

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



**February 6, 2008**

## Table of Contents

	<b><u>Page</u></b>
Statewide/Capital/General Government Subcommittee.....	1
Justice and Public Safety Subcommittee.....	4
Transportation/Natural and Economic Resources Subcommittee....	6
Education/Health and Human Services Subcommittee.....	7

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

**JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE REPORT**  
**Statewide/Capital/General Government**  
*February 6, 2008*

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

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

1. State Board of Examiners of Electrical Contractors  
John Fountain  
Rule-Making Coordinator
2. NC State Board of Dental Examiners  
Bobby White, Chief Operating Officer
3. NC Medical Board  
Katherine Carpenter, Counsel

**Committee Action:** The Subcommittee approved fee increases for the Electrical Contractors' Board and the Dental Examiners' Board, and accepted a reactivation fee for the Medical Board.

General Fund Revenue Outlook

4. State Economic Outlook Fiscal Year 2008-09  
Barry Boardman  
Economist  
Fiscal Research Division

**Committee Action:** A presentation on the State's economic outlook for the next fiscal year was heard by the Subcommittee. Through December, tax collections are 1.4%, or \$125 million, above expectations. The presentation will be heard by the Full Committee tomorrow.

**Required Reports**

NC Housing Finance Agency

4. Housing Finance Agency Report  
Robert Kucab  
Executive Director

**Committee Action:** The Subcommittee heard and accepted this annual report on the financial conditions of the Housing Finance Agency. The Agency's FY 2008 budget of \$11,882,462 includes \$5.3 million for staff and operations. During 2007, the Agency provided \$557 million in financing for affordable housing and administered \$121 million in federal rental assistance.

Department of Administration

5. 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, sixteen (16) acquisitions by deed, one (1) disposition by deed, and three (3) dispositions by lease. The report will be reported to the full Governmental Operations Commission.

Office of State Personnel

6. Equal Employment Opportunity Institute  
Bobbi Wardlaw-Brown  
Human Resource Partner

**Committee Action:** The presenter did not attend the meeting. The item will be rescheduled for the April Government Operations meeting.

Office of State Budget and Management

7. Report on Budget Revisions

**Committee Action:** The Committee accepted the Office of State Budget and Management's (OSBM) report on budget revisions to capital projects. There were six (6) budget revisions that involved cost increases from receipts to be paid from various sources, including facility and auxiliary receipts, utility receipts, institutional trust funds, and grants. There were ten (10) budget revisions that involved transfers of funds between the 2000 Higher Education Bond projects. The full report will be presented to the Full Commission. The report also includes the emergency repairs for the heating system at Baynes Hall on the North Carolina Central University Campus funded through lapse salaries and available operating funds.

8. Report on Use of Contingency and Emergency Funds

**Committee Action:** The Committee accepted OSBM's report to allocate up to \$3,500,000 to the Department of Agriculture and Consumer Services for two drought response programs. OSBM also reported the payment of \$368,493.14 to Dwayne Allen Dail for his pardon of innocence after being incarcerated for 6,725 days. The full report will be presented to the Full Commission.

9. Report on Capital Projects Using Non-General Fund Revenues

**Committee Action:** 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 \$6,192,000. Projects are located at the following campuses East Carolina University, North Carolina State University, the University of North Carolina at Chapel Hill, and the University of North Carolina at Greensboro, the University of North Carolina at Charlotte, and the North Carolina Central University. The projects will be funded from housing receipts, student health receipts, energy service receipts, facility fees, and federal grant funds. The full report will be presented to the Full Commission.

10. Reporting Transfers from the Project Reserve Account  
Jim Lora  
Assistant State Budget Officer

**Committee Action:** The Committee accepted the Office of State Budget and Management's report to transfer \$821,903 from the project reserve account to complete the Department of Correction's 40-cell Segregation Facilities in Orange and Caldwell Correctional Centers. The original project included federal grant funds that have been terminated. The full report will be presented to the Full Commission.

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

David Brown

Assistant State Budget Officer

**Committee Action:** The Committee accepted the Office of State Budget and Management's consultation on the use of \$54,135 from the State Emergency Response Account for windstorm damage in the towns of Tryon and Taylorsville on April 15-16, 2007. The Governor declared a State disaster for the two towns on November 26, 2007.

***Justice  
and  
Public Safety  
Subcommittee***

# JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE REPORT

## Justice and Public Safety

*February 6, 2008*

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

### Administrative Office of the Courts (AOC)

- **Report on Court System Performance Measures:** As required by S.L. 2007-323, Section 14.18, AOC provided an interim status report on the development of a system to measure the impact of the funding provided to the court system for the 2007-09 biennium. To fulfill these requirements, AOC will enhance the existing web-based performance measurement system for caseload management and assessing court operations. In addition, AOC has contracted with the National Center for State Courts to provide technical assistance on workload formulas and the performance measurement system. The final report on AOC's planned implementation of the court performance measurement system is due May 1, 2008.
- **Request to Convert 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 three (3) Guardian ad Litem (GAL) contract attorney positions into GAL staff attorney positions to serve Guilford, New Hanover, and Wake Counties.
- **State Matching Funds for Federal Grant:** S.L. 2007-323, Section 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 \$60,517 as the state matching funds for federal grants awarded to AOC and to the District Attorneys' Conference.
- **Mediation Network of North Carolina:** The Mediation Network of North Carolina (MNNC) provided an overview of its annual legislative report for the FY 2006-07 fiscal year. As requested by the Subcommittee at the December 2007 meeting, the report included statistics and caseload data for the 24 dispute settlement centers that receive General Fund appropriations.

In addition, the Network presented its proposal to reallocate \$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 reallocate \$67,319 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, \$103,808, would be distributed on a pro rata basis to the other 21 centers that are part of the Mediation Network.

