \$22,926 to \$36,508.

Magistrates' salary increases. Amends GS 7A-171(a) to establish salary range for full-time magistrate judges of \$27,319 to \$47,614 and a prorated amount for part-time magistrates. Further amends GS 7A-171.1(a1) to establish ranges for magistrates who were credited with less than five years of service as of June 30, 1994.

General Assembly principal clerks. Amends GS 120-37(c) to establish salary of principal clerks at \$89,719.

Sergeant-At-Arms and reading clerks. Amends GS 120-37(b) to set salary of sergeant-at-arms and reading clerk at \$297 per week.

Legislative employees. Provides that salaries of nonelected General Assembly employees shall be increased by 1.6%.

Community colleges personnel/salary increases. Provides salary increase of 1.6% for permanent full-time personnel supported by state funds.

University of North Carolina System/EPA salary increases. Provides salary increases of 1.6% for all employees of UNC System and EPA employees (other than teachers) of NC School of Science and Mathematics supported by state funds. Provides salary increase of 1.81% for teaching employees of NC School of Science and Mathematics.

Most state employees. Provides for 1.6% salary increase.

Study compensation of certain high-level officers. Requires that OSP and OSBM study compensation of members of the Council of State, department heads, and other high-ranking officials to determine whether salaries are appropriate given necessary experience and responsibilities of position.

Salary-related contributions/employer. Establishes state employer contribution rates for retirement and related benefits as percentage of covered salaries as follows:

Teachers & State Law Enforce. Univ. Opt. Comm. Col. Jud. Legis.

7/1/03	3.95	8.95	10.41	10.41	14.97	3.05
7/1/04	5.78	10.78	10.41	10.41	14.97	3.05

Further establishes maximum annual employer contribution to the Teachers' and State Employees' Comprehensive Major Medical Plan of \$2,417 for 2003-04 and \$2,478 for 2004-05 for Medicare-eligible employees; and \$3,175 for 2003-04 and \$3,256 for 2004-05 for non-Medicare-eligible employees.

Retirement COLAS. Adds new GS 135-5(III), GS 135-65(x), GS 120-4.22A(r) to increase retirement allowance for retirees of the Teachers' and State Employees' Retirement System, the Judicial Retirement System, and the Legislative Retirement System by 1.28%, effective July 1, 2003.

Transfer of service in the Legislative Retirement System to the Teachers' and State Employees' Retirement System and the Judicial Retirement System. Amends various statutory provisions to permit transfer of creditable service and contributions of members of Legislative Retirement System or Consolidated Judicial Retirement System to TSERS, as title indicates.

Capital Appropriations

Water resources development project funds. Appropriates from the General Fund \$27,601,000 to DENR for 2003-04 for 24 listed water resources development projects.

Repairs and renovations funds allocations. No funds in the Reserve for Repairs and Renovations shall be used for projects in The University of North Carolina System for 2003-04.

New project authorization. Permits the Director of the Budget to authorize a capital improvement project not specifically authorized by the General Assembly if the project is to be funded by gifts, federal or private grants, special fund receipts, excess patient receipts, or self-liquidating indebtedness.

Miscellaneous provisions

Effective date. July 1, 2003, except as otherwise provided.

April 16, 2003

H 397. 2003 BUDGET/FAMILY TAX CUT/AAA BOND RATING (NEW). Intro. 3/11/03. House committee substitute makes the following changes to 2nd edition. This committee substitute no. 2 replaces the committee substitute for H 397 summarized in the Daily Bulletin of 4/15/03 and makes the following changes: (1) provides that of the funds appropriated to the Economic Incentives Reserve, \$928,264 is to be allocated as follows: \$9,500-Opportunities Industrialization Centers, \$56,410-Rural Economic Dev. Center and emerging CDCs, \$222,354-Commerce State-Aid Non-profits, \$50,000-Coalition of Farm & Rural Families, \$590,000-North Carolina State Bar; (2) provides that of the funds appropriated to the UNC Board of Governors, \$3,089,740 shall be allocated to NC A&T for 2003-04 to match federal funds to conduct agricultural research and Coop. Ext. Service work; (3) deletes provision eliminating Environmental Regulatory Supervisory II position in DENR; (4) directs that of the funds appropriated to the Rural Economic Development Center, Inc., \$351,500 in each year of the 2003-05 biennium be allocated to specified job training programs; (5) directs that of the funds appropriated to the Economic Incentives Reserve and granted to the NC State Bar for 2003-04, the State Bar may use up to \$590,000 to contract with the Center for Death Penalty Litigation to assist in the representation of indigent capital defendants; and (5) incorporates the tax and fee provisions of the committee substitute for H 593, summarized below in today's Daily Bulletin.

April 17, 2003

H 397. 2003 BUDGET/FAMILY TAX CUT/AAA BOND RATING. Intro. 3/11/03. House amendments make the following changes to 2nd edition. (1) Change Highway Trust Fund

Appropriations for Urban Loops to \$171,445,448 for fiscal 2003-04 (was \$79,689,271) and \$185,747,496 for fiscal 2004-05 (was \$84,350,953), for Aid to Municipalities to \$44,486,843 for fiscal 2003-04 (was \$171,445,448) and \$48,197,953 for fiscal 2004-05 (was \$185,747,496), and Total to Secondary Roads to \$79,689,271 for fiscal 2003-04 (was \$44,486,843) and \$84,350,953 (was \$48,197,953); (2) Reduce TANF Block Grant allocated to Work First Cash Assistance by \$3,900,000 (was \$129,396,275) and increases funds allocated to the Transfer to the Child Care Development Fund Block Grant for child care subsidies by \$3,900,000 (was \$79,562,189); (3) Add new section 7.32 to require that the State Board of Education review the standards for the number of school nurses recommended in the Basic Education Program to determine whether the standards are being met by local school the administrative units. Board is to make recommendations as to the necessary number of school nurses and report to the Joint Legislative Oversight Committee by Feb. 15, 2004; (4) Require the Dep't of Correction to issue a Request for Information to determine the interest and qualifications of private vendors to provide electronic monitoring services; (5) Add new section 30.19 to amend GS 58-86-55 to increase monthly pension for members of the Fireman's and Rescue Squad Workers' Pension Fund to \$158 (was \$156); (6) Delete provisions in sections 25.1(c) and (d) of bill which created the Election Fund and required that funds received for the Help America Vote Act of 2002 be deposited into that fund; (7) Delete amendments to GS 138-6 and 128-28 that required that the cost of the administration, management, and operation of the State Retirement System be covered by an appropriation to the State Treasurer and required that the Retirement System deposit its share of the cost to the General fund; and (8) make other technical changes.

April 29, 2003

H 397. 2003 BUDGET ACT. Intro. 3/11/03. The House committee substitute for this bill, which was reported favorably 4/15/03, is summarized in the Daily Bulletin of 4/15/03; House amendments to that committee substitute are summarized in the Daily Bulletin of 4/16/03. The 4th edition of the bill incorporated the House amendments. The Senate Appropriations Committee reported a Senate committee substitute, with amendments, on 4/28/03. This 5th edition was further amended by the Senate Finance Committee on 4/28/03. The summary that follows is of the 6th edition of the bill, which contains the amendments adopted by the Senate Appropriations and Finance committees. Only the provisions of the 6th edition that differ from the 4th edition, as passed by the House, are summarized.

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

Appropriations from the General Fund of the state for the maintenance of the state departments, institutions, and agencies, and for other purposes as enumerated are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations – General Fund	2003-2004	2004-2005
EDUCATION		
Community Colleges System Office	659,476,062	662,736,376
Department of Public Instruction	6,029,629,683	6,025,274,564
University of North Carolina – Board of Governors	1,794,573,717	1,829,669,657
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Office of the Secretary	82,168,433	80,968,433
Division of Aging	27,685,838	27,685,838
Division of Blind Services/Deaf/HH	9,302,670	9,387,008
Division of Child Development	259,017,167	259,210,693
Division of Education Services	31,806,862	31,670,076
Division of Facility Services	10,071,055	10,071,055

Division of Medical Assistance	2,269,060,187	2,584,744,370
Division of Mental Health	576,408,911	579,261,762
NC Health Choice	50,368,030	56,426,280
Division of Public Health	125,791,904	123,963,324
Division of Social Services	176,189,220	186,039,814
Division of Vocation Rehabilitation	40,042,124	40,834,858
Total	3,657,912,401	3,990,263,511

NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	48,477,909	48,604,240
Department of Commerce		
Commerce	45,125,448	33,695,769
Commerce State-Aid	10,316,728	10,266,728
NC Biotechnology Center	5,883,395	5,883,395
Rural Economic Development Center	4,491,587	4,491,587
Department of Environment and Natural Resources		
Environment and Natural Resources	147,683,265	153,527,049
Clean Water Management Trust Fund	100,000,000	100,000,000
Department of Labor	13,265,454	13,274,104

JUSTICE AND PUBLIC SAFETY

Department of Correction	940,198,075	959,902,282
Department of Crime Control and Public Safety	29,034,326	28,139,010
Judicial Department	303,317,883	310,514,697
Judicial Department – Indigent Defense	72,674,829	70,741,793
Department of Justice	70,673,310	71,459,312
Department of Juvenile Justice and Delinquency Prevention	130,910,473	130,730,498

GENERAL GOVERNMENT

Department of Administration	52,005,520	52,583,907
Office of Administrative Hearings	2,409,683	2,411,797
Department of State Auditor	10,293,801	10,293,801
Office of State Controller	9,694,464	9,719,451
Department of Cultural Resources		
Cultural Resources	54,532,248	54,253,598
Roanoke Island Commission	1,634,905	1,636,559
State Board of Elections	7,439,982	4,915,939
General Assembly	41,561,463	44,971,305
Office of the Governor		
Office of the Governor	4,976,503	4,826,503
Office of State Budget and Management	4,211,805	4,216,110
OSBM – Reserve for Special Appropriations	3,130,000	3,130,000
Housing Finance Agency	4,750,945	4,750,945
Department of Insurance		
Insurance	26,307,054	23,187,587
Insurance – Volunteer Safety Workers' Compensation	4,500,000	4,500,000

Office of Lieutenant Governor	601,722	601,722
Department of Revenue	73,964,774	74,062,627
Rules Review Commission	310,454	310,454
Department of Secretary of State	7,857,198	7,816,198
Department of State Treasurer		
State Treasurer	7,575,029	7,577,784
State Treasurer – Retirement for Fire and Rescue Squad Workers	7,181,179	7,181,179

TRANSPORTATION

Department of Transportation	11,429,525	11,460,101
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RESERVES, ADJUSTMENTS AND DEBT SERVICE

Reserve for Compensation Increases	141,350,000	135,250,000
Reserve for State Health Plan	113,418,000	151,225,000
Reserve for Retiree Health Benefits	36,800,000	36,800,000
Reserve for Teachers' and State Employees' Retirement Contribution	29,555,000	157,200,000
Reserve for Transfer of Various Benefit Plans	(86,250,000)	(3,250,000)
Contingency and Emergency	5,000,000	5,000,000
Reserve for Salary Adjustments	500,000	500,000
Mental Health, Developmental Disabilities and Substance Abuse Services Trust Fund	15,000,000	0
Reserve to Implement HIPAA	2,000,000	0
Reserve for Easley Health Initiatives	2,500,000	2,500,000
Debt Service		
General Debt Service	387,785,920	503,639,452
Federal Reimbursement	1,155,948	1,155,948

