

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001

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**SENATE BILL 61**  
**Appropriations/Base Budget Committee Substitute Adopted 8/23/01**

Short Title: Continuing Budget Authorization.

(Public)

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Sponsors:

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Referred to:

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February 6, 2001

A BILL TO BE ENTITLED

1  
2 AN ACT TO CONTINUE THE BUDGET AUTHORITY FOR STATE  
3 GOVERNMENT; TO APPROPRIATE FUNDS FOR HEALTH AND HUMAN  
4 SERVICES BLOCK GRANTS, FOR NATURAL AND ECONOMIC  
5 RESOURCES BLOCK GRANTS, FOR COMMUNITY COLLEGE,  
6 UNIVERSITY, AND PRIVATE COLLEGE ENROLLMENTS, FOR THE STATE  
7 HEALTH PLAN, FOR IMMEDIATE ASSISTANCE TO THE HIGHEST  
8 PRIORITY ELEMENTARY SCHOOLS, FOR KINDERGARTEN CLASS SIZE  
9 REDUCTION, AND FOR THE "MORE AT FOUR" PILOT PROGRAM; TO  
10 CONTAIN MEDICAID COSTS AND REDUCE THE RATE OF GROWTH IN  
11 EXPENDITURES FOR PAYMENTS FOR MEDICAL SERVICES; TO PROVIDE  
12 FOR MEDICAID COST-CONTAINMENT ACTIVITIES; TO DIRECT THE  
13 DEPARTMENT OF HEALTH AND HUMAN SERVICES TO IMPLEMENT A  
14 MEDICAID PROGRAM MANAGEMENT PLAN; TO ADOPT A MEDICAL  
15 COVERAGE POLICY UNDER THE STATE MEDICAID PROGRAM AND TO  
16 EXEMPT THE POLICY FROM RULE MAKING UNDER THE STATE  
17 ADMINISTRATIVE PROCEDURE ACT; TO APPROVE THE TANF STATE  
18 PLAN; TO EXTEND PAYMENTS FOR MEDICAL TREATMENTS AND  
19 SERVICES TO WORKERS' COMPENSATION PATIENTS; TO INCREASE  
20 TUITION RATES FOR THE COMMUNITY COLLEGES AND UNIVERSITIES;  
21 AND TO DELAY REIMBURSEMENTS TO LOCAL GOVERNMENTS FOR  
22 THE INTANGIBLES TAX.

23 The General Assembly of North Carolina enacts:

24 **PART I. CONTINUED BUDGET AUTHORITY.**

25 **SECTION 1.** Section 8 of S.L. 2001-250, as amended by S.L. 2001-287 and  
26 Section 1 of S.L. 2001-322, reads as rewritten:

27 "SECTION 8. Except as otherwise provided, this act becomes effective July 1,  
28 2001. This act expires ~~August 29, 2001.~~ September 28, 2001."

29

**PART II. HEALTH AND HUMAN SERVICES BLOCK GRANTS.****SECTION 2.** Section 2 of S.L. 2001-250 is repealed.**SECTION 2.1.(a)** Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2002, according to the following schedule:

## COMMUNITY SERVICES BLOCK GRANT

01.	Community Action Agencies	\$ 14,160,375
02.	Limited Purpose Agencies	979,017
03.	Department of Health and Human Services to administer and monitor the activities of the Community Services Block Grant	500,000
TOTAL COMMUNITY SERVICES BLOCK GRANT		\$ 15,639,392

## SOCIAL SERVICES BLOCK GRANT

01.	County departments of social services (Transfer from TANF - \$4,500,000)	\$ 27,395,663
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

1			
2	10.	Child Medical Evaluation Program	238,321
3			
4	11.	Adult day care services	2,155,301
5			
6	12.	Comprehensive Treatment Services	
7		Program	750,000
8			
9	13.	Transfer to Preventive Health Services	
10		Block Grant for emergency medical services	213,128
11			
12	14.	Transfer to Preventive Health Services Block	
13		Grant for HIV/AIDS Prevention Activities	395,789
14			
15	15.	Department of Administration	
16		for the N.C. State Commission of Indian Affairs	
17		In-Home Services Program for the Elderly	203,198
18			
19	16.	Division of Vocational Rehabilitation -	
20		Easter Seals Society	116,779
21			
22	17.	UNC-CH CARES Program for training and	
23		consultation services	247,920
24			
25	18.	Office of the Secretary - Office of Economic	
26		Opportunity for N.C. Senior Citizens'	
27		Federation for outreach services to	
28		low-income elderly persons	41,302
29			
30	19.	Transfer from TANF Block Grant for	
31		Division of Social Services - Child	
32		Caring Agencies	1,500,000
33			
34	20.	Division of Mental Health,	
35		Developmental Disabilities, and	
36		Substance Abuse Services - Developmentally	
37		Disabled Waiting List for services	5,000,000
38			
39	21.	Transfer to Maternal and Child Health Block	
40		Grant for Newborn Screenings	90,611
41			
42	22.	Transfer to Preventive Health Services Block	
43		Grant for HIV/AIDS education, counseling, and	

1	testing	66,939
2		
3	TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 53,888,298
4		
5	LOW-INCOME ENERGY BLOCK GRANT	
6		
7	01. Energy Assistance Programs	\$ 8,092,113
8		
9	02. Crisis Intervention	5,795,825
10		
11	03. Administration	1,984,934
12		
13	04. Weatherization Program	2,684,116
14		
15	05. Department of Administration -	
16	N.C. State Commission of Indian Affairs	39,765
17		
18	06. Heating Air Repair and Replacement Program	1,252,588
19		
20	TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 19,849,342
21		
22	MENTAL HEALTH SERVICES BLOCK GRANT	
23		
24	01. Provision of community-based	
25	services in accordance with the	
26	Mental Health Study Commission's	
27	Adult Severe and Persistently	
28	Mentally Ill Plan	\$ 5,192,826
29		
30	02. Provision of community-based	
31	services to children	2,378,540
32		
33	03. Establish Child Residential	
34	Treatment Services Program	1,500,000
35		
36	04. Administration	783,911
37		
38	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 9,855,277
39		
40	SUBSTANCE ABUSE PREVENTION	
41	AND TREATMENT BLOCK GRANT	
42		
43	01. Provision of community-based	

1	alcohol and drug abuse services,	
2	tuberculosis services, and services	
3	provided by the Alcohol and Drug Abuse	
4	Treatment Centers	\$ 14,501,711
5		
6	02. Continuation of services for	
7	pregnant women and women	
8	with dependent children	6,007,303
9		
10	03. Continuation of services to	
11	IV drug abusers and others at risk	
12	for HIV diseases	5,209,934
13		
14	04. Provision of services to children	
15	and adolescents	6,839,190
16		
17	05. Juvenile Services - Family Focus	774,414
18		
19	06. Child Residential Treatment	
20	Services Program	700,000
21		
22	07. Administration	2,423,049
23		
24	TOTAL SUBSTANCE ABUSE PREVENTION	
25	AND TREATMENT BLOCK GRANT	\$ 36,455,601
26		
27	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
28		
29	01. Child care subsidies	\$148,343,839
30		
31	02. Quality and availability initiatives	17,259,661
32		
33	03. Administrative expenses	6,550,000
34		
35	04. Transfer from TANF Block Grant for	
36	child care subsidies	76,675,000
37		
38	TOTAL CHILD CARE AND DEVELOPMENT FUND	
39	BLOCK GRANT	\$248,828,500
40		
41	TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
42	(TANF) BLOCK GRANT	
43		

