

Joint Legislative Commission on Governmental Operations

Subcommittee Reports



February 22, 2006

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

REPORT

Statewide/Capital/General Government
Subcommittee
February 21, 2006

Chairman: Representative Thomas Wright

Requests to Increase Fees per S.L. 2005-276, Section 6.8(b)
NC Board of Cosmetic Art Examiners – (1 Item)

Stefanie Shore
Enforcement Officer

Committee Findings: The Board's proposal establishes a fee of \$100 that will be collected from individuals who are found guilty through a disciplinary hearing procedure. This cost will be in addition to the civil penalty that is assessed. Per G.S. 88B-29d, in disciplinary proceedings the Board is granted authority to charge costs, including reasonable attorneys' fees, to the licensee against whom the proceedings were brought. Hearings are held quarterly with an average of 40 cases per hearing. The cost of each hearing varies, but in the last year the Board paid \$15,470 for retainer and attendance of an attorney at disciplinary hearings, as well as administrative expenses related to the hearings. Based upon the average number of penalties upheld last year, the fiscal impact would be \$9,600. However, if the amount of the penalty is changed, at the Board's discretion, a fee would not apply. The Board is to submit a revised fiscal note to reflect the correct annual cost to be generated from the \$100 fee.

NC Board of Pharmacy – (1 Item)

M. Denise Stanford
Board Counsel

Committee Findings: The rule change proposed by the Board would clarify that registration of a pharmacy technician expired more than 60 days must be reinstated, and allows the Board to charge the maximum amount for reinstatement and registration fees for a pharmacy technician. The current fee to register after the 60 day grace period is \$25.00 for registration and an \$11.00 late fee. G.S. 90-85.24 was amended, effective October 1, 2005, to allow the Board to charge \$30.00 for both annual registration and reinstatement of registration of a pharmacy technician. The increase will cover the Board's costs in processing the expired reinstatement and registration of pharmacy technicians, regulating pharmacy technicians, and investigating and prosecuting these violations.

NC State Board of Dental Examiners – (1 Item)

M. Denise Stanford
Board Counsel

Committee Findings: The Board proposes to set separate fees for application for dental hygiene licensure and application to take the Board examination. The Committee advised the Board that it was withdrawing the request pending action by the Board on the proposed rule. The Board may bring the item back to the Committee at its April meeting.

Department of Administration - (2 Items)

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

Barbara Williams
Classification Analyst

Committee Findings: The Department consulted on the establishment of one (1) Housing Inspector position for the Commission of Indian Affairs. This position will review housing applications, determine eligibility, issue housing vouchers, inspect housing, perform annual re-certification of housing participants, and initiate paperwork for lease agreements for each housing participant. The position will be funded with Section 8 Program funding from the US Department of Housing and Urban Development.

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

Joe Henderson
State Property Officer

Committee Findings: The Committee accepted the Department's consultation on three (3) allocations, three (3) dispositions by deed, three (3) dispositions by lease, and one (1) other matter. The Committee also accepted the Department's report on twenty-six (26) acquisitions by deed. Of the dispositions by deed, the Department gave details on the disposition of the Blount Street Land as was authorized in S.L. 2003-404. There was substantial discussion about the Department's ability to provide reports on the State's real property holdings and to identify those holdings that are surplus. The full report will be reported to the Full Commission.

Housing Finance Agency (HFA) – (1 Items)

Semi-Annual Report on Agency Activities (G.S. 112A-16)

A. Robert Kucab
Executive Director

Committee Findings: For the 2005 Calendar Year, the Agency provided \$365 million in financing and tax credits to support real estate development valued at \$479 million, which produced housing for 6,283 North Carolina households. The Agency also administered \$116 million in federal rental assistance that provided housing for 23,891 households.

The Agency is self-supporting, and reported an approved budget for FY 2005-06 of \$9.7 million that supports 107 authorized staff and operations . Actual expenses for the first half of the fiscal year (July 1, 2005 – December 31, 2005) were of \$4.4 million.

Although the Agency's programs have differing eligibility standards based upon federal and State laws, the programs are helping households with incomes below 80% of the State median income, and several target households below 50%.

Department of Insurance – (1 Item)

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

Wayne Goodwin
Assistant Commissioner

Committee Findings: The Department consulted on the establishment of three (3) Building System Engineer positions. The primary purpose of the positions is to review plans for the construction of state-owned buildings and to provide building inspections. The positions will help eliminate the backlog that currently exists in reviewing plans and prevent further backlogs in reviewing plans for the Higher Education Bond projects. The positions will be funded from the State Property Insurance Fund.