TOTAL CURRENT OPERATIONS – GENERAL FUND

	15,048,827,667	15,773,602,539
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GENERAL FUND AVAILABILITY STATEMENT

The General Fund availability used in developing the 2003-2005 biennial budget is shown below:

	FY 2003-2004	FY 2004-2005
Unappropriated Balance		
Remaining from FY 2002-2003	103,885	0
Beginning Unreserved Credit Balance	375,000,000	0
Revenues Based on Existing Tax Structure	13,384,600,000	14,203,713,917
Nontax Revenues		
Investment Income	113,900,000	132,056,801
Judicial Fees	137,520,000	144,430,000
Disproportionate Share	100,000,000	100,000,000
Insurance	51,900,000	53,900,000
Other Nontax Revenues	116,050,000	120,100,000
Highway Trust Fund/Sales Tax on Vehicles Reimbursement Transfer	252,422,125	231,774,330
Highway Fund Transfer	16,379,000	16,166,400

Subtotal Nontax Revenues	788,171,125	798,427,531
Total General Fund Availability	14,547,875,010	15,002,141,448
Adjustments to Availability: 2003 Session		
Maintain Sales Tax Rate at 4.5%	346,500,000	388,200,000
Maintain Top Income Tax Bracket at 8.25%	37,500,000	92,700,000
Delay Increase in the Child Tax Credit	20,300,000	54,100,000
Conform to Federal Definition of Child for State Child Tax Credit	16,800,000	17,000,000
Delay Increase in Standard Deduction (Marriage Penalty)	33,400,000	47,000,000
Equalize Insurance Tax Rate on Article 65 Corporations	19,300,000	14,700,000
Conform to Streamline Sales Tax Provision (Candy, Soft Drinks, Prepared Food & Modified Software)	30,200,000	30,600,000
Tax Soft Drinks in Vending Machines at 50% of General Rate	(4,700,000)	(4,700,000)
Restore Use Tax Line on Individual Returns	3,100,000	3,100,000
Revenue: Project Tax Collect	10,000,000	10,000,000
Revenue: Project Compliance	38,340,500	74,009,500
Divert MSA Settlement Proceeds from Tobacco Trust Fund	30,000,000	30,000,000
Divert MSA Settlement Proceeds from Health & Wellness Trust Fund	10,000,000	10,000,000
Fee Increases	4,959,418	4,959,418
Adjust Transfer from Insurance Regulatory Fund	2,942,777	(207,827)
Credit to Repairs & Renovations Reserve Account	(50,000,000)	0
Credit to Savings Reserve Account	(19,089,038)	0
Subtotal Adjustments to Availability: 2003 Session	529,553,697	771,461,091
Revised General Fund Availability	15,077,428,667	15,773,602,539
Less: Total General Fund Appropriations	(15,077,428,667)	(15,773,602,539)
Unappropriated Balance Remaining	0	0

Notwithstanding G.S. 143-16.4(a2), of the funds credited to the Tobacco Trust Account from the Master Settlement Agreement pursuant to Section 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of thirty million dollars (\$30,000,000) shall be transferred from the Department of Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Fund) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

Notwithstanding G.S. 143-16.4(a1), of the funds credited to the Health Trust Account from the Master Settlement Agreement during the 2003-2004 and 2004-2005 fiscal years, the sum of ten million dollars (\$10,000,000) that would otherwise be deposited in the Fund Reserve established by G.S. 147-86.30(c) shall be transferred from the Department of State Treasurer,

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

On July 1, 2003, the State Controller shall transfer one hundred eight million seven hundred ninety-six thousand eight hundred forty-five dollars (\$108,796,845) from the Disaster Reserve Fund, Budget Code 13017, to the Savings Reserve Account, in accordance with Section 3.1 of S.L. 1999-463, Extra Session 1999. This is not an "appropriation made by law", as that phrase is used in Article V, Section 7(1) of the Constitution.

When the Highway Trust Fund was created in 1989, the revenue from the sales tax on motor vehicles was transferred from the General Fund to the Highway Trust Fund. To offset this loss of revenue from the General Fund, the Highway Trust Fund was required to transfer one hundred seventy million dollars (\$170,000,000) to the General Fund each year, an amount equal to the revenue in 1989 from the sales tax on motor vehicles. This transfer did not, however, make the General Fund whole after the transfer of the sales tax revenue because no provision has been made to adjust the amount for the increased volume of transactions and increased vehicle prices. The additional funds transferred from the Highway Trust Fund to the General Fund by this act is an effort to recover a portion of the sales tax revenues that would have gone to the General Fund over the last 14 years.

Notwithstanding G.S. 105-187.9(b)(1), the sum to be transferred from the Highway Trust Fund to the General Fund for each of the fiscal years 2003-2004 and 2004-2005 is two hundred fifty million dollars (\$250,000,000). The sum to be transferred to the General Fund for the 2004-2005 fiscal year shall be adjusted to reflect the scheduled repayment of previously transferred funds in accordance with Section 26.14 of S.L. 2002-126.

Any funds transferred from the Highway Trust Fund to the General Fund in this act in addition to the transfer authorized by G.S. 105-187.9(b) shall be fully repaid to the Highway Trust Fund, including interest at the net rate of return generated by the State Treasurer's Short Term Investment Fund.

Notwithstanding G.S. 143-15.2 and G.S. 143-15.3, the State Controller shall transfer only nineteen million eighty-nine thousand thirty-eight dollars (\$19,089,038) from the unreserved credit balance to the Savings Reserve Account on June 30, 2003. This is not an "appropriation made by law", as that phrase is used in Article V, Section 7(1) of the Constitution. This subsection becomes effective June 30, 2003.

Notwithstanding G.S. 147-86.30(c), the Health and Wellness Trust Fund Commission may expend the balance of funds remaining from funds transferred from the Fund Reserve to the Health and Wellness Trust Fund nonreserved funds in the 2002-2003 fiscal year pursuant to Section 2.2(h) of S.L. 2002-126. These funds shall be expended in accordance with G.S. 147-86.30(d) during the 2003-2005 fiscal biennium.

Notwithstanding G.S. 143-15.2 and G.S. 143-15.3A, the State Controller shall transfer fifty million dollars (\$50,000,000) from the unreserved credit balance to the Repairs and Renovations Reserve Account on June 30, 2003. This subsection becomes effective June 30, 2003.

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation, and for other purposes as enumerated, are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations – Highway Fund		2003-2004	2004-2005
(1)	Transportation Admin. (84210)	72,825,987	72,948,211
(2)	Transportation Operations (84220)	28,190,393	28,150,605
(3)	Transportation programs (84230)		
	State Construction		

Secondary	89,600,000	90,590,000
Urban	28,000,000	14,000,000
Public access	2,000,000	2,000,000
Spot safety	9,100,000	9,100,000
Contingency	15,000,000	10,000,000
Federal Aid Match	4,160,000	4,280,000
Maintenance	579,757,883	570,231,046
Asphalt plant/OSHA	425,000	425,000
Capital	-	
Ferry Operations	19,677,283	19,677,283
Aid to municipalities	89,600,000	90,590,000
Rail 15,090,919	15,531,153	
Public transit	79,705,266	80,302,926
(4) Governor's highway safety (84240)	292,449	293,118
(5) Transportation regulation (84260)	100,255,703	100,323,363
(6) Reserves, transfers, other agencies (84270)	217,249,117	224,514,347
TOTAL	1,350,930,000	1,332,957,052

HIGHWAY FUND AVAILABILITY STATEMENT

The Highway Fund availability used in developing the 2003-2005 biennial budget is shown below:

Highway Fund Budget Reform Statement	2003-2004	2004-2005
Beginning Credit Balance		-
Estimated Revenue	\$ 1,350,930,000	\$ 1,373,080,000
Estimated Reversions		-
Total Highway Fund Availability	\$ 1,350,930,000	\$ 1,373,080,000

HIGHWAY TRUST FUND APPROPRIATIONS

Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation, and for other purposes as enumerated, are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations – Highway Trust Fund	2003-2004	2004-2005
Intrastate System	\$ 422,754,783	\$ 459,363,570
Urban Loops	170,944,428	185,747,496
Aid to Municipalities	44,356,838	48,197,953
Total for Secondary Roads	79,559,266	84,350,953
Program Administration	40,001,560	39,636,698
Transfer to General Fund	252,422,125	231,774,330
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	\$1,010,039,000	\$1,049,071,000

BLOCK GRANTS

DHHS BLOCK GRANTS

Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2004, according to the following schedule:

COMMUNITY SERVICES BLOCK GRANT		
01.	Community Action Agencies	\$ 15,266,973
02.	Limited Purpose Agencies	848,165
03.	Department of Health and Human Services to administer and monitor the activities of the Community Services Block Grant	848,165
TOTAL COMMUNITY SERVICES BLOCK GRANT		\$ 16,963,303
SOCIAL SERVICES BLOCK GRANT		
01.	County departments of social services (Transfer from TANF – \$4,500,000)	\$ 28,868,189
02.	Allocation for in-home services provided by county departments of social services	2,101,113
03.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	3,234,601
04.	Division of Services for the Blind	3,105,711
05.	Division of Facility Services	426,836
06.	Division of Aging – Home and Community Care Block Grant	1,840,234
07.	Child Care Subsidies	3,000,000
08.	Division of Vocational Rehabilitation – United Cerebral Palsy	71,484
09.	State administration	1,693,368
10.	Child Medical Evaluation Program	238,321
11.	Adult day care services	2,155,301
12.	Comprehensive Treatment Services Program	422,003
13.	Department of Administration for the N.C. State Commission of Indian Affairs In-Home Services Program for the Elderly	203,198
14.	Division of Vocational Rehabilitation Services – Easter Seals Society	116,779
15.	UNC-CH CARES Program for training and consultation services	247,920
16.	Office of the Secretary – Office of Economic Opportunity for N.C. Senior Citizens' Federation for outreach services to low-income elderly persons	41,302
17.	Division of Social Services – Child Caring Agencies	1,500,000
18.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services – Developmentally Disabled Waiting List for services	5,000,000
19.	Transfer to Preventive Health Services Block Grant for HIV/AIDS education, counseling, and testing	145,819
20.	Division of Facility Services – Mental Health Licensure	213,128

