

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

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**HOUSE BILL 200
Committee Substitute Favorable 4/26/11
Committee Substitute #2 Favorable 4/28/11**

Short Title: Appropriations Act of 2011. (Public)

Sponsors:

Referred to:

March 2, 2011

A BILL TO BE ENTITLED

**AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS
OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES; TO ENACT BUDGET
RELATED AMENDMENTS; AND TO REORGANIZE STATE GOVERNMENT.**

The General Assembly of North Carolina enacts:

PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are made for the fiscal biennium ending June 30, 2013, according to the following schedule:

Current Operations – General Fund	2011-2012	2012-2013
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EDUCATION

Department of Public Instruction	7,164,492,057	
7,188,174,120		

PART V. OTHER APPROPRIATIONS

CIVIL FORFEITURE FUNDS

SECTION 5.3. Appropriations. – Appropriations are made from the Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2013, as follows:

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

EDUCATION LOTTERY

SECTION 5.4.(a) Notwithstanding 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 four hundred twenty-four million nine hundred seventy-three thousand six hundred thirty dollars (\$424,973,630) for the 2011-2012 fiscal year.

SECTION 5.4.(b) Notwithstanding G.S. 18C-164, the appropriations made from the Education Lottery Fund for the 2011-2012 fiscal year are as follows:

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

SECTION 5.4.(c) Notwithstanding G.S. 18C-164, the North Carolina State Lottery Commission shall not transfer funds to the Education Lottery Reserve Fund for the 2011-2012 fiscal year or the 2012-2013 fiscal year.

SECTION 5.4.(d) Notwithstanding G.S. 18C-164(c), G.S. 115C-546.2(d), or any other provision of law, funds appropriated in this section to the Public School Building Capital Fund for the 2011-2012 fiscal year shall be allocated to counties on the basis of average daily membership (ADM).

Counties may authorize local school administrative units to use funds received from the Public School Building Capital Fund pursuant to subsection (f) of this section for one or more of the following purposes only: (i) for school construction projects in accordance with G.S. 115C-546.2(d), (ii) to retire indebtedness incurred on or after January 1, 2003, in accordance with G.S. 115C-546.2(d), for school construction projects, and (iii) for classroom teachers. A county may authorize the use of these funds for classroom teachers only upon the request of the local board of education. Funds used for classroom teachers shall supplement and not supplant existing local current expense funding for the public schools.

SECTION 5.4.(e) Notwithstanding G.S. 18C-164(c), Article 35A of Chapter 115C of the General Statutes, or any other provision of law, the funds appropriated in this section for UNC Need-Based Financial Aid shall be administered in accordance with the policy adopted by the Board of Governors of The University of North Carolina.

SECTION 5.4.(f) Notwithstanding G.S. 18C-164(f), if the actual net lottery revenues for the 2011-2012 fiscal year exceed the amounts appropriated in subsection (b) of this section, the excess net lottery revenues shall be allocated for school capital on the basis of average daily membership.

PART VI. GENERAL PROVISIONS

STATE GOVERNMENT REORGANIZATION

SECTION 6.8. The Joint Legislative Commission on Governmental Operations (Commission) shall study the feasibility of creating a single department to support State departments, agencies, and offices with services, including, but not limited to, human resource management, information technology, purchasing, and budget and financial management. The Commission shall report to the House of Representatives and Senate Appropriations Committees on its findings and recommendations upon the convening of the 2012 Regular Session of the 2011 General Assembly.

In the conduct of this study, the Commission may consider the Governor's proposed Department of Management and Administration as included in Executive Order 85, dated March 25, 2011, entitled "Consolidation and Reorganization of Executive Branch Agencies to Improve the Efficiency of State Government."

UTILIZATION REVIEW/PUBLIC SCHOOL AND PUBLIC HEALTH NURSES

SECTION 6.9.(a) Beginning July 1, 2011, the Fiscal Research Division, in consultation with the Department of Public Instruction and the Department of Health and Human Services, shall review all publicly (federal and State) funded public school nurse positions assigned within or connected to those respective organizations in order to determine the most effective and cost-efficient ways to provide needed nursing service to public school students. The review shall identify specific areas where overlaps of service provision may exist. The review shall focus on ways to maximize existing nursing resources and to change prospectively the manner in which local school nurses are allocated to better address the needs of students in the public schools at reasonable cost. Specifically, the review shall examine at least all of the following:

- (1) Feasibility of having the money all flow to local public health departments for management and administration purposes to align health-related activities with the local entity best equipped to manage.
- (2) Feasibility of using a mix of licensed nurses, both registered nurses (RN) and licensed practical nurses (LPN), to provide health care services in the public schools.
- (3) Feasibility of allowing a school nurse to be licensed as an LPN as long as the nurse works under the direct supervision of an RN.
- (4) Development of a new allocation formula that considers:
 - a. Average daily membership.
 - b. Local match requirement.
 - c. A base amount for each local school administrative unit.

SECTION 6.9.(b) By May 1, 2012, the Fiscal Research Division shall report to the House and Senate Appropriations Committees.

PART VII. PUBLIC SCHOOLS

EDUCATION REFORM IN NORTH CAROLINA

SECTION 7.1.(a) It is the intent of the General Assembly that the children of North Carolina are ready to succeed when they start school, learn the appropriate foundational education in the early grades, are prepared for a career or higher education upon graduation, and have job and learning skills appropriate to the global economy.

SECTION 7.1.(b) To implement this, the Joint Education Oversight Committee shall study the following and report to the 2012 Regular Session of the 2011 General Assembly

with a comprehensive plan, including implementation dates and schedules, to accomplish this vision:

- (1) Elementary and secondary education. – It is a priority of the General Assembly that by the end of third grade, North Carolina children receive a foundational education in reading and mathematics upon which to build future educational achievement. Further, it is a priority that children in all grades receive quality education from high-quality teachers that are ready and able to teach and that children are promoted in an educationally appropriate manner. To that end, the Committee shall study the following:
 - a. Teacher tenure and its relationship with student performance.
 - b. Teacher pay and its relationship with student performance, including the following:
 1. Salary supplements for employees with master's degrees and national board certification, and their relationship with student performance.
 2. Methods of implementing a performance pay plan for school employees.
 - c. Strategies for reducing teacher paperwork to assist teachers in spending more time with students.
 - d. Kindergarten as a transition year between pre-K and elementary education, including the following:
 1. Kindergarten specific class size ratios.
 2. Effectiveness of teacher assistants.
 - e. Reducing teacher-student ratio to 1:15 in first through third grades and its relationship with student performance.
 - f. Specific reasons why students drop out and reasons why at-risk students decide to stay in school. In studying this, the Committee shall review dropout prevention programs implemented across the State to determine the effectiveness of different approaches.
 - g. The effectiveness of various diagnostic tools in improving student performance.
 - h. District size and its relationship with student performance and school finance.
 - i. State funding formulas. In its examination and review, the Committee shall determine which funding formulas maximize district flexibility and parental choice.
 - j. Course offerings, including the existence of duplicative courses of study in public and private secondary and postsecondary institutions in each local school administrative unit or county.
 - k. Alternative course delivery methods, including virtual schools and off-site courses.
 - l. Strategies to reduce the number of students that receive special education accommodations under the federal Individuals with Disabilities Education Act and its implementing regulations.
 - m. The advisability, costs, and barriers to increasing public access to value-added assessments such as the Education Value Added

Assessment System and local school administrative unit financial information.

- n. School and district accreditation and its relationship with student performance.
 - o. The advisability, costs, and barriers to adding additional information to State Public School Report Cards, including productivity measures, compensation of personnel, and value-added scores.
 - p. The amount of school district resources used for advocacy, including funds paid to organizations that employ lobbyists and government relations personnel.
 - q. The advisability, costs, potential savings, and barriers to privatization of local school administrative unit services, including food service, transportation, cleaning, landscaping, and resource officers.
 - r. Strategies for measuring and strengthening academic achievement in middle schools.
- (2) Transition from high school. – It is a priority of the General Assembly that high school graduates enter the workforce or higher education fully prepared. To that end, the Committee shall study the following:
- a. Ways to reduce the need for remedial or developmental education in the State's higher education institutions, so that students and the State do not pay repeatedly for the same education, including the following:
 - 1. Ensuring clear, rigorous secondary school standards, such as using college assessment tests in high school, including reviewing models in Florida and California, and using college assessment tests as entrance requirements for universities.
 - 2. Ways to hold high schools accountable for the higher education performance of their students, including requiring funding for developmental education to come from high schools.
 - 3. The most cost-effective way to provide remedial education in higher education, including funding summer term developmental courses at community colleges based on successful course completions, focusing remediation at the community colleges, and redirecting university appropriations for remedial education to the community colleges.
 - b. The most efficient and effective way to provide opportunities for high school students to access higher education, including the following:
 - 1. Models of specific instructional pathways to higher education, including the following:
 - I. A Career Technical Education Pathway (CTE), leading to a certificate or diploma aligned with one or more high school Tech Prep Career Clusters.
 - II. A College Transfer Pathway leading to a college transfer certificate requiring successful completion of eight college transfer courses, including English and Mathematics.

- III. A school-specific pathway, including Learn and Earn schools, the iSchool of the University of North Carolina at Greensboro, and other Cooperative and Innovative High Schools approved under Part 9 of Article 16 of Chapter 115C of the General Statutes.
 - IV. Other pathways, including the Governor's Proposed Career and College Promise Program.
2. Revising statutes for high school students in higher education.
- (3) Higher education. – It is a priority of the General Assembly that the State's higher education system produce college graduates in the most efficient and effective manner possible, to improve productivity and public accountability for performance in postsecondary education, and ultimately to increase the educational level and earning potential of the State. To that end, the Committee shall study the following:
- a. A revised set of accountability measures and performance standards by which to evaluate and measure student progress and student success in the North Carolina Community College System, as described in Section 8.14 of this act, including how to incorporate these measures into formula funding.
 - b. Ways to increase transparency in the university system spending and revenues.
 - c. Other states' performance funding systems, including efforts in Ohio, Florida, and Washington.
 - d. Ways to increase college graduation rates, by funding based on performance.
 - e. The impact of directing more students to the community colleges for their freshman and sophomore years of a four-year degree, including requiring a certificate of transfer from the North Carolina Community College System before transferring to The University of North Carolina System.
 - f. Faculty class loads at the constituent institutions of the North Carolina Community College System and The University of North Carolina.

SECTION 7.1.(c) In all cases, any program implemented needs to be structured so that ongoing, evaluable performance and outcome data is available.

SECTION 7.1.(d) Funds appropriated to implement this section may be used by the Committee to hire one or more external consultants to complete these studies.

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 7.2. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand five hundred ninety-eight dollars and fifty-five cents (\$3,598.55) per child. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and five-tenths percent (12.5%) of its 2011-2012 allocated average daily membership in the local school administrative unit. The dollar amounts allocated under this section for children with disabilities shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.3. The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand eighty-three dollars and fifty-two cents (\$1,083.52) per child for fiscal year 2011-2012 and one thousand eighty-three dollars and twenty cents (\$1,083.20) per child for fiscal year 2012-2013. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2011-2012 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 7.4.(a) Use of Funds for Supplemental Funding. – All funds received pursuant to this section shall be used only (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks and (ii) for salary supplements for instructional personnel and instructional support personnel. Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds received pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades 3-8 and children who are performing at Level I or II in grades 4 and 7.

SECTION 7.4.(b) Definitions. – As used in this section, the following definitions apply:

- (1) "Anticipated county property tax revenue availability" means the county-adjusted property tax base multiplied by the effective State average tax rate.
- (2) "Anticipated total county revenue availability" means the sum of the following:
 - a. Anticipated county property tax revenue availability.
 - b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes.
 - c. Sales tax hold harmless reimbursement received by the county under G.S. 105-521.
 - d. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.
- (3) "Anticipated total county revenue availability per student" means the anticipated total county revenue availability for the county divided by the average daily membership of the county.
- (4) "Anticipated State average revenue availability per student" means the sum of all anticipated total county revenue availability divided by the average daily membership for the State.
- (5) "Average daily membership" means average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual, adopted by the State Board of Education. If a county contains only part of a local school administrative unit, the average daily membership of that county includes all

- students who reside within the county and attend that local school administrative unit.
- (6) "County-adjusted property tax base" shall be computed as follows:
 - a. Subtract the present-use value of agricultural land, horticultural land, and forestland in the county, as defined in G.S. 105-277.2, from the total assessed real property valuation of the county.
 - b. Adjust the resulting amount by multiplying by a weighted average of the three most recent annual sales assessment ratio studies.
 - c. Add to the resulting amount the following:
 1. Present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2.
 2. Value of property of public service companies, determined in accordance with Article 23 of Chapter 105 of the General Statutes.
 3. Personal property value for the county.
 - (7) "County-adjusted property tax base per square mile" means the county-adjusted property tax base divided by the number of square miles of land area in the county.
 - (8) "County wealth as a percentage of State average wealth" shall be computed as follows:
 - a. Compute the percentage that the county per capita income is of the State per capita income and weight the resulting percentage by a factor of five-tenths.
 - b. Compute the percentage that the anticipated total county revenue availability per student is of the anticipated State average revenue availability per student and weight the resulting percentage by a factor of four-tenths.
 - c. Compute the percentage that the county-adjusted property tax base per square mile is of the State-adjusted property tax base per square mile and weight the resulting percentage by a factor of one-tenth.
 - d. Add the three weighted percentages to derive the county wealth as a percentage of the State average wealth.
 - (9) "Effective county tax rate" means the actual county tax rate multiplied by a weighted average of the three most recent annual sales assessment ratio studies.
 - (10) "Effective State average tax rate" means the average of effective county tax rates for all counties.
 - (11) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.
 - (12) "Per capita income" means the average for the most recent three years for which data are available of the per capita income according to the most recent report of the United States Department of Commerce, Bureau of Economic Analysis, including any reported modifications for prior years as outlined in the most recent report.