1	01.	Work First Cash Assistance	\$114,181,958
2			
3	02.	Work First County Block Grants	92,018,855
4			
5	03.	Transfer to the Child Care and	
6		Development Fund Block Grant	
7		for child care subsidies	76,675,000
8			
9	04.	Allocation to the Division of Mental	
10		Health, Developmental Disabilities, and	
11		Substance Abuse Services for Work First	
12		substance abuse screening, diagnostic, and	
13		support treatment services and drug testing	3,500,000
14			
15	05.	Cash Assistance Reserve	11,876,624
16			
17	06.	Allocation to the Division of Social	
18		Services for staff development	500,000
19			
20	07.	Reduction of out-of-wedlock births	1,440,000
21			
22	08.	Substance Abuse Services for Juveniles	1,182,280
23			
24	09.	Special Children Adoption Fund	2,811,687
25			
26	10.	Business Process Reengineering	
27		Project Reserve	3,000,000
28			
29	11.	Work First Job Retention – NC Rural	
30		Center (\$270,000)	
31		Work Central Career Advancement	
32		Center (\$180,000)	450,000
33			
34	12.	Allocation to the Division of Public Health	
35		for teen pregnancy prevention	2,015,335
36			
37	13.	Transfer to Social Services Block Grant	
38		for Child Caring Agencies	1,500,000
39			
40	14.	Child Care Subsidies for TANF Recipients	26,621,241
41			
42	15.	Work First Housing Initiative	
43		– Existing programs (\$1,800,000)	

1	– New programs (\$900,000)	2,700,000
2		
3	16. Allocation to the Division of Social	
4	Services for Domestic Violence	
5	Prevention and Awareness	900,000
6		
7	17. County Child Protective Services,	
8	Foster Care, and Adoption Workers	2,727,550
9		
10	18. Intensive Family Preservation Program	1,800,000
11		
12	19. Work First/Boys and Girls Clubs	900,000
13		
14	20. Transfer to Social Services Block Grant for	
15	County Departments of Social Services for	
16	Children's Services	4,500,000
17		
18	21. Support Our Students – Department of	
19	Juvenile Justice and Delinquency	
20	Prevention	2,475,607
21		
22	22. Residential Substance Abuse Services	
23	for Women With Children	4,500,000
24		
25	23. Domestic Violence Services	
26	for Work First Families	1,800,000
27		
28	24. After-School Services for	
29	At-Risk Children	2,700,000
30		
31	25. Division of Social Services -	
32	Administration	500,000
33		
34	26. Child Welfare workers and services for	
35	local departments of social services	7,654,841
36		
37	27. Child Welfare Training	2,000,000
38		
39	28. Individual Development Accounts	180,000
40		
41	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
42	(TANF) BLOCK GRANT	\$373,110,978
43		

1	MATERNAL AND CHILD HEALTH BLOCK GRANT	
2		
3	01. Healthy Mothers/Healthy Children	
4	Block Grants to Local Health	
5	Departments	9,838,074
6		
7	02. High-Risk Maternity Clinic Services,	
8	Perinatal Education and Training,	
9	Childhood Injury Prevention,	
10	Public Information and Education, and	
11	Technical Assistance to Local Health	
12	Departments	2,012,102
13		
14	03. Services to Children With Special Health	
15	Care Needs	5,078,647
16		
17	04. Transfer from Social Services Block Grant	
18	for Newborn Screenings	90,611
19		
20	TOTAL MATERNAL AND CHILD	
21	HEALTH BLOCK GRANT	\$ 17,019,434
22		
23	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
24		
25	01. Statewide Health Promotion Programs	\$3,061,182
26		
27	02. Dental Services/Fluoridation	100,800
28		
29	03. Rape Crisis/Victims' Services	
30	Program - Council for Women	190,134
31		
32	04. Rape Prevention and Education	
33	Program - Division of Public	
34	Health and Council for Women	1,139,869
35		
36	05. Transfer from Social Services	
37	Block Grant -	
38	HIV/AIDS Prevention Activities	395,789
39		
40	06. Transfer from Social Services	
41	Block Grant -	
42	Emergency Medical Services	213,128
43		



1	07.	Transfer from Social Services	
2		Block Grant –	
3		HIV/AIDS education, counseling, and	
4		testing	66,939
5			
6	08.	Office of Minority Health	159,459
7			
8	09.	Administrative Costs	108,546
9			
10		TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$5,435,846

11  
12 **SECTION 2.1.(b)** Decreases in Federal Fund Availability. – If the United  
13 States Congress reduces federal fund availability in the Social Services Block Grant  
14 below the amounts appropriated in this section, then the Department of Health and  
15 Human Services shall allocate these decreases giving priority first to those direct  
16 services mandated by State or federal law, then to those programs providing direct  
17 services that have demonstrated effectiveness in meeting the federally and  
18 State-mandated services goals established for the Social Services Block Grant. The  
19 Department shall not include transfers from TANF for specified purposes in any  
20 calculations of reductions to the Social Services Block Grant.

21 If the United States Congress reduces the amount of TANF funds below the  
22 amounts appropriated in this section after the effective date of this act, then the  
23 Department shall allocate the decrease in funds after considering any underutilization of  
24 the budget and the effectiveness of the current level of services. Any TANF Block  
25 Grant fund changes shall be reported to the Senate Appropriations Committee on Health  
26 and Human Services, the House of Representatives Appropriations Subcommittee on  
27 Health and Human Services, and the Fiscal Research Division.

28 Decreases in federal fund availability shall be allocated for the Maternal and  
29 Child Health and Preventive Health Services federal block grants by the Department of  
30 Health and Human Services after considering the effectiveness of the current level of  
31 services.

32 **SECTION 2.1.(c)** Increases in Federal Fund Availability. – Any block grant  
33 funds appropriated by the United States Congress in addition to the funds specified in  
34 this act shall be expended by the Department of Health and Human Services, with the  
35 approval of the Office of State Budget and Management, provided the resultant  
36 increases are in accordance with federal block grant requirements and are within the  
37 scope of the block grant plan approved by the General Assembly.

38 **SECTION 2.1.(d)** Changes to the budgeted allocations to the block grants  
39 appropriated in this act and new allocations from the block grants not specified in this  
40 act shall be submitted to the Joint Legislative Commission on Governmental Operations  
41 for review prior to the change and shall be reported immediately to the Senate  
42 Appropriations Committee on Health and Human Services, the House of

1 Representatives Appropriations Subcommittee on Health and Human Services, and the  
2 Fiscal Research Division.

3         **SECTION 2.1.(e)** The Department of Health and Human Services may  
4 allow no-cost contract extensions for up to six months for nongovernmental grant  
5 recipients under the TANF Block Grant.

6         **SECTION 2.1.(f)** Limitations on Preventive Health Services Block Grant  
7 Funds. – Twenty-five percent (25%) of funds allocated for Rape Prevention and Rape  
8 Education shall be allocated as grants to nonprofit organizations to provide rape  
9 prevention and education programs targeted for middle, junior high, and high school  
10 students.

11         If federal funds are received under the Maternal and Child Health Block  
12 Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42  
13 U.S.C. § 710), for the 2001-2002 fiscal year, then those funds shall be transferred to the  
14 State Board of Education to be administered by the Department of Public Instruction.  
15 The Department of Public Instruction shall use the funds to establish an Abstinence  
16 Until Marriage Education Program and shall delegate to one or more persons the  
17 responsibility of implementing the program and G.S. 115C-81(e1)(4). The Department  
18 of Public Instruction shall carefully and strictly follow federal guidelines in  
19 implementing and administering the abstinence education grant funds.

20         **SECTION 2.1.(g)** The Department of Health and Human Services, Division  
21 of Social Services, shall do the following:

22         (1) Continue the current evaluation of the Work First Program to assess  
23 former recipients' earnings, barriers to advancement to economic  
24 self-sufficiency, utilization of community support services, and other  
25 longitudinal employment data. Assessment periods shall include six  
26 and 18 months following closure of the case.