21.	Transfer to the Office of the Secretary – N.C. Inter-agency Council for Coordinating Homeless Programs	150,000
TOTAL SOCIAL SERVICES BLOCK GRANT		\$ 54,775,307
LOW-INCOME ENERGY BLOCK GRANT		
01.	Energy Assistance Programs	\$ 12,775,323
02.	Crisis Intervention	9,192,927
03.	Administration	2,957,339
04.	Weatherization Program	4,212,740
05.	Department of Administration – N.C. State Commission of Indian Affairs	54,840
06.	Heating Air Repair and Replacement Program	1,966,153
TOTAL LOW-INCOME ENERGY BLOCK GRANT		\$ 31,159,322
MENTAL HEALTH SERVICES BLOCK GRANT		
01.	Provision of community-based services for severe and persistently mentally ill adults	\$ 4,546,916
02.	Provision of community-based services to children	2,513,141
03.	Comprehensive Treatment Services Program for Children	1,500,000
04.	Group Home Tracking System	986,600
05.	Administration	693,193
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		\$ 10,239,850
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
01.	Provision of community-based alcohol and drug abuse services, tuberculosis services, and services provided by the Alcohol and Drug Abuse Treatment Centers	\$ 18,901,711
02.	Continuation of services for pregnant women and women with dependent children	8,069,524
03.	Continuation of services to IV drug abusers and others at risk for HIV diseases	4,616,378
04.	Provision of services to children and adolescents	7,740,611
05.	Juvenile Services – Family Focus	851,156
06.	Allocation to the Division of Public Health for HIV/STD Risk Reduction Projects	383,980
07.	Allocation to the Division of Public Health for HIV/STD Prevention by County Health Departments	209,576
08.	Allocation to the Division of Public Health	

	for the Maternal and Child Health Hotline	37,779
09.	Administration	2,596,307
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		\$ 43,407,022
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
01.	Child care subsidies	\$154,713,475
02.	Quality and availability initiatives	16,449,256
03.	Administrative expenses	6,969,533
04.	Transfer from TANF Block Grant for child care subsidies	79,562,189
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		\$257,694,453
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		
01.	Work First Cash Assistance	\$129,396,275
02.	Work First County Block Grants	94,653,315
03.	Transfer to the Child Care and Development Fund Block Grant for child care subsidies	79,562,189
04.	Child Care Subsidies for TANF Recipients	26,621,241
05.	Child Welfare Workers for local DSS	11,452,391
06.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
07.	Support Our Students – Department of Juvenile Justice and Delinquency Prevention	1,925,000
08.	Residential Substance Abuse Services for Women With Children	2,000,000
09.	Domestic Violence Services for Work First Families	1,200,000
10.	After-School Services for At-Risk Children	1,925,000
11.	Division of Social Services – Administration	400,000
12.	Child Welfare Training	1,600,000
13.	TANF Automation Projects	592,500
14.	Work First/Boys and Girls Clubs	1,000,000
15.	Work Central Career Advancement Center	550,000
16.	WCH-Teen Pregnancy Prevention	1,500,000
17.	Transfer to Social Services Block Grant for Child Caring Institutions	1,500,000
18.	Special Children's Adoption Fund	2,000,000
19.	NC Fast Implementation	630,000
20.	Maternity Homes	838,000
21.	Pregnancy Prevention Coalition of North Carolina	127,500
22.	Individual Development Accounts	180,000

23.	Reduction of Out-of-Wedlock Births	1,000,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		\$365,153,411

MATERNAL AND CHILD HEALTH BLOCK GRANT

01.	Healthy Mothers/Healthy Children Block Grants to Local Health Departments	9,838,074
02.	High-Risk Maternity Clinic Services, Perinatal Education and Training, Childhood Injury Prevention, Public Information and Education, and Technical Assistance to Local Health Departments	2,307,918
03.	Services to Children With Special Health Care Needs	5,078,647

TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		\$ 17,224,639
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PREVENTIVE HEALTH SERVICES BLOCK GRANT

01.	Statewide Health Promotion Programs	\$3,132,810
02.	Rape Crisis/Victims' Services Program – Council for Women	197,112
03.	Transfer from Social Services Block Grant – HIV/AIDS education, counseling, and testing	145,819
04.	Office of Minority Health	159,459
05.	Administrative Costs	108,546
06.	Osteoporosis Task Force Activities	150,000

TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		\$3,893,746
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NER BLOCK GRANT FUNDS

Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2004, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	\$1,000,000
02.	Urgent Needs and Contingency	1,000,000
03.	Scattered Site Housing	13,200,000
04.	Economic Development	8,710,000
05.	Community Revitalization	13,500,000
06.	State Technical Assistance	450,000
07.	Housing Development	2,000,000
08.	Infrastructure	5,140,000

TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2004 Program Year		\$45,000,000
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General Provisions

No expenditure of unbudgeted receipts. Adopts House provision.

Contingency and Emergency Fund allocations. Adopts House provision with the following change: No more than \$250,000 may be expended for statutory purposes other than those set out in GS 143-23(a1)(2).

Change effective date-private plates on public vehicles. Adopts House provision.

HIPPA Reserve. Adopts House provision.

HIPPA implementation. Adopts House provision.

State surplus real property system. Adopts House provision with following changes: Deletes provision creating Real Property Management Advisory Council, and sets out list of factors Dep't of Administration is to consider in evaluating surplus property.

Expedite sale of surplus land. Adopts House provision.

Government agencies to use products of recycled steel. Adopts House provision.

Joint Committee on Executive Budget Act revisions. Adopts House provision with following change: Reduces size of committee from 12 members to 8.

Competitively bid beverages contracts. Deleted.

Transfer of land for the millennium campuses of UNC-Greensboro and NC A&T University. Reallocates property previously allocated to the Central School for the Deaf at Greensboro to the UNC Board of Governors for establishment of Millennium Campuses.

Revise law on non-state entity reports on use of state funds. Extensively revises GS 143-6.1, regarding reporting requirements of non-state entities that receive state funds. State funds shall not be disbursed to such an entity unless it has provided all reports and financial information required by the statute. A state agency that disburses funds to a grantee must annually notify each grantee, in writing, of the reporting requirements of this statute and that the agency is not authorized to disburse funds to grantees that fail to comply with the requirements. Each agency must submit a list to the State Auditor by Oct. 31 each year of every grantee to which the agency disbursed funds in the prior fiscal year, except when the funds were for the purchase of goods or services, the amount disbursed to each grantee, and other information required by the Auditor. Each agency must submit a list to the Office of State Budget and Management by Jan. 31 each year of every grantee to which the agency disbursed funds in the prior fiscal year, except for purchase of goods or services, and for each grantee, whether that grantee has filed the sworn accounting required by the statute. Requires each grantee that expends state funds of \$300,000 or more annually, except for the purchase of goods or services, to file annually with the disbursing state agency a description of activities undertaken with the funds. Sets forth detailed duties of State Auditor with regard to grantees. Requires that before a state agency disburses funds for the fourth quarter of a fiscal year, the agency shall verify that the grantee has complied with the reporting requirements of the statute, and the agency shall not disburse funds to any grantee that has not complied by March 31 of each year. Directs the Office of State Budget and Management to report to the Joint Legis. Comm'n on Governmental Operations and the Fiscal Research Div. by May 1 on all grantees that failed to comply with the statute for the prior fiscal year.

Public Schools

Teacher salary schedules. Adopts House provision.

School-based administrator salary schedule. Adopts House provision with the following change: In Sec. 7.2(i), provides that the 10-month stipend paid to participants in a full-time masters in school administration program during the internship period of the program (1) for the 2003-2004 fiscal year shall not exceed the difference between the beginning salary of an assistant principal and fifty percent of any fellowship funds received by the intern as a full-time student, and (2) for the 2004-2005 fiscal year and thereafter shall not exceed the difference between the beginning salary of an assistant principal and any fellowship funds received by the intern as a full-time student.

Central office salaries. Adopts House provision with the following changes: (1) In Sec. 7.3(a), increases the top of the monthly salary ranges for assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2003-2004 fiscal year by 1.81%, instead of 1.6%, as provided in the House version. (2) In Sec. 7.3(b), increases the top of the monthly salary ranges for public school superintendents for the 2003-2004 fiscal

year by 1.81%, instead of 1.6%, as provided in the House version. (3) In Sec. 7.3(f), provides that the Director of the Budget transfer from the Reserve for Compensation Increases funds necessary to provide an average annual salary increase of 1.81%, instead of 1.6% as provided in the House version, for fiscal year 2003-2004 for all permanent full-time personnel paid from the Central Office Allotment.

Noncertified personnel. Adopts House provision with the following changes: (1) In Sec. 7.4(a), provides that the Director of the Budget transfer from the Reserve for Compensation Increases funds necessary to provide an average annual salary increase of 1.81%, instead of 1.6% as provided in the House version, for fiscal year 2003-2004 for all noncertified public school employees whose salaries are supported from the state's General Fund. (2) Directs local boards of education to increase the rates of pay for all such employees by at least 1.81%, instead of 1.6% as provided in the House version, for fiscal year 2003-2004.

Reserve for experience step increase for teachers and principals in public schools. Adopts House provision.

Supplemental funding in low-wealth counties. Adopts House provision with the following changes: In Sec. 7.6(c)(2), omits subsections c. (county food stamp exemption reimbursement), d. (county homestead exemption reimbursement), e. (county inventory tax reimbursement), and f. (county intangibles tax distribution and reimbursement) from the definition of "Anticipated total county revenue availability" in sec. 2 and adds to the definition as new subsec. c, county sales tax hold harmless reimbursement.

Small school system supplemental funding. Adopts House provision with the following change: In Sec. 7.7(a)(5), increases the base for the consolidated funds allotment to \$669,704 from the base of \$577,111 provided for in the House version.

Appropriations for continually low-performing schools. Adopts House provision.

Immediate assistance to the highest priority elementary schools. Adopts House provision.

Evaluation of initiatives to assist high-priority schools. Adopts House provision.

At-risk student services/alternative schools. Adopts House provision.

Additional teacher positions for second grade. Adopts House provision.

Children with disabilities. Adopts House provision.

Funds for academically gifted students. Adopts House provision.

Students with limited English proficiency. Adopts House provision.

Funds to implement the ABCs of Public Education. Adopts House provision.

LEA assistance program. Adopts House provision.

Expenditure of funds to improve student accountability. Adopts House provision.

Funds for teacher recruitment initiatives. Adopts House provision.

Recruitment and retention initiative to address teacher shortage. Adopts House provision.

Funds for testing and implementation of the new student information system. Adopts House provision.

Litigation reserve funds. Adopts House provision.

Local education agency flexibility. Adopts House provision with the following changes: (1) In the third paragraph of Sec. 7.23, substitutes "General Assembly" for "Governor" as the elected officials urging local school administrators to reduce spending where appropriate. (2) Changes the date by which the State Board of Education must determine changes to the allotment categories to make reductions permanent to Feb. 15, 2004, rather than Dec. 15, 2004, as provided in the House version.

Base budget reduction to Department of Public Instruction. Adopts House provision.

Replacement school buses funds. Adopts House provision.

Expenditures for driving eligibility certificates. Adopts House provision.

Discrepancy between anticipated and actual ADM. Adopts House provision.

Charter school advisory committee/charter school evaluation. Adopts House provision.

Study of issues related to rapid growth in student population. Adopts House provision.

Mentor teacher funds may be used for full-time mentors. Adopts House version with the following changes: (1) In Sec. 7.30(c), changes date by which State Board of Education must report to Joint Legislative Education Oversight Committee on the characteristics of effective mentor programs to Oct. 15, 2004. (2) Adds new Sec. 7.30(d) allowing the Winston-Salem

Forsyth, Charlotte Mecklenburg, and Wake County Public School systems to continue existing pilot mentor programs.

Explornet audit. Deletes House provision in its entirety.