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))

Jim Lora
Asst. State Budget Officer for Capital

Committee Findings: The Committee accepted the Office of State Budget and Management's consultation on six (6) capital improvement projects funded from non-general fund sources. The total of the projects is \$6,059,554. The projects are at the Department of Agriculture and Consumers Services and the University of North Carolina campuses at Greensboro, Charlotte, and Chapel Hill. The projects will be funded from trust funds, State Fair receipts, housing receipts, facilities and administrative 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)

Jim Lora
Asst. State Budget Officer for Capital

Committee Findings: The Committee accepted the Office of State Budget and Management's report on budget revisions to capital projects. There were five (5) transfers between the 2000 Higher Education Bond projects. There were eleven (11) revisions that resulted from cost increases from

receipts, which include facilities receipts and student center trust funds, housing receipts, federal funds, insurance funds, parking receipts, gifts and receipts, overhead receipts, dining and student union receipts, utilities receipts, and athletic receipts.

Consultation Prior to Allocation of Funds from the Contingency and Emergency Fund (G.S. 120-76(8)a and G.S. 143-12(b))

Jim Lora
Asst. State Budget Officer for Capital

Committee Findings: The Committee accepted the Office of State Budget and Management's consultation on two (2) requested allocations from the C&E Fund. The allocations were for the treatment of gypsy moth infestation in Burke, Henderson, and Clay counties (\$438,500) and for legal services for the case of James Alan Gell v. Town of Aulander, et al. (\$73,298). The Committee also accepted the Office's report on an allocation of \$429,040.35 to pay the Industrial Commission's award of Leo DeWitt Water's claim for compensation. Mr. Waters received a Pardon of Innocence after being incarcerated for 21 years and 165 days.

Office of State Budget and Management and Fiscal Research Division - (1 Item)
Consultation on Recommended Salary Adjustment Fund and Compression Adjustments for FY 2005-06 (s. L. 2005-276, Section 29.15)

Charles Perusse
Deputy State Budget Officer
OSBM

Marshall Barnes
Fiscal Analyst
FRD

Committee Findings: The Committee accepted the Office of State Budget and Management's report on "Recommended Salary Adjustment Fund & Compression Adjustments for FY 2005-06;" but not until after significant discussion as to whether the recommended allocations comply with the intent of the General Assembly. The Committee gave specific instructions to the Office of State Budget and Management and to the Office of State Personnel to pay close attention to the General Assembly's intent prior to recommending any future allocations of Salary Adjustment Fund moneys and to consult with the General Assembly if they feel other uses of Salary Adjustment funding is warranted.

Office of State Controller – (1 Item)
Annual Report on Agencies Accounts Receivable (G.S. 147-86.26)

Wesley Ray
Assistant State Controller

Committee Findings: In fulfilling the reporting requirements, the Office of the State Controller provided the Statewide Accounts Receivable Report for the fiscal year ended June 30, 2005. Total receivables were \$8.54 billion, which represented an increase of \$642.58 million or 8.14%, while total State revenues increased by 6.55% for the fiscal year. Total receivable write-offs for the fiscal year that ended June 30, 2005 totaled \$1.7040 billion consisting of \$139.8 million of Bad Debt write-offs, \$1.301 billion of Contractual Adjustments, and \$263.1 million of Indigent Care write-offs. Total receivable write-offs decreased by \$187.0 million over the prior fiscal year. Contractual Adjustments accounted for the largest portion of write-offs. This was the result of a decision of UNC Hospitals, including Rex Healthcare, to write-off \$1.055 billion of AR based upon Medicare and Medicaid adjustments, indigent care provider adjustments, and managed care contractual adjustments. Additionally, \$211 million associated with patient accounts at mental health institutions statewide were written-off by DHHS. Lastly, \$217 million for Medicare and Medicaid, the Workers' Compensation Program, indigent care, and bad debt were written-off by UNC at Chapel Hill for the Physicians and Associates operation and the School of Dentistry.

The report noted contributing initiatives of the Debt Setoff Collection Program, Project Collect Tax, and the Call Center administered by the Department of Revenue.

Office of State Personnel - (1 Item)

Supplemental Information on State Employees Workplace Requirements Program for Safety and Health (as related to G.S. 143-583)

Lou Kost
HR Consultant/Safety and Health Benefits
and Compensation Division

Committee Findings: The Office provided follow up information to the annual report presented in December 2005. The supplemental information provided is in response to a request to look at other state programs and develop a list of recommendations related to promoting safety and health in North Carolina state government. OSP summarized Best Practices of safety and health programs in state government for Georgia, Commonwealth of Virginia, South Carolina and Tennessee. These included Accountability, Workers' Compensation Cost Containment, and Safety Training. OSP also presented the Best Practices currently in place for NC State government. Comparing NC to the other states, several topics were identified that NC would research further to determine if implementation or expansion would be suitable.