- (13) "Sales assessment ratio studies" means sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).
- (14) "State average current expense appropriations per student" means the most recent State total of county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.
- (15) "State average adjusted property tax base per square mile" means the sum of the county-adjusted property tax bases for all counties divided by the number of square miles of land area in the State.
- (16) "Supplant" means to decrease local per student current expense appropriations from one fiscal year to the next fiscal year.
- (17) "Weighted average of the three most recent annual sales assessment ratio studies" means the weighted average of the three most recent annual sales assessment ratio studies in the most recent years for which county current expense appropriations and adjusted property tax valuations are available. If real property in a county has been revalued one year prior to the most recent sales assessment ratio study, a weighted average of the two most recent sales assessment ratios shall be used. If property has been revalued the year of the most recent sales assessment ratio study, the sales assessment ratio for the year of revaluation shall be used.

SECTION 7.4.(c) Eligibility for Funds. – Except as provided in subsection (g) of this section, the State Board of Education shall allocate these funds to local school administrative units located in whole or in part in counties in which the county wealth as a percentage of the State average wealth is less than one hundred percent (100%).

SECTION 7.4.(d) Allocation of Funds. – Except as provided in subsection (f) of this section, the amount received per average daily membership for a county shall be the difference between the State average current expense appropriations per student and the current expense appropriations per student that the county could provide given the county's wealth and an average effort to fund public schools. (To derive the current expense appropriations per student that the county could be able to provide given the county's wealth and an average effort to fund public schools, multiply the county's wealth as a percentage of State average wealth by the State average current expense appropriations per student.) The funds for the local school administrative units located in whole or in part in the county shall be allocated to each local school administrative unit located in whole or in part in the county based on the average daily membership of the county's students in the school units. If the funds appropriated for supplemental funding are not adequate to fund the formula fully, each local school administrative unit shall receive a pro rata share of the funds appropriated for supplemental funding.

SECTION 7.4.(e) Formula for Distribution of Supplemental Funding Pursuant to This Section Only. – The formula in this section is solely a basis for distribution of supplemental funding for low-wealth counties and is not intended to reflect any measure of the adequacy of the educational program or funding for public schools. The formula is also not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for low-wealth counties.

SECTION 7.4.(f) Minimum Effort Required. – Counties that had effective tax rates in the 1996-1997 fiscal year that were above the State average effective tax rate but that had effective rates below the State average in the 1997-1998 fiscal year or thereafter shall receive

reduced funding under this section. This reduction in funding shall be determined by subtracting the amount that the county would have received pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws from the amount that the county would have received if qualified for full funding and multiplying the difference by ten percent (10%). This method of calculating reduced funding shall apply one time only. This method of calculating reduced funding shall not apply in cases in which the effective tax rate fell below the statewide average effective tax rate as a result of a reduction in the actual property tax rate. In these cases, the minimum effort required shall be calculated in accordance with Section 17.1(g) of Chapter 507 of the 1995 Session Laws. If the county documents that it has increased the per student appropriation to the school current expense fund in the current fiscal year, the State Board of Education shall include this additional per pupil appropriation when calculating minimum effort pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws.

SECTION 7.4.(g) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2011-2013 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if the following apply:

- (1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of the local current expense appropriations per student for the three prior fiscal years; and
- (2) The county cannot show (i) that it has remedied the deficiency in funding or (ii) that extraordinary circumstances caused the county to supplant local current expense funds with funds allocated under this section. The State Board of Education shall adopt rules to implement this section.

SECTION 7.4.(h) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2012, if it determines that counties have supplanted funds.

SECTION 7.4.(i) Department of Revenue Reports. – The Department of Revenue shall provide to the Department of Public Instruction a preliminary report for the current fiscal year of the assessed value of the property tax base for each county prior to March 1 of each year and a final report prior to May 1 of each year. The reports shall include for each county the annual sales assessment ratio and the taxable values of (i) total real property, (ii) the portion of total real property represented by the present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2, (iii) property of public service companies determined in accordance with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

LITIGATION RESERVE FUNDS

SECTION 7.5. The State Board of Education may expend up to five hundred thousand dollars (\$500,000) each year for the 2011-2012 and 2012-2013 fiscal years from unexpended funds for certified employees' salaries to pay expenses related to litigation.

UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS

SECTION 7.6.(a) Funds appropriated for the Uniform Education Reporting System shall not revert at the end of the 2010-2011 fiscal year.

SECTION 7.6.(b) This section becomes effective June 30, 2011.

FOCUSED EDUCATION REFORM PROGRAM FUNDS DO NOT REVERT

SECTION 7.7.(a) Funds appropriated for the Focused Education Reform Pilot Program that are unexpended and unencumbered at the end of the 2010-2011 fiscal year shall not revert but shall remain available for expenditure for that purpose through the 2011-2012 fiscal year.

SECTION 7.7.(b) This section becomes effective June 30, 2011.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)

SECTION 7.8.(a) Funds appropriated for disadvantaged student supplemental funding shall be used, consistent with the policies and procedures adopted by the State Board of Education, only to the following:

- (1) Provide instructional positions or instructional support positions and/or professional development;
- (2) Provide intensive in-school and/or after-school remediation;
- (3) Purchase diagnostic software and progress-monitoring tools; and
- (4) Provide funds for teacher bonuses and supplements. The State Board of Education shall set a maximum percentage of the funds that may be used for this purpose.

The State Board of Education may require districts receiving funding under the Disadvantaged Student Supplemental Fund to purchase the Education Value Added Assessment System in order to provide in-depth analysis of student performance and help identify strategies for improving student achievement. This data shall be used exclusively for instructional and curriculum decisions made in the best interest of children and for professional development for their teachers and administrators.

SECTION 7.8.(b) Funds appropriated to a local school administrative unit for disadvantaged student supplemental funding shall be allotted based on (i) the local school administrative unit's eligible DSSF population and (ii) the difference between a teacher-to-student ratio of 1:21 and the following teacher-to-student ratios:

- (1) For counties with wealth greater than ninety percent (90%) of the statewide average, a ratio of 1:19.9.
- (2) For counties with wealth not less than eighty percent (80%) and not greater than ninety percent (90%) of the statewide average, a ratio of 1:19.4.
- (3) For counties with wealth less than eighty percent (80%) of the statewide average, a ratio of 1:19.1.
- (4) For LEAs receiving DSSF funds in 2005-2006, a ratio of 1:16. These LEAs shall receive no less than the DSSF amount allotted in 2006-2007.

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

SECTION 7.8.(c) If a local school administrative unit's wealth increases to a level that adversely affects the unit's DSSF allotment ratio, the DSSF allotment for that unit shall be maintained at the prior year level for one additional fiscal year.

TUITION CHARGE FOR GOVERNOR'S SCHOOL

SECTION 7.9. G.S. 115C-12(36) reads as rewritten:

"(36) Duty to Charge Tuition for the Governor's School of North Carolina. – The State Board of Education shall ~~may~~ implement a ~~five hundred dollar (\$500.00)~~ tuition charge for students attending the Governor's School of North ~~Carolina.~~ Carolina to cover the costs of the School."

SCHOOL CONNECTIVITY INITIATIVE FUNDS

SECTION 7.10.(a) Section 7.9(b) of S.L. 2010-31 reads as rewritten:

"**SECTION 7.9.(b)** Up to three hundred fifty thousand dollars (\$350,000) of the funds for the School Connectivity Initiative may be used for ~~this and subsequent fiscal years the 2010-2011 fiscal year~~ by the Office of the Governor for education innovation and the education E-learning portal. These funds may be used to provide services to coordinate e-learning activities across all education agencies and to support the operating of the E-learning portal."

SECTION 7.10.(b) Section 7.6(a) of S.L. 2008-107, as rewritten by Section 7.12(b) of S.L. 2009-451, reads as rewritten:

"**SECTION 7.6.(a)** Up to three hundred thousand dollars (\$300,000) may be transferred annually through June 30, ~~2013,~~ 2011, to the Friday Institute at North Carolina State University to evaluate the effectiveness of using technology and its impact on 21st Century Teaching and Learning outcomes approved by the State Board of Education. The Friday Institute shall report annually to the State Board of Education on the evaluation results."

TEXTBOOKS

SECTION 7.11. The State Board of Education shall not adopt any new textbooks prior to July 1, 2013.

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 7.12.(a) Funds for Small School Systems. – Except as provided in subsection (b) of this section, the State Board of Education shall allocate funds appropriated for small school system supplemental funding (i) to each county school administrative unit with an average daily membership of fewer than 3,175 students and (ii) to each county school administrative unit with an average daily membership from 3,175 to 4,000 students if the county in which the local school administrative unit is located has a county-adjusted property tax base per student that is below the State-adjusted property tax base per student and if the total average daily membership of all local school administrative units located within the county is from 3,175 to 4,000 students. The allocation formula shall do all of the following:

- (1) Round all fractions of positions to the next whole position.
- (2) Provide five and one-half additional regular classroom teachers in counties in which the average daily membership per square mile is greater than four and provide seven additional regular classroom teachers in counties in which the average daily membership per square mile is four or fewer.
- (3) Provide additional program enhancement teachers adequate to offer the standard course of study.
- (4) Change the duty-free period allocation to one teacher assistant per 400 average daily membership.
- (5) Provide a base for the consolidated funds allotment of at least seven hundred seventeen thousand three hundred sixty dollars (\$717,360), excluding textbooks, for the 2011-2012 fiscal year and a base of seven hundred

seventeen thousand three hundred sixty dollars (\$717,360) for the 2012-2013 fiscal year.

- (6) Allot vocational education funds for grade 6 as well as for grades 7-12. If funds appropriated for each fiscal year for small school system supplemental funding are not adequate to fully fund the program, the State Board of Education shall reduce the amount allocated to each county school administrative unit on a pro rata basis. This formula is solely a basis for distribution of supplemental funding for certain county school administrative units and is not intended to reflect any measure of the adequacy of the educational program or funding for public schools. The formula also is not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for such county administrative units.

SECTION 7.12.(b) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2011-2013 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if the following apply:

- (1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of the local current expense appropriations per student for the three prior fiscal years; and
- (2) The county cannot show (i) that it has remedied the deficiency in funding or (ii) that extraordinary circumstances caused the county to supplant local current expense funds with funds allocated under this section. The State Board of Education shall adopt rules to implement this section.

SECTION 7.12.(c) Phase-Out Provisions. – If a local school administrative unit becomes ineligible for funding under this formula because of (i) an increase in the population of the county in which the local school administrative unit is located or (ii) an increase in the county-adjusted property tax base per student of the county in which the local school administrative unit is located, funding for that unit shall be continued for seven years after the unit becomes ineligible.

SECTION 7.12.(d) Definitions. – As used in this section, the following definitions apply:

- (1) "Average daily membership" means within two percent (2%) of the average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual adopted by the State Board of Education.
- (2) "County-adjusted property tax base per student" means the total assessed property valuation for each county, adjusted using a weighted average of the three most recent annual sales assessment ratio studies, divided by the total number of students in average daily membership who reside within the county.
- (3) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in

the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

- (4) "Sales assessment ratio studies" means sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).
- (5) "State-adjusted property tax base per student" means the sum of all county-adjusted property tax bases divided by the total number of students in average daily membership who reside within the State.
- (6) "Supplant" means to decrease local per student current expense appropriations from one fiscal year to the next fiscal year.
- (7) "Weighted average of the three most recent annual sales assessment ratio studies" means the weighted average of the three most recent annual sales assessment ratio studies in the most recent years for which county current expense appropriations and adjusted property tax valuations are available. If real property in a county has been revalued one year prior to the most recent sales assessment ratio study, a weighted average of the two most recent sales assessment ratios shall be used. If property has been revalued during the year of the most recent sales assessment ratio study, the sales assessment ratio for the year of revaluation shall be used.

