

**Joint Legislative  
Commission  
on  
Governmental Operations  
Subcommittee Reports**



**December 12, 2007**

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

# JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE REPORT

## Statewide/Capital/General Government

### Subcommittee Report

*Tuesday, December 11, 2007*

**Chairs: Senator Linda Garrou and Representative H. M. Michaux, Presiding**

#### Requests to Increase Fees per SL 2005-276, Section 6.8(b):

1. NC Landscape Contractors' Registration Board  
Sandra Kelly  
Board Administrator
2. State Board of Examiners of Electrical Contractors  
John Fountain  
Rule-Making Coordinator
3. Perfusionist Advisory Committee  
North Carolina Medical Board  
Marcus Jimison  
Staff Attorney
4. NC Respiratory Care Board  
Floyd Boyer, Director
5. NC State Board of Dental Examiners  
Carolin Bakewell, Counsel

**Committee Action:** The Subcommittee approved fee increases for the Landscape Contractors' Registration Board, the Perfusionist Advisory Committee of the Medical Board, and the Respiratory Care Board. They also approved a fee increase for the Medical Board for Anesthesiology Assistants which was added to the agenda. No representative was present for the Board of Examiners of Electrical Contractors or the Board of Dental Examiners, so these fee increases were not approved.

#### **Required Reports**

##### Department of Revenue

6. Motor Fuels Tax Action Plan  
Julian FitzGerald  
Director, Motor Fuels Tax Division

**Committee Action:** The Subcommittee heard and accepted this annual report on the motor fuels tax collection program. A total of \$8.9 million has been collected by this program since its inception.

Department of Cultural Resources

7. Tryon Palace Special Revenue Fund  
Kay Williams  
Tryon Palace Site Manager

**Committee Action:** The Subcommittee heard and accepted this annual report on this special revenue fund.

Office of State Personnel

8. Career-Banding Implementation Report  
Lynn Freeman  
Human Resources Managing Partner

**Committee Action:** The Subcommittee heard and accepted this report on the implementation of the career banding initiative by the Office of State Personnel. The General Assembly earlier froze this initiative, and has reauthorized it with a quarterly reporting requirement. This first report shows six job areas presented to the State Personnel Commission for banding, affecting almost 2,000 positions.

Department of Administration

9. Reports on Land Transactions Exceeding \$25,000 in Value (GS 143-341(4))  
June W. Michaux  
Director  
State Property Office

**Committee Action:** The Committee accepted the Department's consultation on two (2) allocations, thirty (30) acquisitions by deed, three (3) dispositions by deed, and on two land exchanges from UNC-Charlotte to the UNC-Charlotte Foundation and between the Wildlife Resources Commission and the NC Buffalo Mountain Homeowners Association. The report will be reported to the full Governmental Operations Commission.

Secretary of State

10. Investor Protection and Education Trust Fund Report (GS 147-54.5(f))  
David Massey  
Director, Securities Division  
Secretary of State's Office

**Committee Action:** The Committee accepted the Department's report on the Investor Protection and Education Trust Fund's receipts and expenditures during FY 2006-07. The fund had a beginning balance of \$1.08 million. Deposits to the fund totaled \$729,087 and expenditures totaled \$113,466, which left a fiscal year-end balance of \$1,698,848

Office of State Budget and Management

11. Consultation on Salary Adjustment Fund

Charles Perusse

Deputy State Budget Officer

**Committee Action:** Mr. Charles Perusse asked the Committee to amend the report by deleting the last two pages entitled "Addendum." The Office of State Budget and Management and the Office of State Personnel recommended expending \$8,449,481 in FY 2007-08 (an annualized amount of \$16,898,962) to fund agency and university requests to increase salaries because of range revisions, special minimum rates, grade to band transfers, geographic site differentials and reallocations that were approved prior to July 1, 2007. The salary increases will affect some 3,150 agency and university employees. Mr. Perusse also reported that the recommendations comply with the legislative intent relative to the uses of Salary Adjustment Fund moneys and the priority given to the recommended allocations. The Committee voted to accept the amended joint report. The amended report will be presented to the Full Commission.

12. Department of Administration State Energy Office Staffing Analysis

Tom Newsome

Management Analyst

**Committee Action:** The Committee accepted the report on the staffing analysis of the State Energy Office. The report recommends that staff be redirected to focus on energy efficiency in State buildings and recommends staff receive training from UNC to conduct energy efficiency audits of State buildings. In addition, it requests that two contract positions are not renewed so that funds may be redirected to the Utility Savings Initiative.