27         (2) Continue the current evaluation of the Work First Program to profile  
28 the State's child-only caseload to include indicators of economic and  
29 social well-being, academic and behavioral performance, demographic  
30 data, description of living arrangements including length of placement  
31 out of the home, social and other human services provided to families,  
32 and other information needed to assess the needs of the child-only  
33 Work First Family Assistance clients and families.

34         (3) Continue the current evaluation to profile clients and families  
35 exempted from federal and State work participation requirements. The  
36 evaluation shall include an assessment of the client and family needs  
37 including why clients and families have been exempted.

38         The Department of Health and Human Services shall make a report on its  
39 progress in complying with this subsection to the Senate Appropriations Committee on  
40 Health and Human Services, the House of Representatives Appropriations  
41 Subcommittee on Health and Human Services, and the Fiscal Research Division no later  
42 than September 30, 2001, and shall make a final report no later than September 30,  
43 2002.

1           **SECTION 2.1.(h)** The sum of two million eight hundred eleven thousand  
2 six hundred eighty-seven dollars (\$2,811,687) appropriated in this section in the TANF  
3 Block Grant to the Department of Health and Human Services, Special Children  
4 Adoption Fund, for the 2001-2002 fiscal year shall be used to implement this  
5 subsection. The Division of Social Services, in consultation with the North Carolina  
6 Association of County Directors of Social Services and representatives of licensed  
7 private adoption agencies, shall develop guidelines for the awarding of funds to licensed  
8 public and private adoption agencies upon the adoption of children described in G.S.  
9 108A-50 and in foster care. Payments received from the Special Children Adoption  
10 Fund by participating agencies shall be used exclusively to enhance the adoption  
11 services program. No local match shall be required as a condition for receipt of these  
12 funds.

13           **SECTION 2.1.(i)** The sum of one million five hundred thousand dollars  
14 (\$1,500,000) appropriated in this act in the TANF Block Grant and transferred to the  
15 Social Services Block Grant to the Department of Health and Human Services, Division  
16 of Social Services, for child caring agencies for the 2001-2002 fiscal year shall be  
17 allocated to the State Private Child Caring Agencies Fund. These funds shall be  
18 combined with all other funds allocated to the State Private Child Caring Agencies Fund  
19 for the reimbursement of the State's portion of the cost of care for the placement of  
20 certain children by the county departments of social services who are not eligible for  
21 federal IV-E funds. These funds shall not be used to match other federal funds.

22           **SECTION 2.1.(j)** The sum of three hundred thousand dollars (\$300,000)  
23 appropriated in this section to the Department of Health and Human Services in the  
24 Child Care and Development Fund Block Grant shall be used to develop and implement  
25 a Medical Child Care Pilot open to children throughout the State.

26           **SECTION 2.1.(k)** The sum of nine hundred thousand dollars (\$900,000)  
27 appropriated in this section to the Department of Health and Human Services in the  
28 TANF Block Grant for Boys and Girls Clubs shall be used to make grants for approved  
29 programs. The Department of Health and Human Services, in accordance with federal  
30 regulations for the use of TANF Block Grant funds, shall administer a grant program to  
31 award funds to the Boys and Girls Clubs across the State in order to implement  
32 programs that improve the motivation, performance, and self-esteem of youths and to  
33 implement other initiatives that would be expected to reduce school dropout and teen  
34 pregnancy rates. The Department shall encourage and facilitate collaboration between  
35 the Boys and Girls Clubs and Support Our Students, Communities in Schools, and  
36 similar programs to submit joint applications for the funds if appropriate.

37           **SECTION 2.1.(l)** Payment for subsidized child care services provided with  
38 federal TANF funds shall comply with all regulations and policies issued by the  
39 Division of Child Development for the subsidized child care program.

40           **SECTION 2.1.(m)** The sum of two million seven hundred thousand dollars  
41 (\$2,700,000) appropriated in this section in the TANF Block Grant to the Department of  
42 Health and Human Services, Division of Social Services, for the Work First Housing  
43 Initiative shall be used to provide direct housing support to Work First clients. Direct

1 housing support includes using funds for rental assistance, loans, moving expenses, and  
2 other financial assistance. No more than ten percent (10%) of these funds may be used  
3 for administration. These funds may be used for counseling or similar services only if it  
4 is demonstrated that those services are not otherwise available in the community.

5 **SECTION 2.1.(n)** The sum of five hundred thousand dollars (\$500,000)  
6 appropriated in this section in the TANF Block Grant to the Department of Health and  
7 Human Services, Division of Social Services, for the 2001-2002 fiscal year shall be  
8 used to support administration of TANF-funded programs.

9 **SECTION 2.1.(o)** The sum of four million five hundred thousand dollars  
10 (\$4,500,000) appropriated in this section in the TANF Block Grant to the Department of  
11 Health and Human Services, Division of Mental Health, Developmental Disabilities,  
12 and Substance Abuse Services, for the 2001-2002 fiscal year shall be used to provide  
13 regional residential substance abuse treatment and services for women with children.  
14 The Department of Health and Human Services, the Division of Social Services, and the  
15 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services,  
16 in consultation with local departments of social services, area mental health programs,  
17 and other State and local agencies or organizations, shall coordinate this effort in order  
18 to facilitate the expansion of regionally based substance abuse services for women with  
19 children. These services shall be culturally appropriate and designed for the unique  
20 needs of TANF women with children.

21 In order to expedite the expansion of these services, the Secretary of the  
22 Department of Health and Human Services may enter into contracts with service  
23 providers.

24 The Department of Health and Human Services, the Division of Social  
25 Services, and the Division of Mental Health, Developmental Disabilities, and Substance  
26 Abuse Services, shall report on their progress in complying with this subsection no later  
27 than October 1, 2001, and March 1, 2002, to the Senate Appropriations Committee on  
28 Health and Human Services, the House of Representatives Appropriations  
29 Subcommittee on Health and Human Services, and the Fiscal Research Division. These  
30 reports shall include all of the following:

- 31 (1) The number and location of additional beds created.
- 32 (2) The types of facilities established.
- 33 (3) The delineation of roles and responsibilities at the State and local  
34 levels.
- 35 (4) Demographics of the women served, the number of women served,  
36 and the cost per client.
- 37 (5) Demographics of the children served, the number of children served,  
38 and the services provided.
- 39 (6) Job placement services provided to women.
- 40 (7) A plan for follow-up and evaluation of services provided with an  
41 emphasis on outcomes.
- 42 (8) Barriers identified to the successful implementation of the expansion.

1 (9) Identification of other resources needed to appropriately and  
2 efficiently provide services to Work First recipients.

3 (10) Other information as requested.

4 **SECTION 2.1.(p)** The sum of two million four hundred seventy-five  
5 thousand six hundred seven dollars (\$2,475,607) appropriated in this section in the  
6 TANF Block Grant to the Department of Health and Human Services and transferred to  
7 the Department of Juvenile Justice and Delinquency Prevention for the 2001-2002 fiscal  
8 year shall be used to support the existing Support Our Students Program and to expand  
9 the Program statewide, focusing on low-income communities in unserved areas. These  
10 funds shall not be used for administration of the program.

11 **SECTION 2.1.(q)** The sum of one million eight hundred thousand dollars  
12 (\$1,800,000) appropriated under this section in the TANF Block Grant to the  
13 Department of Health and Human Services, Division of Social Services, for the  
14 2001-2002 fiscal year shall be used to provide domestic violence services to Work First  
15 recipients. These funds shall be used to provide domestic violence counseling, support,  
16 and other direct services to clients. These funds shall not be used to establish new  
17 domestic violence shelters, for State-level administration, or to facilitate lobbying  
18 efforts.