SECTION 7.12.(e) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2012, if it determines that counties have supplanted funds.

SECTION 7.12.(f) Use of Funds. – Local boards of education are encouraged to use at least twenty percent (20%) of the funds they receive pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades 3-8.

ELIMINATION OF REPORTING REQUIREMENTS

SECTION 7.13.(a) G.S. 115C-47(32a) reads as rewritten:

"(32a) To Establish Alternative Learning Programs and Develop Policies and Guidelines. – Each local board of education shall establish at least one alternative learning program and shall adopt guidelines for assigning students to alternative learning programs. These guidelines shall include (i) a description of the programs and services to be provided, (ii) a process for ensuring that an assignment is appropriate for the student and that the student's parents are involved in the decision, and (iii) strategies for providing alternative learning programs, when feasible and appropriate, for students who are subject to long term suspension or expulsion. In developing these guidelines, local boards shall consider the State Board's standards developed under G.S. 115C-12(24). ~~Upon adoption of policies and guidelines under this subdivision, local boards are encouraged to incorporate them in their safe school plans developed under G.S. 115C-105.47.~~

The General Assembly urges local boards to adopt policies that prohibit superintendents from assigning to any alternative learning program any professional public school employee who has received within the last three years a rating on a formal evaluation that is less than above standard.

Notwithstanding this subdivision, each local board shall adopt policies based on the State Board's standards developed under G.S. 115C-12(24).

These policies shall apply to any new alternative learning program or alternative school that is implemented beginning with the 2006-2007 school year. Local boards of education are encouraged to apply these standards to alternative learning programs and alternative schools implemented before the 2006-2007 school year.

Local boards shall assess on a regular basis whether the unit's alternative schools and alternative learning programs comply with the State Board's standards developed under G.S. 115C-12(24) and whether they incorporate best practices for improving student academic performance and reducing disruptive behavior, are staffed with professional public school employees who are well trained and provided with appropriate staff development, are organized to provide coordinated services, and provide students with high quality and rigorous academic instruction."

SECTION 7.13.(b) G.S. 115C-105.27(b)(2) reads as rewritten:

"(2) Shall include a plan to address school safety and discipline ~~concerns in accordance with the safe school plan developed under Article 8C of this Chapter; concerns.~~"

SECTION 7.13.(c) G.S. 115C-105.46 reads as rewritten:

"§ 115C-105.46. State Board of Education responsibilities.

In order to implement this Article, the State Board of Education:

- (1) ~~Shall adopt guidelines for developing local plans under G.S. 115C-105.47.~~
- (2) ~~Shall provide, in cooperation with the Board of Governors of The University of North Carolina, ongoing technical assistance to the local school administrative units in the development, implementation, and evaluation of their local plans under G.S. 115C-105.47.~~
- (3) ~~May require a local board of education to withhold the salary of any administrator or other employee of a local school administrative unit who delays or refuses to prepare and implement local safe school plans in accordance with G.S. 115C-105.47.~~
- (4) ~~May revoke the certificate of the superintendent, pursuant to G.S. 115C-274(e), for failure to fulfill the superintendent's duties under a local safe school plan.~~
- (5) Shall adopt policies that define who is an at-risk student."

SECTION 7.13.(d) G.S. 115C-105.47 is repealed.

SECTION 7.13.(e) G.S. 115C-102.6C is repealed.

SECTION 7.13.(f) G.S. 115C-102.6D(d) is repealed.

SECTION 7.13.(g) G.S. 115C-102.7 reads as rewritten:

"§ 115C-102.7. Monitoring and evaluation of State and local school system technology plans; reports.

(a) The Department of Public Instruction shall monitor and evaluate the development and implementation of the State ~~and local school system technology plans.~~ technology plan. The evaluation shall consider the effects of technology on student learning, the effects of technology on students' workforce readiness, the effects of technology on teacher productivity, and the cost-effectiveness of the technology.

(a1) Repealed by Session Laws 1997-18, s. 15(k).

(b) Repealed by Session Laws 2009-451, s. 7.31, effective July 1, 2009.

(c) ~~The Department of Public Instruction shall randomly check local school system technology plans to ensure that local school administrative units are implementing their plans as~~

~~approved. The Department shall report to the State Board of Education on which local school administrative units are not complying with their plans. The report shall include the reasons these local school administrative units are out of compliance and a recommended plan of action to support each of these local school administrative units in carrying out their plans."~~

SECTION 7.13.(h) Section 7.61(b) of S.L. 2005-276, as rewritten by Section 7.22(d) of S.L. 2010-31, is repealed.

ALLOTMENT OF PRINCIPALS

SECTION 7.14.(a) A school with less than 100 students in final average daily membership is not entitled to 12 months of employment for a principal.

SECTION 7.14.(b) This section applies only to schools created after July 1, 2011.

TRANSFER OF FEDERAL AGRICULTURAL EDUCATION FUNDS

SECTION 7.15. The Agricultural Education Program in the Department of Agricultural and Extension Education at North Carolina State University shall develop the secondary agricultural education curricula. The Program shall recommend the curricula and corresponding assessment instruments to the State Board of Education, which shall adopt the curricula for inclusion in the Standard Course of Study. This curricula shall include as part of its core content the Future Farmers of America (FFA) student youth organization and the Supervised Agricultural Experience learning program.

Effective with the 2011 federal grant, the State Board of Education shall transfer a prorated share of funds from all federal Career and Technical Education funds available for State-level usage to the Agricultural Education and FFA Program housed in the Department of Agricultural and Extension at North Carolina State University. The transfer of funds shall be a percentage of the total based upon the grades 9-12 duplicated agricultural education enrollment as compared to the total career and technical education grades 9-12 duplicated enrollment. These funds shall be used to support the secondary Agricultural Education Program State-level administration, leadership, curriculum and professional development, operations, innovations and expansions, and the FFA and the Supervised Agricultural Education learning program.

PHASEOUT OF ALLOTMENT OF TEACHERS FOR GEOGRAPHICALLY ISOLATED SCHOOLS

SECTION 7.16.(a) Section 7.26 of S.L. 2009-451 is repealed.

SECTION 7.16.(b) For the 2011-2012 fiscal year, the State Board of Education shall modify its policy on the allotment of additional classroom teachers to a school containing grades K-12 and located in a local school administrative unit in which the average daily membership is less than 1.5 per square mile in order to allot four additional teachers to the geographically isolated school.

SCHOOL CALENDAR PILOT PROGRAM

SECTION 7.17. The State Board of Education shall establish a school calendar pilot program in the Wilkes County Schools and the Stanly County Schools. The purpose of the pilot program is to determine whether and to what extent a local school administrative unit can save money during this extreme fiscal crisis by consolidating the school calendar.

Notwithstanding G.S. 115C-84.2(a)(1), the school calendar for the 2011-2012 calendar year for the pilot school systems shall include a minimum of 180 days or 1,000 hours of instruction covering at least nine calendar months. Notwithstanding G.S. 115C-84.2(d), the opening date for students may be before August 25.

If the local board of education in a pilot school system adds instructional hours to previously scheduled days under this section, the local school administrative unit is deemed to have a minimum of 180 days of instruction, and teachers employed for a 10-month term are deemed to have been employed for the days being made up and shall be compensated as if they had worked the days being made up.

The State Board of Education shall report to the Joint Legislative Education Oversight Committee by March 15, 2012, on the administration of the pilot program, cost-savings realized by it, and its impact on student achievement.

PERFORMANCE PAY MODEL PROGRAM

SECTION 7.18. The State Board of Education shall establish a performance pay model program. A local school administrative unit that is approved by the State Board of Education as a performance pay model unit may use State funds, except for funds allotted for salaries, to implement a performance pay model.

BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.19.(a) Notwithstanding G.S. 143C-6-4 or Section 7.14 of S.L. 2009-451, the Department of Public Instruction may, after consultation with the Office of State Budget and Management and the Fiscal Research Division, reorganize if necessary to implement the budget reductions set out in this act. This consultation shall occur prior to requesting budgetary and personnel changes through the budget revision process. The Department shall provide a current organization chart in the consultation process. The Department shall report to the Joint Legislative Commission on Governmental Operations on any reorganization.

SECTION 7.19.(b) The Department of Public Instruction shall not increase the number of State-funded positions in any Department of Public Instruction divisions identified for reductions in this act.

SECTION 7.19.(c) In implementing budget reductions under this act, the Department of Public Instruction shall make no reduction in funding or positions for the Positive Behavioral Support program.

LEA BUDGET ADJUSTMENT

SECTION 7.20.(a) Within 14 days of the date this act becomes law, the State Board of Education shall notify each local school administrative unit and charter school of the amount the unit or charter school must reduce from the State General Fund appropriations. The State Board shall determine the amount of the reduction for each unit and charter school on the basis of average daily membership.

SECTION 7.20.(b) Each unit or charter school shall report to the Department of Public Instruction on the flexibility budget reductions it has identified for the unit within 30 days of the date this act becomes law.

LEA BUDGETARY FLEXIBILITY

SECTION 7.21.(a) For fiscal years 2011-2012 and 2012-2013, the State Board of Education is authorized to extend its emergency rules, in accordance with G.S. 150B-21.1A, granting maximum flexibility to local school administrative units regarding the expenditure of State funds. These rules shall not be subject to the limitations on transfers of funds between funding allotment categories set out in G.S. 115C-105.25. These rules shall not permit the transfer of funds into central office administration.

SECTION 7.21.(b) For fiscal years 2011-2012 and 2012-2013, local school administrative units shall make every effort to reduce spending whenever and wherever such budget reductions are appropriate with the goal of protecting direct classroom services. Notwithstanding G.S. 115C-301 or any other law, local school administrative units shall have the maximum flexibility to use allotted teacher positions to maximize student achievement in grades 4-12. Allocation of teachers and class size requirements in grades K-3 shall remain unchanged.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOLS

SECTION 7.22.(a) The North Carolina Virtual Public School (NCVPS) program shall report to the State Board of Education and shall maintain an administrative office at the Department of Public Instruction.

SECTION 7.22.(b) The Director of NCVPS shall ensure that students residing in rural and low-wealth county local school administrative units have access to e-learning course offerings in order to expand available instructional opportunities. E-learning instructional opportunities shall include courses required as part of the standard course of study for high school graduation and AP offerings not otherwise available.

SECTION 7.22.(c) Section 7.4 of S.L. 2010-31 is repealed.

SECTION 7.22.(d) The State Board of Education shall take the following steps to implement an allotment formula for NCVPS beginning with the 2011-2012 school year:

- (1) Project NCVPS student enrollment by semester and year-long course types for each local school administrative unit and charter school.
- (2) Establish a per course teacher payment structure for the instructional costs of NCVPS. In establishing this payment structure, the Board shall consider the following:
 - a. The payment structure is based on a total compensation analysis to ensure NCVPS teacher pay has parity with similar programs. The total compensation analysis shall take into account salaries, benefits, and work effort to ensure valid comparisons between occupations.
 - b. The effects any change in NCVPS teacher payments may have on the attraction and retention of NCVPS teachers.
- (3) Develop a per student fee structure for in-State students that is based on the per course teacher pay structure. The fee structure for in-State students shall ensure that the projected cost for local school administrative units and charter schools equals the projected instructional cost for NCVPS courses.
- (4) Multiply the per course fees for in-State students by the projected enrollment by course type to determine the total instructional cost for each local school administrative unit and charter school.
- (5) Transfer a dollar amount equal to seventy-five percent (75%) of the local school administrative unit's or charter school's projected instructional cost from the classroom teacher allotment to NCVPS.
- (6) No later than February 21 of each year, calculate the actual instructional cost for each local school administrative unit and charter school based upon actual NCVPS enrollment as of that date.
- (7) Subtract the amount transferred pursuant to subdivision (5) of this subsection from the actual instructional cost for each unit or charter school and transfer

the remaining dollar amount owed, up to a maximum of one hundred percent (100%) of the projected cost.

- (8) Develop and implement a policy regarding returning funds to local school administrative units and charter schools in cases where the amount transferred pursuant to subdivision (5) of this subsection exceeds the actual instructional costs.

NCVPS shall use funds transferred to it to provide the NCVPS program at no cost to all students in North Carolina who are enrolled in North Carolina's public schools, Department of Defense schools, and schools operated by the Bureau of Indian Affairs.

