

University-related Special Provisions 2007-09 State Budget

The following special provisions are excerpted from the 2007 Appropriations Act (House Bill 1473) and provided for your information. The bill in its entirety is available on the General Assembly's website at www.ncleg.net.

EDUCATION LOTTERY

SECTION 5.2.(a) Pursuant to G.S. 18C-164, the revenue used to support appropriations made in this act is transferred from the State Lottery Fund in the amount of three hundred fifty million dollars (\$350,000,000) for the 2007-2008 fiscal year.

SECTION 5.2.(b) The appropriations made from the Education Lottery Fund pursuant to G.S. 18C-164(d) for the 2007-2008 fiscal year are as follows:

(1) Class Size Reduction	\$ 90,364,291
(2) Prekindergarten Program	84,635,709
(3) Public School Building Capital Fund	140,000,000
(4) Scholarships for Needy Students	35,000,000
Total Appropriation	\$ 350,000,000

UNC DISTINGUISHED PROFESSOR CHALLENGE-GRANT INITIATIVE/ REDUCE BACKLOG FOR DISTINGUISHED PROFESSOR ENDOWMENT TRUST FUND PROFESSORSHIPS

SECTION 6.15.(a) The UNC Distinguished Professor Challenge-Grant Initiative is established as a reserve fund to be administered by the Board of Governors of The University of North Carolina. Funds in the UNC Distinguished Professor Challenge-Grant Initiative shall be used to provide State matching funds for a private challenge-grant initiative and shall be allocated consistent with G.S. 116-41.15. Funds from the UNC Distinguished Professor Challenge-Grant Initiative when matched with private funds shall provide the funding required to endow one distinguished professorship at each of the 16 constituent institutions of The University of North Carolina in the 2007-2008 fiscal year. All professorships endowed through this Initiative shall be in the fields of teacher education, engineering, nursing, or the traditional arts and sciences.

SECTION 6.15.(b) Funds are allocated in the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets for the purpose of addressing the existing backlog of professorships under the Distinguished Professors Endowment Trust Fund.

ELIMINATION OF VACANT POSITIONS

SECTION 6.17.(a) The Office of State Budget and Management shall eliminate vacant positions across State government that are funded through the General Fund in order to generate a recurring annual savings of ten million thirty-eight thousand biennium, by transferring from the various State departments, agencies, and institutions the salary and benefits-related funding appropriated for State government positions.

There is established in the Office of State Budget and Management a Reserve for Eliminated Positions. Notwithstanding G.S. 143C-6-9, the sum of ten million thirty-eight thousand four hundred sixty-six dollars (\$10,038,466) shall be credited to the Reserve for Eliminated Positions from the savings associated with the elimination of vacant positions required by this section, effective July 1, 2007.

SECTION 6.17.(b) The provisions of this section do not apply to The University of North Carolina, to the Community Colleges System, or to local school administrative units.

STUDY OF LAPSED SALARY USE

SECTION 6.18.(a) The Office of State Budget and Management shall conduct an analysis of lapsed salary use by all State agencies. The analysis shall include a five-year history of lapsed salaries generated by State departments, institutions, and agencies and the uses of those lapsed salaries. The report should note instances where spending of lapsed salaries was specifically authorized by legislative action. The report shall include recommendations for methods to reduce the use of lapsed salary and the amount of funds generated as lapsed salary by use for each State department, institution, and agency.

SECTION 6.18.(b) The Office of State Budget and Management shall report its findings to the Joint Legislative Commission on Governmental Operations by April 30, 2008.

CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND DIVISIONS

SECTION 6.21.(a) No later than February 1, 2008, the Administrative Office of the Courts shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the following funds, programs, or divisions:

- (1) Association of Clerks of Superior Court.
- (2) The Conference of District Attorneys.

The report shall include all of the information listed in subsection (g) of this section.

SECTION 6.21.(b) No later than February 1, 2008, the Department of Correction shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the Criminal Justice Partnership Program. The report shall include all of the information listed in subsection (g) of this section.

SECTION 6.21.(c) No later than February 1, 2008, the Department of Juvenile Justice and Delinquency Prevention shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the Juvenile Crime Prevention Councils. The report shall include all of the information listed in subsection (g) of this section.

SECTION 6.21.(d) No later than February 1, 2008, the Department of Environment and Natural Resources shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the Environmental Stewardship Initiative. The report shall include all of the information listed in subsection (g) of this section.

SECTION 6.21.(e) No later than February 1, 2008, the Board of Governors of The University of North Carolina shall provide a written report to the Appropriations

Committees of the Senate and House of Representatives on the Center for Nursing. The report shall include all of the information listed in subsection (g) of this section.

SECTION 6.21.(f) No later than February 1, 2008, the Department of Health and Human Services shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the following funds, programs, or divisions:

- (1) Office of Policy and Planning.
- (2) Dental Supplies/Division of Public Health.

The report shall include all of the information listed in subsection (g) of this section.

SECTION 6.21.(g) The reports required in this section shall include the following information for each program:

- (1) A description of the program, including information on services provided, the recipients of the services, and the resource requirements.
- (2) Meaningful measures of program performance and whether the program is meeting these measures.
- (3) The rationale for continuing, reducing, or eliminating funding.
- (4) The consequences of discontinuing program funding.
- (5) Recommendations for improving services.
- (6) Recommendations for reducing costs.
- (7) The identification of policy issues that should be brought to the attention of the General Assembly.

SECTION 6.21.(h) The Appropriations Committees of the Senate and House of Representatives may review the funds, programs, and divisions listed in this section and shall determine whether to continue, reduce, or eliminate funding for the funds, programs, and divisions, subject to the continuation review program. The Fiscal Research Division may issue instructions to the State departments and agencies affected by this section regarding the expected content and format of the reports required by this section.

UNIVERSITY CANCER RESEARCH FUND

SECTION 6.23.(a) G.S. 105-113.35 reads as rewritten:

"§ 105-113.35. Tax on tobacco products other than ~~cigarettes~~.cigarettes; use of proceeds.

(a) Tax. – An excise tax is levied on tobacco products other than cigarettes at the rate of ~~three percent (3%)~~ten percent (10%) of the cost price of the products. This tax does not apply to the following:

- (1) A tobacco product sold outside the State.
- (2) A tobacco product sold to the federal government.
- (3) A sample tobacco product distributed without charge.

(b) Primary Liability. – The wholesale dealer or retail dealer who first acquires or otherwise handles tobacco products subject to the tax imposed by this section is liable for the tax imposed by this section. A wholesale dealer or retail dealer who brings into this State a tobacco product made outside the State is the first person to handle the tobacco product in this State. A wholesale dealer or retail dealer who is the original consignee of a tobacco product that is made outside the State and is shipped into the State is the first person to handle the tobacco product in this State.

(c) Secondary Liability. – A retail dealer who acquires non-tax-paid tobacco products subject to the tax imposed by this section from a wholesale dealer is liable for any tax due on the tobacco products. A retail dealer who is liable for tax under this subsection may not deduct a discount from the amount of tax due when reporting the tax.

(d) Manufacturer's Option. – A manufacturer who is not a retail dealer and who ships tobacco products other than cigarettes to either a wholesale dealer or retail dealer licensed under this Part may apply to the Secretary to be relieved of paying the tax imposed by this section on the tobacco products. Once granted permission, a manufacturer may choose not to pay the tax until otherwise notified by the Secretary. To be relieved of payment of the tax imposed by this section, a manufacturer must comply with the requirements set by the Secretary.

(e) Use. – Of the funds collected pursuant to this section, the Secretary shall deposit an amount equal to three percent (3%) of the cost price of the products to the General Fund, and the Secretary shall remit the remainder of the funds to the University Cancer Research Fund established pursuant to G.S. 116-29.1."

SECTION 6.23.(b) Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-29.1. University Cancer Research Fund.