19 Each county department of social services and the local domestic violence  
20 shelter program serving the county shall jointly develop a plan for utilizing these funds.  
21 The plan shall include the services to be provided and the manner in which the services  
22 shall be delivered. The county plan shall be signed by the county social services director  
23 or the director's designee and the domestic violence program director or the director's  
24 designee and submitted to the Division of Social Services by October 1, 2001. The  
25 Division of Social Services, in consultation with the Council for Women, shall review  
26 the county plans and shall provide consultation and technical assistance to the  
27 departments of social services and local domestic violence shelter programs, if needed.

28 The Division of Social Services shall allocate these funds to county  
29 departments of social services according to the following formula: (i) each county shall  
30 receive a base allocation of ten thousand dollars (\$10,000) and (ii) each county shall  
31 receive an allocation of the remaining funds based on the county's proportion of the  
32 statewide total of the Work First caseload as of July 1, 2001, and the county's proportion  
33 of the statewide total of the individuals receiving domestic violence services from  
34 programs funded by the Council for Women as of July 1, 2001. The Division of Social  
35 Services may reallocate unspent funds to counties that submit a written request for  
36 additional funds.

37 The Department of Health and Human Services shall report on the uses of  
38 these funds no later than March 1, 2002, to the Senate Appropriations Committee on  
39 Health and Human Services, the House of Representatives Appropriations  
40 Subcommittee on Health and Human Services, and the Fiscal Research Division.

41 **SECTION 2.1.(r)** The sum of two million seven hundred thousand dollars  
42 (\$2,700,000) appropriated in this section in the TANF Block Grant to the Department of  
43 Health and Human Services, Division of Social Services, shall be used to expand

1 after-school programs and services for at-risk children. The Department shall develop  
2 and implement a grant program to award grants to community-based programs that  
3 demonstrate the ability to reach children at risk of teen pregnancy and school dropout.  
4 The Department shall award grants to community-based organizations that demonstrate  
5 the ability to develop and implement linkages with local departments of social services,  
6 area mental health programs, schools, and other human services programs in order to  
7 provide support services and assistance to the child and family. These funds may be  
8 used to establish one position within the Division of Social Services to coordinate  
9 at-risk after-school programs and shall not be used for other State administration. The  
10 Department shall report no later than March 1, 2002, on its progress in complying with  
11 this section to the Senate Appropriations Committee on Health and Human Services, the  
12 House of Representatives Subcommittee on Health and Human Services, and the Fiscal  
13 Research Division.

14       **SECTION 2.1.(s)** The sum of seven million six hundred fifty-four thousand  
15 eight hundred forty-one dollars (\$7,654,841) appropriated in this section in the TANF  
16 Block Grant to the Department of Health and Human Services, Division of Social  
17 Services, for the 2001-2002 fiscal year for Child Welfare Improvements shall be  
18 allocated to the county departments of social services for hiring or contracting staff to  
19 investigate and provide services in Child Protective Services cases; to provide foster  
20 care and support services; to recruit, train, license, and support prospective foster and  
21 adoptive families; and to provide interstate and post-adoption services for eligible  
22 families.

23       **SECTION 2.1.(t)** The sum of one million five hundred thousand dollars  
24 (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the  
25 Department of Health and Human Services, Division of Mental Health, Developmental  
26 Disabilities, and Substance Abuse Services, for the 2001-2002 fiscal year and the sum  
27 of seven hundred thousand dollars (\$700,000) appropriated in this section in the  
28 Substance Abuse Prevention and Treatment Block Grant to the Department of Health  
29 and Human Services, Division of Mental Health, Developmental Disabilities, and  
30 Substance Abuse Services, for the 2001-2002 fiscal year shall be used to continue a  
31 Comprehensive Treatment Services Program in accordance with Section 21.60 of this  
32 act.

33       **SECTION 2.1.(u)** The sum of two million dollars (\$2,000,000) appropriated  
34 in this section in the TANF Block Grant to the Department of Health and Human  
35 Services, Division of Social Services, for fiscal year 2001-2002 shall be used to support  
36 various child welfare training projects as follows:

- 37       (1) Provide a regional training center in southeastern North Carolina.
- 38       (2) Support the Masters Degree in Social Work/Baccalaureate Degree in  
39       Social Work Collaborative.
- 40       (3) Provide training for residential child care facilities.
- 41       (4) Provide for various other child welfare training initiatives.

42       **SECTION 2.1.(v)** The sum of nine million three hundred forty-seven  
43 thousand six hundred thirty-one dollars (\$9,347,631) appropriated in this section in the

1 TANF Block Grant to the Department of Health and Human Services for a Cash  
 2 Assistance Reserve may only be used for cash assistance payment if the funds  
 3 appropriated in this act for cash assistance payments are not sufficient to pay Work First  
 4 cash assistance in the 2001-2002 fiscal year. Prior to the use of these funds, the Office  
 5 of State Budget and Management shall review all proposals for expenditure of these  
 6 funds in order to ensure compliance with this subsection.

7 The sum of two million five hundred twenty-eight thousand nine hundred  
 8 ninety-three dollars (\$2,528,993) appropriated in this section in the TANF Block Grant  
 9 to the Department of Health and Human Services for a Cash Assistance Reserve shall be  
 10 held in the Cash Assistance Reserve until the Department of Health and Human  
 11 Services and the Office of State Budget and Management can certify that these funds  
 12 are not needed to ensure the continuation of the Work First Family Assistance payments  
 13 to recipients during the 2001-2002 fiscal year. These funds may be used only for the  
 14 payment of Work First Family Assistance and the allocations listed in this subsection. If  
 15 the Department of Health and Human Services and the Office of State Budget and  
 16 Management certify that these funds are not needed to ensure the continuation of Work  
 17 First Family Assistance payments, the Department may make the following transfers  
 18 from the Cash Assistance Reserve:

19	(1)	Reduction of out-of-wedlock births	\$160,000
20	(2)	Work First Job Retention –	
21		Rural Center (\$30,000)	
22		Work Central Career Center (\$20,000)	\$50,000
23	(3)	Teen Pregnancy Prevention	\$223,926
24	(4)	Work First Housing Initiative	\$300,000
25	(5)	Domestic Violence Prevention and	
26		Awareness	\$100,000
27	(6)	Intensive Family Preservation Program	\$200,000
28	(7)	Work First Boys and Girls Clubs	\$100,000
29	(8)	Support our Students	\$275,674
30	(9)	Residential Substance Abuse Services	
31		for Women with Children	\$500,000
32	(10)	Domestic Violence Services for	
33		Work First Families	\$200,000
34	(11)	After School Services for At-Risk Children	\$300,000
35	(12)	Individual Development Accounts	\$20,000

36 **SECTION 2.1.(w)** The sum of three million dollars (\$3,000,000)  
 37 appropriated in this section in the TANF Block Grant to the Department of Health and  
 38 Human Services for a Business Process Reengineering Project Reserve may only be  
 39 used for the project if funds appropriated in this act for Business Process Reengineering  
 40 are not sufficient to continue the project through the 2001-2002 fiscal year. Prior to the  
 41 use of these funds, the Office of State Budget and Management shall review all  
 42 proposals for expenditure of these funds in order to ensure compliance with this  
 43 subsection.

1           **SECTION 2.1.(x)** If funds appropriated through the Child Care and  
2 Development Fund Block Grant for any program cannot be obligated or spent in that  
3 program within the obligation or liquidation periods allowed by the federal grants, the  
4 Department may move funds to child care subsidies unless otherwise prohibited by  
5 federal requirements of the grant, in order to use the federal funds fully.

