

**Joint Legislative
Commission
on
Governmental Operations**

Subcommittee Reports

October 25, 2005

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***Statewide/Capital/
General Government
Subcommittee***

REPORT
Statewide/Capital/General Government
Subcommittee

October 25, 2005

Chairman: Representative Thomas Wright

Requests to Increase Fees per S.L. 2001-427, Section 8(a):

NC Board of Pharmacy

Denise Stanford
Board Counsel

Committee Findings: The Board's proposals include four (4) changes to the fee schedule. Two changes (2) will increase existing fees for the following: 1) the charge for verification for reinstatement of a pharmacy license, permit, or a device and medical equipment permit from \$15.00 to \$25.00 to cover the Board's increased data processing costs and postage to mail verification notices; and 2) submittal of a dishonored and returned check from \$20.00 to \$25.00 to cover rising cost in processing returned checks. The last changes to these charges/fees occurred in 1995. The remaining proposals will establish two (2) new charges for: 1) a status of licensure affidavit at \$25.00 per affidavit, and 2) renewals of registration online and by credit card with a fee of \$5.00. The subcommittee accepted the recommended changes.

NC Licensing Board for General Contractors

Denise Stanford
Board Counsel

Committee Findings: The Board presented a proposal to increase four (4) existing fees, which affect: 1) the application package for licensure, if mailed from \$6.00 to \$15.00; 2) the application package for licensure, if not mailed from \$5.00 to \$13.00; and 3) the total cost of development, mailing, and publication from \$6.00 to \$9.00; and 4) affidavit as to status of licensure from \$20.00 to \$25.00 to cover increased processing, printing, and mailing costs. These fees have not increased since 1995. The subcommittee accepted the recommended changes.

Department of Administration (3 Items)

Review of Land Transactions Exceeding \$25,000 in Value (G.S. 143-341(4) g;
146-22, -27, -29.1, -30, -74)

Tommy E. Cline
State Property Office
Manager of General Real Estate

Committee Findings: The Committee accepted the Department's consultation on four (4) allocations and one (1) disposition by deed. The Department also accepted the Department's report on twenty (20) acquisitions by deed. The consultations and reports covered items submitted for September 2005 and October 2005. The full reports will be reported to the Full Commission.

Housing Finance Agency (HFA) – (2 Items)

Semi-Annual Report on Agency Activities (G.S. 122A-16)

Committee Findings: During the period of July 1, 2004 through June 30, 2005, the Agency provided \$344 million in financing and tax credits to support real estate development, thereby producing housing for 5,091 North Carolina households. The Agency also administered \$104 million in federal rental assistance that provided housing for 24,320 tenant households. The Agency is self-supporting, and reported actual annual expenses of \$9.05 million for the 105 authorized staff and operations. The Agency highlighted three of its new initiatives that will help with rental housing, implementation of the General Assembly's pilot loan program, and provide low interest mortgage loans in rural communities with federal funding.

In response to committee inquiry, the Agency and the Housing Partnership, the Housing Trust Fund's oversight board, are developing an investment strategy for the non-recurring appropriation to the Housing Trust Fund for FY 2005-06. This type of funding has financed new rental unit construction and repair for special needs persons with low income, low-income persons, or the elderly. Additionally, the Agency reported that the Home Protection Pilot Program assisted 100 households through foreclosure intervention, housing counseling, and loan assistance. The loan funds will be recycled as they are repaid, but the loan fund will not be self-sufficient for several years. The committee accepted the report.

Request to Establish Receipt-Supported Position (S.L. 2001-424, Section 32.19A)

Committee Findings: The Agency requested the establishment of a Program Compliance Officer position for its Urgent Repair and Single-Family Rehabilitation Programs and a Programmer/Analyst position to help rewrite the Agency's business applications and consolidate its electronic and manual spreadsheets that track its federal and state funding. These positions have a total salary and benefit cost of \$39,573 and \$51,206 respectively and will be funded from the Agency's operating receipts. The Committee accepted the consultation on the establishment of the two receipt-supported positions.