School Nurse Services. Adopts House provision.

Transfer of Public School Capital Fund. Transfers the Public School Building Capital fund from the Office of State Budget and Management to the Dep't of Public Instruction and amends GS 115C-546.1(c) by replacing "Office of State Budget and Management" with "Department of Public Instruction."

Funds for Regional Educational Services Alliances. Provides that local boards of education may use up to ten percent of state funds allocated for staff development, as well as additional funds distributed pursuant to GS 115C-105.30, to contract with Regional Education Services Alliances.

Pilot Programs on Financial Literacy. Directs the State Board of Education to establish a pilot program authorizing and assisting local school administrative units in the implementation of programs on teaching personal financial literacy, and to develop a curriculum, materials, and guidelines for local board to use in connection with such programs. The State Board of Education is directed to report to the Joint Legislative Education Oversight Committee on the implementation of the program before Jan. 1, 2004.

Community Colleges

Community college funding flexibility. Adopts House provision.

Flexibility to implement budget reductions. Adopts House provision.

State Board of Community Colleges management flexibility. Adopts House provision.

Registration fees for occupational continuing education or focused industrial training. Adopts House provision.

Summer school funding. Adopts House provision.

Carry-forward for equipment. Adopts House provision.

Hosier Center funds. Adopts House provision.

Scholarships for prospective teachers Adopts House provision.

Management information system funds. Adopts House provision.

Use of literacy funds for literacy labs. Adopts House provision.

Faculty and professional staff salaries. Adopts House version with the following changes: In Sec. 8.11, changes the reference to the increase provided by Sec. 30.11 of the act to 1.81%, instead of 1.6% as provided in the House version, and adds a new provision stating that the funds in the Reserve for Compensation Increases in Section 2.1 of the act shall be used to increase faculty and professional staff salaries by an average of at least 2.31%.

Evaluation of the comprehensive articulation agreement. Adopts House provision with the following changes: (1) In Sec. 8.12.(e), adds the Joint Legislative Education Oversight Committee to the list of those who are to receive progress reports, a draft final report, and a final report from the contractor studying the Comprehensive Articulation Agreement. (2) In sec. 8.12(f), omits the requirement that the recipients of the contractor's draft report respond to it within 30 days, and provides instead that the contractor's final report shall be submitted within 30 days of completing the study and that the recipients of the report may schedule a formal presentation of the report if they so desire. (3) Replaces the House version of Sec. 8.12(g) with a new provision directing the University of North Carolina and the North Carolina community college System to provide the contractor with access to and use of information databases as necessary and appropriate.

Automotive training incentive. Adopts House provision with one stylistic change.

Community Colleges Trust Fund. Substantially identical to Senate Committee Substitute for S 697 adopted 4/28/03, with stylistic changes and with the following substantive changes: (1) In Sec. 8.14.(a), adds new subsec. (b) to proposed new GS 115D-42 explicitly providing that the State Board of Community Colleges is authorized to allocate funds from the Instructional Trust Fund to the community colleges and to adopt rules to implement the provisions of the section. (2) Provides that those state funds that match private funds raised by community college foundations may only be used for scholarships or financial aid for needy students.

Focused Industrial Training Funds. For fiscal year 2003-2004 only, allows the State Board of Community Colleges to transfer up to \$1,450,000 from New and Expanded Industry Training to Focused Industrial Training.

Universities

UNC flexibility guidelines. Adopts House provision.

Escheat funds. Adopts House version with the following changes: (1) Appropriates for each year of the 2003-2005 fiscal biennium \$23,750,000 from the Escheat Fund to the Board of Governors of the University of North Carolina, rather than the \$18,607,293 appropriated in the House version. (2) Appropriates for each year of the 2003-2005 fiscal biennium \$10,262,806 from the Escheat Fund to the State Board of Community Colleges, rather than the \$7,062,806 appropriated in the House provision.

UNC bond project modifications. Adopts House provision with the following changes: (1) Changes the name of the substitute project for the Elizabeth City State University Doles Residence Hall renovation from "Campus Infrastructure Improvements" to "Campus Improvements." (2) Adds effective date of Jan. 1, 2004, for this section.

School of Science Math/College Scholarships. Amends Art. 29 of GS Ch. 116 by adding a new sec. 116-238.1, which provides for the awarding of a four-year full-tuition grant to each state resident graduating from the NC School of Science and Mathematics who enrolls full-time at a constituent institution of The University of North Carolina. The section further provides for administration of the grants by the State Education Assistance Authority. In the event that there are insufficient funds to provide full grants to all eligible students, the section authorizes the Board of Governors of the University of North Carolina to transfer available funds to meet the needs of this program and the SEAA to award each eligible student a pro rata share of the funds that become available in this way. The tuition grant program applies only to students graduating in the 2003-2005 and subsequent academic years.

Film Industry Feasibility Study. Directs the Board of Governors of the University of North Carolina to conduct a feasibility study of the arts and entertainment industry in Forsyth County and its environs and the opportunities it offers for the creation of programs, facilities, job opportunities, and tourism related to the film industry, with attention given to the potential development of a program in digital media and potential development of a tourist destination film industry studio backlot. The Board of Governors is to report results and recommendations to the General Assembly by April 1, 2004.

Distinguished Professors Endowment Trust Fund. Adopts House provision.

Department of Health and Human Services

Petroleum overcharge funds allocation. Adopts House provision.

Office of Policy and Planning. Adopts House provision.

Weatherization assistance program. Adopts House provision.

Nonmedicaid reimbursement changes. Adopts House provision.

Senior cares program administration. Adopts House provision.

Physician services. Adopts House provision.

Liability insurance. Adopts House provision.

Butner community land reservation. Adopts House provision.

DHHS Centralize Information Technology Operations. Directs the Dep't of Health and Human Services to conduct an analysis of its Information Technology (IT) infrastructure, including expenditures and management function, to enable the General Assembly and the Office of the State Budget to determine the amount of state funds being expended on IT functions on an annual basis. Directs the Dep't to develop a plan for the establishment of a Central IT Operations Unit for all IT operations and functions that are common to all Dep't divisions, offices and programs, and for the identification of IT functions that are unique to one or more individual divisions, offices or programs. Directs the Dep't and the Office of State Budget and Management to identify (a) the amount of state appropriations necessary fully to fund from the General Fund the current budget for the Division of Information Resources, and (b) a plan for providing the

necessary funds. Both the Dep't and the Office of the State Budget and Management are to report to the Senate and the House Appropriations Subcommittees on Health and Human Services and the Fiscal Research Division by Jan. 1, 2004.

Education and Awareness of Infant Homicide Prevention Act. Directs Dep't to incorporate education and awareness of the Act into state-funded programs at the local level and to report on its activities to the appropriate Senate and House Appropriations Subcommittees and the Fiscal Research Division by April 1, 2004.

Medical Care Commission Temporary Rule-making Authority Extended. Amends SL 2002-160 by deleting reference to the Commission for Health Services and by extending to July 1, 2004, the date until which the Medical Care Commission may adopt rules pursuant to that section.

Implement a Pilot Project for Long-Term Care Community Service Coordination. Directs the Dep't to undertake a long-term care community services communications and coordination initiative and to establish as a pilot project lead agencies to facilitate coordination of care at the county or regional level regardless of funding sources. The Dep't is to present an interim report on the pilot project to the North Carolina Study Commission on Aging by Oct. 1, 2004, and a final report by Oct. 1, 2005.

Mental Health, Developmental Disabilities, and Substance Abuse Services Trust Fund for system reform bridge and capital funding needs and Olmstead. Adopts House version.

Extend mental health consumer advocacy program contingent upon funds appropriated by the 2005 General Assembly. Adopts House provision.

Substance abuse prevention services reporting. Adopts House provision.

Dorothea Dix Hospital. Deletes House provision.

Transition Planning for State Psychiatric Hospitals. Directs Dep't to develop and implement a plan for the construction of a replacement facility for Dorothea Dix Hospital and for the transition of patients to the community or to other long-term care facilities, as appropriate. Directs Dep't to analyze individual patient service needs to develop individual transition plans for patients in each hospital based on the availability of appropriate alternative placements and in consultation with the patient and/or his or her family or other legal representative. Provides that any nonrecurring savings in state appropriations that result from reductions in beds or services be placed in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to facilitate the transition of clients into appropriate community-based services and that recurring savings be retained by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support the recurring costs of additional community-based placements. The Dep't is to report on the status of implementation of this section to the Jt. Legislative Commission on Governmental Operations, the Senate and the House Appropriations Subcommittees on Health and Human Services and the fiscal Research Division on Dec. 1, 2003, and May 1, 2004.

Comprehensive treatment services program. Adopts House provision.

Mental retardation center downsizing. Adopts House provision.

Mental retardation center outreach plan (new). Substantially identical to House provision with stylistic changes and with the following substantive change: Provides that all recurring and nonrecurring savings in state appropriations (not just annual savings in excess of \$537,328, as provided in the House version) that result from the transfer of referral activities in the mental retardation centers to area and county mental health programs shall be transferred from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to area and county mental health programs for referral activities.

Services to multiply-diagnosed adults. Adopts House provision.

Area mental health administrative costs. Adopts House provision.

Private agency uniform cost finding agreement. Adopts House provision.

Medicaid. Adopts House provision with the following changes: (1) Provides that the Dep't shall provide Medicaid to 19-, 20- and 21-year olds in accordance with federal rules and regulations. (2) Extends Medicaid coverage to (a) pregnant women with incomes equal to or less than 185% of the federal poverty guidelines (as opposed to 150% in the House version), and (b) infants under the age of one with family incomes equal to or less than 185% of the federal poverty guidelines (as opposed to 150% in the House version). (3) Extends Medicaid coverage to (a) infants under the age of one who family income is between 185% and 200% of the federal poverty

level, and (b) children aged 1-5 whose family income is between 133% and 200% of the federal poverty level, provided that in both cases, such coverage is paid for from federal funds received under Title XXI of the Social Security Act, and state matching funds pursuant to the Health Insurance Program for Children under Part 8 of Art. 2 of Ch. 108A of the General Statutes. (4) Directs the Dep't to disregard for a maximum of 12 consecutive months earned income for recipients who would otherwise lose Medicaid eligibility under sec. 1931 of Title XIX of the Social Security Act due to earnings. (5) Omits the last two sentences of House Bill 397, Sec. 10.19.(y), which (a) prohibited the Dep't from implementing any proposed medical policy change exceeding \$3,000,000 in total requirements for a given fiscal year unless the source of state funding were identified and approved by the Office of State Budget and Management, and (b) required the Dep't to provide the Office of State Budget and Management and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than \$3,000,000. (6) Requires the Dep't to take the following steps when developing, amending and/or adopting medical coverage policy: (i) consult with the Physician Advisory Group of the NC Medical society and other appropriate organizations identified by the Secretary; (ii) publish proposed new or amended medical coverage policy on the Dep't's website and notify all Medicaid providers of same at least 45 days prior to adoption of the new policy; (iii) accept oral and written comments on the proposed new or amended policy for a 45-day period following publication and notification; (iv) notify all Medicaid providers and others so requesting of any modifications of the proposed new or amended medical coverage policy at least 15 days prior to adoption and accept oral or written comments during this 15-day period.