6           **SECTION 2.1.(y)** The sum of nine hundred thousand dollars (\$900,000)  
7 appropriated under this section in the TANF Block Grant to the Department of Health  
8 and Human Services, Division of Social Services, for the 2001-2002 fiscal year for  
9 Domestic Violence Prevention and Awareness shall be used for grants to support  
10 initiatives by local domestic violence programs to prevent domestic violence.  
11 Prevention activities shall include efforts to reach under-served populations and shall be  
12 culturally sensitive and multilingual. The Department shall award grants to  
13 community-based organizations that demonstrate the ability to collaborate and  
14 coordinate services with other local human services agencies and organizations in order  
15 to serve children and families where domestic violence has occurred or is occurring.  
16 The Department shall report on the use of these funds no later than May 1, 2002, to the  
17 Senate Appropriations Committee on Health and Human Services, the House of  
18 Representatives Appropriations Subcommittee on Health and Human Services, and the  
19 Fiscal Research Division.

20           **SECTION 2.1.(z)** The sum of three hundred ninety-five thousand seven  
21 hundred eighty-nine dollars (\$395,789) appropriated in this section in the Social  
22 Services Block Grant and transferred to the Preventive Health Service Block Grant to  
23 the Department of Health and Human Services for the 2001-2002 fiscal year for  
24 HIV/AIDS Prevention Activities shall be used to create a position in the Office of the  
25 Secretary and to enhance activities for HIV/AIDS awareness and education. The  
26 position shall be responsible for all planning, programming, and budgeting for  
27 compliance with HIV/AIDS Prevention Initiative, Section 21.18D of this act. These  
28 prevention activities shall be targeted to the general public and programs identified in  
29 HIV/AIDS Prevention Initiative, Section 21.18D of this act, and shall not be used to  
30 augment the current grant programs that target high-risk populations through the  
31 community-based organizations.

32           **SECTION 2.1.(aa)** The sum of one hundred eighty thousand dollars  
33 (\$180,000) appropriated in this section in the TANF Block Grant to the Department of  
34 Health and Human Services for the 2001-2002 fiscal year shall be used for Individual  
35 Development Accounts (IDA) for TANF-eligible individuals. The Social Services  
36 Commission shall adopt rules for the implementation of this subsection.

37  
38 **PART III. MEDICAID COST CONTAINMENT AND GROWTH REDUCTION.**

39           **SECTION 3.(a)** The Department of Health and Human Services, Division of  
40 Medical Assistance, shall contain Medicaid Program costs by reducing the rate of  
41 growth of the Medicaid Program, except for the rate of growth in the number of persons  
42 eligible for Medicaid. The Department shall develop and implement a plan to reduce  
43 the rate of growth in total expenditures for payments for medical services for fiscal year



1 2002-2003 to eight percent (8%) or less of the total expenditures for the 2001-2002  
2 fiscal year, excluding the rate of growth associated with eligibles.

3 **SECTION 3.(b)** In addition to findings and recommendations in the "North  
4 Carolina Medicaid Benefit Study", May 1, 2001, the Department of Health and Human  
5 Services may also consider the following actions to reduce the rate of growth in the  
6 Medicaid Program:

7 (1) Changes in methods of reimbursement;

8 (2) Changes in the method of determining or limiting inflation factors, or  
9 both;

10 (3) Recalibration of existing methods of reimbursement; and

11 (4) Contracting for services.

12 **SECTION 3.(c)** As part of any efforts to contain Medicaid program costs,  
13 the Department of Health and Human Services, Division of Medical Assistance, shall  
14 establish reimbursement rates that will allow efficient Medicaid providers to comply  
15 with certification requirements, licensure rules, or other mandated quality or safety  
16 standards.

17 **SECTION 3.(d)** The Department shall report on its plans to reduce the rate  
18 of growth in the State Medicaid Program not later than December 1, 2001. The  
19 Department shall submit the report to the Senate Appropriations Committee on Health  
20 and Human Services, the House of Representatives Appropriations Subcommittee on  
21 Health and Human Services, and the Fiscal Research Division.

22 **SECTION 3.(e)** The Department shall not change medical policy affecting  
23 the amount, sufficiency, duration, and scope of health care services and who may  
24 provide services until the Division of Medical Assistance has prepared a five-year fiscal  
25 analysis documenting the increased cost of the proposed change in medical policy and  
26 submitted it for departmental review. If the fiscal impact indicated by the fiscal analysis  
27 for any proposed medical policy change exceeds three million dollars (\$3,000,000) in  
28 total requirements for a given fiscal year, then the Department shall submit the proposed  
29 policy change with the fiscal analysis to the Office of State Budget and Management  
30 and the Fiscal Research Division.

#### 31 **PART IV. MEDICAID COST CONTAINMENT ACTIVITIES.**

32 **SECTION 4.** The Department of Health and Human Services may use not  
33 more than two million dollars (\$2,000,000) in each year of the 2001-2003 fiscal  
34 biennium in Medicaid funds budgeted for program services to support the cost of  
35 administrative activities when cost effectiveness and savings are demonstrated. The  
36 funds shall be used to support activities that will contain the cost of the Medicaid  
37 Program including contracting for services or hiring additional staff. Medicaid  
38 cost-containment activities may include prospective reimbursement methods,  
39 incentive-based reimbursement methods, service limits, prior authorization of services,  
40 periodic medical necessity reviews, revised medical necessity criteria, service provision  
41 in the least costly settings, and other cost-containment activities. Funds may be  
42 expended under this section only after the Office of State Budget and Management has  
43

1 approved a proposal for the expenditure submitted by the Department. Proposals for  
2 expenditure of funds under this section shall include the cost of implementing the  
3 cost-containment activity and documentation of the amount of savings expected to be  
4 realized from the cost-containment activity. The Department shall provide a copy of  
5 proposals for expenditures under this section to the Fiscal Research Division.  
6

7 **PART V. MEDICAID PROGRAM MANAGEMENT.**

8 **SECTION 5.(a)** The Department of Health and Human Services shall  
9 consider the findings and recommendations in the "North Carolina Medicaid Benefit  
10 Study", May 1, 2001, and shall target the following in considering whether and to what  
11 extent to implement recommendations:

- 12 (1) Reduction in the fragmentation in the medical benefit policy-making  
13 process.
- 14 (2) Improvement in the use of data and medical literature in the  
15 decision-making process.
- 16 (3) Improvement in the coordination of care and utilization review  
17 process.
- 18 (4) Strengthening of program integrity controls.

19 **SECTION 5.(b)** The Department shall implement a pharmacy management  
20 plan considering the recommendations of the "North Carolina Medicaid Benefit Study"  
21 to achieve anticipated cost savings. The pharmacy management plan may include the  
22 following activities:

- 23 (1) Establishing a prior authorization program to manage utilization of  
24 high-cost brand name drugs. In determining drugs to be included in the  
25 prior authorization program, the Department shall consider whether  
26 inclusion of these drugs is likely to:
  - 27 a. Increase utilization of more expensive services;
  - 28 b. Reduce quality of treatment;
  - 29 c. Result in a lower level of compliance with appropriate drug  
30 therapy;
  - 31 d. Have a differential impact upon racial and ethnic minorities and  
32 the elderly.

33 The Department shall conduct a review at least annually of the drugs  
34 included in the prior authorization program to determine whether any  
35 of the factors listed in this subdivision or other factors with similar  
36 results have occurred.

- 37 (2) Limiting prescription drugs to a 34-day supply for some or all drugs.
- 38 (3) Developing physician prescribing practice profiles and other  
39 educational tools to enable physicians to better manage their  
40 prescriptions.
- 41 (4) Establishing therapeutic limits based on appropriate dosage or usage  
42 standards.
- 43 (5) Encouraging use of generic drugs.