The Office was advised to provide recommendations for the 2006 Session to improve the State's approach to safety and health.

Department of the Treasurer - (5 Items)

Report on Status of Replacement of Information Technology Systems (s. L. 2005-276, Section 27.1)

Michael Williamson
Director
Retirement Systems Division

Committee Findings: The Committee accepted the Department's report on the status of the Retirement System's ORBITS project. The project went live in January 2006. The estimated full lifecycle cost of the project (8 years following "Go Live") is \$34.5 million.

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

Pam Wortham
Deputy Treasurer for
Financial Operations

Committee Findings: The Department consulted on the establishment of one (1) Business and Technology Application Analyst position for the Unclaimed Property Division. The position will support the needs of the Division that result from the increased use of information technology within the Division. The position will be funded from Unclaimed Property Funds.

Michael Williamson
Director
Retirement Systems Division

Committee Findings: The Department consulted on the establishment of one (1) Administrative Assistant II position, three (3) Retirement Benefits Counselor positions, and five (5) Processing Assistant V positions. The positions are needed to respond to the increased demands on the Retirement Systems Division resulting from the continued increases in retirements. The position will be funded from Pension Funds.

***Justice
and
Public Safety
Subcommittee***

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

Tuesday, February 21, 2006

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

Judicial Department

Request to Establish Receipt-Supported Positions: The Subcommittee received a request to establish a Victim Witness Legal Assistant position in the Wake County District Attorney's office. The position, funded by the Governor's Crime Commission, would expand the office's Spanish language interpretation capacity.

Department of Justice

- **Report on Lawsuits and Settlements:** The Subcommittee received reports on pending cases challenging the constitutionality of a North Carolina law or seeking \$1,000,000 or more in damages (G.S. 114-2.6); settlements of litigation or potential litigation involving payment of public monies of \$75,000 or more (G.S. 114-2.4(b)); and, settlements of litigation or potential litigation that result in more than \$75,000 being paid to the State (G.S. 114-2.5).
- **Request to Establish Receipt-Supported Positions:** The Subcommittee received a request to establish a permanent, full-time receipt-supported Attorney IV position to provide primary legal counsel and advice to the NC Lottery Commission. In addition, DOJ requested to establish three (3) time-limited positions to perform various communication and coordination duties to combat terrorism, organized crime, drug-trafficking, and other related criminal activities. These positions will be supported by federal grants provided by the Department of Homeland Security and the Governor's Crime Commission.
- **Report on Background Checks Conducted for Concealed Handgun Permit Report:** The Subcommittee received the annual report from the Department of Justice on the number and cost of background checks for concealed handgun permits. The Department performed 11,478 checks, collected \$516,510 in receipts, and received and approved 476 applications for firearm safety courses.

Department of Crime Control and Public Safety

- **Request to Establish Receipt-Supported Positions:** The Subcommittee received a report from the Office of State Budget and Management and the Department regarding the 15 permanent, full-time, receipt-supported positions which were established effective January 24, 2006 without prior consultation with Gov. Ops. as required by G.S. 143-34.1(a1). The 12 Alcohol Law Enforcement (ALE) agent and 3 administrative positions will perform duties for the NC Lottery Commission. These positions will be fully funded by contract receipts from the Lottery Commission. The positions were established in January to assist the Lottery Commission in

meeting its goal to have the lottery operating by April 1, 2006. In addition, the Highway Patrol submitted a request to use its existing salary reserve to establish one (1) IT Project Manager and two (2) Office Assistant IV positions. All three positions will be full-time and permanent. The Highway Patrol's salary reserve is budgeted from Highway Fund receipts.

- **Federal Seized/Forfeited Asset Request:** The Department submitted two (2) requests to permit ALE and the Highway Patrol to use federal forfeiture receipts. ALE requested to spend \$30,000 to renovate a 53-foot trailer to be used as a mobile medical unit. The Highway Patrol requested to spend \$224,250 to purchase 375 bulletproof vests.