Medicaid reserve fund transfer. Adopts House provision with the following changes: Increases to \$37,500,000 the amount allocated for Medicaid programs for the 2003-2004 fiscal year pursuant to GS 143-23.2(b) and increases to \$37,500,000 the amount allocated for Medicaid programs for the 2004-2005 fiscal year pursuant to GS 143-23.2(b).

Disposition of disproportionate share receipts. Adopts House provision.

County Medicaid cost share. Adopts House provision.

Medicaid cost containment activities. Adopts House provision with the following changes: (1) Increases to \$6 million the amount of Medicaid funds budgeted for program services that the Dep't may use to support cost-containment activities. (2) Adds to the list of cost-containment activities issuance of plastic magnetic striped Medicaid identification cards and the use of fraud detection software or other fraud detection activities. (3) Adds section directing Dep't to establish, as part of any cost-containment program, reimbursement rates that will allow efficient Medicaid providers to comply with certification requirements, licensure rules or other quality or safety standards.

Increases in federal Medicaid funds. Adopts House provision.

Public assistance and social services appeals and access to records. Deletes House provision.

Transfer of property to qualify for Medicaid. Adopts House version with the following change: Deletes subsec. (i) of GS 108A-58, which limits application of GS 108A-58 to transfers made before July 1, 1988.

Medicare enrollment required. Adopts House provision.

Medicaid assessment program for skilled nursing facilities. Adopts House provision.

Health Choice (new). Amends GS 108A-70.19 by providing the funds appropriated for the Health Insurance Program for Children (Health Choice) shall be used to cover (i) children eligible pursuant to GS 108A-70.21, (ii) infants under one year of age whose family income is between 185% and 200% of the federal poverty level who also participate in the State Medical Assistance program and (iii) children between the ages of 1 and 5 whose family income is between 133% and 200% of the federal poverty level who also participate in the State Medical Assistance program. Amends GS 108A-70.21(a) by eliminating the eligibility and family income requirements currently set forth in subsec. (1)d. and replacing them with a new subsec. (1)d. requiring that children be between the ages of 6 and 18 and have a family income that is between 100% and 200% of the federal poverty level. Amends GS 108A-70.21(b) to provide that (i) all health care provider without exception providing services to Program enrollees accept as payment in full for services rendered the maximum allowable charges under the State Health Plan less any co-payments assessed to Program enrollees, and (ii) the Dep't may provide services to children enrolled in the Health

Choice Program through the State Medical Assistance managed care program. Amends GS 108A-70.21(d) by providing that for families with incomes at or below 150% of the federal poverty level fees for outpatient prescription drugs shall be \$1.00 for outpatient generic drugs and for brand-name drugs for which there is no generic equivalent available, and \$3.00 for outpatient brand-name drugs for which a generic substitution is available. For families whose income is above 150% of the federal poverty level, fees for outpatient prescription drugs shall be \$1.00 for outpatient generic drugs and for brand-name drugs for which there is no generic equivalent available, and \$3.00 for outpatient brand-name drugs for which a generic substitution is available. Amends GS 108A-70.24(b) by directing the Dep't to reserve sufficient funds from those made available for the Health Choice Program to cover the cost of State Medical Assistance program services to infants under the age of 1 year whose family income is between 185% and 200% of the federal poverty level, and to children between the ages of 1 and 5 years whose family income is between 133% and 200% of the federal poverty level. Amends GS 108A-70.23(c) by making stylistic changes and adding new subsec. (1)c. providing that the Dep't may limit services for special needs children after consultation with the Commission on Children with Special Health Care Needs.

Collaboration among DHHS, DPI, and LEAS to Ensure Medicaid-Related Services for Eligible Public School Students with Disabilities (new). Amends Ch. 108A, Art. 2, Part 6 by adding new sec. 108A-55.1, which directs the Dep't to work with the Dep't of Public Instruction and local education agencies to develop procedures to provide maximum funding for Medicaid-related services for Medicaid-eligible students with disabilities.

Audit of CAP/DA Programs by State Auditor (new). Directs the State Auditor to audit the Community Alternatives Program for Disabled Adults to determine whether CAP/DA is operating within waiver guidelines and programs goals, to report audit results to the NC Study Comm'n on Aging by Jan. 1, 2004. Directs the Dep't to study CAP/DA, including a review of the current assessment process for program clients, a description of total program costs to the State and counties for all assistance received by program clients, a description of the quality-of-care monitoring of program clients and an evaluation of waiting list procedures.

Blue Ribbon Commission on Medicaid Reform. Adopts House provision with the following changes: (1) Adds to the list of issues that the Comm'n should consider (i) the impact on the Medicaid program of expanding eligibility and services in order to maximize federal funds to replace state and county funds for Medicaid programs, and (ii) the role of Medicaid in the state's economy. (2) Directs the Dep't to transfer funding from the Medicaid program to cover the cost of the Comm'n's study.

Immunization program funding. Adopts House provision.

AIDS Drug Assistance Program (ADAP). Adopts House provision.

Newborn hearing screening program report. Adopts House provision.

Employees examined for asbestosis or silicosis under workers compensation statute. Adopts House provision.

Rename North Carolina Heart Disease and Stroke Prevention Act. Adds new section to amend GS 143B-216.60 as title indicates. New name is The Ed Warren Heart Disease and Stroke Prevention Act.

Eliminate Home Health Purchase of Care Program. Deletes House provision.

Child care funds matching requirement. Adopts House provision.

Child care subsidy rates. Adopts House provision with the following changes. Provides that the maximum annual gross income for initial eligibility for subsidized services shall be 75% of the state median income (House version is 200% of the federal poverty level). Deletes provision providing that the fee schedule for families would be effective October 1, 2003.

Child care allocation formula. Adopts House provision with following changes. Funds to be allocated based upon projected cost of serving children in families earning less than 75% of the state median income (House version is 200% of the federal poverty level).

Child Care Revolving Loan. Adopts House provision.

Early Childhood Education and Development Initiatives Enhancements. Adopts House provision with following changes. Provides that local partnerships shall spend an amount for child care subsidies that provides at least \$52,000,000 for the TANF maintenance of effort requirement

and the Child Care Development Fund and Block Grant Match requirement. Deletes House provision that the North Carolina Partnership for Children impose a 10% penalty against a local partnership's allocation when the local partnership's audit is classified as a "needs improvement performance assessment." Provides instead that the Partnership for Children develop a plan to incorporate a penalty into a local allocation based upon poor audit results. Adds section to amend GS 143B-168.12(a)(1) to delete requirement that Partnership policy require that local board members be residents of the county or the partnership region they are representing. Amends GS 143B-168.12(a)(8) to provide that eight members of the local partnership advisory board must be chosen from past board chairs or elected officers currently serving on local partnership boards. Adds new section to GS 143B-168.12 to require that the NC Partnership for Children develop uniform guidelines and reporting format for local partnerships to document qualifying contractor expenses. Provides that local partnerships must monitor expenses.

Early Childhood Education and Development Initiatives Evaluation. Adopts House provision.

Department Plan For Family Child Care Home Fees. Adds new provision to require the Dep't of Health and Human Services, Div'n of Child Development, to develop a plan proposing fees for the licensing of family child care homes. Dep't must report on plan no later than April 1, 2004.

More at Four Program. Adopts House provision with the following changes. Provides that \$43,121,800 of funds appropriated to Dep't of Health and Human Services in fiscal 2003-04 (House provided \$43,056,500) and \$41,921,800 for fiscal 2004-05 (House provided \$41,856,500) be allocated to the More at Four Program. Adds provision requiring the creation of the More at Four Pre-K Task Force to oversee development and implementation of the pilot program. Provides that membership must include representatives from groups listed in bill.

Residential schools reporting. Adopts House provision.

Senior center outreach. Adopts House provision with following change. Provides that State funding shall not exceed 75% of reimbursable costs (House limited to 65%).

Adult care home model for community-based services. Adopts House provision.

Child support program/enhanced standards. Adopts House provision.

Special needs adoption incentive fund. Adopts House provision.

Foster care and adoption assistance payments. Adopts House provisions with following change. Provides that maximum rates for participation in foster care program and adoption assistance program are \$365 per month for child birth through age 5 (House provided for \$415), \$415 for child 6 through 12 (House provided for \$465), and \$465 for child 13 through 18 (House provided for \$515).

Special Children Adoption Fund. Adopts House provision.

Intensive Family Preservation Services funding and performance enhancement (IFPS). Adopts House provision.

TANF state plan. Adopts House provision.

Electing County TANF funds revert. Adopts House provision.

Special Assistance In-Home Program (new). Adopts House provision with following changes. Deletes provision allowing payments to individuals in in-home living arrangements to be paid as long as the individuals receiving payments on June 30, 2005, remain eligible. Deletes requirement that the Dep't make an interim report on Special Assistance in-home eligibility policies and procedures. Makes changes to information required in final report to be issued by Jan. 1, 2005.

State/County Special Assistance. Adopts House provision with following change. Provides that the maximum monthly rate for residents in adult care home facilities shall be \$1,040 (House provided for \$1,066).

State/County Special Assistance Transfer of Assets. Adopts House provision with technical changes.

Limitation on state abortion funding. Replaces House provision with provision that the limitations on funding established in 1995 continue to apply to fiscal 2003-04 and 2004-05.

Funds for food banks. Adopts House provision.

Child welfare system pilots system. Adopts House provision.

Eliminate reporting requirements for Work First program. Adds new section to amend GS 108A-27.2 as title indicates.

Social Services Commission rules on rate-setting for adult day centers and adult day health centers. Adds new section requiring that the Social Services Comm'n consider adopting rules

increasing the rates for adult day centers and adult day health centers. Any increase must be implemented within existing funds.

Department of Environment and Natural Resources (DENR)

Grass Roots Science Program. Adopts House provision with following changes. Provides that total amount allocated to the Grassroots Science Project for grants-in-aid be \$2,551,760 for fiscal 2003-04 (House specified \$2,605,637) and \$2,551,760 for fiscal 2004-05 (House specified \$2,605,637) to be distributed to specific programs as set forth in bill. Adds provision requiring that the Grassroots Program allocate \$250,000 for fiscal 2003-04 as initial grants-in-aid of \$50,000 each to listed unfunded members of the Grassroots collaborative. Specifies that it is the intention of the General Assembly that these listed museums receive recurring allocations in future fiscal years as provided in bill.

Statewide beaver damage control program fund. Adopts House provision.

Funds for cleanup of Warren County PCB landfill. Adopts House provision.

Commercial and noncommercial underground storage tank funds. Adopts House provision.

Express review pilot program. Adds new section to provide that the Dep't of Environment and Natural Resources may develop the Express Review Pilot Program to provide express permit and certification reviews. Participation in program must be voluntary, and the program is to become supported by fees determined in accordance with provisions in bill. The pilot program must focus on storm water permits, stream orientation certifications, water quality certifications, erosion and sedimentation control permits, and permits issued under the Coastal Area Management Act. Allows funds appropriated to Dept' of Environment and Natural Resources to be used to implement pilot program. Creates the Express Review Fund as a special nonreverting fund to be used for implementing any pilot program created pursuant to section. All fees collected pursuant to the pilot program are to be deposited into the fund. Dep't must report to the General Assembly on the success of the pilot program no later than May 1, 2004.