SECTION 7.22.(e) In establishing the fee structure and payment structure for NCVPS, the State Board shall consider recommendations from the eLearning Commission and the NCVPS Advisory Board.

SECTION 7.22.(f) The State Board shall establish a separate per student tuition for out-of-state students, home-schooled students, and private school students, which shall be adjusted upward from the in-State student fee structure by an amount determined appropriate by the State Board.

SECTION 7.22.(g) NCVPS shall develop a revenue-generating plan for the sale of courses to out-of-state educational entities. NCVPS shall submit its plan to the State Board by September 1, 2011.

SECTION 7.22.(h) Beginning in 2011, the Director of NCVPS shall submit an annual report on NCVPS to the State Board of Education no later than December 1 of each year. The report shall use data from the previous fiscal year and shall include statistics on actual vs. projected costs to local administrative units and charter schools, student enrollment, virtual teacher salaries, and measures of academic achievement.

The Director of NCVPS shall continue to ensure the following:

- (1) Course quality standards are established and met.
- (2) All e-learning opportunities other than virtual charter schools offered by State-funded entities to public school students are consolidated under the NCVPS program, eliminating course duplication.
- (3) All courses offered through NCVPS are aligned to the North Carolina Standard Course of Study.

SECTION 7.22.(i) The State Board of Education shall reduce ADM dollar allotments on the basis of ADM in grades 6-12 to provide the sum of two million eight hundred sixty-six thousand nine hundred twenty-three dollars (\$2,866,923) for the State-level operations and administration of NCVPS for the 2011-2012 fiscal year. The reduction to ADM dollar allotments for State-level operations and administration shall continue in future fiscal years and be adjusted annually based upon the percentage growth in NCVPS enrollment, ensuring the expansion of services due to increased virtual student enrollment.

SECTION 7.22.(j) For fiscal year 2011-2012, the State Board of Education shall reduce ADM dollar allotments on the basis of ADM in grades 6-12 to provide the sum of two million dollars (\$2,000,000) in order to create an NCVPS enrollment reserve. The NCVPS enrollment reserve shall be used to cover the NCVPS instructional costs of local school administrative units or charter schools with enrollments exceeding projected NCVPS enrollment.

Beginning in fiscal year 2012-2013, and annually thereafter, the State Board of Education shall reduce ADM dollar allotments on the basis of ADM in grades 6-12 an amount that is the

difference between two million dollars (\$2,000,000) and the balance of the NCVPS enrollment reserve.

Amounts available in the NCVPS enrollment reserve shall not revert.

SECTION 7.22.(k) The State Board shall use only funds provided through the North Carolina Virtual Public Schools Allotment Formula and the NCVPS enrollment reserve as set forth in this section to fund instructional costs of NCVPS.

PERFORMANCE-BASED REDUCTIONS IN FORCE

SECTION 7.23.(a) The State Board of Education shall adopt a Reduction in Force policy that is consistent across all local school administrative units. Under the policy, the following criteria shall apply to local school administrative units conducting any necessary reductions in force:

- (1) In determining which positions shall be subject to a reduction in force, a local school administrative unit shall consider the following:
 - a. Structural considerations, such as identifying positions, departments, courses, programs, operations, and other areas where there are (i) less essential, duplicative, or excess personnel; (ii) job responsibility and/or position inefficiencies; (iii) opportunities for combined work functions; and/or (iv) decreased student or other demands for curriculum, programs, operations, or other services.
 - b. Organizational considerations, such as anticipated organizational needs of the school system and program/school enrollment.
- (2) In determining which employees in similar positions shall be subject to a reduction in force, a local school administrative unit shall consider work performance.

The State Board of Education shall have this policy in place on or before July 15, 2011.

SECTION 7.23.(b) G.S. 115C-325(e)(2) reads as rewritten:

- "(2) Reduction in Force. – Before recommending to a board the dismissal or demotion of the career employee pursuant to G.S. 115C-325(e)(1)l., the superintendent shall give written notice to the career employee by certified mail or personal delivery of his intention to make such recommendation and shall set forth as part of his recommendation the grounds upon which he believes such dismissal or demotion is justified. The notice shall include a statement to the effect that if the career employee within 15 days after receipt of the notice requests a review, he shall be entitled to have the proposed recommendations of the superintendent reviewed by the board. Within the 15-day period after receipt of the notice, the career employee may file with the superintendent a written request for a hearing before the board within 10 days. If the career employee requests a hearing before the board, the hearing procedures provided in G.S. 115C-325(j3) shall be followed. If no request is made within the 15-day period, the superintendent may file his recommendation with the board. If, after considering the recommendation of the superintendent and the evidence adduced at the hearing if there is one, the board concludes that the grounds for the recommendation are true and substantiated by a preponderance of the evidence, the board, if it sees fit, may by resolution order such dismissal. Provisions of this section which permit a

hearing by a case manager shall not apply to a dismissal or demotion recommended pursuant to G.S. 115C-325(e)(1)l.

When a career employee is dismissed pursuant to G.S. 115C-325(e)(1)l. above, his name shall be placed on a list of available career employees to be maintained by the board. ~~Career employees whose names are placed on such a list shall have a priority on all positions in which they acquired career status and for which they are qualified which become available in that system for the three consecutive years succeeding their dismissal. However, if the local school administrative unit offers the dismissed career employee a position for which he is certified and he refuses it, his name shall be removed from the priority list.~~"

TEACHING FELLOWS ADMINISTRATIVE REDUCTION

SECTION 7.24. G.S. 115C-363.23A(f) reads as rewritten:

"§ 115C-363.23A. Teaching Fellows Program established; administration.

...

(f) All funds appropriated to or otherwise received by the Teaching Fellows Program for scholarships, all funds received as repayment of scholarship loans, and all interest earned on these funds, shall be placed in a revolving fund. This revolving fund shall be used for scholarship loans granted under the Teaching Fellows Program. With the prior approval of the General Assembly in the Current Operations Appropriations Act, the revolving fund may also be used for campus and summer program support, and costs related to disbursement of awards and collection of loan repayments.

The Public School Forum, as administrator for the Teaching Fellows Program, may use up to ~~eight hundred ten thousand dollars (\$810,000)~~six hundred thousand dollars (\$600,000) annually from the fund balance for costs associated with administration of the Teaching Fellows Program."

RESIDENTIAL SCHOOLS

SECTION 7.25.(a) Notwithstanding any other provision of this act, the Department of Public Instruction shall not close the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, or the North Carolina School for the Deaf (the "residential schools") nor consolidate all operations of any of the residential schools on the campus of another residential school until an enactment of the General Assembly instructs the Department to do so.

SECTION 7.25.(b) The Department of Public Instruction shall ensure that the residential and instructional schedules for the residential schools that were in effect before February 8, 2010, shall remain in effect unless the General Assembly approves a material change to the instructional week. Residential students shall have the opportunity to arrive at their respective schools on the evening of the day before commencement of academic instruction for the week. The Department shall also maintain summer school programming at the residential schools in substantially the same manner as in prior years and shall make no material changes to summer school programming without the approval of the General Assembly.

SECTION 7.25.(c) The Department of Public Instruction may create a principal position at each residential school not currently assigned a principal position from funds appropriated in this act for the residential schools.

SECTION 7.25.(d) The position of superintendent for the residential schools within the Department of Public Instruction is eliminated. The Department shall designate one of the directors of the residential schools to serve as the superintendent for the residential schools. Of funds previously appropriated to the Department for the position of superintendent for the residential schools, the sum of twenty thousand dollars (\$20,000) shall be used to supplement the salary of the director who also serves as superintendent of residential schools. The remaining funds shall be used to offset other reductions to the residential schools made in this act.

SIXTYFIVE PERCENT OF SCHOOL FUNDING MUST BE USED FOR CLASSROOM INSTRUCTION

SECTION 7.26.(a) Article 30 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-408.1. Duty to ensure that sixty-five percent of State funds for the operations of the public schools are used for classroom instruction.

Notwithstanding any other provision of law, the State Board of Education shall modify its allotment formulas, modify its rules regarding the expenditure of State funds, and transfer funds, as necessary, to ensure that each local administrative unit spends on classroom instruction at least sixty-five percent (65%) of the State funding it receives for the operations of the public schools. The State Board of Education shall adopt rules utilizing the existing purpose codes that are associated with instructional expenditures to implement this section."

SECTION 7.26.(b) This section applies to expenditures for school years beginning with the 2012-2013 school year.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONSOLIDATE MORE AT FOUR PROGRAM INTO DIVISION OF CHILD DEVELOPMENT

SECTION 10.7.(a) The Department of Public Instruction, Office of Early Learning, and Department of Health and Human Services are directed to consolidate the "More At Four" program into the Division of Child Development. The Division of Child Development is renamed the Division of Child Development and Early Education (DCDEE). The DCDEE is directed to maintain "More At Four" program's high programmatic standards. The Department of Health and Human Services shall assume the functions of the regulation and monitoring system and payment and reimbursement system for the "More At Four" program.

All regulation and monitoring functions shall begin July 1, 2011. The "More At Four" program shall be designated as "prekindergarten" on the five-star rating scale.

The Office of State Budget and Management shall transfer positions to the Department of Health and Human Services to assume the regulation, monitoring, and accounting functions within the Division of Child Development's Regulatory Services Section. This transfer shall have all the elements of a Type I transfer as defined in G.S. 143A-6. All funds transferred pursuant to this section shall be used for the funding of prekindergarten slots for four-year-olds and for the management of the program. The Department of Health and Human Services shall incorporate eight consultant positions into the regulation and accounting sections of Division of Child Development and Early Education, eliminate the remaining positions, and use position elimination savings for the purpose of funding prekindergarten students.

SECTION 10.7.(b) The Childcare Commission shall adopt rules for programmatic standards for regulation of prekindergarten classrooms. The Commission shall review and

approve comprehensive, evidenced-based early childhood curricula with a reading component. These curricula shall be added to the currently approved "More At Four" curricula.

SECTION 10.7.(c) G.S. 143B-168.4(a) reads as rewritten:

"(a) The Child Care Commission of the Department of Health and Human Services shall consist of ~~15-17~~ members. Seven of the members shall be appointed by the Governor and ~~eight~~ 10 by the General Assembly, ~~four-five~~ upon the recommendation of the President Pro Tempore of the Senate, and ~~four-five~~ upon the recommendation of the Speaker of the House of Representatives. Four of the members appointed by the Governor, two by the General Assembly on the recommendation of the President Pro Tempore of the Senate, and two by the General Assembly on the recommendation of the Speaker of the House of Representatives, shall be members of the public who are not employed in, or providing, child care and who have no financial interest in a child care facility. Two of the foregoing public members appointed by the Governor, one of the foregoing public members recommended by the President Pro Tempore of the Senate, and one of the foregoing public members recommended by the Speaker of the House of Representatives shall be parents of children receiving child care services. Of the remaining two public members appointed by the Governor, one shall be a pediatrician currently licensed to practice in North Carolina. Three of the members appointed by the Governor shall be child care providers, one of whom shall be affiliated with a for profit child care center, one of whom shall be affiliated with a for profit family child care home, and one of whom shall be affiliated with a nonprofit facility. Two of the members appointed by the General Assembly on the recommendation of the President Pro Tempore of the Senate, and two by the General Assembly on recommendation of the Speaker of the House of Representatives, shall be child care providers, one affiliated with a for profit child care facility, and one affiliated with a nonprofit child care facility. The General Assembly, upon the recommendation of the President Pro Tempore of the Senate, and the General Assembly, upon the recommendation of the Speaker of the House of Representatives, shall appoint two early childhood education specialists. None may be employees of the State."

SECTION 10.7.(d) The additional curricula approved and taught in prekindergarten classrooms shall also be taught in four- and five-star rated facilities in the non-prekindergarten four-year-old classrooms. The Child Care Commission shall increase standards in the four- and five-star-rated facilities for the purpose of placing an emphasis on early reading. The Commission shall require the four- and five-star-rated facilities to teach from the Commission's approved curricula. The Division of Child Development may use funds from the Child Care Development Fund Block Grant to assist with the purchase of curricula or adjust rates of reimbursements to cover increased costs.

SECTION 10.7.(e) The Division of Child Development and Early Education shall adopt a policy to encourage all prekindergarten classrooms to blend private pay families with prekindergarten subsidized children in the same manner that regular subsidy children are blended with private pay children. The Division may implement a waiver or transition period for the public classrooms.

SECTION 10.7.(f) The prekindergarten program may continue to serve at-risk children identified through existing "child find" methods at-risk children are served within the Division of Child Development and serve at-risk children regardless of income, up to twenty percent (20%) of the four-year-olds served.