Robert Kucab
Executive Director

UNC and Office of State Budget and Management (2 Items)

Proposed Allocations from the 2004 Reserve for Repairs and Renovations for University and Non-University Agencies per G.S.143-15.3A (S.L. 2004-124, Sec. 32.3)

Jeff Davies
Vice President for Finance
UNC

Jim Lora
Asst. State Budget Officer for Capital
OSBM

Committee Findings:

University R&R - Jeff Davies, Vice President for Finance and Chief Financial Officer of the UNC System, presented the UNC Board of Governors' allocation of \$57.5 million of Repair and Renovations (R&R) funds. Mr. Davies thanked the General Assembly for the R&R funds, but explained that the UNC six-year capital plan list \$750 million in repair and renovation needs. R&R funds are distributed to the campuses based on a formula that considers building condition (60%), building mission (20%), and building size (20%). Campuses are given specific guidelines on the types of projects that can be funded with R&R money. The largest categories of projects funded in 2005 are electrical, plumbing, HVAC (34%), utilities, roads, walks & drives (19%), and roof repairs and replacements (14%). Funds are also given to UNC affiliated institutions like the North Carolina Arboretum, UNC Center for Public Television, the North Carolina School of Science and Math, and the North Carolina State Educational Assistance Authority.

Non-University R&R - The Committee accepted the Office of State Budget and Management's consultation on its proposed allocation of the share of the 2005 Reserve for Repairs and Renovations that was allocated for non-university projects. The total allocated to the 2005 Reserve was \$125 million. State Budget received requests totaling \$327.6 million from State agencies. State Budget, together with the Office of State Construction, employed a multi-step process to select the non-university repair and renovation projects, which resulted in a recommended to fund 126 projects totaling \$67.5 million. The full report will be presented to the Full Commission.

The full reports will be presented to the Full Commission.

Office of State Budget and Management (3 Items)

Consultation Prior to the Establishment of Capital Improvement Projects Funded from Non-General Fund Sources (G.S. 120-76(8)(e))

Committee Findings: The Committee accepted the Office of State Budget and Management's consultation on seven (7) capital improvement projects funded from non-general fund sources. The total of the projects is \$5,979,134. The projects are at the Department of Agriculture and Consumers Services, the Department of Justice, North Carolina State University, and the University of North Carolina campuses at Greensboro, Charlotte, and Chapel Hill. The projects will be funded from gifts/trust funds, State Fair receipts, overhead receipts, federal grants, insurance proceeds, dining receipts, and parking receipts. The full report will be presented to the Full Commission.

Report on Budget Revisions to Capital Projects (2003-284, Sec. 31.7)

Committee Findings: The Committee accepted the Office of State Budget and Management's report on budget revisions to capital projects. There were 63 budget revisions that involved transfers of funds between the 2000 Higher Education Bond projects and increases of funding from various sources, including overhead receipts, housing receipts, parking receipts, dining receipts, trust funds, and federal grants.

Report on Repairs and Renovations Authorized in the State Capital Facilities Finance Act for University and Non-University Projects (G.S. 142-84(h) and G.S. 143-15.3A(c))

Committee Action: The Committee accepted the Office of State Budget and Management's report on requested changes to the projects that had been selected for funding from the special indebtedness that the 2003 General Assembly authorized for the repair and renovation of State facilities. The requested changes are

for projects at the Department of Agriculture and Consumer Services and the Department of Juvenile Justice and Delinquency Prevention. The full report will be presented to the Full Commission.

Jim Lora
Asst. State Budget Officer for Capital

Teachers' and State Employees' Comprehensive Major Medical Plan

Plan's Intent to Enter Negotiations to Extend the Current Claims Processing Contract after Consultation with the Joint Legislative Committee on Governmental Operations (S.L. 2005-276, Section 29.33(d))

Committee Findings: The Executive Administrator for the Plan, Mr. George Stokes, indicated that the Plan was going to negotiate up to a 3-year extension of the plan's Claims Processing Contract with Blue Cross Blue Shield of North Carolina. Mr. Stokes said the Plan wished to extend the current contract, which ends in June 2007, to avoid tying up staff resources with a 24 to 25 month request for proposal process. Mr. Stokes told the committee that the current vendor would provide services in the \$8 dollar per member per month range versus \$16 to \$25 per member per month by other companies that offer similar services. Mr. Stokes said that having his staff put their time to the Plan's other priorities would be far more effective and efficient for the Plan. Mr. Stokes noted the Plan's main priorities include developing an optional program of health benefits under a preferred provider network, implementing integrated health management programs for plan members, and collecting Medicare Part D subsidies for maintaining prescription drug benefit coverage for Medicare eligible retired employees under the Plan. The subcommittee concurred with Mr. Stokes' intent to extend the contract after discussing the merits of pursuing the normal request for proposal process. This item is to be presented to the full commission by Mr. Stokes.