Subcommittee members questioned 1) if AOC has the statutory authority to reallocate funds that the legislature appropriated for the centers that are no longer operating and 2) the rationale for reallocating the \$103,808 to centers which would not be assuming additional caseload. After some discussion, the Subcommittee recessed to allow the legislative and Governor's staff to consult on these issues. Mr. Lynn Muchmore, the Fiscal Research



Division Director, advised the Subcommittee that the State Budget Act, Section 143C-6-4(b)(1), authorizes the Governor, as Director of the Budget, to reallocate appropriations within fund codes and that there is no consultation requirement with the Governmental Operations Commission to do so. *The Subcommittee referred the MNNC's reallocation proposal to the Governor's Budget Office for action.*

**The Subcommittee accepted and recommended for transmittal to full Governmental Operations the four (4) reports regarding the 1) court system performance measurement system; 2) state matching funds; 3) conversion of contractual positions; and, 4) the MNNC annual report.**

Department of Crime Control and Public Safety (CCPS)

- **ALE Request to Use Forfeiture Receipts:** The Subcommittee considered a request from the Alcohol Law Enforcement Division (ALE) to use Federal Forfeiture receipt funds (\$453,864.47) to purchase equipment (digital audio/video recorders, binoculars, GPS surveillance systems, etc.). After this expenditure, the Division's account balance will be \$1,765,481.22.
- **Highway Patrol Request to Use Forfeiture Receipts:** The Subcommittee considered a request from the State Highway Patrol to use Federal Forfeiture funds (\$329,484) to purchase 250 tasers, accessories and warranties. After this expenditure, the Division's account balance will be \$1,516,157.
- **Budget Deviation Request (G.S. 143C 6-4):** The Department reported on a deviation request that would allow the Department to adjust its certified budget by increasing expenditures by \$80,481,622. The adjustment is mostly associated with higher than expected federal grant receipts and a transfer of domestic violence grant funds from the NC Department of Administration.

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

Department of Justice (DOJ)

- **Report on Settlement Agreements (G.S. 114-2.5):** The Subcommittee received a report on a settlement agreement between the State and :
  - Medicis Pharmaceutical Corporation                      \$687,825.11The amount received by the State is only a portion of the total amount awarded (\$9.8 million) in a multi-state suit settlement.
- **Reports on the Use Forfeiture and Asset Receipts:** The Subcommittee received two reports from the Department on the use of seized and forfeited assets. The first report was a request from the SBI to use federal forfeiture receipt funds (\$664,806.32) to pay for equipment and other program expenses. After this expenditure, the Division's account balance will be \$186,262.64. The second report covered the SBI receiving a 2002 sport utility vehicle (SUV) from the US Department of Justice. The SUV will be used for undercover investigations.

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

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

**JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE REPORT**  
**Transportation/Natural and Economic Resources**  
*February 6, 2008*

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. Overview of Division of Air Quality, Fiscal Research Division**

Kristin Walker, Fiscal Analyst for the Fiscal Research Division, presented an overview of the Division of Air Quality. In the overview she presented the funding history and projections from FY 2004-09, prior budget actions from FY 2002-08, and discussed the Division's mission and programs.

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

Keith Overcash, Director of the Division of Air Quality, presented proposed fee increases for Title V permits and responded to questions raised by the sub-committee during the December meeting. 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.

**Reports**

**1. Department of Commerce, One North Carolina Fund, Industrial Development Fund, and Utility and Clean Water Utility Grants.**

Stewart Dickinson, Director, Commerce Finance Center presented reports for the One North Carolina Fund, the Industrial Development Fund, and Utility and Clean Water Utility Grants. Twenty-eight grants totaling \$3,111,000 have been awarded from One North Carolina since June. Four grants totaling \$992,134 have been awarded from the Industrial Development Fund, and eight grants totaling \$2.5 million dollars have been awarded from the Utility and Clean Water Utility Funds.

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

**JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE REPORT**  
**Education/Health and Human Services**  
*February 6, 2008*

Senator Swindell called the meeting to order. Three items were presented to the Joint Subcommittee on Education/Health and Human Services.

**1. Department of Public Instruction**

Peter Asmar, Associate Superintendent for Instructional Technology Services, with the Department of Public Instruction resubmitted six positions previously approved at the December 5, 2007 meeting that are part of a plan to create ten new State positions as permitted by S.L. 2007-323, Section 7.22. These six positions were resubmitted with revised salary estimates (\$5,000 higher for each position) that were still within the approved salary range. The six positions are:

- Three System Administrator positions being established to ensure the continuity and quality of NC WISE operations.
- Three Database Administrator positions being established to facilitate database productivity and security.

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

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

**A. Community Support Services**

Andrea Poole of the Fiscal Research Division presented a brief overview of the Community Support Services program, a service for individuals with mental health or substance abuse diagnoses.

Secretary Dempsey Benton of the Department of Health and Human Services then presented a report on the Medicaid program budget and expenditures, focusing on the Community Support Services program and program adjustments being implemented to address expenditure levels.

Overall Medicaid program expenditures through December 31, 2007 were at 47.97% of the budget; but the program area that includes Community Support Services had expenditures at 61.55% of the budget. The Department projects that this service will be approximately \$58.7 million above State budget allocations for FY 2007-08.

**B. Psychiatric Hospitals and Crisis Services**

Secretary Benton presented on the status of the State's four psychiatric hospitals. Broughton Hospital, in Morganton, had Centers for Medicare and Medicaid certification terminated in August 2007. The hospital is in the process of correcting deficiencies in order to reapply for certification. Secretary Benton also discussed Department actions to address psychiatric hospital and crisis services issues, including delaying the closure of Dorothea Dix and Umstead Hospitals for 60 days and convening three external work groups.