13. Report on Budget Revisions

**Committee Action:** The Committee accepted the Office of State Budget and Management's report on budget revisions to capital projects. There were 36 budget revisions that involved cost increases from receipts to be paid from various sources, including gifts, parking receipts, auxiliary receipts, overhead receipts trust funds, and federal funds, and 89 budget revisions that involved transfers of funds between the 2000 Higher Education Bond projects. The full report will be presented to the Full Commission.

14. Report on Use of Contingency and Emergency Funds in Capital Projects

**Committee Action:** The Committee accepted the Office of State Budget and Management's report to pay \$249,551 in legal fees related to the *State of North Carolina v. Tennessee Valley Authority*; allocate up to \$250,000 to the Department of Agriculture and Consumer Services for drought response; pay a \$3,000 reward offered by the Office of the Governor to confidential informants that led to the arrest and conviction in the murder of Shaheem

Paylor; and pay a \$5,000 reward offered by the Office of the Governor to confidential informants that led to the arrest and conviction in the murder of Paul Dejaun Willoughby. The full report will be presented to the Full Commission.

#### 15. Report on Capital Projects Using Non-General Fund Revenues

**Committee Action:** The Committee accepted the Office of State Budget and Management's consultation on five (5) capital improvement projects funded from non-general fund sources. The total of the projects is \$3,468,850. Four (4) projects are located at East Carolina University and one (1) project is through the Department of Correction. The projects will be funded from housing receipts, inmate welfare receipts, and carry forward funds. The full report will be presented to the Full Commission.

#### 16. Revision to 2003 Capital Projects

Jim Lora  
Budget Analyst

**Committee Action:** The Committee accepted the Office of State Budget and Management's consultation to add one (1) capital improvement project to the \$300 million in special indebtedness authorized for repairs and renovations of State facilities in the 2003 Session. The project is phase II of a comprehensive renovation of the Court of Appeals building. The phase II is estimate to cost \$9,894,000. The full report will be presented to the Full Commission.

#### 17. Proposed Allocations from the 2006 Reserve for Repairs and Renovations for University and Non-University Agencies per G.S.143-15.3A (S.L. 2006-66, Section 23.3)

Rob Nelson  
VP for Finance  
University of North Carolina

**Committee Action:** The Committee accepted the University of North Carolina General Administration consultation to allocate \$66.7 million in repairs and renovations funds across the 17 constituent campuses. Funds are allocated according to the Allocation Model

for the Reserve for Repairs and Renovations developed by UNC-General Administration. Eligible projects are set out in G.S. 143C-4-3. The full report will be presented to the Full Commission. The general allocations are as follows:

<b>Campus/Unit</b>	<b>Allocation</b>
Appalachian State University	\$3,296,700
East Carolina University	\$6,555,400
Elizabeth City State University	\$1,606,000
Fayetteville State University	\$1,606,000
North Carolina A&T State University	\$3,038,800
<b>Campus/Unit</b>	<b>Allocation</b>
North Carolina Central University	\$2,036,700
North Carolina School of the Arts	\$1,606,000
North Carolina State University	\$13,564,500
University of North Carolina at Asheville	\$1,606,000
University of North Carolina at Chapel Hill	\$13,689,200
University of North Carolina at Charlotte	\$3,419,000
University of North Carolina at Greensboro	\$3,216,100
University of North Carolina at Pembroke	\$1,606,000
University of North Carolina at Wilmington	\$1,989,700
Western Carolina University	\$2,190,400
Winston-Salem State University	\$1,606,000
NC School of Science and Mathematics	\$1,606,000
UNC-TV	\$650,000
UNC-General Administration	\$399,500
North Carolina Arboretum	\$665,000
Highlands Biological Station	\$360,000
NC Center for the Advancement of Teaching	\$320,000
University of North Carolina Press	\$67,000

Jim Lora  
Asst. State Budget Officer

**Committee Action:** The Committee accepted the Office of State Budget and Management's consultation to allocate \$78.3 million in repairs and renovations funds across all Stat agencies, excluding the University of North Carolina System. Funds are allocated



according to funding model created by the Office of State Budget and Management. Eligible projects are set out in G.S. 143C-4-3. The full report will be presented to the Full Commission. The general allocations are as follows:

<b>Department/Agency</b>	<b>Allocation</b>
Administration	\$11,812,000
Office of State Budget and Management	\$3,552,676
Crime Control and Public Safety	\$3,078,500
NC Ports Authority	\$2,500,000
Correction	\$8,980,000
Cultural Resources	\$15,957,400
Justice	\$4,174,683
Environment and Natural Resources	\$6,036,100
Agriculture and Consumer Services	\$3,585,815
Commerce	\$835,005
Health and Human Services	\$15,509,500
Juvenile Justice and Delinquency Prevention	\$2,278,321

18. Report on State Emergency Response Account (GS 166A-6.01)

Sheryl Kelly

Assistant State Budget Officer

**Committee Action:** The Committee accepted the report on the use of \$39,404 for the Town of Spruce Pine from the State Emergency Response Account. Governor Easley declared a state disaster for the town on September 26, 2007 due to fire damage.

***Justice  
and  
Public Safety  
Subcommittee***

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

**Subcommittee Report**

*Tuesday, December 11, 2007*

**The Justice and Public Safety Subcommittee received the following reports:**

Administrative Office of the Courts (AOC)

- **Allocation of Assistant District Attorney Positions:** The Subcommittee received AOC's report on the allocation of the 30 Assistant District Attorney positions provided in the FY 2007-08 budget. The budget bill, S.L. 2007-323 included a provision, Section 14.14(b), directing AOC to report on the allocation of these positions to the various prosecutorial districts around the state.
- **State Matching Funds:** S.L. 2007-323, Sec. 14.2, authorizes AOC to use up to \$1.5 million for state matching funds needed to receive federal grants. AOC reported on the allocation of \$1,315,508 as the state matching funds for 24 federal grants totaling \$4,484,437.
- **Conversion of Contractual Positions:** S.L. 2007-393 authorizes the Director of the AOC to convert contractual positions to permanent, after consultation with the Joint Legislative Commission on Governmental Operations, when it is determined to be in the best interest of the Judicial Department. The Department is requesting to convert five (5) Guardian ad Litem (GAL) contract attorney positions into five (5) GAL staff attorney positions to serve Durham and Mecklenburg Counties.
- **Redistribution of Mediation Funding:** The Mediation Network of North Carolina reported on the redistribution of \$171,127 appropriated for dispute settlement centers that are no longer operating in four (4) counties: Johnston, McDowell, Polk, and Rutherford. The Mediation Network intends to redistribute the \$109,687 to centers in Chatham, Watauga, and Henderson Counties, which will now provide services to clients in the counties previously served by the centers that are no longer operating. The balance, \$61,440, will be distributed on a pro rata basis to the other 21 centers that are part of the Mediation Network. Subcommittee members questioned the methodology used to determine the proposed redistribution. Specifically, members had concerns about how the workloads of the individual centers were factored into the proposed reallocation formula.

*The Subcommittee took no action on the report on the redistribution of mediation funding and requested that further consideration of this topic be deferred pending the receipt of the Mediation Network's annual report due February 2008.*

The Subcommittee accepted and recommended for transmittal to full Governmental Operations the three (3) AOC reports regarding 1) the allocation of ADA positions; 2) state matching funds; and 3) the conversion of contractual positions.

Department of Correction (DOC)

- **State Matching Funds for Prisoner Reentry Project:** Correction is required by HB 1473 to report to the Joint Commission on Governmental Operations prior to using available funds to match grants. Correction reported that they have been awarded a grant from the U.S. Department of Justice to expand prison and community based offender reentry programs. The funding will target 250 high risk offenders and provide a variety of employment and training services. The federal amount is \$450,000. Correction is required to provide a grant match of \$150,000.
- **Jail Backlog Report:** Correction is required by HB 1473 to report quarterly on the expenditure of funds to reimburse counties for housing prisoners awaiting transfer to state prison. By statute, DOC is required to reimburse counties when a state inmate is ready for transfer and a prison bed is not available. HB 1473 requires DOC to pay counties at the rate of \$40 a day. Correction reported that it expended \$637,120 from July through September 2007 and projects an expenditure of \$2.6 million for FY 2007-08. The amount varies each year depending on the state's prison bed capacity.