Cost share funds for limited resource/new farmers. Adopts House provision.

Clean water management trust fund/no acquisition of real estate interests in certain counties. Deletes House provision.

Clean water management trust fund appropriation. Increases appropriation to \$100,000,000 for fiscal 2003-04 and \$100,000,000 for fiscal 2004-05 (House appropriates \$25,000,000 for both fiscal years).

Clean Water Management Trust Fund may fund farmland preservation projects. Adds new section to amend GS 113-145.3(c) as title indicates.

Study reallocation of Bailey Fork Watershed Property to state park/access to state park. Deletes House provision.

Department of Commerce

Wanchese Seafood Industrial Park/Oregon Inlet Funds. Adopts House provision.

Council of Government funds. Adopts House provision.

Tourism promotion funds. Adopts House provision.

One North Carolina – Industrial Recruitment Competitive Fund. Adopts House provision with the following changes. Provides that the Dep't of Commerce shall allocate \$1,000,000 from the Industrial Recruitment Competitive Fund to Johnson & Wales University for the creation of jobs in this state as a credit against any recruitment incentives extended to the University. Deletes requirement that the Dep't of Commerce report on or before Sept. 30, 2003, and quarterly thereafter, on the use of the funds allocated to the Competitive Fund. Also deletes provision specifying that funds allocated to the Fund do not revert if unexpended or unencumbered by June 30, 2003, and the provision specifying that the section becomes effective June 30, 2003.

Industrial Development Fund. Deletes House provision.

Worker Training Trust Fund. Adopts House provision.

Film Industry Development Account. Adds new section GS 143B-434.4 to create within the Dep't of Commerce, Division of Tourism, Film and Sports Development, the Film Industry Development Account to provide annual grants as incentives to production companies that

engage in production activities in this state. To be eligible for a grant, the production company must spend at least \$1,000,000 for production activities in this state, and a grant may not exceed 15% of the amount a company spends for goods and services in this state in a year. A grant may not exceed \$200,000 per production, and a grant may not be used for political or issue advertising. The Dep't of Commerce must report annually to the General Assembly on the effect of the grants on job creation. The Dep't also must report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of the moneys in the account.

Study Workforce Development Programs. Adds new section to require that the Dep't of Commerce and the Employment Security Commission report by Jan. 1, 2004, to the House and Senate Appropriations Committee on proposals to improve the efficiency and effectiveness of state workforce development programs.

Industrial Commission Fees/Computer System Replacement. Adds new section to provide that the Industrial Commission may retain up to \$500,000 in fiscal 2003-04 and again in fiscal 2004-05 of additional fees charged to parties for the filing of compromise settlements. Money is to be used to replace existing computer hardware and software for the operations of the Comm'n. Provides that the fees must be in excess of the current \$200 fee charged by the Comm'n for filing a compromise settlement.

Regional Economic Development Commission allocations Adopts House provision.

Regional Commission Reports (new). Adopts House provision with following changes. Requires that each regional commission receiving grant-in-aid from the Dep't of Commerce provide reports on the information set out in the bill by Jan. 15, 2004, and Jan. 15, 2005. Deletes requirement that the reports be reviewed by the North Carolina Partnership for Economic development, the requirement that regional commissions receive quarterly allocations of appropriated funds, the provision that regional commissions remain in the Dep't of Commerce's budget code 14601, and the provisions requiring a study of the board structure of the Global TransPark Development Comm'n.

Nonprofit reporting requirements. Adopts House provision with following changes. Adds Coalition of Farm and Rural Families to list of nonprofits effected by bill.

Biotechnology Center. Adopts House provision.

Piedmont Triad Research Park. Adds new section to provide that of the funds allocated to the NC Biotechnology Center, \$250,00 for fiscal 2003-04 be transferred to Idealliance for the expansion of the Piedmont Triad Research Park.

Rural Economic Development Center. Adopts House provision with following changes. Provides that \$1,047,410 (House allocated \$991,000) of funds allocated to the Rural Economic Development Center be used for community development grants to support development projects and activities within the state's minority communities, as provided in bill.

Opportunities Industrialization Center Funds. Adopts House provision with the following changes. Increases allocation of funds to the Opportunities Industrialization Centers in Wilson, Rocky Mount, and Kinston and Lenoir counties to \$90,250 each (House allocated \$87,875 each). Deletes provision requiring that funds appropriated in the Economic Incentives Reserve for the Commerce State-Aid Non-profits for fiscal 2003-04 be adjusted to reflect 2002-03 appropriations.

Nonprofit Funding. Deletes House provision.

Judicial Department

AOC Operational Efficiency Study(new). Adopts House provision with the following changes. Deletes provision requiring quarterly reports by the Judicial Dep't, the Dep't of Correction, the Dep't of Crime Control and Public Safety, the Dep't of Juvenile Justice, and the Dep't of Justice on the implementation of negative reserves authorized in this budget.

Management Flexibility Reserves. Adds provision to require quarterly reports by the Judicial Dep't, the Dep't of Correction, the Dep't of Crime Control and Public Safety, the Dep't of Juvenile Justice, and the Dep't of Justice on the implementation of management flexibility reserves authorized for any agency in this Act. The departments must report to the Joint Legislative Commission on Governmental Operations before eliminating positions or programs.

Collection of Worthless Check Funds. Adopts House provision.

Office of Indigent Defense Services Report. Adopts House provision.

Drug Treatment Court Program. Adopts House provision.

Federal grant funds. Adopts House provision with the following changes. Deletes provision requiring Judicial Dep't to use proceeds from the Court Information technology Fund to fulfill prior obligations to criminal justice information projects receiving federal funds.

Public Defender Study. Adopts House provision.

Transfer of equipment and supply funds. Adopts House provision.

Adjust magistrate authorizations. Adopts House provision.

Suspension of Court-Ordered Arbitration Program. Deletes House provision.

No court-ordered arbitration on appeal from magistrate. Adds new section amending GS 7A-37.1 to provide that a court may not order arbitration on appeal from a magistrate's decision.

North Carolina State Bar funds. Adopts House provision with following changes. Provides that the State Bar can use funds appropriated in the continuation budget for the 2003-05 biennium to provide up to \$590,000 in fiscal 2003-04 and again in 2004-05 for the Center for Death Penalty Litigation. Requires that the Office of Indigent Defense Services report by Feb. 1, 2004, to the House and Senate Appropriations Subcommittees on Justice and Public Safety on the activities funded by money allocated pursuant to this section.

Clarify partial payment of appointment fee for criminal defendants. Adds new provision to amend GS 7A-455.1 as title indicates.

Pilot project on assignment of civil cases. Adds new section to authorize the Administrative Office of the Courts to conduct a pilot project in up to four judicial districts to assess a system for the assignment and processing of general civil cases. Section expires June 30, 2005.

Dispute Resolution fee clarification. Amends GS 7A-38.7 to clarify that the sum of \$60 may be assessed per mediation.

Department of Justice

Use of seized and forfeited property transferred to state law enforcement agencies by the federal government. Adopts House provision.

Private protective services and alarm systems licensing boards pay for use of state facilities and services. Adopts House provision.

Certain litigation expenses to be paid by clients. Adopts House provision.

Reimbursement for UNC Board of Governors legal representation. Adopts House provision.

Report on criminal records checks conducted for concealed handgun permits/study fee adjustment for criminal record checks. Adopts House provision.

NC Legal Education Assistance Foundation report on funds disbursed. Adopts House provisions with the following changes. Requires that the Foundation report by March 1 each year to the Joint Legislative Commission on Governmental Operations in accordance with provisions in the bill.

Computer crimes grant funds. Adds new section to allow the Dep't of Justice to transfer, on July 1, 2004, seven SBI agents funded in 2003-04 with federal funds from Computer Crimes grant to agent positions in the SBI that are vacant, funded through the general fund, and in existence on July 1, 2003.

Rape kit funds a priority. Deletes House provision.

Rape Kit analyses by private vendors. Requires that the Dep't of Justice issue a request for information to determine the interest, qualification, and cost of private vendors in providing analysis of DNA information from rape kits

Department of Juvenile Justice and Delinquency Prevention

S.O.S. administrative cost limits. Adopts House provision.

Reports on certain programs. Adopts House provision.

State funds may be used as federal matching funds. Adopts House provision.

Annual evaluations of community programs. Adopts House provision.

Use of funds for youth development center beds. Adopts House provisions with the following changes. Allows Dep't to consider establishing up to 16 new sex offender beds. Provides Dep't must report to Chairs of Justice and Public Safety Subcommittees before establishing new sex offender beds.

Planning for new youth development center. Adopts House provision with technical changes in reporting requirements.

Operation of Buncombe Youth Detention Center. Adopts House provision.

Department of Correction

Federal grant reporting. Adopts House provision.

Reimburse counties for housing and extraordinary medical costs for inmates, parolees, and post-release supervisees awaiting transfer to state prison system. Adopts House provision.

Shift pay for security staff. Adopts House provision.

Department of Correction security staffing formulas. Adopts House provision.

Use of closed prison facilities. Adopts House provision.

Inmate costs/medical budget for prescription drugs and inmate clothing and laundry services (new). Adopts House provision with the following changes. Adds provision allowing the Dep't of Correction to use funds for the purchase of clothing and laundry services for inmates if expenditures are projected to exceed the Department's budget for clothing and laundry services.

Mobile medical operating room. Adopts House provision.

Conversion of contracted medical positions. Adopts House provision.

Limit use of operational funds. Adopts House provision.

Federal grant matching funds. Adopts House provision.

Computer/data processing services funds. Adopts House provision except limits funds to those allocated in fiscal 2003-04 (House provides for use of funds allocated in biennium).

Medium custody road crew compensation/community work crews. Adopts House provision.

Energy for Committed Offenders/contract and report. Adopts House provision with a technical change.

Electronic Monitoring Costs. Adopts House provision. Adds requirement that the Dep't also analyze and report on the reasons for the underutilization of the electronic monitoring program.

Collection of offender fees. Adopts House provision.

Criminal Justice Partnership Program. Adopts House provision.

Reports on nonprofit programs. Adopts House provision. Deletes requirement for report by the John Hyman Foundation.

Report on probation and parole caseloads. Adopts House provision with the following changes. Adds requirement that the Dep't of Correction conduct a study of probation/parole officer workload at least biannually, with the first study to be completed during the 2003-04 fiscal year. Dep't to report on study to the Appropriations Subcommittees on Justice and Public Safety by April 1, 2004.

Community Service Work Program. Adopts House provision.

Report on inmates eligible for parole. Adopts House provisions with a technical change to reporting requirement.

Post-release supervision and parole commission/report on staffing reorganization and reduction. Adopts House provision with the following change. Requires that Comm'n report by March 1, 2004, (House requires report each year by March 1).

Housing of inmates. Adds new section to require that the Dep't of Correction develop an operating plan for generating the appropriate mix of close, medium, and minimum custody beds. Plan to be in accordance with provisions in bill. Dep't shall report by Feb. 1, 2004.

