

# **Joint Legislative Commission on Governmental Operations**

## **Subcommittee Reports**



**April 16, 2008  
9:00 a.m.**

## Table of Contents

	<b><u>Page</u></b>
Statewide/Capital/General Government Subcommittee.....	1
Justice and Public Safety Subcommittee.....	6
Transportation/Natural and Economic Resources Subcommittee....	8

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

# JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE REPORT

## Statewide/Capital/General Government

Tuesday April 15, 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 Barber Examiners  
Jeff Grey  
Counsel to the Board

**Committee Action:** The Subcommittee approved a fee increase for the State Board of Barber Examiners.

### **Required Reports**

#### Office of State Personnel

2. Career-Banding Implementation Report
  - a. January 31, 2008 Submission
  - b. April 8, 2008 SubmissionLynn Freeman  
Human Resources Managing Partner

**Committee Action:** The Subcommittee heard and accepted the report on the career banding initiative by the Office of State Personnel. This report shows 28 job areas presented to the State Personnel Commission for banding, affecting almost 11,900 positions.

#### Office of State Budget and Management

3. Consultation on Supplemental Salary Adjustment Fund Allocations  
Charles Perusse  
Deputy State Budget Officer

**Committee Action:** Charles Perusse presented on the supplemental SAF allocations. Approximately \$1.8 million of the original \$16.8 million was returned to the Fund. The Office of State Budget and Management requested that \$676,531 of the returned amount be awarded to five agencies and universities (Western Carolina University, UNC-Wilmington, State Treasurer, Administrative Office of the Courts, and School of the Arts). The Subcommittee approved the report and referred it to the Full Commission.

4. Report on Budget Revisions to Capital Projects  
Jim Lora  
Budget Analyst

**Committee Action:** The Committee accepted the Office of State Budget and Management 's (OSBM) report on budget revisions to capital projects. There were seven (7) budget revisions that involved cost increases from receipts to be paid from various sources, including housing receipts, overhead receipts, institutional trust funds, and carry forward. There were 13 budget revisions that involved transfers of funds between the 2000 Higher Education Bond projects. The full report will be presented to the Full Commission.

5. Report on Allocations from the Contingency and Emergency Account

Jim Lora

Budget Analyst

**Committee Action:** The Committee accepted OSBM's report to make payment to the Ayres Law Group and the Resolution Law Group, P.C. for a total of \$779,494.99 for assisting the Attorney General's Office in the *State of North Carolina v. Tennessee Valley Authority* case. OSBM also reported the payment of \$29,464.65 in awards to the plaintiffs in the case of *Ashley Stephenson, et al., v. Gary Bartlett, et al.* The full report will be presented to the Full Commission.

6. Report on University Capital Projects Using Non-General Fund Revenues

Jim Lora

Budget Analyst

**Committee Action:** The Committee accepted the OSBM's consultation on seven (7) capital improvement projects funded from non-general fund sources for a total of \$12,232,108. The list of capital improvements projects include one (1) planning project at the University of North Carolina at Charlotte; four (4) new construction projects at the University of North Carolina at Chapel Hill, North Carolina Central University, and the University of North Carolina at Greensboro; and two (2) changes in scope to projects at University of North Carolina at Charlotte and the University of North Carolina at Greensboro. The projects will be funded from housing receipts, student union receipts, institutional trust funds, investment income, carry forward, and facility fees. The full report will be presented to the Full Commission.

7. Report on Repairs and Renovations Authorized in the State Capital Facilities Finance Act

Jim Lora

Assistant State Budget Officer

**Committee Action:** The Committee accepted the OSBM's consultation on changes to eight (8) repair and renovation projects funded through \$300 million of special indebtedness authorized in the State Capital Facilities Financing Act of 2003. At the University of North Carolina at Chapel Hill, \$2.5 million will be shifted from the HVAC replacement at the School of Dentistry to five (5) other repair and renovation projects. In the Department of Health and Human Services, \$96,000 will be shifted from the steam line replacement at Governor Morehead School for the Blind to a related storm water line repair. The full report will be presented to the Full Commission.

8. Personal Services Contracts FY 2007

Tom Newsome

Assistant State Budget Officer

**Committee Action:** The Subcommittee heard and accepted this annual report on Personal Services Contracts. The requirement changed from reporting contracts over \$5,000 to \$25,000 in 2007. As a result, the majority of contracts are no longer reported, leading Office of State Budget and Management to request the Legislature consider eliminating the requirement for this annual report. The number of contracts over \$25,000 in FY 2006-07 was 549, for a total of \$29,290,229 from all fund sources. The average length of the contracts was 19 months.