SECTION 10.7.(g) The Division of Child Development and Early Education (DCDEE) shall adopt policies that improve the quality of childcare for subsidized children. The

DCDEE shall phase in a new policy in which child care subsidies will be paid, to the extent possible, for child care in the higher quality centers and homes only. The DCDEE shall define higher quality, and subsidy funds shall not be paid for one- or two-star-rated facilities. For those counties with an inadequate number of three-, four-, and five-star-rated facilities, the DCDEE shall establish a transition period that allows the facilities to continue to receive subsidy funds while the facilities work on the increased star ratings. The DCDEE shall allow for exemptions in nonstar-rated programs, such as religious programs or other currently allowed arrangements, and continue to pay for child care in these situations.

SECTION 10.7.(h) The Division of Child Development and Early Education shall implement a parent co-payment requirement for prekindergarten classrooms the same as what is required of parents subject to regular child care subsidy payments.

Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Fees shall be determined as follows:

FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
1-3	10%
4-5	9%
6 or more	8%.

SECTION 10.7.(i) All prekindergarten classrooms shall be required to participate in the Subsidized Early Education for Kids (SEEK) accounting system to streamline the payment function for these classrooms with a goal of eliminating duplicative systems and streamlining the accounting and payment processes among the subsidy reimbursement systems. Prekindergarten funds transferred may be used to add these programs to SEEK.

SECTION 10.7.(j) Based on market analysis and within funds available, the Division of Child Development and Early Education shall establish reimbursement rates based on newly increased requirements of four- and five-star-rated facilities and the higher teacher standards within the prekindergarten class rooms, specifically "More At Four" teacher standards, when establishing the rates of reimbursements. Additionally, the prekindergarten curriculum day shall cover six and one-half to 10 hours daily and no less than 10 months per year. The public classrooms will have a one-year transition period to become licensed through the Division of Child Development and may continue to operate prekindergarten, formerly "More At Four," classrooms during the 2011-2012 fiscal year.

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

SECTION 10.15.(a) School-Based Child and Family Team Initiative Established. –

- (1) Purpose and duties. – There is established the School-Based Child and Family Team Initiative. The purpose of the Initiative is to identify and coordinate appropriate community services and supports for children at risk of school failure or out-of-home placement in order to address the physical, social, legal, emotional, and developmental factors that affect academic performance. The Department of Health and Human Services, the Department of Public Instruction, the State Board of Education, the Department of Juvenile Justice and Delinquency Prevention, the Administrative Office of the Courts, and other State agencies that provide services for children shall share

responsibility and accountability to improve outcomes for these children and their families. The Initiative shall be based on the following principles:

- a. The development of a strong infrastructure of interagency collaboration.
- b. One child, one team, one plan.
- c. Individualized, strengths-based care.
- d. Accountability.
- e. Cultural competence.
- f. Children at risk of school failure or out-of-home placement may enter the system through any participating agency.
- g. Services shall be specified, delivered, and monitored through a unified Child and Family Plan that is outcome-oriented and evaluation-based.
- h. Services shall be the most efficient in terms of cost and effectiveness and shall be delivered in the most natural settings possible.
- i. Out-of-home placements for children shall be a last resort and shall include concrete plans to bring the children back to a stable permanent home, their schools, and their community.
- j. Families and consumers shall be involved in decision making throughout service planning, delivery, and monitoring.

(2) Program goals and services. – In order to ensure that children receiving services are appropriately served, the affected State and local agencies shall do the following:

- a. Increase capacity in the school setting to address the academic, health, mental health, social, and legal needs of children.
- b. Ensure that children receiving services are screened initially to identify needs and assessed periodically to determine progress and sustained improvement in educational, health, safety, behavioral, and social outcomes.
- c. Develop uniform screening mechanisms and a set of outcomes that are shared across affected agencies to measure children's progress in home, school, and community settings.
- d. Promote practices that are known to be effective based upon research or national best practice standards.
- e. Review services provided across affected State agencies to ensure that children's needs are met.
- f. Eliminate cost-shifting and facilitate cost-sharing among governmental agencies with respect to service development, service delivery, and monitoring for participating children and their families.
- g. Participate in a local memorandum of agreement signed annually by the participating superintendent of the local LEA, directors of the county departments of social services and health, director of the local management entity, the chief district court judge, and the chief district court counselor.

(3) Local level responsibilities. – In coordination with the North Carolina Child and Family Leadership Council (Council), established in subsection (b) of this section, the local board of education shall establish the School-Based Child

and Family Team Initiative at designated schools and shall appoint the Child and Family Team Leaders, who shall be a school nurse and a school social worker. Each local management entity that has any selected schools in its catchment area shall appoint a Care Coordinator, and any department of social services that has a selected school in its catchment area shall appoint a Child and Family Teams Facilitator. The Care Coordinators and Child and Family Team Facilitators shall have as their sole responsibility working with the selected schools in their catchment areas and shall provide training to school-based personnel, as required. The Child and Family Team Leaders shall identify and screen children who are potentially at risk of academic failure or out-of-home placement due to physical, social, legal, emotional, or developmental factors. Based on the screening results, responsibility for developing, convening, and implementing the Child and Family Team Initiative is as follows:

- a. School personnel shall take the lead role for those children and their families whose primary unmet needs are related to academic achievement.
 - b. The local management entity shall take the lead role for those children and their families whose primary unmet needs are related to mental health, substance abuse, or developmental disabilities and who meet the criteria for the target population established by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.
 - c. The local department of public health shall take the lead role for those children and their families whose primary unmet needs are health-related.
 - d. Local departments of social services shall take the lead for those children and their families whose primary unmet needs are related to child welfare, abuse, or neglect.
 - e. The chief district court counselor shall take the lead for those children and their families whose primary unmet needs are related to juvenile justice issues. A representative from each named or otherwise identified publicly supported children's agency shall participate as a member of the Team as needed. Team members shall coordinate, monitor, and assure the successful implementation of a unified Child and Family Plan.
- (4) Reporting requirements. – School-Based Child and Family Team Leaders shall provide data to the Council for inclusion in their report to the North Carolina General Assembly. The report shall include the following:
- a. The number of and other demographic information on children screened and assigned to a team and a description of the services needed by and provided to these children.
 - b. The number of and information about children assigned to a team who are placed in programs or facilities outside the child's home or outside the child's county and the average length of stay in residential treatment.

- c. The amount and source of funds expended to implement the Initiative.
 - d. Information on how families and consumers are involved in decision making throughout service planning, delivery, and monitoring.
 - e. Other information as required by the Council to evaluate success in local programs and ensure appropriate outcomes.
 - f. Recommendations on needed improvements.
- (5) Local advisory committee. – In each county with a participating school, the superintendent of the local LEA shall either identify an existing cross-agency collaborative or council or shall form a new group to serve as a local advisory committee to work with the Initiative. Newly formed committees shall be chaired by the superintendent and one other member of the committee to be elected by the committee. The local advisory committee shall include the directors of the county departments of social services and health; the directors of the local management entity; the chief district court judge; the chief district court counselor; the director of a school-based or school-linked health center, if a center is located within the catchment area of the School-Based Child and Family Team Initiative; and representatives of other agencies providing services to children, as designated by the Committee. The members of the Committee shall meet as needed to monitor and support the successful implementation of the School-Based Child and Family Team Initiative. The Local Child and Family Team Advisory Committee may designate existing cross-agency collaboratives or councils as working groups or to provide assistance in accomplishing established goals.

SECTION 10.15.(b) North Carolina Child and Family Leadership Council. –

- (1) Leadership Council established; location. – There is established the North Carolina Child and Family Leadership Council (Council). The Council shall be located within the Department of Administration for organizational and budgetary purposes.
- (2) Purpose. – The purpose of the Council is to review and advise the Governor in the development of the School-Based Child and Family Team Initiative and to ensure the active participation and collaboration in the Initiative by all State agencies and their local counterparts providing services to children in participating counties in order to increase the academic success of and reduce out-of-home and out-of-county placements of children at risk of academic failure.
- (3) Membership. – The Superintendent of Public Instruction and the Secretary of Health and Human Services shall serve as co-chairs of the Council. Council membership shall include the Secretary of the Department of Juvenile Justice and Delinquency Prevention, the Chair of the State Board of Education, the Director of the Administrative Office of the Courts, and other members as appointed by the Governor.
- (4) The Council shall do the following:
 - a. Sign an annual memorandum of agreement (MOA) among the named State agencies to define the purposes of the program and to ensure that program goals are accomplished.

- b. Resolve State policy issues, as identified at the local level, which interfere with effective implementation of the School-Based Child and Family Team Initiative.
- c. Direct the integration of resources, as needed, to meet goals and ensure that the Initiative promotes the most effective and efficient use of resources and eliminates duplication of effort.
- d. Establish criteria for defining success in local programs and ensure appropriate outcomes.
- e. Develop an evaluation process, based on expected outcomes, to ensure the goals and objectives of this Initiative are achieved.
- f. Review progress made on integrating policies and resources across State agencies, reaching expected outcomes, and accomplishing other goals.
- g. Report semiannually, on January 1 and July 1, on progress made and goals achieved to the Office of the Governor, the Joint Appropriations Committees and Subcommittees on Education, Justice and Public Safety, and Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. The Council may designate existing cross-agency collaboratives or councils as working groups or to provide assistance in accomplishing established goals.

SECTION 10.15.(c) Department of Health and Human Services. – The Secretary of the Department of Health and Human Services shall ensure that all agencies within the Department collaborate in the development and implementation of the School-Based Child and Family Team Initiative and provide all required support to ensure that the Initiative is successful.

SECTION 10.15.(d) Department of Juvenile Justice and Delinquency Prevention. – The Secretary of the Department of Juvenile Justice and Delinquency Prevention shall ensure that all agencies within the Department collaborate in the development and implementation of the School-Based Child and Family Team Initiative and provide all required support to ensure that the Initiative is successful.

SECTION 10.15.(e) Administrative Office of the Courts. – The Director of the Administrative Office of the Courts shall ensure that the Office collaborates in the development and implementation of the School-Based Child and Family Team Initiative and shall provide all required support to ensure that the Initiative is successful.

SECTION 10.15.(f) Department of Public Instruction. – The Superintendent of Public Instruction shall ensure that the Department collaborates in the development and implementation of the School-Based Child and Family Team Initiative and shall provide all required support to ensure that the Initiative is successful.

FUNDS FOR SCHOOL NURSES

SECTION 10.22.(a) All funds appropriated in this act for the School Nurse Funding Initiative shall be used to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. Communities shall maintain their current level of effort and funding for school nurses. These funds shall not be used to fund nurses for State agencies. These funds shall be distributed to local health departments according to a formula that includes all of the following:

- (1) School nurse-to-student ratio.
- (2) Percentage of students eligible for free or reduced meals.

- (3) Percentage of children in poverty.
- (4) Per capita income.
- (5) Eligibility as a low-wealth county.
- (6) Mortality rates for children between 1 and 19 years of age.
- (7) Percentage of students with chronic illnesses.
- (8) Percentage of county population consisting of minority persons.

SECTION 10.22.(b) The Division of Public Health shall ensure that school nurses funded with State funds (i) do not assist in any instructional or administrative duties associated with a school's curriculum and (ii) perform all of the following with respect to school health programs:

- (1) Serve as the coordinator of the health services program and provide nursing care.
- (2) Provide health education to students, staff, and parents.
- (3) Identify health and safety concerns in the school environment and promote a nurturing school environment.
- (4) Support healthy food services programs.
- (5) Promote healthy physical education, sports policies, and practices.
- (6) Provide health counseling, assess mental health needs, provide interventions, and refer students to appropriate school staff or community agencies.
- (7) Promote community involvement in assuring a healthy school and serve as school liaison to a health advisory committee.
- (8) Provide health education and counseling and promote healthy activities and a healthy environment for school staff.
- (9) Be available to assist the county health department during a public health emergency.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.60.(cc) The sum of one million four hundred ninety-seven thousand dollars (\$1,497,000) appropriated in this section in the Maternal and Child Health Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Public Health, shall be used to fund the following activities as indicated:

- (1) March of Dimes to provide folic acid and education for women before pregnancy to reduce birth defects and infant mortality, the sum of three hundred fifty thousand dollars (\$350,000).
- (2) Teen Pregnancy Prevention, the sum of six hundred fifty thousand dollars (\$650,000).
- (3) Healthy Start/Safe Sleep, the sum of two hundred forty-seven thousand dollars (\$247,000).
- (4) Perinatal Quality Collaborative of North Carolina, the sum of two hundred fifty thousand dollars (\$250,000).