- 1 (6) Using maximum allowable pricing.
- 2 (7) Contracting with a pharmacy benefits manager to implement more
- 3 extensive drug utilization review.
- 4 (8) Studying the impact of eliminating the six prescription drug monthly
- 5 limit combined with a more rigorous prior authorization program to
- 6 ensure cost decisions are made based on evidenced-based clinical
- 7 guidelines.
- 8 (9) Expanding disease management initiatives.
- 9 (10) Working with ACCESS physicians to develop and implement drug
- 10 utilization management initiatives.
- 11 (11) If cost-effective, expanding Medicaid drug coverage to include
- 12 selected over-the-counter medications.

13 **SECTION 5.(c)** The Department shall report on all of the activities  
14 conducted under this section to the Senate Appropriations Committee on Health and  
15 Human Services, the House of Representatives Appropriations Subcommittee on Health  
16 and Human Services, and the Fiscal Research Division not later than January 1, 2002.

17  
18 **PART VI. ADOPTION OF MEDICAL COVERAGE POLICY UNDER STATE**  
19 **MEDICAID PROGRAM; MEDICAL COVERAGE POLICY EXEMPT FROM**  
20 **RULE MAKING UNDER THE APA.**

21 **SECTION 6.(a)** In order to promote consistency among providers and to  
22 ensure that medical coverage criteria are uniformly applied to Medicaid recipients  
23 throughout the State, the Department of Health and Human Services shall adopt medical  
24 coverage policies for the State Medicaid program that are consistent with national  
25 standards or Department-defined standards. If the Department determines that  
26 application of a national standard would likely cause significant deterioration in the  
27 quality of or access to appropriate medical care, then the Department shall substitute for  
28 that national standard an evidence-based, best-practice standard that will not  
29 compromise quality of or access to appropriate medical care. The adoption of new or  
30 amended medical coverage policies under the State Medicaid program are exempt from  
31 rule-making requirements of Chapter 150B of the General Statutes.

32 **SECTION 6.(b)** The Department shall develop, amend, and adopt medical  
33 coverage policy in accordance with the following:

- 34 (1) During the development of new medical coverage policy or
- 35 amendment to existing medical coverage policy, consult with and seek
- 36 the advice of the Physician Advisory Group of the North Carolina
- 37 Medical Society and other organizations the Secretary deems
- 38 appropriate.
- 39 (2) At least 45 days prior to the adoption of new or amended medical
- 40 coverage policy, the Department shall:
  - 41 a. Publish the proposed new or amended medical coverage policy
  - 42 on the Department's website;

- 1           b.     Notify all Medicaid providers of the proposed, new, or amended  
2           policy; and  
3           c.     Upon request, provide persons copies of the proposed medical  
4           coverage policy.
- 5       (3)    During the 45-day period immediately following publication of the  
6           proposed new or amended medical coverage policy, accept oral and  
7           written comments on the proposed new or amended policy.
- 8       (4)    If, following the comment period, the proposed new or amended  
9           medical coverage policy is modified, then the Department shall, at  
10          least 15 days prior to its adoption:
- 11          a.     Notify all Medicaid providers of the proposed policy;  
12          b.     Upon request, provide persons notice of amendments to the  
13          proposed policy; and  
14          c.     Accept additional oral or written comments during this 15-day  
15          period.

16       **SECTION 6.(c)** G.S. 150B-1(d), as amended by S.L. 2001-299, reads as  
17       rewritten:

18       "(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to  
19       the following:

- 20       (1)    The Commission.  
21       (2)    Repealed by Session Laws 2000-189, s. 14, effective July 1, 2000.  
22       (3)    The North Carolina Hazardous Waste Management Commission in  
23           administering the provisions of G.S. 130B-13 and G.S. 130B-14.  
24       (4)    The Department of Revenue, with respect to the notice and hearing  
25           requirements contained in Part 2 of Article 2A.  
26       (5)    The North Carolina Global TransPark Authority with respect to the  
27           acquisition, construction, operation, or use, including fees or charges,  
28           of any portion of a cargo airport complex.  
29       (6)    The Department of Correction, with respect to matters relating solely  
30           to persons in its custody or under its supervision, including prisoners,  
31           probationers, and parolees.  
32       (7)    The North Carolina Teachers' and State Employees' Comprehensive  
33           Major Medical Plan in administering the provisions of Parts 2 and 3 of  
34           Article 3 of Chapter 135 of the General Statutes.  
35       (8)    The North Carolina Federal Tax Reform Allocation Committee, with  
36           respect to the adoption of the annual qualified allocation plan required  
37           by 26 U.S.C. § 42(m), and any agency designated by the Committee to  
38           the extent necessary to administer the annual qualified allocation plan.  
39       (9)    The Department of Health and Human Services in adopting new or  
40           amending existing medical coverage policies under the State Medicaid  
41           Program."

42  
43       **PART VII. TANF STATE PLAN.**



1	02.	Urgent Needs and Contingency	1,000,000
2			
3	03.	Scattered Site Housing	13,200,000
4			
5	04.	Economic Development	8,710,000
6			
7	05.	Community Revitalization	13,500,000
8			
9	06.	State Technical Assistance	450,000
10			
11	07.	Housing Development	2,000,000
12			
13	08.	Infrastructure	5,140,000
14			
15	TOTAL COMMUNITY DEVELOPMENT		
16	BLOCK GRANT - 2002 Program Year		\$45,000,000

17  
18           **SECTION 8.(b)** Decreases in Federal Fund Availability. – If federal funds  
19 are reduced below the amounts specified above after the effective date of this act, then  
20 every program in each of these federal block grants shall be reduced by the same  
21 percentage as the reduction in federal funds.

22           **SECTION 8.(c)** Increases in Federal Fund Availability for Community  
23 Development Block Grant. – Any block grant funds appropriated by the Congress of the  
24 United States in addition to the funds specified in this section shall be expended as  
25 follows: Each program category under the Community Development Block Grant shall  
26 be increased by the same percentage as the increase in federal funds.

27           **SECTION 8.(d)** Limitations on Community Development Block Grant  
28 Funds. – Of the funds appropriated in this section for the Community Development  
29 Block Grant, the following shall be allocated in each category for each program year: up  
30 to one million dollars (\$1,000,000) may be used for State administration; up to one  
31 million dollars (\$1,000,000) may be used for Urgent Needs and Contingency; up to  
32 thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered  
33 Site Housing; up to eight million seven hundred ten thousand dollars (\$8,710,000) may  
34 be used for Economic Development; not less than thirteen million five hundred  
35 thousand dollars (\$13,500,000) shall be used for Community Revitalization; up to four  
36 hundred fifty thousand dollars (\$450,000) may be used for State Technical Assistance;  
37 up to two million dollars (\$2,000,000) may be used for Housing Development; up to  
38 five million one hundred forty thousand dollars (\$5,140,000) may be used for  
39 Infrastructure. If federal block grant funds are reduced or increased by the Congress of  
40 the United States after the effective date of this act, then these reductions or increases  
41 shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

42           **SECTION 8.(e)** Increase Capacity for Nonprofit Organizations. –  
43 Assistance to nonprofit organizations to increase their capacity to carry out

1 CDBG-eligible activities in partnership with units of local government is an eligible  
2 activity under any program category in accordance with federal regulations. Capacity  
3 building grants may be made from funds available within program categories, program  
4 income, or unobligated funds.

5 **SECTION 8.(f)** Study. – The Department of Commerce shall study the  
6 development of a training program designed to provide a minimum level of knowledge  
7 and skills for Community Development Block Grant administrators. In conducting the  
8 study, the Department shall consult the North Carolina League of Municipalities, the  
9 North Carolina Association of County Commissioners, the North Carolina Community  
10 Development Association, and the Institute of Government at the University of North  
11 Carolina at Chapel Hill. The Department may use unencumbered and unspent State  
12 Technical Assistance funds from previous program years to conduct the study. The  
13 Department shall report its findings to the House and Senate Appropriations  
14 Subcommittees on Natural and Economic Resources and the Fiscal Research Division  
15 by February 1, 2002.