(a) Fund. – The University Cancer Research Fund is established as a special revenue fund in the Office of the President of The University of North Carolina. Allocations from the fund shall be made in the discretion of the Cancer Research Fund Committee and shall be used only for the purpose of cancer research under UNC Hospitals, the Lineberger Comprehensive Cancer Center, or both.

(b) The General Assembly finds that it is imperative that the State provide a minimum of fifty million dollars (\$50,000,000) each calendar year to the University Cancer Research Fund; therefore, effective July 1 of each calendar year:

(1) Notwithstanding G.S. 143C-9-3, of the funds credited to the Tobacco Trust Account, the sum of eight million dollars (\$8,000,000) is transferred from the Tobacco Trust Account to the University Cancer Research Fund and appropriated for this purpose.

(2) The funds remitted to the University Cancer Research Fund by the Secretary of Revenue from the tax on tobacco products other than cigarettes pursuant to G.S. 105-113.41 is appropriated for this purpose.

(3) An amount equal to the difference between (i) fifty million dollars (\$50,000,000) and (ii) the amounts appropriated pursuant to subdivisions (1) and (2) of this subsection is appropriated from the General Fund for this purpose.

(c) Cancer Research Fund Committee. – The Cancer Research Fund Committee shall consist of five ex officio members and two appointed members. The five ex officio members shall consist of the following: (i) one member shall be the President of The University of North Carolina, (ii) one member shall be the Director of the Lineberger Comprehensive Cancer Center, (iii) one member shall be the Dean of the School of Medicine at The University of North Carolina, (iv) one member shall be the Dean of the School of Pharmacy at The University of North Carolina, and (v) one member shall be the Dean of the School of Public Health at The University of North Carolina. The remaining two members shall be appointed by a majority vote of the standing members of the Committee and shall be selected from persons holding a leadership position in a

nationally prominent cancer program. If any of the specified positions cease to exist, then the successor position shall be deemed to be substituted in the place of the former one, and the person holding the successor position shall become an ex officio member of the Committee.

(d) Chair. – The chair shall be the President of The University of North Carolina.

(e) Quorum. – A majority of the members shall constitute a quorum for the transaction of business.

(f) Meetings. – The Committee shall meet at least once in each quarter and may hold special meetings at any time and place at the call of the chair or upon the written request of at least a majority of its members."

SECTION 6.23.(c) Notwithstanding G.S. 116-29.1(b)(3), the amount appropriated from the General Fund to the University Cancer Research Fund for the 2007-2008 fiscal year is five million six hundred thousand dollars (\$5,600,000), and the amount appropriated from the General Fund to the University Cancer Research Fund for the 2008-2009 fiscal year is fifteen million five hundred thousand dollars (\$15,500,000).

SECTION 6.23.(d) Subsection (a) of this section becomes effective October 1, 2007, and applies to products acquired on or after the effective date, and taxes paid on or after the effective date. A wholesale dealer or retail dealer of tobacco products other than cigarettes who has an inventory of these products on hand on the effective date of the tax increase made by subsection (a) of this section must file a report of the inventory with the Secretary and pay an additional tax on the inventory. The report must be filed within 20 days after the effective date of the tax increase. The amount of the additional tax is the difference between the amount of tax payable at the former tax rate and the increased tax rate.

LEARN AND EARN HIGH SCHOOLS

SECTION 7.19.(a) Funds are appropriated in this act for the Learn and Earn high school workforce development program. The purpose of the program is to create rigorous and relevant high school options that provide students with the opportunity and assistance to earn an associate degree or two years of college credit by the conclusion of the year after their senior year in high school. The State Board of Education shall work closely with the Education Cabinet and the New Schools Project in administering the program.

SECTION 7.19.(b) These funds shall be used to establish new high schools in which a local school administrative unit, two- and four-year colleges and universities, and local employers work together to ensure that high school and postsecondary college curricula operate seamlessly and meet the needs of participating employers. Funds shall not be allotted until Learn and Earn high schools are certified as operational.

SECTION 7.19.(c) During the first year of its operation, a high school established under G.S. 115C-238.50 shall be allotted a principal regardless of the number of State-paid teachers assigned to the school or the number of students enrolled in the school. The budget flexibility authorized by G.S. 115C-105.25 does not apply to these positions.

SECTION 7.19.(d) The State Board of Education, in consultation with the State Board of Community Colleges and The University of North Carolina Board of Governors, shall conduct an annual evaluation of this program. The evaluation shall include measures as identified in G.S. 115C-238.55. It shall also include: (i) an

accounting of how funds and personnel resources were utilized and their impact on student achievement, retention, and employability; (ii) recommended statutory and policy changes; and (iii) recommendations for improvement of the program. The State Board of Education shall report the results of this evaluation to the Office of State Budget and Management, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division by January 15 of each fiscal year.

SECTION 7.19.(e) Enrollment fees and tuition for The University of North Carolina courses in which Learn and Earn students are enrolled are allowable uses of these funds. Tuition costs may include laboratory fees assessed to all students enrolled in the course or a similar course.

SECTION 7.19.(f) Textbooks required for college courses in which Learn and Earn students are enrolled may be purchased with these funds.

SECTION 7.19.(g) Payment of fees from these funds by local school administrative units to partnering community colleges and universities are restricted to technology or course fees. Funds appropriated in this act shall not be used to support the cost of athletic or other student activity or campus fees not required by enrollment in a specific course.

SECTION 7.19.(h) The State Board of Education shall allot funds for university enrollment, tuition and fees, and textbooks on the basis of and after verification of the credit hour enrollment of Learn and Earn students in university courses. The State Board of Education shall allot funds for community college fees and textbooks on the basis of and after verification of the credit hour enrollment of Learn and Earn students in community college courses.

SECTION 7.19.(i) Of the funds appropriated to the State Public School Fund for the 2007-2008 fiscal year, the State Board of Education may use up to eight hundred fifty thousand dollars (\$850,000) to establish additional Learn and Earn high schools that become certified as operational.

LEARN AND EARN ONLINE

SECTION 7.27.(a) Funds are appropriated in this act for the Learn and Earn Online program. This program will allow high school students to enroll in college courses to qualify for college credit. Online courses will be made available to students through The University of North Carolina and the North Carolina Community College System.

SECTION 7.27.(b) Funds shall be used for course tuition and only those technology and course fees and textbooks required for course participation. Funds shall also support a liaison position to be housed at the Department of Public Instruction to coordinate with The University of North Carolina and the North Carolina Community College System, and to communicate course availability and related information to high school administrators, teachers, and counselors.

SECTION 7.27.(c) The State Board of Education shall determine the allocation of Learn and Earn Online course offerings across the State.

SECTION 7.27.(d) The State Board of Education shall allot funds for tuition, fees, and textbooks on the basis of, and after verification of, the credit hour enrollment of high school students in Learn and Earn Online courses. Community college student enrollments in Learn and Earn Online shall not be considered as a regular budget full-

time equivalent (FTE) in the curriculum enrollment formula, but shall be accounted for separately and funds shall be allotted as a special allotment.

SECTION 7.27.(e) The University of North Carolina program shall report to The University of North Carolina Board of Governors, and the North Carolina Community College program shall report to the North Carolina Community College Board of Trustees. The Department of Public Instruction shall report to the State Board of Education.

SECTION 7.27.(f) Both The University of North Carolina and the North Carolina Community College System shall provide oversight and coordination, including coordination with the Department of Public Instruction and with the North Carolina Virtual Public School (NCVPS) to avoid course duplication.

SECTION 7.27.(g) Course quality and rigor standards shall be established, and each program shall conduct course evaluations to ensure that the online courses made available to students meet the established standards.

SECTION 7.27.(h) The State Board of Education, The University of North Carolina, and the North Carolina Community College System shall report to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division no later than April 15, 2008, on the implementation of the program for the 2007-2008 school year and the proposed operating plan for the 2008-2009 school year. The report shall include the number of students enrolled in courses under the Learn and Earn Online program and the number 1 of students who completed courses during the fall semester of the 2007-2008 school year.