9. A Study of the Workers' Compensation Program  
Bill Stockard  
Salaries and Benefits Analyst

**Committee Action:** The Subcommittee heard and accepted this report on the Workers' Compensation (WC) Program. The report concluded that the current method of funding WC is no longer the most effective method because agencies and universities do not adequately budget for WC costs. The Office of State Budget and Management recommends the Legislature consider authorizing an actuarial valuation of the WC liability. In addition, the report noted several operational inefficiencies, including 1) assessing whether WC functions should be an HR function or safety function within agencies; 2) authorizing a study on the impact of combining WC program oversight and State disability retirement under one agency; 3) setting a 500-week cap on the duration of benefits; and 4) applying the State Return-to-Work policies to LEAs.

Department Of State Treasurer

10. Quarterly Report on Investment Funds, 2<sup>nd</sup> Quarter  
Pam Wortham  
Deputy Treasurer, Financial Operations

**Committee Action:** The Subcommittee heard about the requirement in the 2007 budget requiring the State Treasurer to report on the number of certified green managers within the State's investment portfolio. The quarterly report includes the statement that "there is no validation group or process that certifies green managers for investments." The Subcommittee referred this matter to the Joint Appropriations Subcommittee on Natural and Economic Resources.

11. Debt Affordability Study  
Vance Holloman  
Deputy Treasurer, Local Government Commission

**Committee Action:** The Subcommittee heard and accepted this annual report on the State's debt affordability. The report concludes that debt service should not exceed 4% of General Fund revenues. The Debt Affordability Advisory Committee recommends an annual capacity of 4% of debt service, which equates to the ability to issue \$479.9 million of tax-supported debt in each of the next 10 years. The report sets the total debt capacity of the State at \$1,583.1 million in 2008. As of December 31, 2007, the State had no General Obligation debt and \$1,252.3 in Special Indebtedness.

Department Of Administration

12. Report on Energy Efficiency Implementation Activities  
Larry Shirley  
Director, State Energy Office

**Committee Action:** The Department of Administration presented their report on Energy Efficiency Implementation Activities. This legislation was passed last session. The first goal set in this legislation was to improve energy efficiency 20 percent by 2010. DOA reports that the projects implemented thus far achieve 10 percent energy efficiency. They contend that they are on course to

achieve the goal of 20 percent on schedule. The DOA Energy Office and the State Construction Office received requests from 34 entities for 200 projects for funding. They awarded \$5 million from the Energy Efficiency Reserve.

13. State Master Plan

Britt Cobb  
Secretary, Department of Administration

John Atkins  
Jay Smith  
O'Brian Atkins

**Committee Action:** The committee accepted a report from the Department of Administration and the design firm O'Brien Atkins on the 2007 State Government Facilities Master Plan, required in Section 23.10(a) of S.L. 2006-66. O'Brien Atkins discussed the scope and methodology of plan including an inventory of all State property in Wake County; space needs for State agencies in Wake County; a physical master plan to meet the identified space needs; and a parking study examining parking needs, policies, and practices. Physical master plans with 15-year planning horizons were presented to the Subcommittee for the Raleigh Downtown Campus, the Blue Ridge Road Campus, the Garner Road Campus, and the Dorothea Dix Campus. The entire 2007 State Government Facilities Master Plan is available on the State Construction Office website.

14. Reports on Land Transactions Exceeding \$25,000 in Value (GS 143-341(4))

- a. February 15, 2008 Submission
- b. April 8, 2008 Submission

June W. Michaux  
Director, State Property Office

**Committee Action:** The Committee accepted the Department's consultation on one (1) allocation, twenty-four (24) acquisitions by deed, and six (6) dispositions by deed. The report will be reported to the full Governmental Operations Commission.

Appalachian State University

15. Kidd Brewer Stadium East Stands Expansion, Appalachian State University

Greg Lovins  
Interim Vice Chancellor for Business Affairs

**Committee Action:** The Committee accepted a report from Appalachian State University (ASU) on the planned expansion of ASU's football stadium. As reported by the State Property Office, the State has leased the current football stadium to the Appalachian State University Foundation for a period of one year. ASU reported that the Foundation is seeking third party financing to construct the \$8.3 million expansion project. During the 2008 Session of the 2007 General Assembly, ASU will request authority to issue self-liquidated debt to make the Foundation whole and the State end the lease at the end of construction.