Plan's Intent to Reclassify Certain Receipt-supported Positions after Consultation with the Joint Legislative Committee on Governmental Operations (S.L. 2005-276, Section 6.5)

Committee Findings: The Executive Administrator for the Plan, Mr. George Stokes, informed the subcommittee of his intent to reclassify nine positions budgeted under the Plan to higher salary levels, and to change the duties of these positions to meet higher-level demands and responsibilities. The proposed reclassifications include creating a Medical Director, Financial Controller, Financial Analyst, Integrated Health Management Director, Director of Contract Compliance, Director of Support Services, Director of Customer Relations, Director of Special Projects, and an Integrated Health Management Tech. The overall total increase in salary requirements is \$394, 711 not including additional employer contributions for social security and retirement. Mr. Stokes said that the Plan would garner a savings of \$250,000 by not further paying the Claims Processing Contractor for the Plan to provide the services of a medical director. The balance of funding required would come from current Plan receipts. The subcommittee concurred in Mr. Stokes recommendations, but did emphasize the need to put qualified employees in these positions and not current employees if they are not qualified as such.

George C. Stokes
Executive Administrator

***Justice
and
Public Safety
Subcommittee***

**REPORT OF THE
JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE ON
JUSTICE AND PUBLIC SAFETY MEETING**

Tuesday, October 25, 2005

The Justice & Public Safety Subcommittee heard and accepted the following:

Department of Crime Control and Public Safety

- **Request to Establish Receipt-Supported Positions:** The Department consulted with the subcommittee on a request to establish 17 positions within the National Guard and State Highway Patrol Divisions:
 - The National Guard requested one (1) Resource Advisor (PG 71) position to be responsible for budget execution duties for the NC Air National Guard. The position will be 100 percent federally funded.
 - The State Highway Patrol requested two (2) Computer Support Technician II (PG 63) positions to be responsible for all hardware and software upgrades to the Motor Carrier Safety database. The positions will be funded with 80 percent federal funds and 20% state highway funds.
 - The State Highway Patrol requested 14 Trooper (PG 68) positions to enforce highway safety programs for commercial motor vehicles and drivers. The positions will be funded with 80 percent federal funds and 20% state highway funds.

The Subcommittee accepted the report and recommended transmittal to full Governmental Operations.

- **Federal Seized/Forfeited Asset Request:** The Alcohol Law Enforcement Division consulted with the Subcommittee on the use of \$615,092 in federal seized and forfeited asset receipts to purchase 800 Mhz radios, vehicle communication radios, rifles, field coats, raid jackets, and ballistic vests. The Subcommittee accepted the report and recommended transmittal to full Governmental Operations

Department of Justice

- **Report on Lawsuits and Settlements:** The Department reported that the state would receive \$133,045 as its portion of *cy pres* funds from the Bristol-Meyers Squibb Taxol settlement to be distributed in accordance with the court-approved terms of the Consumer Distribution Plan. The order directed the distribution of any residual funds remaining after distribution to consumers to revert to the states to employ a *cy pres* distribution with the express condition that the funds be used to benefit cancer victims or their families. The Subcommittee accepted the report.
- **Request to Establish Receipt-Supported Positions:** The Subcommittee considered a request to establish a receipt-supported Attorney III (PG85) position to provide legal services to the DHHS Division of Medical Assistance. The position will be 100 percent supported with federal Medicaid and DHHS state appropriated funds. This request was accepted and transmitted to full Governmental Operations.