SECTION 7.27.(i) Local school administrative units may purchase textbooks for Learn and Earn Online courses through the Department of Public Instruction's textbook warehouse in the same manner as textbooks that have been adopted for public school students by the State Board of Education.

SECTION 7.27.(j) Chapter 115D of the General Statutes is amended by adding a new section to read:

"§ 115D-1.2. Learn and Earn Online program.

(a) Notwithstanding 115D-1, a public school student enrolled in grades 9, 10, 11, or 12 and participating in the Learn and Earn Online program shall be permitted to enroll in online courses through a community college for college credit. Students participating in the Learn and Earn Online program may enroll in Learn and Earn Online courses regardless of the college service areas in which they reside.

(b) The State Board of Community Colleges, in consultation with the Department of Public Instruction, shall adopt rules to implement this section beginning with the 2007-2008 school year."

NC SCHOOL OF SCIENCE AND MATHEMATICS ENROLLMENT GROWTH FORMULA

SECTION 9.1. The Office of State Budget and Management jointly with The University of North Carolina and the Fiscal Research Division of the General Assembly shall conduct a study to create a formula for enrollment growth at the North Carolina School of Science and Mathematics. This formula shall be used to calculate the amount of funds needed for enrollment growth for the North Carolina School of Science and Mathematics. The formula shall also be used for calculating the enrollment growth

funding request to be submitted to the 2008 Session of the North Carolina General Assembly.

REPORTING ON UNC FACULTY WORKLOAD

SECTION 9.2.(a) The Board of Governors of The University of North Carolina shall conduct a study on faculty workload at The University of North Carolina. The study shall be done using the Delaware Study Method of collecting data. Information in the report shall include all of the following:

- (1) The faculty workload data for each constituent institution of The University of North Carolina compared to The University of North Carolina enrollment model.
- (2) The University of North Carolina faculty workload average as compared to The University of North Carolina enrollment model student credit hours per instructional position.
- (3) The faculty workload of regional and peer institutions as compared to each constituent institution faculty average and to The University of North Carolina faculty workload average.

SECTION 9.2.(b) The Board of Governors of The University of North Carolina shall submit the study report to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division no later than March 1, 2008.

USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 9.3.(a) There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of one hundred three million two hundred forty-three thousand two hundred twenty-six dollars(\$103,243,226) for the 2007-2008 fiscal year and the sum of one hundred twenty-four million eight hundred thirty-one thousand two hundred sixteen dollars (\$124,831,216) for the 2008-2009 fiscal year. There is appropriated from the Escheat Fund income to the State Board of Community Colleges the sum of thirteen million nine hundred eighty-one thousand two hundred two dollars (\$13,981,202) for the 2007-2008 fiscal year and the sum of thirteen million nine hundred eighty-one thousand two hundred two dollars (\$13,981,202) for the 2008-2009 fiscal year. There is appropriated from the Escheat Fund income to the Department of Administration, Division of Veterans Affairs, the sum of six million two hundred twenty-eight thousand six hundred thirty-three dollars (\$6,228,633) for the 2007-2008 fiscal year and the sum of six million five hundred twenty thousand nine hundred sixty-four dollars (\$6,520,964) for the 2008-2009 fiscal year. The funds appropriated by this subsection shall be allocated by the State Educational Assistance Authority for need-based student financial aid in accordance with G.S. 116B-7. If the interest income generated from the Escheat Fund is less than the amounts referenced in this subsection, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this subsection; however, under no circumstances shall the Escheat Fund principal be reduced below the sum of four hundred million dollars (\$400,000,000).

SECTION 9.3.(b) The North Carolina State Education Assistance Authority (SEAA) shall perform all of the administrative functions necessary to implement this program of financial aid. The SEAA shall conduct periodic evaluations of expenditures of the Scholarship Programs to determine if allocations are utilized to ensure access to institutions of higher learning and to meet the goals of the respective programs. SEAA may make recommendations for redistribution of funds to The University of North

Carolina, Department of Administration, and the Community College System regarding the respective scholarship programs, and then may authorize redistribution of unutilized funds for a particular fiscal year.

SECTION 9.3.(c) There is appropriated from the Escheat Fund to the Board of Governors of The University of North Carolina the sum of one million one hundred fifty-seven thousand dollars (\$1,157,000) for the 2007-2008 fiscal year and the sum of one million one hundred fifty-seven thousand dollars (\$1,157,000) for the 2008-2009 fiscal year to be allocated to the SEAA for need-based student financial aid to be used in accordance with G.S. 116B-7 and this act. The SEAA shall use these funds only to provide scholarship loans (known as the Millennium Teaching Scholarship Loan Program) to North Carolina high school seniors interested in preparing to teach in the State's public schools who also enroll at any of the Historically Black Colleges and Universities that do not have Teaching Fellows. An allocation of 20 grants of six thousand five hundred dollars (\$6,500) each shall be given to Elizabeth City State University, Fayetteville State University, and Winston-Salem State University, the three universities without any Teaching Fellows, for the purposes specified in this subsection. The SEAA shall administer these funds and shall establish any additional criteria needed to award these scholarship loans, the conditions for forgiving the loans, and the collection of the loan repayments when necessary.

SECTION 9.3.(d) All obligations to students for uses of the funds set out in this section that were made prior to the effective date of this section shall be fulfilled as to students who remain eligible under the provisions of the respective programs.

BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS

SECTION 9.4.(a) Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-40.9. Board of Governors' Medical Scholarship Loan Program.

(a) Administration of Medical Scholarship Loan Program. – The Board of Governors' Medical Scholarship Loan Program was established by the Board of Governors of The University of North Carolina. The Board of Governors' Medical Scholarship Loan Program operates under the purview of the Board of Governors and is administered by the Board of Governors.

(b) Medical Scholarship Loan Program. – Pursuant to this section, the Board of Governors' Medical Scholarship Loan Program may provide a four-year Scholarship loan of relevant tuition and fees, mandatory medical insurance, required laptop computers, and an annual stipend of five thousand dollars (\$5,000) per year to any student who has been accepted for admission to the Duke University School of Medicine, the Brody School of Medicine at East Carolina University, the University of North Carolina at Chapel Hill School of Medicine, or the Wake Forest University School of Medicine.

(c) Criteria for Awarding Scholarship Loans. – The Board of Governors may adopt standards, including minimum grade point average and scholastic aptitude test scores, for awarding these scholarship loans to ensure that only the most qualified students receive them. The Board of Governors shall make an effort to identify and encourage minority and economically disadvantaged youth to enter the program.

(d) Terms of Scholarship Loans. – All awards made under this section shall be made as scholarship loans and shall be evidenced by notes made payable to the Board of Governors that shall bear interest at the rate of ten percent (10%) per year beginning September 1 after completion of the program, or immediately after termination of the scholarship loan, whichever is earlier. The scholarship loan may be terminated by the recipient withdrawing from school or by the recipient not meeting the standards set by the Board of Governors. The Board of Governors shall forgive the loan if, within seven years after graduation, the recipient practices medicine in North Carolina for four years. The Board of Governors shall also forgive the loan if it finds that it is impossible for the recipient to practice medicine in North Carolina for four years, within seven years after graduation, because of the death or permanent disability of the recipient.

(e) Reversions. – All unused funds appropriated to or otherwise received by the Board of Governors for scholarship loans, all funds received as repayment of scholarship loans, and all interest earned on these funds shall revert to the General Fund at the end of each fiscal year."

SECTION 9.4.(b) This section becomes effective July 1, 2007, and applies to all awards from the Board of Governors' Medical Scholarship Program made to students admitted into medical school on or after July 1, 2007.

BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS

SECTION 9.5.(a) Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-40.10. Board of Governors' Dental Scholarship Loan Program.

(a) Administration of Dental Scholarship Program. – The Board of Governors' Dental Scholarship Loan Program was established by the Board of Governors of The University of North Carolina. The Board of Governors' Dental Scholarship Loan Program operates under the purview of the Board of Governors and is administered by the Board of Governors.