**Prepared Reports**

16. 2007 HOME Program Performance Report, HFA
17. Life Insurance Verification Study Report and Advisory Memorandum, DOI
18. Report on Customer Service, DOR
19. Report on Fuel Tax Action Plan, DOR
20. Semi-Annual Report on Tax Compliance Initiatives and Revenue Projections, July 1, 2007 – July 30, 2008, DOR



***Justice  
and  
Public Safety  
Subcommittee***

# JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE REPORT

## Justice and Public Safety

Tuesday April 15, 2008

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

### Administrative Office of the Courts (AOC)

- **Court Information Technology Fund Report:** As required by G. S. 7A-343.2, AOC reported that for the six-month period beginning July 1, 2007, the department collected \$3,844,228 in receipts from fees, including interest, charged for remote access to court records. The report included a list of all contracts entered into with third parties that provide remote access to court records. The receipts will be used to replace computer equipment and for receipt-supported technology positions.

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

### Department of Justice (DOJ)

- **Report on the Statewide Automated Fingerprint Information System (SAFIS) (S.L. 2007-323, Section 15.1):** The Department reported on the status of the replacement project for the SAFIS technology infrastructure and also described the new technology's expanded capabilities in the area of palm print collection.
- **Report on Budget Deviations (G.S. 143C-6-4):** The Department reported on unanticipated seized and forfeited asset and federal grant receipts (\$5.95 million) that caused the Office of State Budget to adjust the agency's certified budget to reflect these increases.

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

### Department of Crime Control and Public Safety

- **Voice Interoperability Plan for Emergency Responders (VIPER):** The State Highway Patrol provided an ad hoc status report on the implementation of VIPER throughout the State. The project is about 40 percent complete with 24,000 users currently on the system. When completed, there will be 238 towers located across the state. Additional funding of \$85 million is needed to complete the system.

### Department of Correction (DOC)

- **Report on Energy Committed to Offenders (ECO):** As required by S.L. 2007-323, Sect. 17.9, Energy Committed to Offenders submitted its annual legislative report. Copies of the report were placed in the Subcommittee members' notebooks.

**The Subcommittee received the ECO report.**

## Office of Indigent Defense Services (OIDS)

- **Recoupment of Indigent Defense Funds:** Chairman Haire brought to the Committee's attention the county recoupment rates submitted as part of the OIDS annual report. The data indicates that a substantial number of counties recoup very little of the funds spent on indigent defense, particularly the attorney appointment fees required under 7A-455.1. Malcolm Hunter, OIDS Director, reported that the problem involves judges, clerks, and probation officers. After some discussion, it was the consensus of the Committee that a letter should be sent to the appropriate authorities expressing legislators' concerns about the low recoupment rates. Committee staff was directed to consult with Fiscal Research and Research Division staff to determine who should sign such a letter and to whom it should be sent.

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

# **JOINT GOVERNMENTAL OPERATIONS SUBCOMMITTEE REPORT**

## **Transportation/Natural and Economic Resources**

Tuesday April 15, 2008

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

### **Reports**

#### **1. NC Biotechnology Center Profit-Sharing Agreement**

Kristine Leggett, Fiscal Analyst with the Fiscal Research Division presented an overview of the NC Biotechnology Center and the profit-sharing agreement which became effective in 2002.

Mike Wilkins, Senior Vice President for Statewide Operations & Economic Development, NC Biotechnology Center presented an update to the profit-sharing agreement. The Biotechnology Center seeks to amend the agreement by extending the timeframe to nine months for submitting audited financial statements.

#### **2. Infrastructure Grants Program & Rural Transition Program**

Patrick Woodie, Vice-President for Rural Development Programs, NC Rural Economic Development Center presented an update on the Rural Center's Infrastructure Grants Program and Rural Transition programs. The Infrastructure Grants program received a \$100 million one-time appropriation for FY 2007-08. To date, 61 planning grant and 160 supplemental grant applications have been received; 9 projects totaling \$4.5 million have been awarded. The Rural Center anticipates awarding \$65-70 million by June 30, 2008 and the full \$100 million by December 31, 2008. The Rural Transition program received a \$19 million one-time appropriation for FY 2007-08. To date, \$5.6 million has been awarded to 33 projects; they anticipate the full \$19 million being committed by August 30, 2008.

#### **3. Trade Jobs for Success**

Kristine Leggett, Fiscal Analyst with the Fiscal Research Division presented an overview of workforce and unemployment in North Carolina, as well as an overview of the Trade Jobs for Success initiative. To date, none of the required reports for this initiative have been submitted to the General Assembly.

Myra Beatty, Workforce Policy Associate, NC Department of Commerce presented an update on Trade Jobs for Success (TJS) implementation. Ms. Beatty presented a timeline of events for TJS. She emphasized that although the three principal agencies involved – Department of Commerce, Employment Security Commission, and the Community College System – have not formally implemented TJS, they work together using the Pillowtex experience as a model for future programs.

Committee discussion followed, and concerns were expressed about the lack of compliance with the TJS legislation.