16  
17 **PART IX. ESTABLISHED PAYMENTS FOR MEDICAL TREATMENTS AND**  
18 **SERVICES TO WORKERS' COMPENSATION PATIENTS EXTENDED.**

19 **SECTION 9.** Section 2 of S.L. 2001-253, as amended by Section 3 of S.L.  
20 2001-322, reads as rewritten:

21 "SECTION 2. Notwithstanding G.S. 97-26, payment for medical treatment and  
22 services rendered to workers' compensation patients by a hospital on or after July 1,  
23 2001, and before ~~September 1, 2001~~, September 15, 2001, shall be equal to the payment  
24 the hospital would have received for such treatment and services on June 30, 2001."  
25

26 **PART X. COMMUNITY COLLEGE, UNIVERSITY, AND PRIVATE**  
27 **COLLEGE ENROLLMENT AND COMMUNITY COLLEGE AND**  
28 **UNIVERSITY TUITION INCREASES.**

29 **SECTION 10.(a)** Beginning with the Fall 2001 academic semester, the State  
30 Board of Community Colleges shall increase the tuition charged to students enrolled in  
31 curriculum programs by three dollars and fifty cents (\$3.50) per student credit hour up  
32 to 16 credit hours per semester.

33 **SECTION 10.(b)** There is appropriated from tuition receipts received by the  
34 Community Colleges System Office pursuant to subsection (a) of this section to the  
35 Community Colleges System Office the sum of ten million dollars (\$10,000,000) for the  
36 2001-2002 fiscal year to fully fund enrollment.

37 **SECTION 10.(c)** Beginning with the Fall 2001 academic semester, the Board  
38 of Governors of The University of North Carolina shall increase tuition for all students  
39 by nine percent (9%) per year above the rates charged for the 2000-2001 academic year.  
40 In addition the differentials for graduate and professional schools adopted by the Board  
41 of Governors for the 2001-2002 academic year shall remain in effect. The  
42 campus-initiated tuition increases approved by the Board of Governors for the  
43 2001-2002 academic year shall also remain in effect. The receipts in this subsection are

1 appropriated for the purpose of funding regular term and distance education enrollment,  
2 including the enrollment hold harmless as requested by the Board of Governors as  
3 provided in subsection (e) of this section.

4         **SECTION 10.(d)** There is appropriated from the General Fund to the Board  
5 of Governors of The University of North Carolina the sum of nine million six hundred  
6 seventy-two thousand one hundred six dollars (\$9,672,106) for the 2001-2002 fiscal  
7 year for the purpose of fully funding regular term and distance education enrollment,  
8 including the enrollment hold harmless as requested by the Board of Governors.

9         **SECTION 10.(e)** Of the funds and receipts appropriated by this section, the  
10 Board of Governors may expend up to forty million five hundred thirty-six thousand  
11 nine hundred sixty-three dollars (\$40,536,963) for the purpose of funding enrollment.

12         **SECTION 10.(f)** There is appropriated from the General Fund to the Board  
13 of Governors of The University of North Carolina the sum of three million two hundred  
14 twenty-six thousand two hundred ten dollars (\$3,226,210) for the 2001-2002 fiscal year  
15 to be allocated to the University Board of Governors Related Educational Programs to  
16 be used to provide funds for the Legislative Tuition Grant program and the State  
17 Contractual Scholarship program enrollment increases.

#### 18 19 **PART XI. STATE EMPLOYEE HEALTH PLAN FUNDING.**

20         **SECTION 11.(a)** There is appropriated from the General Fund to the  
21 Reserve for State Health Plan the sum of one hundred fourteen million dollars  
22 (\$114,000,000) for the 2001-2002 fiscal year.

23         **SECTION 11.(b)** There is appropriated from the Highway Fund to the  
24 Reserve for State Health Plan the sum of seven million dollars (\$7,000,000) for the  
25 2001-2002 fiscal year.

#### 26 27 **PART XII. REIMBURSEMENTS TO LOCAL GOVERNMENTS FOR** 28 **INTANGIBLES TAX DELAYED.**

29         **SECTION 12.** Notwithstanding G.S. 105-275.2, the Secretary of Revenue  
30 shall not make any distributions to local governments pursuant to that statute for the  
31 2001-2002 fiscal year before the date the Current Operations and Capital Improvements  
32 Appropriations Act of 2001 becomes law.

#### 33 34 **PART XIII. IMMEDIATE ASSISTANCE TO THE HIGHEST PRIORITY** 35 **ELEMENTARY SCHOOLS.**

36         **SECTION 13.(a)** There is appropriated from the General Fund to State Aid  
37 to Local School Administrative Units the sum of eight million sixty-two thousand six  
38 hundred three dollars (\$8,062,603) for the 2001-2002 fiscal year. These funds shall be  
39 used to provide the State's lowest-performing elementary schools with the tools needed  
40 to dramatically improve student achievement.

41         These funds shall be used to reduce class size at the 37 elementary schools at  
42 which, for the 1999-2000 school year, over eighty percent (80%) of the students  
43 qualified for free or reduced-price lunches and no more than fifty-five percent (55%) of



1 the students performed at or above grade level. For the 2001-2002 school year, class  
2 size at each of these schools shall be reduced to ensure that no class in kindergarten  
3 through third grade has more than 15 students. No funds from the teacher assistant  
4 allotment category may be allotted to the local school administrative units for students  
5 assigned to these schools. Any teacher assistants displaced from jobs in these highest  
6 priority elementary schools shall be given preferential consideration for vacant teacher  
7 assistant positions at other schools in the local school administrative unit, provided their  
8 job performance has been satisfactory. Nothing in this section prevents the local school  
9 administrative unit from placing teacher assistants in these schools.

10 **SECTION 13.(b)** In order for the high priority schools identified in  
11 subsection (a) of this section to remain eligible for the additional resources provided in  
12 this section, the schools must meet the expected growth for each year and must achieve  
13 high growth for at least two out of three years, based on the State Board of Education's  
14 annual performance standards set for each school. No adjustment in the allotment of  
15 resources based on performance shall be made until the 2004-2005 school year.

16 **SECTION 13.(c)** All teaching positions allotted for students in high priority  
17 schools in those grades targeted for smaller class sizes shall be assigned to and teach in  
18 those grades and in those schools. In grades K-3 in high priority schools the maximum  
19 class size for the 2001-2002 school year shall be no more than two students above the  
20 allotment ratio in that grade. The maximum class size for subsequent school years shall  
21 be no more than one student above the allotment ratio in that grade. The Department of  
22 Public Instruction shall monitor class sizes at these schools at the end of the fourth  
23 month of school and report to the State Board of Education on the actual class sizes in  
24 these schools. If the local school administrative unit notifies the State Board of  
25 Education that they do not have sufficient resources to adhere to the maximum class  
26 size requirements, the State Board of Education may allocate additional teaching  
27 positions to the unit from the Reserve for Average Daily Membership Adjustments.  
28

#### 29 **PART XIV. REDUCE KINDERGARTEN CLASS SIZE.**

30 **SECTION 14.** There is appropriated from the General Fund to the State Aid  
31 to Local School Administrative Units the sum of twelve million forty-five thousand one  
32 hundred seventy-nine dollars (\$12,045,179) for the 2001-2002 fiscal year to reduce the  
33 class-size allotment in kindergarten to one teacher for every 19 students. The maximum  
34 class size limits for kindergarten established by the State Board of Education for the  
35 2001-2002 school year shall be reduced by one. Local school administrative units shall  
36 use these additional teaching positions to reduce class sizes in kindergarten to within the  
37 required limits by the end of the fifth month of the school year.  
38

#### 39 **PART XV. "MORE AT FOUR" PILOT PROGRAM.**

40 **SECTION 15.(a)** There is appropriated from the General Fund to the  
41 Department of Health and Human Services the sum of six million four hundred fifty-six  
42 thousand five hundred dollars (\$6,456,500) for the 2001-2002 fiscal year. These funds  
43 shall be used to develop and implement "More At Four", a voluntary prekindergarten

1 pilot program for at-risk four-year-olds. The Department of Health and Human  
2 Services, in consultation with the Department of Public Instruction, shall develop "More  
3 At Four" for four-year-old children in North Carolina to ensure that all children have an  
4 opportunity to succeed in kindergarten.