SECTION 10.60.(dd) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2011-2012 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an abstinence until marriage education

program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 10.60.(ee) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

PART XIII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

SECTION 13.25.(q) Article 72 of Chapter 106 of the General Statutes, as recodified under subsection (p) of this section, reads as rewritten:

"Article 72.

"Protection and Development of Forests; Fire Control.

"§ 106-872. **Instructions on forest preservation and development.**

(a) It shall be the duty of all district, county, township rangers, and all deputy rangers provided for in this Chapter to distribute in all of the public schools and high schools of the county in which they are serving as such fire rangers all such tracts, books, periodicals and other literature that may, from time to time, be sent out to such rangers by the State and federal forestry agencies touching or dealing with forest preservation, development, and forest management.

(b) It shall be the duty of the various rangers herein mentioned under the direction of the ~~Secretary, Commissioner,~~ and the duty of the teachers of the various schools, both public and high schools, to keep posted at some conspicuous place in the various classrooms of the school buildings such appropriate bulletins and posters as may be sent out from the forestry agencies herein named for that purpose and keep the same constantly before their pupils; and said teachers and rangers shall prepare lectures or talks to be made to the pupils of the various schools on the subject of forest fires, their origin and their destructive effect on the plant life and tree life of the forests of the State, the development and scientific management of the forests of the State, and shall be prepared to give practical instruction to their pupils from time to time and as often as they shall find it possible so to do.

PART XXIX. SALARIES AND BENEFITS

MOST STATE EMPLOYEES

SECTION 29.9.(a) Effective for the 2011-2013 fiscal biennium, the salaries in effect June 30, 2011, of all permanent, full-time State employees whose salaries are set in accordance with the State Personnel Act, shall remain unchanged.

SECTION 29.9.(b) Effective for the 2011-2013 fiscal biennium, the compensation of permanent, full-time State officials and persons in exempt positions shall remain unchanged.

SECTION 29.9.(c) Effective for the 2011-2013 fiscal biennium, the salaries of permanent, part-time State employees shall remain unchanged.

SECTION 29.9.(d) Effective for the 2011-2013 fiscal biennium, the compensation of temporary and permanent hourly State employees shall remain unchanged.

ALL STATE-SUPPORTED PERSONNEL/NO SALARY INCREASES

SECTION 29.10.(a) The salaries provided for in this act are to be effective July 1, 2011, do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2011.

This subsection shall apply to all employees, subject to or exempt from the State Personnel Act, paid from State funds, including public schools, community colleges, and The University of North Carolina.

SECTION 29.10.(b) For the 2011-2013 fiscal biennium, the salaries of permanent, full-time employees who work a nine-, ten-, or eleven-month work year schedule shall remain unchanged.

STATE AGENCY TEACHERS' COMPENSATION

SECTION 29.11. The salaries of employees of schools operated by the Department of Health and Human Services, the Department of Correction, or the Department of Juvenile Justice and Delinquency Prevention, who are paid on the Teacher Salary Schedule or the School-Based Administrator Salary Schedule shall remain unchanged for the 2011-2013 fiscal biennium.

TEACHER SALARY SCHEDULES

SECTION 29.12.(a) The following monthly salary schedules shall apply for the 2011-2012 fiscal year to certified personnel of the public schools who are classified as teachers. The schedules contain 35 steps, with each step corresponding to one year of teaching experience. Public school employees paid according to this salary schedule and receiving NBPTS certification or obtaining a master's degree shall not be prohibited from receiving the appropriate increase in salary. Provided, however, teachers employed during the 2010-2011 school year who did not work the required number of months to acquire an additional year of experience shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2011-2012 Monthly Salary Schedule

Years of Experience	"A" Teachers	NBPTS Certification
0	\$3,043	N/A
1	\$3,043	N/A
2	\$3,043	N/A
3	\$3,043	\$3,408
4	\$3,085	\$3,455
5	\$3,129	\$3,504
6	\$3,264	\$3,656
7	\$3,404	\$3,812
8	\$3,538	\$3,963
9	\$3,667	\$4,107
10	\$3,771	\$4,224
11	\$3,819	\$4,277
12	\$3,868	\$4,332
13	\$3,918	\$4,388
14	\$3,967	\$4,443
15	\$4,018	\$4,500
16	\$4,069	\$4,557

17	\$4,122	\$4,617
18	\$4,176	\$4,677
19	\$4,231	\$4,739
20	\$4,286	\$4,800
21	\$4,345	\$4,866
22	\$4,403	\$4,931
23	\$4,461	\$4,996
24	\$4,523	\$5,066
25	\$4,584	\$5,134
26	\$4,650	\$5,208
27	\$4,714	\$5,280
28	\$4,779	\$5,352
29	\$4,845	\$5,426
30	\$4,913	\$5,503
31	\$4,984	\$5,582
32	\$5,055	\$5,662
33	\$5,153	\$5,771
34+	\$5,255	\$5,886

2011-2012 Monthly Salary Schedule

"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
0	\$3,347	N/A
1	\$3,347	N/A
2	\$3,347	N/A
3	\$3,347	\$3,749
4	\$3,394	\$3,801
5	\$3,442	\$3,855
6	\$3,590	\$4,021
7	\$3,744	\$4,193
8	\$3,892	\$4,359
9	\$4,034	\$4,518
10	\$4,148	\$4,646
11	\$4,201	\$4,705
12	\$4,255	\$4,766
13	\$4,310	\$4,827
14	\$4,364	\$4,888
15	\$4,420	\$4,950
16	\$4,476	\$5,013
17	\$4,534	\$5,078
18	\$4,594	\$5,145
19	\$4,654	\$5,212
20	\$4,715	\$5,281
21	\$4,780	\$5,354
22	\$4,843	\$5,424
23	\$4,907	\$5,496

24	\$4,975	\$5,572
25	\$5,042	\$5,647
26	\$5,115	\$5,729
27	\$5,185	\$5,807
28	\$5,257	\$5,888
29	\$5,330	\$5,970
30	\$5,404	\$6,052
31	\$5,482	\$6,140
32	\$5,561	\$6,228
33	\$5,668	\$6,348
34+	\$5,781	\$6,475

SECTION 29.12.(b) Annual longevity payments for teachers shall be at the rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service. The longevity payment shall be paid in a lump sum once a year.

SECTION 29.12.(c) Certified public schoolteachers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers. Certified public schoolteachers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers.

SECTION 29.12.(d) The first step of the salary schedule for school psychologists shall be equivalent to Step 5, corresponding to five years of experience, on the salary schedule established in this section for certified personnel of the public schools who are classified as "M" teachers. Certified psychologists shall be placed on the salary schedule at an appropriate step based on their years of experience. Certified psychologists shall receive longevity payments based on years of State service in the same manner as teachers.

Certified psychologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for certified psychologists. Certified psychologists with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for certified psychologists.

SECTION 29.12.(e) Speech pathologists who are certified as speech pathologists at the master's degree level and audiologists who are certified as audiologists at the master's degree level and who are employed in the public schools as speech and language specialists and audiologists shall be paid on the school psychologist salary schedule.

Speech pathologists and audiologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for speech pathologists and audiologists. Speech pathologists and audiologists with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred

fifty-three dollars (\$253.00) per month in addition to the compensation provided for speech pathologists and audiologists.

SECTION 29.12.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 29.12.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 29.13.(a) The following base salary schedule for school-based administrators shall apply only to principals and assistant principals. This base salary schedule shall apply for the 2011-2012 fiscal year, commencing July 1, 2011. Provided, however, school-based administrators (i) employed during the 2010-2011 school year who did not work the required number of months to acquire an additional year of experience and (ii) employed during the 2011-2012 school year in the same classification shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2011-2012 Principal and Assistant Principal Salary Schedules
Classification

Years of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-7	\$3,781	-	-	-	-
8	\$3,931	-	-	-	-
9	\$4,074	-	-	-	-
10	\$4,189	-	-	-	-
11	\$4,243	\$4,243	-	-	-
12	\$4,298	\$4,298	-	-	-
13	\$4,353	\$4,353	\$4,408	-	-
14	\$4,408	\$4,408	\$4,464	-	-
15	\$4,464	\$4,464	\$4,521	\$4,579	-
16	\$4,521	\$4,521	\$4,579	\$4,640	\$4,701
17	\$4,579	\$4,579	\$4,640	\$4,701	\$4,762
18	\$4,640	\$4,640	\$4,701	\$4,762	\$4,828
19	\$4,701	\$4,701	\$4,762	\$4,828	\$4,891
20	\$4,762	\$4,762	\$4,828	\$4,891	\$4,956
21	\$4,828	\$4,828	\$4,891	\$4,956	\$5,025
22	\$4,891	\$4,891	\$4,956	\$5,025	\$5,092
23	\$4,956	\$4,956	\$5,025	\$5,092	\$5,166
24	\$5,025	\$5,025	\$5,092	\$5,166	\$5,237
25	\$5,092	\$5,092	\$5,166	\$5,237	\$5,310
26	\$5,166	\$5,166	\$5,237	\$5,310	\$5,383
27	\$5,237	\$5,237	\$5,310	\$5,383	\$5,458
28	\$5,310	\$5,310	\$5,383	\$5,458	\$5,537
29	\$5,383	\$5,383	\$5,458	\$5,537	\$5,617
30	\$5,458	\$5,458	\$5,537	\$5,617	\$5,725
31	\$5,537	\$5,537	\$5,617	\$5,725	\$5,839
32	\$5,617	\$5,617	\$5,725	\$5,839	\$5,956
33	\$5,725	\$5,725	\$5,839	\$5,956	\$6,075

34	\$5,839	\$5,839	\$5,956	\$6,075	\$6,197
35	-	\$5,956	\$6,075	\$6,197	\$6,321
36	-	-	\$6,197	\$6,321	\$6,447
37	-	-	\$6,321	\$6,447	\$6,576
38	-	-	-	\$6,576	\$6,708
39	-	-	-	\$6,708	\$6,842
40	-	-	-	-	\$6,979

2011-2012 Principal and Assistant Principal Salary Schedules
Classification

Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
0-17	\$4,828	-	-	-
18	\$4,891	-	-	-
19	\$4,956	\$5,025	-	-
20	\$5,025	\$5,092	\$5,237	-
21	\$5,092	\$5,166	\$5,310	\$5,383
22	\$5,166	\$5,237	\$5,383	\$5,458
23	\$5,237	\$5,310	\$5,458	\$5,537
24	\$5,310	\$5,383	\$5,537	\$5,617
25	\$5,383	\$5,458	\$5,617	\$5,725
26	\$5,458	\$5,537	\$5,725	\$5,839
27	\$5,537	\$5,617	\$5,839	\$5,956
28	\$5,617	\$5,725	\$5,956	\$6,075
29	\$5,725	\$5,839	\$6,075	\$6,197
30	\$5,839	\$5,956	\$6,197	\$6,321
31	\$5,956	\$6,075	\$6,321	\$6,447
32	\$6,075	\$6,197	\$6,447	\$6,576
33	\$6,197	\$6,321	\$6,576	\$6,708
34	\$6,321	\$6,447	\$6,708	\$6,842
35	\$6,447	\$6,576	\$6,842	\$6,979
36	\$6,576	\$6,708	\$6,979	\$7,119
37	\$6,708	\$6,842	\$7,119	\$7,261
38	\$6,842	\$6,979	\$7,261	\$7,406
39	\$6,979	\$7,119	\$7,406	\$7,554
40	\$7,119	\$7,261	\$7,554	\$7,705
41	\$7,261	\$7,406	\$7,705	\$7,859
42	-	\$7,554	\$7,859	\$8,016
43	-	\$7,705	\$8,016	\$8,176
44	-	-	\$8,176	\$8,340

SECTION 29.13.(b) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

Number of Teachers

Classification	Supervised
Assistant Principal	
Principal I	Fewer than 11 Teachers
Principal II	11-21 Teachers
Principal III	22-32 Teachers
Principal IV	33-43 Teachers
Principal V	44-54 Teachers
Principal VI	55-65 Teachers
Principal VII	66-100 Teachers
Principal VIII	More than 100 Teachers

The number of teachers supervised includes teachers and assistant principals paid from State funds only; it does not include teachers or assistant principals paid from non-State funds or the principal or teacher assistants.

The beginning classification for principals in alternative schools and in cooperative innovative high school programs shall be the Principal III level. Principals in alternative schools who supervise 33 or more teachers shall be classified according to the number of teachers supervised.

SECTION 29.13.(c) A principal shall be placed on the step on the salary schedule that reflects total number of years of experience as a certificated employee of the public schools and an additional step for every three years of experience as a principal. Provided, however, a principal who acquires an additional step for the 2011-2012 or 2012-2013 fiscal years shall not receive a corresponding increase in salary during the 2011-2013 fiscal biennium. A principal or assistant principal shall also continue to receive any additional State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for improvement in student performance or maintaining a safe and orderly school.