(b) Dental Scholarship Loan Program. – Pursuant to this section, the Board of Governors' Dental Scholarship Loan Program may provide a four-year scholarship loan of relevant tuition and fees, mandatory medical insurance, required laptop computers to any first-year students, required dental equipment, and an annual stipend of five thousand dollars (\$5,000) per year to any student who has been accepted for admission to the School of Dentistry at the University of North Carolina at Chapel Hill.

(c) Criteria for Awarding Scholarship Loans. – The Board of Governors may adopt standards, including minimum grade point average and scholastic aptitude test scores, for awarding these scholarship loans to ensure that only the most qualified students receive them. The Board of Governors shall make an effort to identify and encourage minority and economically disadvantaged youth to enter the program.

(d) Terms of Scholarship Loans. – All awards made under this section shall be made as scholarship loans and shall be evidenced by notes made payable to the Board that shall bear interest at the rate of ten percent (10%) per year beginning September 1 after completion of the program, or immediately after termination of the scholarship loan, whichever is earlier. The scholarship loan may be terminated by the recipient withdrawing from school or by the recipient not meeting the standards set by the Board of Governors. The Board of Governors shall forgive the loan if, within seven years after

graduation, the recipient practices dentistry in North Carolina for four years. The Board of Governors shall also forgive the loan if it finds that it is impossible for the recipient to practice dentistry in North Carolina for four years, within seven years after graduation, because of the death or permanent disability of the recipient.

(e) Reversions. – All unused funds appropriated to or otherwise received by the Board for scholarship loans, all funds received as repayment of scholarship loans, and all interest earned on these funds shall revert to the General Fund at the end of each fiscal year."

SECTION 9.5.(b) This section becomes effective July 1, 2007, and applies to all awards from the Board of Governors' Dental Scholarship Program made to students admitted to the School of Dentistry at the University of North Carolina at Chapel Hill on or after July 1, 2007.

GRADUATE NURSE SCHOLARSHIP LOANS FOR FULL-TIME NURSING FACULTY IN THE NC COMMUNITY COLLEGE SYSTEM

SECTION 9.6.(a) G.S. 90-171.100 reads as rewritten:

"§ 90-171.100. Graduate Nurse Scholarship Program for Faculty Production established; administration.

(a) There is established the Graduate Nurse Scholarship Program for Faculty Production. The North Carolina Nursing Scholars Commission shall determine selection criteria, methods of selection, and shall select recipients of scholarship loans made under the Graduate Nurse Scholarship Program for Faculty Production.

(b) The Graduate Nurse Scholarship Program for Faculty Production shall be used to provide the following:

- (1) A scholarship loan for up to two years in the amount of fifteen thousand dollars (\$15,000) per year, per recipient, to students enrolled in a masters degree program in nursing education or any other area of the nursing field that would permit them to become a nursing instructor at a North Carolina community college or university.
- (2) A scholarship loan for up to three years in the amount of fifteen thousand dollars (\$15,000) per year, per recipient, to students enrolled in a doctoral degree program in nursing education or any other area of the nursing field that would permit them to become a nursing instructor at a North Carolina community college or university.
- (3) A scholarship loan for up to two years in the amount of fifteen thousand dollars (\$15,000) per year, per recipient, to nursing faculty in the North Carolina Community College System enrolled in a master's degree program in nursing education.

(b1) The State Education Assistance Authority shall adopt specific rules to regulate these scholarship loans.

(c) If a recipient is awarded a scholarship loan under this program and is enrolled, or accepted for enrollment, in an eligible program, but is unable to pursue the course of study in nursing for a semester due to limited faculty resources at the institution for that semester, then the recipient shall continue to receive the scholarship loan for that

semester and shall not be required to forfeit or repay the scholarship loan for that semester, provided that the recipient remains otherwise eligible for the program. This waiver shall be valid for only one semester of study and may extend a recipient's eligibility for funding under the program by no more than one semester.

(d) The Commission shall adopt stringent standards, which may include minimum grade point average, scholastic aptitude test scores, and other standards deemed appropriate by the Commission, to ensure that only the best potential students receive loans under the Graduate Nurse Scholarship Program for Faculty Production. Standards adopted by the Commission shall include provisions for ensuring that the qualifications of applicants who are or would be nontraditional students are considered fairly in providing them with opportunities to compete for the loans. Standards adopted by the Commission shall also provide that community college nursing faculty receive preference in awarding scholarship loans under this section. Loans under the Graduate Nurse Scholarship Program for Faculty Production shall be awarded only to applicants who meet the standards set by the Commission and who agree to teach in a North Carolina public or private nursing program upon completion of the nursing education program supported by the loan. If a recipient under this section is a nursing faculty member at a community college, then as a condition of a scholarship loan received under G.S. 90-171.100(b)(3), the recipient shall agree to continue to work for the community college system in North Carolina as provided in G.S. 90-171.101(b).

(e) The Commission shall develop and administer the Graduate Nurse Scholarship Program for Faculty Production in cooperation with nursing schools at institutions approved by the Commission and the North Carolina Board of Nursing. The Graduate Nurse Scholarship Program for Faculty Production shall provide for participants to be exposed to a range of extracurricular activities while in school, which activities shall be aimed at instilling in students a strong motivation to remain in the practice of nursing education and to provide leadership for the nursing profession.

(f) The Commission shall make an effort to identify and encourage minority students and students who may not otherwise consider a career in nursing to apply for the Graduate Nurse Scholarship Program for Faculty Production.

(g) Upon the naming of recipients of loans from the Graduate Nurse Scholarship Program for Faculty Production, the Commission shall inform the State Education Assistance Authority (SEAA) of its decisions. The SEAA shall perform all of the administrative functions necessary to implement this Article, which functions shall include: rulemaking, dissemination of information to the public, distribution and receipt of applications for scholarship loans, and the functions necessary for the execution, payment, and enforcement of promissory notes required under this Article."

SECTION 9.6.(b) G.S. 90-171.101(b) reads as rewritten:

"(b) The State Education Assistance Authority shall forgive the loan if, within seven years after graduation from a nursing education program, the recipient teaches in a public or private nursing education program in a public or private educational institution in North Carolina for one year for every year a scholarship loan was ~~provided~~. provided; unless the recipient was a nursing faculty member of a community college. In those circumstances, the State Education Assistance Authority shall forgive the loan if, within seven years after graduation from a nursing education program, the recipient teaches in a community college nursing education program in North Carolina for one year for every

year a scholarship loan was provided. If the recipient repays the scholarship loan by cash payments, all indebtedness shall be repaid within 10 years. The Authority may provide for accelerated repayment and for less than full-time employment options to encourage the practice of nursing education in either geographic or nursing specialty shortage areas. The Authority shall adopt specific rules to designate these geographic areas and these nursing specialty shortage areas, upon recommendations of the North Carolina Center for Nursing. The North Carolina Center for Nursing shall base its recommendations on objective information provided by interested groups or agencies and upon objective information collected by the Center. The Authority may forgive the scholarship loan if it determines that it is impossible for the recipient to teach in a public or private nursing program-program, or in a community college nursing program if that was a condition of the scholarship loan, in North Carolina for a sufficient time to repay the loan because of the death or permanent disability of the recipient within 10 years following graduation or termination of enrollment in a nursing education program."

FUTURE TEACHERS OF NC SCHOLARSHIP LOAN PROGRAM

SECTION 9.9. G.S. 116-209.38(a) reads as rewritten:

"(a) There is established the Future Teachers of North Carolina Scholarship Loan Fund. The purpose of the Fund is to provide a two-year scholarship loan of six thousand five hundred dollars (\$6,500) per year for any North Carolina student pursuing a college degree to teach in the public schools of the State. The scholarship loan shall be paid only for the student's junior and senior years. The scholarship loan is available if the student is enrolled in a State institution of higher education or a private institution of higher education located in this State that has an accredited teacher preparation program for students planning to become certified teachers in North Carolina. The State Education Assistance Authority shall administer the Fund and shall award ~~400~~150 scholarship loans annually."