5 **SECTION 15.(b)** The Department of Health and Human Services and the  
6 Department of Public Instruction shall establish the "More At Four" Pre-K Task Force  
7 to oversee development and implementation of the pilot program. The membership shall  
8 include:

- 9 (1) Parents of at-risk children.
- 10 (2) Representatives with expertise in early childhood development.
- 11 (3) Classroom teachers who are certified in early childhood education.
- 12 (4) Representatives of the private not-for-profit and for-profit child care  
13 providers in North Carolina.
- 14 (5) Employees of the Department of Health and Human Services who are  
15 knowledgeable in the areas of early childhood development, current  
16 State and federally funded efforts in child development, and providing  
17 child care.
- 18 (6) Representatives of local Smart Start partnerships.
- 19 (7) Representatives of local school administrative units.
- 20 (8) Representatives of Head Start prekindergarten programs in North  
21 Carolina.
- 22 (9) Employees of the Department of Public Instruction.

23 **SECTION 15.(c)** The Department of Health and Human Services and the  
24 Department of Public Instruction, under the guidance of the Task Force, shall develop  
25 and implement the "More At Four" pilot prekindergarten program for at-risk  
26 four-year-olds who are at risk of failure in kindergarten. The pilot shall be distributed  
27 geographically to ensure adequate representation of the diverse areas of the State,  
28 including underserved areas. The goal of the program shall be to provide quality  
29 prekindergarten services in order to enhance kindergarten readiness for these children.  
30 The program shall be consistent with standards and assessments established jointly by  
31 the Department of Health and Human Services, the Department of Public Instruction,  
32 and the Task Force and may consider the "More At Four" Pre-K Task Force  
33 Recommendations. The program shall include:

- 34 (1) A process and system for identifying children at risk of academic  
35 failure.
- 36 (2) A process and system for identifying children who have never been  
37 served in a formal early education program such as child care, public  
38 or private preschool, Head Start, Early Head Start, early intervention  
39 programs or other such programs, who demonstrate educational needs  
40 on the basis of a prekindergarten assessment, and who are eligible to  
41 enter kindergarten the next school year.
- 42 (3) A curriculum or several curricula that are recommended by the Task  
43 Force. The Task Force may consider curricula used by established

1 prekindergarten programs such as WINGS, Bright Beginnings, and  
2 others. These curricula shall (i) focus primarily on oral language and  
3 emergent literacy, (ii) engage children through key experiences and  
4 provide background knowledge requisite for formal learning and  
5 successful reading in the early elementary years, (iii) involve active  
6 learning, (iv) promote measurable kindergarten language-readiness  
7 skills that focus on emergent literacy and mathematical skills, and (v)  
8 develop skills that will prepare children emotionally and socially for  
9 kindergarten.

- 10 (4) An emphasis on ongoing family involvement with the prekindergarten  
11 program.
- 12 (5) Evaluation of child progress through pre and postassessment of  
13 children as well as ongoing assessment of the children by teachers.
- 14 (6) Guidelines for a system to reimburse local school boards and systems,  
15 private child care providers, and other entities willing to establish and  
16 provide prekindergarten programs to serve at-risk children. A process  
17 and system for reimbursing providers that build upon the existing child  
18 care subsidy reimbursement system.
- 19 (7) A system built upon existing local school boards and systems, private  
20 child care providers, and other entities who demonstrate the ability to  
21 establish or expand prekindergarten capacity.
- 22 (8) A quality-control system. Participating providers shall comply with  
23 standards and guidelines as established by the Department of Health  
24 and Human Services, the Department of Public Instruction, and the  
25 Task Force. The Department may use the child care rating system to  
26 assist in determining program participation.
- 27 (9) Standards for minimum teacher qualifications. A portion of the  
28 classroom sites initially funded shall have at least one teacher who is  
29 certified or provisionally certified in birth to kindergarten education.
- 30 (10) A local contribution. Programs must demonstrate that they are  
31 accessing resources other than "More At Four".
- 32 (11) A system of accountability.
- 33 (12) Collaboration with State agencies and other organizations. The  
34 Department of Health and Human Services, the Department of Public  
35 Instruction, and the Task Force shall collaborate with State agencies  
36 and other organizations such as the North Carolina Partnership for  
37 Children, Inc., in the design and implementation of the pilot.
- 38 (13) Consideration of the reallocation of existing funds. In order to  
39 maximize current funding and resources, the Department of Health and  
40 Human Services, the Department of Public Instruction, and the Task  
41 Force shall consider the reallocation of existing funds from State and  
42 local programs that provide prekindergarten related care and services.

1           (14) Recommendations for long-term organizational placement and  
2           administration of the program.

3           **SECTION 15.(d)** In development of the "More At Four" pilot, the  
4 Department of Health and Human Services, in consultation with the Department of  
5 Public Instruction and the Task Force, shall:

6           (1) Contract with an independent research organization, outside the  
7 Department of Health and Human Services and the Department of  
8 Public Instruction, with proven expertise in evaluation of  
9 prekindergarten programs, for the design of an evaluation component.  
10 The evaluation component shall facilitate longitudinal review of the  
11 program and child-specific outcomes to include, at a minimum,  
12 participants' readiness for kindergarten, percentage of participants  
13 scoring at or above grade level on the third grade end-of-grade test,  
14 and high school graduation rates.

15           (2) Collaborate in the development of a system to collect and maintain  
16 child-specific information to provide for the long-term evaluation of  
17 the pilot. The system shall be developed in a manner which builds  
18 upon existing State and local systems and which facilitates the  
19 interface with the N.C. Student Information Management System.

20           **SECTION 15.(e)** State funds appropriated under this act for the "More At  
21 Four" pilot program shall not supplant current expenditures by counties, local  
22 partnerships, or other recipients of State and federal funds, allocated and expended on  
23 behalf of young children.

24           **SECTION 15.(f)** In order to maximize and coordinate funding for  
25 prekindergarten programs for four-year-olds with demonstrated educational needs, the  
26 Department of Health and Human Services, the Department of Public Instruction, and  
27 the Task Force shall identify and make recommendations on the reallocation of funds  
28 from existing State and local programs providing prekindergarten related care and  
29 services, including child care subsidies. All potential funding sources, including federal  
30 as well as State-funded efforts, shall be identified.

31           **SECTION 15.(g)** The Department of Health and Human Services, the  
32 Department of Public Instruction, and the Task Force shall report by January 1, 2002,  
33 and May 1, 2002, to the Joint Legislative Commission on Governmental Operations, the  
34 Joint Legislative Education Oversight Committee, the Senate Appropriations  
35 Committee on Health and Human Services, and the House of Representatives  
36 Appropriations Subcommittee on Health and Human Services on the progress in  
37 complying with this section. A final report along with recommendations for changes or  
38 expansion of the program shall be presented to the 2003 General Assembly.

39  
40 **PART XVI. EFFECTIVE DATE.**

41           **SECTION 16.** This act is effective when it becomes law.  
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