SECTION 29.13.(d) Principals and assistant principals with certification based on academic preparation at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level shall be paid a salary supplement of two hundred fifty-three dollars (\$253.00) per month.

SECTION 29.13.(e) Longevity pay for principals and assistant principals shall be as provided for State employees under the State Personnel Act.

SECTION 29.13.(f) If a principal is reassigned to a higher job classification because the principal is transferred to a school within a local school administrative unit with a larger number of State-allotted teachers, the principal shall be placed on the salary schedule as if the principal had served the principal's entire career as a principal at the higher job classification.

If a principal is reassigned to a lower job classification because the principal is transferred to a school within a local school administrative unit with a smaller number of State-allotted teachers, the principal shall be placed on the salary schedule as if the principal had served the principal's entire career as a principal at the lower job classification.

This subsection applies to all transfers on or after the effective date of this section, except transfers in school systems that have been created, or will be created, by merging two or more school systems. Transfers in these merged systems are exempt from the provisions of this subsection for one calendar year following the date of the merger.

SECTION 29.13.(g) Participants in an approved full-time master's in school administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the master's program. For the 2006-2007 fiscal year and subsequent fiscal years, the stipend shall not exceed the difference between the beginning salary of an assistant principal plus the cost of tuition, fees, and books and any fellowship funds received by the intern as a full-time student, including awards of the Principal Fellows Program. The Principal Fellows Program or the school of education where the intern participates in a full-time master's in school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 29.13.(h) During the 2011-2012 fiscal year, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

CENTRAL OFFICE SALARIES

SECTION 29.14.(a) The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers and shall remain unchanged for the 2011-2013 fiscal biennium, beginning July 1, 2011.

School Administrator I	\$3,309	\$6,207
School Administrator II	\$3,508	\$6,583
School Administrator III	\$3,724	\$6,984
School Administrator IV	\$3,874	\$7,262
School Administrator V	\$4,030	\$7,556
School Administrator VI	\$4,275	\$8,013
School Administrator VII	\$4,447	\$8,336

The local board of education shall determine the appropriate category and placement for each assistant superintendent, associate superintendent, director/coordinator, supervisor, or finance officer within the salary ranges and within funds appropriated by the General Assembly for central office administrators and superintendents. The category in which an employee is placed shall be included in the contract of any employee.

SECTION 29.14.(b) The monthly salary ranges that follow apply to public school superintendents and shall remain unchanged for the 2011-2013 fiscal biennium, beginning July 1, 2011.

Superintendent I	\$4,720	\$8,843
Superintendent II	\$5,011	\$9,377
Superintendent III	\$5,316	\$9,948
Superintendent IV	\$5,642	\$10,552
Superintendent V	\$5,988	\$11,196

The local board of education shall determine the appropriate category and placement for the superintendent based on the average daily membership of the local school administrative unit and within funds appropriated by the General Assembly for central office administrators and superintendents.

SECTION 29.14.(c) Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the State Personnel Act.

SECTION 29.14.(d) Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based

on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this section.

SECTION 29.14.(e) The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

SECTION 29.14.(f) The salaries of all permanent full-time personnel paid from the Central Office Allotment shall remain unchanged for the 2011-2013 fiscal biennium.

NONCERTIFIED PERSONNEL SALARIES

SECTION 29.15. The annual salary for permanent, full-time and part-time noncertified public school employees whose salaries are supported from the State's General Fund shall be remain unchanged for the 2011-2013 fiscal biennium.

FURLOUGHS AUTHORIZED/PUBLIC SCHOOLS

SECTION 29.16.(a) The General Assembly finds that local boards of education are under economic stress that requires they be granted flexibility in managing expenditures. Further, the General Assembly finds that the provisions of this section will assist local school boards to best serve communities.

SECTION 29.16.(b) Local boards of education may implement furloughs of State-funded public school employees to offset any LEA budgetary flexibility adjustment.

SECTION 29.16.(c) The following definitions apply in this section:

- (1) Furlough. – A temporary period of leave from employment without pay that (i) is ordered by a local board of education and (ii) is not in connection with a demotion or other disciplinary action.
- (2) Public school employee. – Any person employed by a local school administrative unit. The term includes public officers.

SECTION 29.16.(d) The provisions of Section 29.18 of this act apply to public school employees furloughed pursuant to this section.

SECTION 29.16.(e) Local school administrative units shall cooperate with the Department of Public Instruction in the implementation of a furlough, if required.

SECTION 29.16.(f) As soon as practicable, and no more than 30 calendar days from the effective date of this section, the State Board of Education shall adopt rules for the implementation of this section in accordance with G.S. 150B-21.1A, except that notwithstanding G.S. 150B-21.1A(d), those emergency rules may remain in effect until the expiration of this section. These rules shall be applied by local boards of education in designating the times public school employees may be subject to furlough. These rules shall provide, at a minimum, that:

- (1) Employees who work only on instructional days shall not be subject to furlough.
- (2) Employees who earn an annual salary of thirty thousand five hundred dollars (\$30,500) or less shall not be subject to furlough.
- (3) A furlough for other employees shall be for the same number of days for all such employees.

- (4) No teacher shall be subject to a furlough on an instructional day or a protected workday.
- (5) A local board of education shall have a public hearing and shall disclose the local school administrative unit's finances before the local board implements a furlough.
- (6) A local school administrative unit may spread the salary or wage reduction for furloughed employees over the contract period in order to lessen the impact on the employees.
- (7) All savings realized as a result of a furlough shall be used to offset any LEA budgetary flexibility adjustment.
- (8) A county in which a local school administrative unit implements a furlough pursuant to this section shall not supplant existing local current expense funds for schools.
- (9) Each local board of education shall report to the State Board of Education on the details of any furlough implemented by the local school administrative unit and certify that the furlough complied with the provisions of this section and the rules adopted by the State Board.

SECTION 29.16.(g) A furlough as implemented by this section does not constitute a demotion pursuant to Part 3 of Article 22 of Chapter 115C of the General Statutes or under any other personnel law or policy.

SECTION 29.16.(h) Notwithstanding G.S. 115C-273, 115C-285(b), 115C-302.1(h), and 115C-316(b), or any other provision of law, public school employees who are not paid out of State funds shall receive the same reduction in pay applicable to State-paid employees in the event a furlough is enacted by a local school administrative unit.

SECTION 29.16.(i) This section is effective when it becomes law and expires June 30, 2013.

BENEFITS PROTECTION FOR FURLOUGHED STATE GOVERNMENT EMPLOYEES AND PUBLIC SCHOOL PERSONNEL

SECTION 29.18.(a) The following definitions apply in this section:

- (1) Furlough. – A temporary period of leave from employment without pay that (i) is ordered or authorized by the Governor, the Chief Justice, the Legislative Services Commission, the Board of Governors of The University of North Carolina, the Board of the North Carolina Community College System, or a local school board and (ii) is not in connection with a demotion or any other disciplinary action.
- (2) Public agency. – A State agency, department, or institution in the executive, legislative, or judicial branch of State government; The University of North Carolina; the North Carolina Community College System; and a local school administrative unit.
- (3) Public employee. – An employee employed by a public agency.

SECTION 29.18.(b) Notwithstanding any law to the contrary, if necessary economies in public agency expenditures must be effected by a furlough of public employees, then a public employee on a furlough who is:

- (1) A member of any of the State-supported retirement plans administered by the Retirement Systems Division of the Department of State Treasurer, or an Optional Retirement Program (ORP) administered under G.S. 135-5.1 or

G.S. 135-5.4, shall be considered in active service during any period of furlough and shall be entitled to all of the same benefits to which the employee was entitled on the workday immediately preceding the furlough. The member shall suffer no diminution of retirement average final compensation based on being on furlough, and the retirement average final compensation shall be calculated based on the undiminished compensation. During a furlough period, the employer shall pay both employee and employer contributions to the Retirement Systems Division or ORP on behalf of the furloughed employee as though the employee were in active service.

- (2) A member of the State Health Plan for Teachers and State Employees shall be considered eligible for coverage under the Plan on the same basis as on the workday immediately preceding the furlough. The public employer shall pay contributions on behalf of the furloughed public employee as though the employee were in active service.

SECTION 29.18.(c) This section holds harmless employees who are subject to furloughs to accomplish economies required by this act as to their retirement and other benefits that normally accrue as a result of employment. This section does not apply to a furlough within a public agency that is designed:

- (1) To solely and selectively provide benefits to a public employee or a subset of public employees, or to extend or enhance benefits beyond those that normally accrue to a public employee as a result of employment.
- (2) To allow the public agency to settle any claim against the public agency or to gain additional economies not specifically required by this act.

SECTION 29.18.(d) This section shall not be construed as authorizing furloughs.

SECTION 29.18.(e) Whenever the Governor, the Chief Justice, the Legislative Services Commission, the Board of Governors of The University of North Carolina, the Board of the North Carolina Community College System, or a local school board authorizes a furlough of public agency employees, the respective authorizing officer or entity shall report to the State Treasurer, the Director of the Retirement Systems Division, and the Executive Administrator of the State Health Plan the following:

- (1) The specifics of the authorized furlough including the applicable reduction in salary and the date the reduction in salary will occur. Examples of other furlough specifics include one-day furlough per month for the next three months, five furlough days during the remainder of the fiscal year, et cetera.
- (2) The positions affected, including all full-time, part-time, temporary and contractual positions, all nonessential personnel, all nonteaching positions, et cetera.
- (3) The individual employees affected, including the applicable reduction in salary and whether the employee is subject to or exempt from the Fair Labor Standards Act.
- (4) Certification that the furlough is not in connection with a demotion or any other disciplinary action.
- (5) Certification that the furlough is to accomplish economies specifically required by this act, including the specific budget provision or reduction the furlough is intended to address.

- (6) Certification that the furlough is not related to the settlement of any claim against a public agency.

SECTION 29.18.(f) This section is effective when it becomes law.

MONITOR COMPLIANCE WITH FREEZE ON MOST SALARY INCREASES

SECTION 29.19.(a) The Office of State Budget and Management and the Office of State Personnel shall monitor jointly the compliance of the following units of government with the provisions of Section 29.8 of this act and shall submit quarterly reports of their monitoring activities to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division: (i) State agencies, departments, and institutions, including authorities, boards, and commissions; (ii) the judicial branch; and (iii) The University of North Carolina and its constituent institutions.

The quarterly reports required by this section shall include the following information:

- (1) For agencies reporting through the BEACON HR/Payroll system, (i) a breakdown by action type (including promotion, reallocation, career progression, salary adjustment, and any similar actions increasing employee pay) of the number and annual amount of those increases and (ii) a breakdown by action reason (including in-range higher level, acting pay, trainee adjustment, and other similar action reasons) of the number and annual amount of those action types coded as salary adjustment.
- (2) For The University of North Carolina and its constituent institutions, a breakdown of the number and annual amount of those increases categorized by the university as promotions, changes in job duties or responsibilities, Distinguished Professorships, retention pay, career progression, and any similar actions increasing employee pay.
- (3) A summary of actions taken by the Office of State Budget and Management and the Office of State Personnel with respect to unauthorized salary increases.

SECTION 29.19.(b) The Legislative Services Officer shall report quarterly to the President Pro Tempore of the Senate and the Speaker of the House of Representatives on compliance with this act.

COMPREHENSIVE REVIEW AND REFORM OF PUBLIC EMPLOYEE COMPENSATION PLANS

SECTION 29.20.(a) It is the intent of the General Assembly to create and implement a modernized, fair, and fully-functional performance-based compensation system for employees of State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies. To that end, the Legislative Services Commission, jointly through the Fiscal Research and Program Evaluation Divisions, is directed to commission a review and study of the current compensation plans of State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies (government sectors). The Legislative Services Commission may use a Request for Information process or a Request for Proposal process to contract with a qualified consulting firm to perform this review and study. The study shall be completed in two phases and, at minimum, shall include all of the following:

- (1) Phase I. –
 - a. A labor market analysis of pay, fringe benefits, classification, and banding plans of government sector employees to determine whether

current employees are compensated appropriately relative to market rates for similar positions as compared to (i) other North Carolina public employees, (ii) similar positions and employees in other states, and (iii) where applicable, employees in private industry.