PRINCIPALS' EXECUTIVE PROGRAM

SECTION 9.10.(a) The operating budget of the Principals' Executive Program (PEP) is appropriated on a nonrecurring basis for the 2007-2009 fiscal biennium until the General Assembly receives data showing the program has a positive, measurable impact on conditions for teaching and learning in schools.

SECTION 9.10.(b) The Principals' Executive Program shall develop a formalized admissions policy that does all of the following:

- (1) Gives priority to school administrators working in high-need schools so that State resources are targeted to those who most need support.
- (2) Takes into account geographic diversity to ensure that school administrators statewide are served. If more school administrators seek admission than slots are available, the Principals' Executive Program shall retain those names and offer priority admission to those on the waiting list for the next class. The Principals' Executive Program shall also use these waiting lists to assess demand and determine how best to allocate resources among the various executive training courses.

SECTION 9.10.(c) The State Board of Education and the Board of Governors of The University of North Carolina shall recommend to the Joint Legislative Education

Oversight Committee a plan to provide input on the Principals' Executive Program's priorities and feedback on its performance. This plan shall be presented no later than April 1, 2008.

REPEAL NORTH CAROLINA PROGRESS BOARD

SECTION 9.11. Part 2A of Article 9 of Chapter 143B of the General Statutes is repealed.

REVERT MOTORSPORTS CAPITAL ACCOUNT

SECTION 9.12. Effective June 30, 2007, the unencumbered balance of the funds appropriated to the NC Motor Sports Testing and Research Complex in Section 32.1 of S.L. 2004-124, as amended by Section 3 of S.L. 2004-184, shall revert to the General Fund.

UNC ITEMIZED BUDGET REQUEST FOR 2009-2011 FISCAL BIENNIUM

SECTION 9.16.(a) For the 2009-2010 fiscal year and for the 2010-2011 fiscal year, the Board of Governors of The University of North Carolina shall submit an itemized budget request to the Director of the Budget for each of the constituent institutions, affiliated entities, and General Administration. The request shall contain the following information:

- (1) A description of State-funded activities and a justification for the existence of each activity as aligned with the mission of The University of North Carolina.
- (2) An itemized account of expenditures by personnel and nonpersonnel costs required to maintain the activity at the current level of service.
- (3) An itemized account of progress made toward implementation of recommendations of the President's Advisory Committee on Efficiency and Effectiveness (PACE) and additional recommendations proposed and implemented by the chancellors of the constituent institutions.
- (4) An itemized account of actual PACE cost savings and cost avoidance and the uses of the repurposed funds.
- (5) A request for total required expenditures for the 2009-2010 fiscal year and for the 2010-2011 fiscal year showing increases and decreases that are properly and correctly aligned to reflect how the funds are to be expended for each activity.

SECTION 9.16.(b) The requirements of this section are in addition to those imposed by Chapter 143C of the General Statutes and G.S. 116-11.

ESTABLISH THE JOHN B. MCLENDON LEADERSHIP AWARDS

SECTION 9.18.(a) Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-209.40. John B. McLendon Scholarship Fund.

(a) Fund Established. – The John B. McLendon Scholarship Fund is established as a special fund. The Fund shall be administered by the State Education Assistance Authority.

(b) Fund Earnings, Assets, and Balances. – Interest on the Fund shall be credited to the assets of the Fund and shall become part of the Fund. Any balance remaining in the Fund at the end of any fiscal year shall be carried forward in the Fund for the next succeeding fiscal year.

(c) Fund Purpose. – The interest from the Fund shall be used to provide two leadership scholarships, one for a male athlete student and one for a female athlete student, at each of North Carolina's Historically Black Colleges and Universities that are accredited by the Southern Association of Colleges and Schools under the standards of the College Delegate Assembly of the Association, except that Bennett College shall receive funding for two leadership scholarships for two female athlete students. The scholarships shall be awarded on an annual basis pursuant to this section. The amount of each scholarship shall be one thousand two hundred fifty dollars (\$1,250) per academic year.

(d) Eligibility Requirements for a Scholarship. – To be eligible to receive a scholarship under this section, a student must meet all of the following requirements:

- (1) The student must meet enrollment standards by being admitted, enrolled, and classified as an undergraduate student in a matriculated status at an Historically Black College or University that is accredited by the Southern Association of Colleges and Schools under the standards of the College Delegate Assembly of the Association.
- (2) The student must be an athlete participating on a varsity team at the college or university.
- (3) The student must demonstrate outstanding leadership qualities, be involved in the college or university community, and maintain high academic standards.
- (4) The student must be designated as a recipient for the scholarship by the college or university at which the student has matriculated status.

(e) College or University Recommendations for Scholarship Recipients. – The Chancellor or President, as appropriate, and the Board of Trustees of each Historically Black College or University may designate students as recipients of the John B. McLendon Scholarships under this section.

(f) Rule-Making Authority. – The State Education Assistance Authority may adopt rules to administer this Fund.

(g) Reporting Requirement. – The State Education Assistance Authority shall report no later than June 1, 2008, and annually thereafter to the Joint Legislative Education Oversight Committee regarding the scholarships awarded pursuant to this section."

SECTION 9.18.(b) Of the funds appropriated by this act to the State Education Assistance Authority for the 2007-2008 fiscal year the sum of five hundred thousand dollars (\$500,000) shall be allocated to the John B. McLendon Scholarship Fund established by G.S. 116-209.40, as enacted by subsection (a) of this section.

SECTION 9.18.(c) This section becomes effective July 1, 2007; however, no scholarship shall be awarded under this section prior to the academic year of 2008-2009.

STUDY STRUCTURE AND MANAGEMENT PRACTICES OF AGRICULTURAL RESEARCH STATIONS AND RESEARCH FARMS

SECTION 11.4.(a) The Performance Evaluation Division of the General Assembly shall study the structure and management practices of the 18 agricultural research stations and research farms currently owned either by North Carolina State University or the Department of Agriculture and Consumer Services and currently managed by the Department of Agriculture and Consumer Services. This study shall consider ways to achieve efficiency savings and whether it is desirable and feasible to consolidate or transfer to another State department these research stations and research farms.

SECTION 11.4.(b) No later than May 1, 2008, the Performance Evaluation Division of the General Assembly shall prepare a report of the findings and recommendations of the study and submit this report to the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources and the Fiscal Research Division.

STUDY EQUINE INDUSTRY IN NORTH CAROLINA

SECTION 13.14A.(a) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of five hundred thousand dollars (\$500,000) for the 2007-2008 fiscal year shall be allocated to the Agricultural Advancement Consortium for the purpose of assessing the numbers, composition, and value of the equine industry in North Carolina, analyzing the direct and indirect impact of the industry on the State's economy, and developing a comprehensive plan to maximize the economic opportunities presented by the industry.

SECTION 13.14A.(b) The assessment of the equine industry shall provide data on both a statewide and countywide basis. The assessment shall include the following:

- (1) A census of equines in the State, including numbers, breeds, and disciplines.
- (2) The value of equines in the State.
- (3) The number of equine owners.
- (4) The number of equine operations.
- (5) The size of equine operations.
- (6) The total acreage devoted to equine operations.
- (7) The value of equine-related assets.
- (8) The number of equines and owners participating in various activities within the State.
- (9) An analysis of the economic impact of the existing exhibition facilities including the Hunt Horse Complex, the Senator Bob Martin Horse Complex, the WNC Agricultural Center, and the Carolina Horse Park.
- (10) An analysis of the programs, contributions, and industry support provided by the North Carolina State University College of Veterinary Medicine and other equine programs, at both private and public education institutions including the College of Agriculture and Life Sciences at North Carolina State University, Martin Community College, and St. Andrews College.