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

Department of Crime Control and Public Safety (CCPS)

- **NC Boxing Authority Fee Proposal:** The Alcohol Law Enforcement Division (ALE) is now responsible for the regulation of mixed martial arts events (S.L. 2007-490). The authorizing legislation included a range for permit fees that event promoters will be charged per event. The Department states that it will be difficult to charge the fees as structured. The Department reported to inform the JPS Subcommittee about the Department's request for a change to the administrative code to allow the Department to simplify the permit fee structure by charging the highest fee amount (\$150) for all events. This will also help the Department to generate additional revenue to offset the operating cost of this program.
- **ALE Request to Use Forfeiture Receipts:** The Subcommittee considered a request from the Alcohol Law Enforcement Division to use Federal Forfeiture receipt funds (\$524,724) for computer, radio, office equipment and training for the Division's staff. After this expenditure, the Division's account balance will be \$2,219,345.69.
- **Highway Patrol Request to Use Forfeiture Receipts:** The Subcommittee considered a request from the State Highway Patrol to use Federal Forfeiture funds (\$428,121) to

purchase 100 portable radios and accessories. After this expenditure, the Division's account balance will be \$1,516,157.

**The Subcommittee accepted the CCPS reports and recommended transmittal to full Governmental Operations.**

Department of Justice (DOJ)

- **Report on Pending Lawsuits:** The Subcommittee received a report on cases challenging the constitutionality of state law, pending cases seeking \$1,000,000 or more in damages, and settlements of litigation or potential litigation for \$75,000 or more.
- **Report on Settlement Agreements:** The Subcommittee received a report on the settlement agreements between the State and :
  - Brunswick Cove Inc./Brunswick Cover Nursing Center \$178,594
  - Perdue Frederick/Perdue Pharma \$6.42 million
  - CD Litigation \$2.15 million
- **Requests to Use Forfeiture Receipts and Assets:** The Subcommittee considered a request from the SBI to use forfeiture receipts for training/accreditation costs and to purchase equipment such as computer software, digital cameras and telephone systems.

**The Subcommittee accepted the DOJ reports and recommended transmittal to full Governmental Operations.**

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

Joint Legislative Commission on Governmental Operations  
**Subcommittee on Transportation/Natural and Economic Resources**

**Subcommittee Report**

*Tuesday, December 11, 2007*

Rep. Bill Owens was the Chairman for the meeting. The Transportation/NER Subcommittee heard the following agenda items:

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

**1. Department of Environment and Natural Resources (DENR), Division of Marine Fisheries**

Louis Daniel, Director of the Division of Marine Fisheries, presented a new fee to help cover the administrative costs of issuing the Atlantic Ocean Striped Bass Commercial Gear Permit. The new fee will be \$10 per permit and is expected to generate approximately \$7,000 per year. About 700 fisherman involved in the ocean striped bass fishery will be effected by the fee, which will be charged beginning January 1, 2008.

**2. DENR, Division of Air Quality**

Keith Overcash, Director of the Division of Air Quality, presented proposed fee increases for Title V permits. Additional revenue generated by the increases will be used to cover costs to run the Title V program. Previous shortfalls have been funded from reserves. The Division reported that the reserves had been depleted and additional revenue was required to fund salary increases and other inflationary costs. No new positions are being added. One of the fees will also be increased by approximately 10% per year for the next four years to fund additional anticipated operating costs during that period.

After the meeting, the Department decided to wait to implement the fee until the concerns of the Governmental Operations Subcommittee on Transportation/Natural and Economic Resources had been addressed. They will report again at the next meeting of the subcommittee.

**Reports**

**1. Implementation of the Clean Water Partner's Infrastructure Grants Program**

Billy Ray Hall, President of the North Carolina Rural Economic Development Center, provided a report on the implementation of the \$100 million Water/Sewer grant program the General Assembly funded in the FY 2007-08 budget. To date, 250 notices of intent to apply for the grants have been received by the Rural Center. Final applications are due December 17, 2007. Three crises needs grants have already been made to the following entities: Tuckaseegee Water and Sewer District, Central Nash Water and Sewer District, and the Town of Siler City.

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



**JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE**  
**Education/Health and Human Services**

**Subcommittee Report**  
*Tuesday, December 11, 2007*

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

**1. Department of Public Instruction**

The Department of Public Instruction submitted a plan to create ten new State positions as permitted by S.L. 2007-323, Section 7.22. Two of the positions are IT Technology Support Analyst positions being established to provide advanced technical assistance to local education agency stakeholders. Three of the positions are System Administrator positions being established to ensure the continuity and quality of NC WISE operations. Three of the positions are Database Administrator positions being established to facilitate database productivity and security. The last two positions are for a JAVA Senior Programmer Analyst and a SAS Senior Programmer Analyst to provide custom database analysis and programming skills while solving complex customer issues.