Department of Correction

- **Consultation on Use of Lapsed Salaries:** SB 622 allows the Department of Correction to use lapsed salaries or other available funds if expenditures for certain programs are projected to exceed the continuation budget. DOC reported that expenses for inmate medical, inmate laundry services, and data processing charges will exceed the continuation budget and that lapsed salaries and other funds will be needed to make up the difference.
 - **Inmate Medical:** DOC is projecting a \$32 million increase over the continuation budget for inmate medical costs for hospital and physician services. Costs continue to increase for a variety of reasons including growth in inmate population, particularly older inmates with chronic diseases, difficulty in negotiating more favorable contract terms with hospitals and physicians, and inadequate DOC hospitals. The committee discussed whether medical release legislation is needed and noted that a "cost containment" study is being conducted by DOC. *The study results will be reported to the 2007 General Assembly.*
 - **Inmate Clothing and laundry:** DOC reported that expenditures will exceed the continuation budget in this area by \$500,000. They intend to use lapsed salaries and other available funds.
 - **Data/Information Processing Charges:** The DOC budget for data processing and telecommunication services is \$6.8 million, while expenses are likely to be \$11.5 million. DOC intends to use lapsed salaries to cover this \$4.7 million deficit. *The Subcommittee accepted the report but requested more information on whether other agencies are experiencing substantial cost increases in these areas.*

Department of Correction: Non – Profits:

- **Annual Reports:** DOC passes through funds to three non-profits that provide services to female offenders—Harriet's House (\$275,000), Summit House (\$1,231,293 for three sites), and Women at Risk (\$275,000). DOC also contracts with a fourth non-profit, Energy Committed to Offenders, Inc., to operate a 20 bed female work release facility. Each organization gave their annual report to the Committee. It was noted that, as required by statute, the three groups that receive pass through funds have met all reporting requirements for non-profits, as outlined in new GS 143-6.2. The Committee noted the accomplishments of each organization while indicating that more consistency is needed in the reporting of recidivism rat

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

<p style="text-align: center;">Transportation/Natural and Economic Resources Governmental Operations Subcommittee Report – February 21, 2006</p>
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Senator David Hoyle was the Chairman for the meeting. The Transportation/NER Subcommittee heard the following agenda items:

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 – Total of 1 position.

Food and Drug Protection Division – 1 position:

- 1- Food Regulatory Specialist I position to be funded with federal funds from the US Food and Drug Administration. (Effective 03/01/06)

Department of Environmental and Natural Resources (DENR) – Total of 18 positions.

Division of Parks and Recreation – 6 positions

- 1- Food Services Director II position to be funded with receipts from collected revenues at The Summit Conference Center. (Effective 07/01/06)
- 1- Food Services Director I position to be funded with receipts from collected revenues at The Summit Conference Center. (Effective 07/01/06)
- 1- Housekeeper I position to be funded with receipts from collected revenues at The Summit Conference Center. (Effective 07/01/06)
- 1- Administrative Assistant III position to be funded with receipts from collected revenues at The Summit Conference Center. (Effective 07/01/06)
- 1- Interpretation and Education Specialist position to be funded with receipts from collected revenues at The Summit Conference Center. (Effective 07/01/06)
- 1- Cook II position to be funded with receipts from collected revenues at The Summit Conference Center. (Effective 07/01/06)

Division of Water Quality – 3 positions:

- 2- Environmental Specialist II positions to be funded by an annual renewal federal grant from the Environmental Protection Agency. (Effective 02/01/2006)
- 3- Environmental Specialist III positions to be funded by an annual renewal federal grant from the Environmental Protection Agency. (Effective 02/01/2006)

Division of Environmental Health – 9 positions including:

- 1- Business Analyst I position to be funded from the Drinking Water State Revolving Fund Federal Grant 2002. (Effective 02/01/2006)

- 3- Environmental Engineer I positions to be funded from the Drinking Water State Revolving Fund Federal Grant 2003. (Effective 02/01/2006)
- 1- Environmental Specialist II position to be funded from Sleep Products receipts. (Effective 07/01/2006)
- 1- Environmental Specialist II positions to be funded from an Environmental Protection Agency Radon Grant. (Effective 04/01/2006)
- 1- Office Assistant IV position to be funded from the Drinking Water State Revolving Fund Federal Grant 2002. (Effective 02/01/2006)

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

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

Charles Jones, Director of the Division of Coastal Management within DENR, presented increases in Coastal Area Management Act (CAMA) General Permit application fees. The table below summarizes the proposed fee increases. The purpose of the fee is to partially offset the administrative and personnel costs incurred by the Division for processing the applications and related compliance activities. DENR felt that the fee increases were needed to help offset reductions in State and federal resources. The fee increases will generate an additional \$336,550 annually. CAMA fees were last changed in August 2000.