- (11) An analysis of the economic impact of breeding, training, and other horse operations.
- (12) An analysis of the economic impact of services provided to the equine industry including farrier, veterinary, design and planning, farm management and consulting, show management, and other services related to equines and equine operations.
- (13) An analysis of the economic impact, including manufacturing, agricultural production and employment, and wholesale and retail sales, of the purchase of equines, feed and grain, hay, tack and other horse equipment, riding clothes, insurance, vehicles and trailers, farm and pasture inputs, capital improvements such as barns, sheds, and fencing, and real estate, including planned equestrian communities.
- (14) An analysis of the economic impact of other recreational uses of equines, including trail riding, camping with horses, therapeutic riding programs, other recreational activities, and equine-related agritourism.
- (15) An analysis of the impact of the equine industry on State and local governments including the generation of tax revenues.

SECTION 13.14A.(c) The Agricultural Advancement Consortium, in developing a plan to maximize the economic impact of the equine industry, shall:

- (1) Evaluate existing equine-related facilities, programs, and services in the State and make recommendations for enhancing those facilities, programs, and services so as to maximize their economic impact on the State.
- (2) Identify opportunities for the growth of the equine industry, including the production of feed crops, improved pasture, and high quality horse hays, attracting industry engaged in the production of horse-related products, equipment, and pharmaceuticals, the addition of exhibition and show facilities, including the development of a world-class equestrian park, and other horse-related programs, activities, and facilities, and evaluate the potential economic contribution to the State's economy of each of these potential undertakings.
- (3) Evaluate the need to create an equine industry board tasked with the market development, education, publicity, research, and promotion of the North Carolina equine industry and other such measures it deems appropriate to promote the objectives, findings, and recommendations of the equine industry survey and analysis.
- (4) Evaluate the laws, rules, and policies that impact equine owners and persons engaged in equine activities, including land-use policies, preservation of trails, use of State recreational facilities, and tax credits and make recommendations directed toward making North Carolina more attractive to equine operations and activities.

SECTION 13.14A.(d) The Agricultural Advancement Consortium may contract with other agencies of State government, any of the constituent institutions of The University of North Carolina, and private consultants as it deems necessary and advisable in its conduct of the assessment and plan development. The Agricultural Advancement Consortium shall complete its work within 12 months of the funds becoming available and shall file a report containing the results of the assessment of the equine industry and

its plan for maximizing the economic impact of the equine industry with the Chairs of the Joint Legislative Commission on Governmental Operations and the Chairs of the Senate and House of Representatives Appropriations Committees.

REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL REPRESENTATION

SECTION 15.5. The Department of Justice shall be reimbursed by the Board of Governors of The University of North Carolina for two Attorney III positions to provide legal representation to The University of North Carolina System.

STATE ENERGY OFFICE

SECTION 19.3.(a) The State Energy Office shall develop a Strategic Plan for Energy Grants to establish criteria and guidelines to award and administer future grants. The plan shall include the proposed distribution of grant funds for energy purposes, which may include energy efficiency, renewable energy, alternative fuels, and energy conservation. The Department shall submit the plan to the Energy Policy Council and to the Chairs of the House Appropriations Committee and the Chairs of the Senate Appropriations Committee no later than November 1, 2007. After consultation with the House and Senate Appropriations Chairs, the Energy Policy Council shall approve the plan no later than March 1, 2008. With the exception of grants to be administered from funds specified in subsections (b), (c), and (d) of this section, the plan shall be approved prior to any new grants being awarded.

SECTION 19.3.(b) Of the funds appropriated in this act for the 2007-2008 fiscal year, the sum of five million dollars (\$5,000,000) shall be used to establish the Energy Efficiency Reserve. The Reserve shall be administered by the State Energy Office. The State Energy Office, in consultation with the State Construction Office, shall use the funds in the Energy Efficiency Reserve to provide funding for projects designed to make State, university, or community college facilities more energy efficient. Projects eligible to make State, university, or community college facilities more energy efficient from remaining funds in the Energy Efficiency Reserve include:

- (1) Replacement of incandescent light bulbs with compact fluorescent light bulbs, installation of exit signs that employ light-emitting diode (LED) technology, the installation of occupancy sensors or optical sensors, and other lighting efficiency improvements.
- (2) For windows that need replacement, installation of more energy efficient windows.
- (3) Insulation improvements when practicable.
- (4) Replacement of inefficient or oversized heating, ventilation, and air conditioning (HVAC) systems when those systems are subject to replacement, and installation of programmable automation systems.
- (5) Installation of aerators in sink faucets that reduce the flow rate, and other water system projects that reduce water consumption.
- (6) Any other retrofit or replacement projects that make State, university, or community college facilities more energy efficient for which the incremental cost of the project will be equal to or less than the energy or water savings that result over a period of three years after completion.

Funds appropriated to the Reserve for the 2007-2008 fiscal year shall not revert and shall remain available until expended. The State Energy Office shall report to the House of Representatives and Senate Appropriations Committees on the use of the Reserve funds no later than May 1, 2008.

SECTION 19.3.(c) Of the funds appropriated in this act for the 2007-2008 fiscal year, the sum of six hundred thousand dollars (\$600,000) shall be used to administer the Utility Savings Initiative.

SECTION 19.3.(d) Of the funds appropriated in this act, the sum of one million three hundred eighty-two thousand five hundred dollars (\$1,382,500) for the 2007-2008 fiscal year and the sum of two million six hundred ninety thousand dollars (\$2,690,000) for the 2008-2009 fiscal year shall be used to fund the three university energy programs: The North Carolina A&T State University Center for Energy Research and Technology, the North Carolina State University Solar Center, and the Appalachian State University Energy Center. The grant funds shall be distributed to maintain the 2006-2007 fiscal year funding levels from grants awarded by the Energy Office. If grant funds are insufficient to maintain this funding level, funds shall be distributed based on the same proportion of 2006-2007 fiscal year funding.

SECTION 19.3.(e) The Office of State Budget and Management, in consultation with the Department of Administration and the Office of State Personnel, shall conduct a staffing analysis of the State Energy Office to determine appropriate staffing levels and job classifications based on the shift in the mission of the State Energy Office from grant making to a focus on energy efficiency in State Buildings. Upon completion of the staffing analysis, the Office of State Budget and Management shall submit a final report outlining its findings to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by October 31, 2007. The Department of Administration shall implement to the greatest extent possible the recommendations of the final report. It shall use internal staff resources whenever possible, instead of contractual services, to conduct energy efficiency audits of State buildings. The Department of Administration shall report to the House and Senate Chairs of the General Government Appropriations Committees on the status of its implementation of the OSBM Staffing Analysis report no later than May 1, 2008.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 28.12.(a) Effective July 1, 2007, the Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, including funds for the employer's retirement and social security contributions, to provide to employees of The University of North Carolina, other than teachers of the North Carolina School of Science and Mathematics, whose salaries are supported by State funds and who are exempt from the State Personnel Act (EPA) an annual salary increase of five percent (5%) for faculty. The percentage annual salary increase of five percent (5%) authorized by this section shall be made on an aggregated average basis, according to the rules adopted by the Board of Governors of The University of North Carolina and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section. The Board of

Governors may use a portion of the annual salary increase provided by this section to improve competitive national peer rankings for faculty.

SECTION 28.12.(b) Effective July 1, 2007, the Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, including funds for the employer's retirement and social security contributions, to provide to employees of The University of North Carolina, other than teachers of the North Carolina School of Science and Mathematics, whose salaries are supported by State funds and who are exempt from the State Personnel Act (EPA) an annual salary increase of four percent (4.0%) for nonfaculty. The percentage annual salary increase of four percent (4.0%) authorized by this section shall be made on an aggregated average basis, according to the rules adopted by the Board of Governors of The University of North Carolina and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

SECTION 28.12.(c) The Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, to provide an average annual salary increase of five percent (5%) but at least an annual increase of one thousand two hundred forty dollars (\$1,240), including funds for the employer's retirement and social security contributions, commencing July 1, 2007, for all teaching employees of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). These funds shall be allocated to individuals according to the rules adopted by the Board of Trustees of the North Carolina School of Science and Mathematics and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

SALARY ADJUSTMENT FUND

SECTION 28.18.(a) Any remaining appropriations in the General Fund Reserve for Compensation Increases authorized for employee salary increases not required for that purpose may be used to supplement the General Fund Salary Adjustment Fund to support salary adjustments for positions supported by the General Fund. Any remaining appropriations in the Highway Fund Reserves and Transfers authorized for employee salary increases not required for that purpose may be used to supplement the Highway Fund Salary Adjustment Fund to support salary adjustments for positions supported by the Highway Fund.