Total requirements for the ten positions within the Department will be approximately \$1,000,000. This amount is approximately \$1.8 million less than the equivalent cost of these ten positions which are currently supported through contract work.

**This subcommittee approved a motion for a favorable report of this item.**

**2. NC Community College System Office – New CIS Positions**

The NC Community College System submitted a plan to create ten new State positions as permitted by S.L. 2007-323, Section 8.1. All ten positions are Business System Analyst IIs serving as College Information System (CIS) Subject Matter Experts, which provide user liaison, training support, and systems analysis for the college administrative information processing systems used at all 58 colleges. Focused on providing support to local colleges, these positions will be located at college campuses across the State – five in the East and five in the West – and will serve multiple colleges in their regions. These positions are part of the overall plan for providing on-going support to colleges as contracted vendor services are phased out. Total requirements for these ten positions will be approximately \$1.0 million.

**This subcommittee approved a motion for a favorable report of this item.**

**3. Department of Health and Human Services**

**A. Health and Wellness Trust Fund Annual Report 2007**

**The Subcommittee received the Health and Wellness Trust Fund (HWTF) Annual Report. This report was presented to the Full Commission through this subcommittee report in accordance with the annual report requirement.**

Ms. Vandana Shah, Executive Director, HWTF presented an overview of the Commission's activities, including:

- NCRx, offering eligible low-income seniors financial assistance to pay for their Medicare Part D prescription drug benefit;
- Medication Assistance Program, assisting low-income persons with public or private health insurance to obtain prescription drugs through a variety of programs offered by pharmaceutical companies;
- Tobacco-use prevention programs, focusing on adolescents, teens, and young adults;
- Fit Community Programs, seeking to increase physical activity and reduce obesity in the schools, workplace, and community; and
- Eliminating Health Disparities programs, seeking to reduce the incidence of chronic disease among minority populations in the state.

As of June 30, 2007, the HWTF had a balance of \$46.9 million in the fund. The balance is expected to decline to \$15.8 million by June 30, 2009 and \$9.2 million by June 30, 2010. The decline in available funds is due to the increased amount of funds devoted to paying the debt service on the bonds. These bonds are for the construction of the health-related facilities at several colleges and universities in the State.

**B. NC Health Choice**

Dr. William Lawrence, Acting Director of the Division of Medical Assistance, and Mona Moon, Deputy Director of Research and Planning at the Division of Medical Assistance, outlined issues concerning the federal reauthorization of the State Children's Health Insurance Program (NC Health Choice) and the NC Kids' Care expansion proposal.

SCHIP was authorized by Congress in 1997 to address the growing number of children without access to health insurance. It is distributed as a block grant to each state to design and implement state-specific program to provide access to health insurance for children in low income families.

The NC Health Choice program provides access to health insurance for families with children between 6-18 years of age in families with annual incomes of between 100-200 percent of the federal poverty level (FPL). Approximately 124,000 children are enrolled in NC Health Choice.

Federal funding authorization for SCHIP expired September 30, 2007. If SCHIP is not reauthorized and continues to operate under a continuing resolution (CR), North Carolina will incur a shortfall of approximately \$36.8 million to \$42.8 million in federal funding for its NC Health Choice program as of July 1, 2008.

The Division of Medical Assistance is considering several options, including:

- Waiting for Congress to act;
- Reducing the number of covered eligibles;
- Reducing provider payment rates;
- Continuing coverage with State funds; and
- Shifting SCHIP eligibles to Medicaid.

Currently, the Division considers waiting for Congress to act the best option.

On January 1, 2008, DHHS is to submit an interim report on its proposal to implement the NC Kids' Program (S.L. 2007- 323, Section 10.48). Expanding access to health insurance for children between 200 and 300 percent FPL through NC Kids' Care, while facing possible reductions in payment rates or enrollment for children under NC Health Choice, is a challenge. The Division plans to:

- Continue to monitor SCHIP reauthorization legislation,
- Revisit expanding access through a Medicaid waiver, and
- Consult with stakeholders about possible alternatives.