Department of Crime Control and Public Safety

Transfer CJIN to the Department of Crime Control and Public Safety. Adopts House provision.

The juvenile justice information system. Adopts House provision.

Annual evaluation of the Tarheel Challenge Program. Adopts House provision.

Legislative review of drug law enforcement and other grants. Adopts House provision.

Victims assistance network report. Adopts House provision.

ALE agents subject to State Personnel Act. Adds new provision to specify that GS Chapter 126, the State Personnel System, applies to all Alcohol Law Enforcement agents. Requires that the Office of State Personnel study salary classifications of the agents to determine the appropriate salary ranges and report results of study to the Subcommittees on Justice and Public Safety.

Department of Administration

Agencies to use mail service centers. Adopts House provision.

Study of advocacy programs in the Department of Administration. Adopts House provision.

Low-income residential energy program. Adds new GS 113B-6(5) assigning the Energy Policy Council responsibility to develop and administer the Low-Income Residential Energy Program.

Petroleum overcharge funds allocated. Appropriates funds received from United States v. Exxon that remain in the Special Reserve for Oil Overcharge Funds to the Dep't of Administration, \$1 million for 2003-04 to be allocated for the Low Income Residential Energy Program. Any funds remaining may be expended only as authorized by General Assembly.

Veterans scholarships partially funded from escheat fund. Amends GS 165-22.1(b) to provide that receipts from the Escheat Fund shall be used to support scholarships for children of war veterans, but only for worthy and needy residents enrolled in public institutions of higher education. Adds new GS 116B-7(b) to provide for the transfer from the Escheat Fund for veteran's scholarships as indicated above. Appropriates \$3,728,324 from Escheat Fund to Dep't of Administration for biennium.

Office of the State Auditor

Smart Start Audits. Adopts House provision.

General Assembly

Legislative food service donate food. Requires that service donate food that would otherwise be discarded to nonprofit organization.

Office of the Governor

Housing Finance Agency matching funds. Adopts House provision.

Information Technology

ITS legacy systems and IT efficiencies studies and ITS budget structure review/report (new). Adopts House provision but requires that Office of State Budget and Management (OSBM) prepare three alternative budget transition plans, two of which shall address feasibility of including a proposal to reimburse General Fund for agency receipts for ITS services and having budgets approved by OSBM instead of Information Resources Management Comm'n (IRMC). Makes technical changes.

Department of Insurance

Insurance Fund transfer to General Fund. Adopts House provision.

Extend the sunset for funding certain operations of the Department of Insurance through the Insurance Regulatory Fund. Extends sunset to June 30, 2004 (was, June 30, 2003).

Department of Revenue

DOR Taxpayer Telecommunications Service. Adopts House provision but reduces funds appropriated to \$1,622,896 for 2003-04 and \$2,154,593 for 2003-04 (was, \$7,840,513 for biennium).

Certain DOR positions fee-supported. Adopts House provision with technical changes.

DOR Taxpayer Call Center Fund code. Requires that funds appropriated to Dep't of Revenue (DOR) for central taxpayer telecommunications service center for collections and assistance shall be transferred to a separate, receipts-supported Fund Code number 1662.

DOR report on project compliance. Requires that beginning Feb. 1, 2004, until July 30, 2006, DOR must provide quarterly reports on its efforts to address abuses of voluntary tax compliance system and prescribes content of reports.

Secretary of State

Study of the feasibility of transferring the consultation requirement from the Business License Information Office to the Small Business Centers (new). Adopts House provision, but requires that Sec'y of State and NC Community College System conduct study, instead of implementing plan. Deletes requirement that BLIO consultant positions be phased out and adds requirement that study consider providing public access to web-based master application system. Requires that report be submitted by Jan. 1, 2004.

Publication of the North Carolina Manual. Adopts House provision.

State Board of Elections

Help America Vote Act Matching Funds. Adopts House provision.

Office of State Budget and Management

NC Humanities Council. Adopts House provision.

Office of the State Controller

Overpayments audit. Adopts House provision.

Department of State Treasurer

Amending funding for retirement and escheat operations. Deletes House provision.

State Treasurer subject to Executive Budget Act. Deletes House provision.

Report on the status of the technology infrastructure enhancements. Requires that Dep't of the State Treasurer report by Oct. 1 and April 1 of each year on the status of the replacement of current information technology systems for retirement plans administered by the Retirement Systems Division.

Staffing Analysis Follow-Up. Requires that OSBM conduct analyses by Oct. 1 and April 1 of each year updating Staffing Analysis completed on the Retirement Systems Division in April 2003. Also requires that Division maintain monthly workload statistics.

Department of Transportation

Cash-Flow Highway Fund and Highway Trust Fund appropriations. Adopts House provision.

Small urban contingency funds. Adopts House provision but increases appropriation for small urban construction projects to \$28 million (was, \$14 million) for 2003-04 and for rural highway projects to \$15 million (was, \$10 million) for 2003-04.

Department of Transportation productivity pilot programs. Deletes House provision.

Reduce Highway Trust Fund administration allocation. Adopts House provision, but increases funds appropriated to 4% for 2003-04 and 3.8% thereafter (was, 3.8% for each fiscal year).

Use of excess overweight/oversize funds. Adopts House provision.

Environmental permits on Department of Transportation construction projects. Deletes House provision.

Driver Education Privatization. Deletes House provision.

Department of Transportation General Administration reductions. Deletes House provision.

Department of Transportation may not develop the I-40/Duraleigh Road Connector.

Requires that DOT permanently remove plans for Duraleigh Connector and prohibits Dep't from spending state or federal funds on this route.

Funds for repair renovation, and replacement. Authorizes DOT to use up to 1.8% of funds appropriated to Dep't for facilities maintenance.

Modify description of the Durham Northern Loop and intrastate improvement projects.

Amends GS 136-180(a) by listing particular projects eligible for funding as part of the Durham Northern Loop. Amends GS 136-179 to add Robeson County to route US-13 project.

Highway Trust Fund Study Committee. Establishes 20-member Highway Trust Fund Study Comm. composed of the Chairs of the Jt. Legis. Transportation Oversight Comm. and five representatives and four public members appointed by Speaker and five senators and four public members appointed by the Pres. Pro Tem., Comm. to study delineated issues concerning Fund. Final report due Nov. 1, 2004.

Waive 1/3 of the military gas tax. Adds new GS 105-449.128 distributing amount equal to the amount of motor fuel sold by exchange service stations within a military installation, multiplied by distribution rate, to the morale, welfare, and recreation programs of installation. Establishes distribution rate of 1/3 of the sum of cents-per-gallon rate and average of two variable cents-per-gallon rates. Makes conforming changes to GS 105-449.62.

MPO/RTO transportation planning funding. Adds new GS 136-200.5 authorizing lead planning agency for any Metropolitan Planning Organization located in nonattainment or maintenance area to apply for funds from DOT to avoid plan conformity lapse. Maximum of \$1 million per fiscal year may be provided to planning agency and funds shall be repaid within five years. Adds new 136-200.6 authorizing regional planning agency located in nonattainment or maintenance area to apply to DOT for funds to support local transportation efforts. Maximum of \$500,000 per fiscal year may be provided to planning agency.

Ferry employee positions. Authorizes Ferry Division to use available funds from increased toll revenues to transfer maximum of 38 employees to permanent positions.

Motorist Assistance Program personnel. Requires that all full-time employees of the Interstate Motorist Assistance Program be designated as permanent employees.

Transportation services and improvements for trade shows. Authorizes DOT to provide transportation services for trade shows of international significance.

Salaries and Employee Benefits

Governor and Council of State. Increases Governor's salary to \$120,574. Increases Council of State salary to \$106,415.

Non-elected department heads/salary increases. Increases non-elected dep't head salaries to \$103,967.

Certain executive branch officials/salary increases. Increases salaries as follows: Chairman, ABC-\$94,628, State Controller-\$132,432, Comm'r of Motor Vehicles-\$94,628, Comm'r of Banks-\$106,415, Chairman, ESC-\$132,264, State Personnel Director-\$103,967, Chairman, Parole Comm'n-\$86,407, Members, Parole Comm'n-\$79,774, Chairman, Utilities Comm'n-\$118,512, Members, Utilities Comm'n-\$106,415, Executive Director, Agency for Public Telecommunications-\$79,774, General Manager, Ports Railway Comm'n-\$72,036, Director, Museum of Art-\$96,964, Executive Director, NCHFA-\$117,113 Executive Director, NCAFA-\$92,108, and Chief Information Officer-\$132,353.

Judicial branch officials/salary increase. Increases salaries as follows: Chief Justice, Supreme Court-\$120,574, Assoc. Justice-\$117,424, Chief Judge, Court of Appeals-\$114,487,

Appeals Court Judge-\$112,531, Judge, Sr. Regular Resident Superior Court-\$109,473, Superior Court Judge-\$106,415, Chief Judge, District Court-\$96,630, District Court Judge-\$93,573, Administrative Officer of the Courts-\$109,473, and Asst. Administrative Officer of the Courts-\$99,994. Increases minimum salary of Asst. District Attorney or Public Defender to \$31,597 effective July 1, 2003, and provides that average salaries of those positions shall not exceed \$61,280 in each district. Increases salaries of all other full-time permanent employees of Judicial Dep't by 1.81%.

Clerk of superior court salary increases. Increases annual salary of clerk of superior court in each county, based upon population of county, as follows: less than 100,000: \$71,176; 100,000 to 149,999: \$79,872, 150,000 to 249,999: \$88,569, 250,000 and above: \$97,266.

Assistant and deputy clerks of court/salary. Adds provision increasing salaries of assistant and deputy clerks by 1.81% except for those entitled to a step increase. Increases salary range of Asst. Clerk and Head Bookkeeper from \$26,995 to \$47,305 and of Deputy Clerks from \$22,973 to \$36,584.

Magistrates' salary increases. Adds provision increasing salaries of magistrates by 1.81% except for those entitled to a step increase. Increases salary range for full-time magistrate judges of \$27,376 to \$47,712. Increases ranges for magistrates who were credited with less than five years of service as of June 30, 1994.

General Assembly principal clerks. Increases salary to \$89,904.

Sergeant-At-Arms and reading clerks. Adopts House provision.

Legislative employees. Increases salaries of nonelected General Assembly employees by 1.81%.

Community colleges personnel/salary increases. Increases salaries of permanent full-time personnel supported by state funds by 1.81%.

University of North Carolina System/EPA salary increases. Increases salaries of all employees of UNC System and EPA employees of NC School of Science and Mathematics supported by state funds by 1.81%.

Most state employees. Provides for 1.81% salary increase.

Study compensation of certain high-level officers. Adopts House provision and requires that OSBM and Office of State Personnel report findings by April 15, 2004.

Temporary sales tax transfer to temp sales tax for Wildlife Resources Commission salaries. Requires that Sec'y of Revenue transfer net Art. 5, Ch. 105 sales and use tax collection to the State Treasurer for the Wildlife Resources Fund to fund cost of salary increases for Wildlife Resources Comm'n employees.