SECTION 28.18.(b) Funds appropriated or otherwise transferred to the General Fund Salary Adjustment Fund or to the Highway Fund Salary Adjustment Fund by this act or any other provision of law shall be used to fund agency requests for the following purposes:

- (1) Salary range revisions, special minimum rates, grade to band transfers and geographic site differential adjustments to provide competitive salary rates for affected job classifications/groups in response to changes in labor market rates as documented through data collection and analysis according to accepted human resource professional practices and standards.

- (2) Reallocation of positions to higher level job classifications to compensate employees for more difficult duties at competitive salary rates as documented through data collection and analysis according to accepted human resource professional practices and standards. The terms 'salary range revision' and 'reallocation' as used in this section shall conform to the definitions of those terms as previously contained in the State Personnel Manual and adopted by the State Personnel Commission effective immediately prior to November 1, 2005. Funds shall only be used for salary adjustments that are in compliance with State Personnel Commission policies. Funding shall first be provided to the earliest actions approved on or before July 1, 2007, by the State Personnel Commission or the Office of State Personnel and shall not be used for other purposes including, but not limited to, in-range adjustments, career progression adjustments, or other adjustments as these terms may be defined by State personnel policy.

SECTION 28.18.(c) The Director of the Budget shall consult with the Joint Legislative Commission on Governmental Operations prior to transferring any salary adjustment funds for any State agency.

SECTION 28.18.(d) The Director of the Budget may:

- (1) Transfer to General Fund budget codes from the General Fund Salary Adjustment Fund amounts required to support salary adjustments authorized by this section with the oldest of the pending adjustments to be funded first.
- (2) Transfer to Highway Fund budget codes from the Highway Fund Salary Adjustment Fund amounts required to support salary adjustments authorized by this section.

SECTION 28.18.(e) The Judicial Department is eligible for the funding authorized in subsection (a) of this section.

SECTION 28.18.(f) Employees subject to the State Personnel Act in The University of North Carolina System are eligible for funding authorized in subsection (a) of this section and for the purposes outlined in subsection (b) of this section.

CAREER BANDING/CONTINUATION

SECTION 28.18B. Notwithstanding any other provision of law, the State Personnel Commission, the Office of State Personnel, State agencies as to their defined critical occupational groups limited to nursing, engineering, library, fiscal, and pharmacy positions, and The University of North Carolina as to its employees subject to the State Personnel Act shall begin or continue the development and implementation of career banding, effective July 1, 2007.

The Office of State Personnel shall provide quarterly updates on career banding to the Joint Legislative Commission on Governmental Operations. The Office of State Personnel shall consult with the Joint Legislative Commission on Governmental Operations prior to the State Personnel Commission's review and approval of career banding for major occupational groups with significant labor market changes.

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 29.1. The appropriations made by the 2007 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and acquiring buildings and land for State government purposes.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 29.2 There is appropriated from the General Fund for the 2007-2008 fiscal year the following amount for capital improvements:

Capital Improvements – General Fund	2007-2008
Department of Administration	
Deerfield Cottage Renovation	3,556,000
State Capital Visitors Center / Public Plaza / Underground	
Parking Facility Planning Funds	627,281
Department of Cultural Resources	
NC Museum of History Chronology Exhibit – Phase	6,322,900
Horne Creek Farm – Visitors Center	442,100
Information Technology Services	
Secondary Data Center Equipment	8,000,000
Department of Correction	
North Carolina Correctional Institution for Women – Health Care Facility	
Planning and Site Development Funds	5,000,000
Capital Planning Reserve for Prison Additions	3,497,557
Department of Crime Control and Public Safety	
Statewide Department Master Plan – Phase I	280,294
Camp Butner Land Buffers	117,800
Department of Justice	
Western Justice Academy Firing Range	1,974,103
Department of Juvenile Justice and Delinquency Prevention	
Dillon Youth Development Center –Maintenance Building	375,000
Five New Youth Development Centers Planning Funds	1,500,000
Department of Agriculture and Consumer Services	
Western Agricultural Center Facilities	5,000,000
Eastern Agricultural Center Facilities	3,000,000
Food and Drug Laboratory Chillers	690,865

Appendix

Department of Commerce	
NC Ports Improvements	7,500,000
Department of Natural and Environmental Resources	
Green Square Project	25,000,000
Division of Water Quality Modular Office	252,200
NC Zoo Horticulture Storage Facility	450,000
NC Zoo Plains Barns and Paddocks	3,006,000
Division of Forestry Resources Ashe County Headquarters	708,000
Division of Forestry Resources Buncombe County Headquarters	292,000
Water Resources Development Projects	20,000,000
University of North Carolina System	
East Carolina University – School of Dentistry Facilities	25,000,000
Elizabeth City State University	
Education Building Planning Funds	2,000,000
School of Aviation Planning Funds	500,000
North Carolina Agricultural and Technical University – General Classroom Planning and Site Development Funds	5,300,000
North Carolina Central University – Nursing Building Planning	2,500,000
North Carolina School of Science and Mathematics – Discovery Center Planning Funds	3,337,000
North Carolina State University – Centennial Campus Library Planning and Utility Construction Funds	17,000,000
University of North Carolina at Chapel Hill	
School of Dentistry Addition	25,000,000
Biomedical Research Imaging Center Planning Funds	8,000,000
University of North Carolina at Charlotte – Energy Production Infrastructure Center Planning and Site Development Funds	19,000,000
University of North Carolina at Greensboro – Education Building Planning Funds	2,500,000
Winston-Salem State University – Science and General Office Building Planning Funds	3,312,000
Improvements to 4-H Campuses	7,500,000
University of North Carolina Reserve for Land Acquisition	5,000,000

Millennium Campus – Nanoscience and Nanoengineering Building 5,000,000

Western Carolina University – Health and Gerontology Building 2,200,000

TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND \$230,741,100

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 29.4. The appropriations made by the 2007 General Assembly for capital improvements shall be disbursed for the purposes provided by this act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been approved by the Governor as Director of the Budget. The allotment shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of the Budget shall approve the elements of the method of financing of those projects including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting.

Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment shall not be subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and approved by the Director of the Budget prior to commitment of funds. Capital improvement projects authorized by the 2007 General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in this act. Capital improvement projects authorized by the 2007 General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 29.5.(a) Of the funds in the Reserve for Repairs and Renovations for the 2007-2008 fiscal year, forty-six percent (46%) shall be allocated to the Board of Governors of The University of North Carolina for repairs and renovations pursuant to G.S. 143C-4-3, in accordance with guidelines developed in The University of North Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as approved by the Board of Governors of The University of North Carolina, and fifty-four percent (54%) shall be allocated to the Office of State Budget and Management for repairs and renovations pursuant to G.S. 143C-4-3. Notwithstanding G.S. 143C-4-3, the Board of Governors may allocate funds for the repair and renovation of facilities not supported from the General Fund if the Board determines that sufficient funds are not available from other sources and that conditions warrant General Fund assistance. Any

such finding shall be included in the Board's submission to the Joint Legislative Commission on Governmental Operations on the proposed allocation of funds.

The Board of Governors and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations prior to the allocation or reallocation of these funds.