- **Status Report on SBI Lab Expansion Project and Consultation on Use of Seized/Forfeited Assets:** The 2004 budget bill authorized the SBI to use up to \$4.5 million in unspent/unencumbered capital funds to construct an addition to the SBI laboratory. Robin Pendergraft, SBI Director, provided a status report on the activities to-date. Approximately \$250,000 has been spent for planning and design activities, including the architectural drawings. In October 2005, the Engineered Construction Company submitted the lowest bid of approximately \$5.1 million for construction. The SBI submitted a request to use up to \$850,000 in federal seized and forfeited asset receipts to make up the shortfall for this project. The Subcommittee accepted the report and recommended transmittal to full Governmental Operations.

Judicial Department

- **Request to Establish Receipt-Supported Positions:** The Administrative Office of the Courts requested authorization to establish 37.75 receipt-supported positions. Most of these positions are to be funded through local governments to provide additional resources in clerks and prosecutors offices; the rest are federally funded through the Governor's Crime Commission and Governor's Highway Safety Program. The request was accepted and transmitted to full Governmental Operations.
- **Consultation on Grant Matching Funds:** The Administrative Office of the Courts is required to consult with the Justice and Public Safety Subcommittee of the Governmental Operations Committee on the use of available funds to match federal grants. Senate Bill 622 allowed AOC to use up to \$1.25 million to match grants. AOC requested approval to use \$768,000 to obtain \$3.6 million in grants. The Subcommittee accepted this request and recommended transmittal to full Governmental Operations.
- **AOC Technology Fund Report:** The Administrative Office of the Courts reports biannually on the collections in the Court Information Technology Fee Fund, and its use of those funds. During the period from February to July 2005, the fund collected \$1.27 million. These funds were used to continue funding two positions in the Technology Services Division and to implement AOC's equipment and technology replacement schedule. The Subcommittee received this report.
- **Report on Substance Abuse Monitoring System:** Gregg Stahl, Deputy Director of the AOC, discussed implementation issues associated with SCRAM, a private vendor providing alcohol monitoring services to offenders on a client-pay basis. SB 622, section 17.29, mandated that a defendant shall not pay the cost of any substance abuse monitoring program, or any other special condition of probation, in lieu of or prior to other payments required for probationers such as court costs and child support. AOC reported on problems with properly defining the programs' purpose given there is no statutory authority or reference to this program. Thus it is not clear whether SCRAM's purpose is treatment or control, and as such the role of SCRAM staff vs. probation officers is not clear with regard to responding to violations. The Committee also discussed the cost of the program and whether this could affect payment of other probation fees and costs. Following discussion, the Subcommittee accepted the report and recommended that

the Joint Justice and Public Safety Appropriations Subcommittee study the issue during the 2006 short session and make appropriate recommendations.

Department of Correction

- **Jail Backlog Quarterly Report:** The Department of Correction reported that the department paid out \$419,480 to counties that were holding DOC inmates until a prison bed was available. The backlog was driven by the ongoing growth in the prison population and a temporary statewide travel freeze that delayed transfer of some offenders. The Subcommittee received this report. The Subcommittee also discussed the fact that the prison population is continuing to grow and that various options for adding bed capacity or decreasing population will need to be considered in the 2006 short session.
- **Consultation on Grant Matching Funds:** The Department of Correction reported that it plans to use \$16,667 in lapsed salaries as a 25 per cent grant match. The grant is a supplemental award to continue the specialized gang control program at Foothills Correctional Center. DOC is authorized to use up to \$750,000 in available funds for grant matching; acceptance of this request brings the total used to date to \$190,998.

***Transportation/Natural
and Economic Resources
Subcommittee***

Transportation/Natural and Economic Resources Governmental Operations Subcommittee Report – October 25, 2005

Senator David Hoyle was the Chairman for the meeting. The Transportation/NER Subcommittee heard two agenda items.

General Assembly Oversight of Agency Fees (G.S. 12-3.1)

Tom Reeder, Supervisor of the Wetlands and Stormwater Branch of the Division of Water Quality within the Department of Environment and Natural Resources (DENR) presented increases in nutrient offset payment fees for the Neuse and Tar-Pamlico River Basins. The increase in fees will generate approximately \$7.9 million annually. The nitrogen offset fee was last increased in March 1998; the phosphorous offset fee is new.

David Griffin, DENR's Aquariums Director, presented an increase in the admission fee schedule. These increases are expected to generate an additional \$560,000 each year. Aquarium admission fees were last increased in March 2004.