- b. An analysis of current performance-based compensation plans in use by the North Carolina Banking Commission, the University of North Carolina Health Care System, and the performance-based compensation system proposed by Charlotte/Mecklenburg County Schools. This analysis should include an assessment of the effectiveness of these performance-based plans and should include identification of best practices.
- c. An evaluation of current longevity pay as applicable to most government sector employees and recommendations as to whether longevity pay should be continued for new hires.
- d. An evaluation of current laws and policies related to 'career status' for employees subject to the State Personnel Act and tenure for public school teachers and university professors. This evaluation should include recommendations as to whether these laws and policies should be continued or modified based upon human resource best practices.
- e. An evaluation of the State Personnel Act including recommendations as to whether these laws and policies should be continued or modified based upon human resource best practices.
- f. An analysis of the effect of in-State regional variables on employee compensation and recommendations as to how those variables should be addressed in the future.
- g. Recommendations of how to evaluate and compare the value of employee fringe benefits.

(2) Phase II. –

- a. Assessment of the validity of performance-based compensation plans.
- b. Recommendations, timetable, and design of a comprehensive performance-based compensation plan across all government sectors for implementation by the General Assembly. Recommendations must include the design of an effective employee performance evaluation system, including the identification of effective employee performance measures and information systems (including estimated costs) to track and monitor employee performance.
- c. Training recommendations for supervisors and managers regarding employee productivity and performance evaluation.
- d. Recommendations to assure equity of compensation among public employees across government sectors.
- e. Feasibility of a consensus forecasting group to make annual recommendations for compensation policy across all government sectors. These recommendations should include how to establish and maintain priorities for General Fund appropriations necessary to fund the performance-based compensation system while remaining affordable for the State and its taxpayers.

SECTION 29.20.(b) By May 1, 2012, an interim report completed jointly by the Fiscal Research and Program Evaluation Divisions, or at their direction by the consultant hired to perform the review and study, shall be submitted to the 2012 Regular Session of the 2011 General Assembly. The interim report shall include all Phase I findings. The Fiscal Research and Program Evaluation Divisions, or consultant, shall report the Phase II findings and any other final results of its study including recommendations and legislative proposals to the 2013 General Assembly upon its convening.

SECTION 29.20.(c) All State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies shall provide any information, data, or documents within their possession, ascertainable from their records, or otherwise available to them to the Fiscal Research and Program Evaluation Divisions and/or the consultant necessary to complete this review and study.

SECTION 29.20.(d) The State Personnel Director, the State Budget Director, the State Controller, and the State Treasurer shall dedicate and identify staff for technical assistance, as needed, to aid in the reviews required by this section.

ESTABLISH SEVERANCE EXPENDITURE RESERVE

SECTION 29.21.(a) There is established in the Office of State Budget and Management a General Fund reserve budget code for the purpose of funding severance-related obligations to State employees subject to the State Personnel Act, and employees exempt from the State Personnel Act, who are separated from service due to a reduction-in-force action. Severance-related expenditures from this reserve shall include obligations to fund:

- (1) A State employee's severance salary continuation with an age adjustment factor as authorized by G.S. 126-8.5, including employer related contributions for social security, and
- (2) Noncontributory health premiums for up to 12 months as authorized by G.S. 135-45.2(a)(8) for employees of employing units as defined by G.S. 135-45.1(12).

SECTION 29.21.(b) The Director of the Budget shall allocate funds appropriated in Section 2.1 of this act to the Severance Expenditure Reserve to public agencies to fund severance-related obligations incurred by the agencies as a result of reduction-in-force actions that cause State-supported public employees to be terminated from public employment. Funds appropriated to the Severance Expenditure Reserve shall be expended in their entirety before funds appropriated to a public agency for State-supported personal services expenditures may be used to fund any severance-related obligations. For the purposes of this subsection, the term "public employee" means an employee of a State agency, department, or institution; The University of North Carolina; the North Carolina Community College System Office; or a local school administrative unit.

SALARY-RELATED CONTRIBUTIONS

SECTION 29.22.(a) Effective for the 2011-2013 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employees' salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the

employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital-medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

Notwithstanding any other provision of law, an employing unit, as defined in G.S. 135-45.1 or in G.S. 135-48.1 as enacted by this act, that hires or has hired as an employee a retiree that is in receipt of monthly retirement benefits from any retirement system supported in whole or in part by contributions of the State shall enroll the retiree in the active group and pay the cost for the hospital-medical benefits if that retiree is employed in a position that would require the employer to pay hospital-medical benefits if the individual had not been retired.

SECTION 29.22.(b) Effective July 1, 2011, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2011-2012 fiscal year are: (i) thirteen and sixty-two hundredths percent (13.62%) – Teachers and State Employees; (ii) eighteen and sixty-two hundredths percent (18.62%) – State Law Enforcement Officers; (iii) twelve and thirty-six hundredths percent (12.36%) – University Employees' Optional Retirement System; (iv) twelve and thirty-six hundredths percent (12.36%) – Community College Optional Retirement Program; (v) thirty-one and fifty-four hundredths percent (31.54%) – Consolidated Judicial Retirement System; and (vi) five and zero hundredths percent (5.00%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and zero hundredths percent (5.00%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for the University Employees' Optional Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION 29.22.(c) Effective July 1, 2012, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2012-2013 fiscal year are: (i) fifteen percent (15%) – Teachers and State Employees; (ii) twenty percent (20%) – State Law Enforcement Officers; (iii) twelve and sixty-six hundredths percent (12.66%) – University Employees' Optional Retirement System; (iv) twelve and sixty-six hundredths percent (12.66%) – Community College Optional Retirement Program; (v) thirty-three and fifty-one hundredths percent (33.51%) – Consolidated Judicial Retirement System; and (vi) five and thirty hundredths percent (5.30%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and thirty hundredths percent (5.30%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for the University Employees' Optional Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION 29.22.(d) Effective July 1, 2011, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2011-2012 fiscal year to the State Health Plan for Teachers and State Employees are: (i) Medicare-eligible employees and retirees – three thousand seven hundred seventy-six dollars

(\$3,776) and (ii) non-Medicare-eligible employees and retirees – four thousand nine hundred sixty-two dollars (\$4,962).

SECTION 29.22.(e) Effective July 1, 2012, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2012-2013 fiscal year to the State Health Plan for Teachers and State Employees are: (i) Medicare-eligible employees and retirees – three thousand nine hundred eighty-one dollars (\$3,981) and (ii) non-Medicare-eligible employees and retirees – five thousand two hundred thirty-two dollars (\$5,232).

LIMIT STATE ABORTION FUNDING/HEALTH PLAN/INSURANCE

SECTION 29.23. No State funds may be used for the performance of abortions or to support the administration of any governmental health plan or government offered insurance policy offering abortion, except that this prohibition shall not apply where (i) the life of the mother would be endangered if the unborn child were carried to term or (ii) the pregnancy is the result of a rape or incest. Nothing in this section shall be construed to limit medical care provided after a spontaneous miscarriage.

PART XXXI. FEES

EDUCATION/DRIVER EDUCATION REFORM

SECTION 31.1.(a) Subsections (a), (b), and (b1) of G.S. 20-88.1 are recodified as subsections (a), (d), and (e), respectively, of a new section G.S. 115C-215.1, in Article 14 of Chapter 115C of the General Statutes to be entitled "Administration of driver education program by the Department of Public Instruction."

SECTION 31.1.(b) G.S. 20-11(b) reads as rewritten:

"(b) Level 1. – A person who is at least 15 years old but younger than 18 years old may obtain a limited learner's permit if the person meets all of the following requirements:

- (1) Passes a course of driver education prescribed in ~~G.S. 20-88.1~~ G.S. 115C-215.1 or a course of driver instruction at a licensed commercial driver training school.
- (2) Passes a written test administered by the Division.
- (3) Has a driving eligibility certificate or a high school diploma or its equivalent."

SECTION 31.1.(c) G.S. 20-88.1, as amended by subsection (a) of this section, reads as rewritten:

"§ 20-88.1. **Driver education.**

(a) through (b1) Recodified.

(c) ~~All expenses~~ Expenses incurred by the State in carrying out the provisions of ~~this section~~ the driver education program administered by the Department of Public Instruction in accordance with G.S. 115C-215.1 shall be paid out of the Highway ~~Fund.~~ Fund based on an annual appropriation by the General Assembly.

(d) The Division shall prepare a driver license handbook that explains the traffic laws of the State and shall periodically revise the handbook to reflect changes in these laws. At the request of the Department of ~~Education,~~ Public Instruction, the Division shall provide free copies of the handbook to that Department for use in the program of driver education offered at public high schools."

SECTION 31.1.(d) G.S. 20-322(b) reads as rewritten:

"(b) Regulations adopted by the Commissioner shall state the requirements for a school license, including requirements concerning location, equipment, courses of instruction, instructors, financial statements, schedule of fees and charges, character and reputation of the operators, insurance, bond or other security in such sum and with such provisions as the Commissioner deems necessary to protect adequately the interests of the public, and such other matters as the Commissioner may prescribe. A driver education course offered to prepare an individual for a limited learner's permit or another provisional license must meet the requirements set in ~~G.S. 20-88.1~~ G.S. 115C-215.1 for the program of driver education offered in the public schools."

SECTION 31.1.(e) G.S. 115C-215 is repealed.

SECTION 31.1.(f) G.S. 115C-215.1, as enacted by subsection (a) of this section, reads as rewritten:

"§ 115C-215.1. Administration of driver education program by the Department of Public Instruction.

(a) In accordance with criteria and standards approved by the State Board of Education, the State Superintendent of Public Instruction shall organize and administer a standardized program of driver education to be offered at the public high schools of this State for all physically and mentally qualified persons who (i) are older than 14 years and six months, (ii) are approved by the principal of the school, pursuant to rules adopted by the State Board of Education, (iii) are enrolled in a public or private high school within the State, State or are receiving instruction through a home school as provided in Part 3 of Article 39 of Chapter 115C of the General Statutes, and (iv) have not previously enrolled in the program. The State Board of Education shall use for such purpose all funds appropriated to it for said purpose, and may use all other funds that become available for its use for said purpose.

(b) The driver education program established pursuant to this section must include the following:

- (1) Instruction on the rights and privileges of the handicapped and the signs and symbols used to assist the handicapped relative to motor vehicles, including the "international symbol of accessibility" and other symbols and devices as provided in Article 2A of ~~this Chapter~~. Chapter 20 of the General Statutes.
- (2) At least six hours of instruction on the offense of driving while impaired and related subjects.
- (3) At least six hours of actual driving experience. To the extent practicable, this experience may include at least one hour of instruction on the techniques of defensive driving.
- (4) At least one hour of motorcycle safety awareness training.

(c) The State Board of Education shall establish and implement a strategic plan for the driver education program. At a minimum, the strategic plan shall consist of goals and performance indicators, including the number of program participants as compared to the number of persons projected to be eligible to participate in the program, the implementation of a standard curriculum for the program, expenditures for the program, and the success rate of program participants in receiving a drivers license as reported by the Division of Motor Vehicles. The strategic plan shall also outline specific roles and duties of an advisory committee consisting of employees of the Division of Motor Vehicles and the Department of Public Instruction and other stakeholders in driver education.

(d) The State Board of Education shall adopt a salary range for driver education instructors who are public school employees and who do not hold teacher certificates.

Driver education instructors who are public school employees and who hold teacher certificates shall be paid on the teacher salary schedule. A day of employment for driver education instructors who hold teacher certificates shall be the same number of hours required of all regular classroom teachers as established by the local board of education.

(e) The State Board of Education shall adopt rules to permit local boards of education to enter contracts with public or private entities to provide a program of driver education at public high schools. All driver education instructors shall meet the requirements established by the State Board of Education; provided, however, driver education instructors shall not be required to hold teacher certificates."

SECTION 31.1.(g) G.S. 115C-216 reads as rewritten:

"§ 115C-216. **Boards of education required to provide courses in operation of motor vehicles.**

(a) Course of Training and Instruction Required in Public High Schools. – ~~The State Board of Education and local~~ Local boards of education are required to provide as a part of the program of the public high schools in this State a course of training and instruction in the operation of motor vehicles, in accordance with G.S. 20 88.1. shall offer noncredit driver education courses in high schools using the standardized curriculum provided by the Department of Public Instruction.

(b) Inclusion of Expense in Budget. – The local boards of education ~~of every local school administrative unit are hereby authorized to~~ shall include as an item of instructional service and as a part of the current expense fund of the budget of the ~~several~~ high schools under their supervision, the expense necessary ~~to install and maintain such a course of training and instructing eligible persons in such schools in the operation of motor vehicles.~~ to offer the driver education course.

(c) to (f) Repealed by Session Laws 1991, c. 689, s. 32(c).

(g) Fee for Instruction. – The local boards of education may charge each student participating in driver education a fee of up to seventy-five dollars (\$75.00) to offset the costs of providing the training and instruction."

EDUCATION/STATE BOARD AUTHORITY TO ESTABLISH GED TESTING FEES

SECTION 31.2. G.S. 115D-5(s) reads as rewritten:

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