SECTION 29.5.(b) The Office of State Budget and Management and the University of North Carolina General Administration shall jointly study the allocation of funds in the Reserve for Repairs and Renovations set forth in subsection (a) of this section and shall recommend to the General Assembly changes to the current allocation if any are deemed necessary. The study shall include the following:

- (1) A review of the Department of Administration's Facilities Condition and Assessment Program.
- (2) A review and identification of State-owned buildings supported by the General Fund.
- (3) A review of the actual expenditures for repairs and renovations from allocated reserve funds.

The Office of State Budget and Management and the University of North Carolina General Administration shall submit a joint report to the Senate Appropriations and Base Budget Committee, the House Appropriations Committee, the House Appropriations Subcommittee on Capital, the Senate Finance Subcommittee on Capital and Infrastructure Financing, the Joint Legislative Oversight Committee on Capital Improvements, and the Fiscal Research Division. The report shall include the study findings and recommendations and shall be submitted no later than April 1, 2008.

SECTION 29.5.(c) Of the funds allocated to the Office of State Budget and Management in subsection (a) of this section, the sum of three million nine hundred twenty-one thousand one hundred dollars (\$3,921,100) shall be used for repairs and renovations of facilities located on the grounds of the Palmer Memorial Institute State Historic Site.

SECTION 29.5.(d) Of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used by the Board of Governors for the installation of fire sprinklers in University residence halls. Such funds shall be allocated among the University's constituent institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

- (1) The safety and well-being of the residents of campus housing programs.
- (2) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.
- (3) The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund, or from bonds or certificates of participation supported by the General Fund, since 1996.
- (4) The financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls.

- (5) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports shall also include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until all residence halls have fire sprinklers.

SPECIAL INDEBTEDNESS PROJECTS

SECTION 29.13.(a) The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the projects described in this subsection. In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness:

- (1) In the maximum aggregate principal amount of thirty-four million dollars (\$34,000,000) to finance the capital facility costs of completing a new educational building at Appalachian State University. No more than a maximum aggregate amount of three million dollars (\$3,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.
- (2) In the maximum aggregate principal amount of twenty-two million five hundred eighty-seven thousand dollars (\$22,587,000) to finance the capital facility costs of completing a new Science and Technology Complex at Fayetteville State University. No more than a maximum aggregate amount of five million dollars (\$5,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.
- (3) In the maximum aggregate principal amount of twenty-four million nine hundred twenty thousand dollars (\$24,920,000) to finance the capital facility costs of completing a new library at the North Carolina School of the Arts. No more than a maximum aggregate amount of one million seven hundred seventy-five thousand six hundred dollars (\$1,775,600) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of fourteen million three hundred seventy-three thousand six hundred dollars (\$14,373,600) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.
- (4) In the maximum aggregate principal amount of thirty-eight million dollars (\$38,000,000) to finance the capital facility costs of completing the Randall B. Terry Companion Animal Hospital at North Carolina State University. No more than a maximum aggregate amount of twenty-eight million five hundred thousand dollars (\$28,500,000) of special

indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.

- (5) In the maximum aggregate principal amount of thirty-four million dollars (\$34,000,000) to finance the capital facility costs of completing an addition to Engineering Building III in the School of Engineering at North Carolina State University. No more than a maximum aggregate amount of eight million five hundred thousand dollars (\$8,500,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of twenty-five million five hundred thousand dollars (\$25,500,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.
- (6) In the maximum aggregate principal amount of eight million six hundred eighty-seven thousand dollars (\$8,687,000) to finance the capital facility costs of renovating Rhoades Hall at the University of North Carolina at Asheville.
- (7) In the maximum aggregate principal amount of one hundred nineteen million six hundred eight thousand two hundred twenty-five dollars (\$119,608,225) to finance the capital facility costs of a Genomics Science Building at the University of North Carolina at Chapel Hill. No more than a maximum aggregate amount of thirty-one million dollars (\$31,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of eighty-six million dollars (\$86,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.
- (8) In the maximum aggregate principal amount of nineteen million dollars (\$19,000,000) to finance the capital facility costs of completing a Nursing and Allied Health Building at the University of North Carolina at Pembroke. No more than a maximum aggregate amount of five million dollars (\$5,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.
- (9) In the maximum aggregate principal amount of thirty-four million five hundred twenty-five thousand dollars (\$34,525,000) to finance the capital facility costs of completing a new teaching laboratory at the University of North Carolina at Wilmington. No more than a maximum aggregate amount of two million five hundred thousand dollars (\$2,500,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of eight million six hundred thirty-one thousand two hundred fifty dollars (\$8,631,250) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.
- (10) In the maximum aggregate principal amount of forty-one million six hundred five thousand dollars (\$41,605,000) to finance the capital facility costs of completing a new Health and Gerontological Building at Western Carolina University. No more than a maximum aggregate amount of eighteen million eight hundred two thousand five hundred dollars

- (\$18,802,500) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.
- (11) In the maximum aggregate principal amount of eighteen million seven hundred eight thousand dollars (\$18,708,000) to finance the capital facility costs of completing a new student activities center at Winston-Salem State University. No more than a maximum aggregate amount of two million dollars (\$2,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of five million dollars (\$5,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.
 - (12) In the maximum aggregate principal amount of fifty-three million dollars (\$53,000,000) to finance the capital facility costs of completing a Nanoscience Building to be used jointly by the University of North Carolina at Greensboro and North Carolina Agricultural and Technical State University. No more than a maximum aggregate amount of twenty-five million dollars (\$25,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.
 - (13) In the maximum aggregate principal amount of thirty-two million five hundred thousand dollars (\$32,500,000) to finance the capital facility costs for completing the Coastal Studies Institute. No more than a maximum aggregate amount of eight million dollars (\$8,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of twenty-three million dollars (\$23,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.
 - (14) In the maximum aggregate principal amount of nineteen million eight hundred sixteen thousand five hundred dollars (\$19,816,500) to finance the capital facility costs of a medium security facility at the Scotland Correctional Institution. No more than a maximum aggregate amount of five million dollars (\$5,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.
 - (15) In the maximum aggregate principal amount of thirteen million one hundred ninety-one thousand three hundred dollars (\$13,191,300) to finance the capital facility costs of a minimum security facility at the Alexander Correctional Institution. No more than a maximum aggregate amount of six million five hundred ninety-five thousand six hundred fifty dollars (\$6,595,650) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.
 - (16) In the maximum aggregate principal amount of thirty-five million dollars (\$35,000,000) to finance the capital facility costs of a new education and visitors center at Tryon Palace Historic Sites and Gardens. No more than a maximum aggregate amount of five million dollars (\$5,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of twenty-five

million dollars (\$25,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

SECTION 29.13.(b) This section is effective when it becomes law.

AMEND SALES TAX HOLIDAY

SECTION 31.14.(a) G.S. 105-164.3 reads as rewritten:

"§ 105-164.3. Definitions.

The following definitions apply in this Article:

...

(37b) School instructional material. – Defined in the Streamlined Agreement.

(37d) School supply. – An item that is commonly used by a student in the course of study and is considered a 'school supply', a 'school art supply', or 'school instructional material' supply' or 'school art supply' under the Streamlined Agreement.

...."

SECTION 31.14.(b) G.S. 105-164.13C(a) reads as rewritten:

"(a) The taxes imposed by this Article do not apply to the following items of tangible personal property if sold between 12:01 A.M. on the first Friday of August and 11:59 P.M. the following Sunday:

- (1) Clothing with a sales price of one hundred dollars (\$100.00) or less per item.
- (2) School supplies with a sales price of one hundred dollars (\$100.00) or less per item.
- (2a) School instructional materials with a sales price of three hundred dollars (\$300.00) or less per item.
- (3) Computers with a sales price of three thousand five hundred dollars (\$3,500) or less per item.
- (3a) Computer supplies with a sales price of two hundred fifty dollars (\$250.00) or less per item.
- (4) Sport or recreational equipment with a sales price of fifty dollars (\$50.00) or less per item."

SECTION 31.14.(c) This section becomes effective October 1, 2007, and applies to sales made on or after that date.