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

Proposed CAMA Fee Increases and Anticipated Fiscal Impacts

Rule #	Permit Type	Current Fee	Proposed Fee	Avg. per Year*	Impact (\$)
7H.1103	GP at or above NHW/NWL	100	200	378	37,800
	GP below NHW/NWL	100	400	378	113,400
7H.1203	GP Docks, Piers, Boatlifts, Boathouses	100	200	1191	119,100
7H.1303	GP Boat Ramps	100	200	19	1,900
7H.1403	GP Wooden or Riprap Groins	100	200	12	1,200
7H.1503	GP Excavation (maint.) up to 100 cy	100	200	35	3,500
	GP Excavation (maint.) 101-1000 cy	100	400	80	24,000
7H.1603	GP Aerial & Subaqueous Lines	100	400	26	7,800
7H.1703	GP Sandbags	250	400	24	3,600
7H.1803	GP Beach Bulldozing	100	400	8	2,400
7H.1903	GP Temporary Structures	100	200	11	1,100
7H.2003	GP Reconfiguration	100	200	82	8,200
7H.2103	GP Marsh Enhancement Breakwater	100	200	3	300
7H.2203	GP Freestanding Moorings	100	200	7	700
7H.2303	GP Bridges & Culverts	100	400	26	7,800
7H.2403	GP Riprap for Wetland Protection	50	200	19	2,850
7H.2503	GP Emergency (waived by rule)	100	200	378	**0
7H.2603	GP EEP Mitigation	100	400	3	900
7H.2703	GP Riprap Sills	100	200	0	0
TOTAL				2,680	336,550

*Average per year based on number of permits issued from 2000-2004.

Third-Party Financing of Forestry Equipment Consultation Requirement

In accordance with S.L. 2005-276 Section 12.6, the Division of Forest Resources submitted its latest plan to lease purchase approximately \$6.8 million of forestry equipment over the next four years. The Subcommittee recommended a favorable report on this proposal to the Full Commission.

Mine & Quarry Division Fee Implementation Update

The Subcommittee received an update on the status of the implementation of the mine and quarry training fee established 2005. Becky Brown, Budget Officer for the Department of Labor, reported that fee receipts are much lower than anticipated and training requests are down. Consequently, Labor has eliminated three positions and shifted another position to federal support. If receipts remain low, further programs cut are likely. Fred Allen with the NC Aggregates Association also addressed the Subcommittee to express his organization's support for the services provided by the Mine and Quarry Bureau.

N.C. Ports Authority: Ports Expansion Projects:

The Subcommittee received a report from the Ports Authority on expansion projects in Wilmington, Morehead City and Southport.

New International Port: at Southport

The Council of State approved a plan for land acquisition in Southport for the new port on February 7th, 2006. The project will take 10 to 12 years to complete. The Ports Authority has estimated the total project cost to be under \$1 billion. The project financing plan includes funds from private investment with a joint venture terminal operating company and state and federal funds for dredging costs.

Wilmington Port Expansion Project:

The expansion project in Wilmington will double existing capacity and cost \$130 million. The expansion will be complete in approximately 5 years. The project includes:

- Four new 100-ft. gauge container cranes;
- New container handling equipment;
- New terminal operating system; and
- Berth, dock and paving improvements.

Morehead City Expansion Project:

Plans are currently underway to design a 177,000 square foot warehouse. A contract has been awarded for initial screening and design of a port terminal at Radio Island.

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

JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE
Education/Health and Human Services
February 21, 2006 - Subcommittee Report

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

Department of Health and Human Services

- The North Carolina Health and Wellness Trust presented their Annual Report. This included reviewing the Trust's mission and discussing the programs to which they provide grants.
- The North Carolina Office of School Readiness presented a February 1, 2006, report on the progress of the More at Four Pre-Kindergarten Program. This report was required by Session Law 2005-276, Section 10.67(d).
- The Fiscal Research Division reviewed the current status of the Department of Health and Human Services Seat Management Program and discussed its future.

NC Community College System

The NC Community College System submitted a request to change the classification of an Educational Consultant position that was created in the 2005-06 budget bill to a Workforce Development Specialist. (There was no presentation, but the committee recommended acceptance of the request.)

Department of Public Instruction

The Department of Public Instruction presented a plan to create fifteen receipt-supported positions. Seven of the positions will perform services that are currently provided through vendor contracts. This conversion of contract positions to receipt-supported agency positions will save approximately \$60,000 annually and is consistent with DPI's initiative to convert contract positions to agency positions. The other seven positions will be established to implement initiatives funded by new grants. Total requirements for the fifteen positions within the Department will be \$539,805.

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