Salary-related contributions/employer. Increases state employer contribution rates for retirement and related benefits as percentage of covered salaries as follows:

	<u>Teachers & State</u>	<u>Law Enforce.</u>	<u>Univ. Opt.</u>	<u>Comm. Col.</u>	<u>Jud.</u>	<u>Legis.</u>
7/1/03	4.14	9.14	10.56	10.56	15.12	3.20
7/1/04	5.97	10.97	10.56	10.56	15.12	3.30

Increases maximum annual employer contribution to the Teachers' and State Employees' Comprehensive Major Medical Plan of \$2,518 for 2003-04 and \$2,612 for 2004-05 for Medicare-eligible employees; and \$3,307 for 2003-04 and \$3,432 for 2004-05 for non-Medicare-eligible employees.

Retirement COLAS. Increases retirement allowance for retirees of the Teachers' and State Employees' Retirement System, the Judicial Retirement System, and the Legislative Retirement System by 1.45%.

Transfer of service in the Legislative Retirement System to the Teachers' and State Employees' Retirement System and the Judicial Retirement System. Deletes House provision.

Increase monthly pension for members of the Firemen's and Rescue Squad Workers' Pension Fund. Adopts House provision.

Transfer the Disability Income Plan and the Death Benefit Plan for teachers and state employees and the separate insurance benefits plan for law enforcement officers to the executive

administrator and Board of Trustees of the Teachers' and State Employees' Major Medical Plan. Amends GS Ch. 135, Art. 6 (Disability Income Plan) and adds new Part 6 to Ch. 135, Art. 3 as title indicates. Amends GS 135-102(c) to authorize Disability Plan administrator to contract with a third-party administrator to carry out the terms and conditions of the Plan. Amends GS 135-105(a) to provide that a participant who is unable to perform the duties of the participant's job or any other available jobs with the state is eligible for short-term disability benefits (was, if participant is unable to perform usual occupation). Amends GS 135-106(a) to provide that participant may receive long-term disability benefits if participant is unable to perform any occupation for which participant is reasonably qualified by training or experience (was, mentally or physically incapacitated from the further performance of duty). Transfers substantial portion of GS 135-5(l) to new Part 6 of Ch. 135, Art. 3. Changes amount of death benefit to \$50,000 (was, equal to greater of compensation during year preceding participant's death or greatest compensation during a 12-month period within last 24 months of service with a minimum benefit of \$25,000 and maximum of \$50,000). Amends GS 58-31-60 to require that Dep't of Administration establish a State Employee Benefit Comm. and that Comm. members shall be appointed by Governor (was, Employee Insurance Comm. appointed by head of each state government employee payroll unit).

Salary Study. Authorizes the Senate Appropriations/Base Budget Comm. and House Appropriations Comm. to study the compensation plans for state employees.

Capital Appropriations

Water resources development project funds. Adopts House provision.

Expenditures of Funds from the Reserve for Repairs and Renovations (new). Replaces House provision with provision allocating 46% of funds in the Reserve to the UNC Board of Governors for repairs and renovations and 54% of funds to OSBM. Also authorizes Board to allocate funds from the General Fund for repairs and renovations of facilities not supported by the General Fund. Also authorizes OSBM to allocate Reserve funds to complete the construction of state-owned facilities.

New project authorization. Adopts House provision.

Regulatory fee for Utilities Commission

Adopts House provision.

Insurance Regulatory Charge

Adopts House provision, except decreases percentage rate to 5%.

Department of Health and Human Services Fees

Adopts House provision except deletes GS 143-520.

Department of Transportation Fees

Deletes House provision.

Fees for Department of Environment and Natural Resources and Department of Agriculture and

Consumer Services (New)

Makes technical changes to House amendment to GS 113-34(c). Amends GS 130A-294.1(e) to increase fee to \$1,000.00 and GS 130A-294.1(f) to increase fee to \$125.00, effective July 1, 2003. Establishes the following fees for animal disease diagnostic tests or services.

Test/Service

Fee

Pullorum	\$0.10
M Synoviae	0.50
M. meleagridis	0.50
Necropsy	25.00
M Gallisep.	0.50
Mg,Ms,Mm-HI	1.00
Histopathology	15.00
Cytology	10.00
Necropsy Disposal	
10 to 100 pounds	5.00
101 to 500 pounds	15.00
More than 500 pounds	30.00
Companion Animal Culture	10.00

Further provides that the Board of Agriculture shall charge a fee of \$50.00 for nursery dealer certification. Increases fees charged pursuant to GS 143-452(b) to \$50.00 for pesticide applicator's license and \$25.00 for aircraft inspections. Amends GS 143-448(b), (c) and -455(a) to increase fees for to \$50.00 and amends GS 143-442(b) to increase annual registration fee to \$100.00. Adds new GS 113-35(b)(3) to authorize the erection, maintenance and use of a marina at Carolina Beach. Amends GS 113-35(c) to authorize DENR to charge fees for use of Dep't boats and for use of public service facilities and conveniences in state parks, lakes and other areas, effective Jan. 1, 2004, as follows:

<u>Facility/Convenience</u>	<u>Fee</u>
Special activity permit	\$ 30.00
Swimming fees/Adult	4.00
Swimming fees/Child	3.00
State Lake private pier permit, based on length of pier, Average per year	80.00
State Lake commercial pier permit, based on length of pier Average per year	200.00
Admission fee for Falls and Jordan Lakes per car	5.00
Sr. Citizen admission fee for Falls and Jordan Lakes per car	4.00
Hammocks Beach Ferry fee/Adult	5.00
Hammocks Beach Ferry fee/Child	3.00
Fees for camping per night	15.00
Fees for camping with hookups per night	20.00
Fees for primitive camping per night	9.00
Fees for primitive group camping \$ 1.00 Per person per night Minimum per night	9.00
Rental fees for improved group camping, maximum of 35	40.00
Rental fees for improved group camping, maximum of 100	105.00
Rental fees for family cabin per week	500.00
Rental fees for family cabin per day	100.00
Carolina Bch. Marina rental fee for transient rentals, based on length of boat Average fee per night	20.00
Carolina Bch. Marina rental fee for long-term rentals, based on length of boat Average fee per year	2,500.00
Boat rental fee for rowboats	

	First hour	5.00
	Each additional hour	3.00
Boat rental fee for paddle boats		
	First hour	5.00
	Each additional hour	3.00
Picnic shelter rental fee/2-table shelter		25.00
Picnic shelter rental fee/4-table shelter		40.00
Picnic shelter rental fee/8-table shelter		60.00
Picnic shelter rental fee/12-table shelter		85.00

Department of Cultural Resources Fees

Amends GS 105-129.35 and GS 105-129.36(a) to require that taxpayer provide a copy of State Historic Preservation Officer certification that historic structure has been rehabilitated in accordance with subsection. Amends GS 105-129.36A to authorize NC Historical Comm'n to establish fee schedule for providing such certifications. Adds new GS 121-7.3 to authorize Dep't of Cultural Resources to charge museum admission fee.

Secretary of State Fees

Amends GS 25-9-525(a)(1) to increase fee to \$38.00.

Justice and Public Safety Fees

Adds new GS 7A-37.1(c1) to impose fee of \$100.00 for nonbinding arbitration. Amends GS 7A-305(a)(2) to increase costs for superior court to \$82.00 and for district court to \$75.00 and amends GS 7A-306(a)(2) to increase cost for special proceedings and estate administration to \$43.00.

Adjust Local Government Hold Harmless

Adopts House provision except amends GS 105-521(b) to require that an updated projection be submitted if a law is enacted which affects projection. Changes repeal of of GS 105-521 to Jan. 1, 2008.

Temporarily Maintain State Sales Tax Rate

Adopts House provision.

Temporarily Maintain Upper Income Tax Rate

Adopts House provision.

Delay Elimination of the Marriage Tax Penalty for Standard Deduction

Amends SL 2001-424, Sec. 34.19(a), as amended, by changing effective date to Jan. 1, 2006, and amends Sec. 34.19(b), as amended, by changing effective date to Jan. 1, 2007.

Conform Child Tax Credit to Federal Credit and Delay Increase in Child Tax Credit

Adds GS 105-151.24(b) establishing credit in the amount of \$60 for each child from 2003-2005, \$75.00 for 2006 and \$100.00 after 2006.

Equalize Insurance Tax Rates on Article 65 Corporations

Amends GS 105-228.5(d)(2) to provide that tax rate shall be applied to gross premiums and gross collections from membership dues and deletes GS 105-228.5(d)(5).

Continue Use Tax Line Item on Income Tax Form

Amends SL 2000-120, Sec. 18 by extending effective date of Sec. 10 and 11 to 2005.

Conform to Streamlined Sales and Use Tax Agreement

Amends GS 105-164.3 to define to the following terms: computer, computer software, custom computer software, delivered electronically, direct mail, drug, durable medical equipment, electronic, load and leave, mobility enhancing equipment, over-the-counter drug, prewritten computer software, and prosthetic device, and changes definitions of lease or rental, prepared food, tangible personal property, and replaces definition of prescription drug with definition of prescription. Amends GS 105-164.13 to change retail sales and use tax exemption for certain items. Amends GS 105-164.13B to provide that retail sales and use tax is applicable to candy, prepared food and soft drinks, deleting exemption for such items purchased for home consumption. Amends GS 105-164.27A(a) providing that purchasers of direct mail may apply to the Sec'y for a direct mail permit for that purchase and that permit does not apply to any purchase other than the purchase of direct mail. Amends GS 105-466(c) to provide that tax changes applicable to printed catalog purchases are effective on the first day of the calendar quarter, a minimum of 120 calendar days from the date seller is notified of rate change. Except for new definitions, effective July 1, 2003.

Security Interest Debt (New)

Adopts House provision, except increases maximum aggregate principal amount to \$250 million for use for repair and renovation of state facilities supported from General Fund.

Lease-Purchase Three New Prisons

Adds new GS 148-37.2(a1) authorizing construction of three additional close security correctional facilities totaling up to 3,000 cells and providing that if state is able to negotiate a contract for construction of facilities on terms "reasonable and desirable" to state then requests for proposals are not required. Makes technical and conforming changes. Adds new GS 148-37.2(j) providing that GS 143-128.2 applies to the projects authorized in sec.

General Provisions

Adopts House provision.

Miscellaneous Provisions

Adopts House provision.

Effective date July 1, 2003.

April 30, 2003

H 397. 2003 BUDGET ACT. Intro. 3/11/03. Senate amendments adopted 4/29/03 make the following changes to 6th edition. (1) Provide that if local school administrative units are unable to fill positions with qualified teachers for 2003-04 school year, they may use funds for teacher assistants. (2) Add "credit balance recovery and data mining services" to list of Medicaid cost-containment activities. (3) Add new Sec. 10.23(c) requiring that Dep't of Health and Human Services identify software to improve its detection of Medicaid fraud and contract with a software

consultant to test software's effectiveness on a pilot basis no later than Oct. 1, 2003. Require that Dep't report on pilot status and results on or before Dec. 1, 2003, and again on April 1, 2004. Authorize Dep't to use up to \$75,000 for consulting services and pilot test. (4) Remove GS 97-73(b) reference to Dep't of Health and Human Services. (5) Add new GS 143-64.03(d) and 143-64.6 authorizing state agency and counties and municipalities to sell surplus property (including motor vehicles) through an electronic auction service.