Becky Brown, Budget Officer for the Department of Labor, presented an increase in boiler and pressure vessel fees. The Boiler Safety Bureau is fully supported by these inspection fees. The fees were last increased in March 1997.

The Subcommittee recommended a favorable report on these fee increases to the Full Commission.

New Receipt-Supported Positions/Consultation Requirement (G.S. 143-34.1)

The departments reported on their proposed receipt-supported positions in the following divisions:

Department of Agriculture and Consumer Services – Total of 5 positions.

Veterinary Division – 4
Agricultural Statistics – 1

Department of Environmental and Natural Resources – Total of 5 positions.

Division of Water Quality – 2
Division of Waste Management – 1
Zoo – 2

Department of Labor– Total of 3 positions.

Elevator and Amusement Device Bureau – 1
Apprenticeship Bureau – 2

The Subcommittee recommended a favorable report on these receipt-supported positions to the Full Commission.

***Education/Health
and
Human Services
Subcommittee***

JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE

Education/Health and Human Services

October 25, 2005 Subcommittee Report

Representative Nye called the meeting to order. Four items were presented to the Joint Subcommittee on Education/Health and Human Services.

1. Proposed Funding Reduction for Local Management Entities

Allyn Guffey, Acting Assistant Secretary for Finance and Business Operations for the Department of Health and Human Services discussed the status of the proposed funding reduction for Local Management Entities. This item will be presented on October 25, 2005 to the Joint Legislative Commission on Governmental Operations.

2. 2006 Mental Health Trust Fund Utilization Plan

Spencer Clark of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services presented the plan to the Subcommittee. The planned expenditures for FY2005-2006 include approximately 50% of the funds for community capacity associated with crisis services, children's services, and downsizing of state facilities and approximately 30% of the funds will be spent on capital projects for Alcohol and Drug Abuse Treatment Centers (ADATC) and the new regional psychiatric hospital in Butner. The remaining funds will be used for LME System transition for provider organizations, training and planning, and housing initiatives. This plan is being presented to the Full Commission through this subcommittee report in accordance with the consultation requirement before the expenditure of funds from the Trust Fund.

3. DHHS Services Receipt-Support/Other Positions

The Department of Health and Human Services submitted a plan to create 2 *receipt-supported* positions in the Division of Public Health and 10 *receipt-supported* positions in the Division of Services for the Deaf and Hard of Hearing. The total requirements for the 12 positions within the Department will be \$552,076.

The positions within the Division of Public Health include:

- Habilitation Specialist III for the Neonatal Intervention Project (Salary Grade 68, Effective date 9/1/05).
Fully funded through a grant from Buncombe County Smart Start.
- Public Health Program Consultant II for the Newborn Hearing and Screening Program. (Salary Grade 70, Effective 7/1/05)
Fully funded through federal grant funds.

The positions within the Division of Services for the Deaf and Hard of Hearing are for the Telecommunications Access of NC (TANC) program and include:

- Interpreter for the Deaf I (Salary Grade 64, Effective date 1/1/06)
- Two Program Assistant Vs, (Salary Grade 61, Effective 1/1/06)
- Seven Community Services Consultants, (Salary Grade 66, Effective Date 1/1/06)

Fully funded through the Telecommunications Relay System Revenue. Fiscal Research has verified that there is adequate revenue to cover the ten additional positions.

These positions are being presented to the Full Commission through this subcommittee report in accordance with the consultation requirement before the establishment of these positions.

4. Department of Public Instruction – Receipt-Supported Positions

The Department of Public Instruction submitted a plan to create thirteen federal receipt-supported positions, ten of which will perform services that are currently provided through vendor contracts. This conversion of contract positions to receipt-supported agency positions will increase cost efficiency. The other three positions will deal primarily with ensuring that North Carolina is in compliance with the usage and reporting requirements of federal grant programs, such as Titles I and II (No Child Left Behind), and Carl Perkins/Career Technical Education funds. Total requirements for the thirteen positions within the Department will be \$1,171,187.

These positions are being presented to the Full Commission through this subcommittee report in accordance with the consultation requirement before the establishment of these positions.