

Joint Legislative Commission on **Governmental Operations**



**Subcommittee Reports
January 20, 2010**

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

Joint Legislative Commission on Governmental Operations
Subcommittee on Statewide/Capital/General Government
Subcommittee Report

Tuesday, January 19, 2010, 1:00 P.M.
Room 544, LOB

Representative Mickey Michaux called the meeting to order. The Statewide/Capital/General Government Subcommittee heard required Non-Capital and Capital reports.

Non-Capital

Department of Administration

1. Quarterly Reports on Use of State-Owned Motor Vehicles – January 2010 (G.S. 143-431 (8))
Speros Fleggas, Deputy Secretary

Summary: In accordance with G.S. 143-341(8)I,7a, the Subcommittee heard the most recent quarterly report from Motor Fleet Management on the use of State-owned passenger motor vehicles. This report provides data on individuals who use State-owned passenger motor vehicles, pickup trucks, or vans between their official work stations and their homes, and who are not required to reimburse the State for these trips.

Committee Action: The Subcommittee accepted the report.

Department of Cultural Resources

1. Report on Tourism Positions Transferred from the Department of Commerce to Department Cultural Resources (G.S. 143B-10 (a) (b))
Debra Derr, Deputy Secretary

Summary: The Department of Cultural Resources reported on the transfer of four Tourism Development Officer Positions from the Department of Commerce to the Department of Cultural Resources (DCR), effective January 1, 2010. The Governor in accordance with G.S. 143B-10(a)(b) authorized a Type 12 transfer of \$226,793, which includes funds for salary and benefits but not for operating expenses. This transfer is the result of the departments' proactive review of the economic development of heritage and cultural tourism and the ways in which these areas can be positively strengthen in the state. Divisions in DCR have worked closely for over a decade with Commerce and Tourism Development authorities to encourage and expand cultural tourism. The four positions will work within the Information and Marketing Services Office in DCR to increase field presence and technical support to communities among the 35 state historic sites and museum attractions and are anticipated to generate efficiencies and opportunities through close collaboration with DCR Preservation, Archives, History, and Arts resources.

Committee Action: The Subcommittee accepted and gave it a favorable report.

Office of Information Technology Services

1. Grant Consultations (S.L. 2009-451, Sec. 5.6)
Tim Johnson, Director, Center for Geographic Information and Analysis

Summary: The North Carolina Center for Geographic Information and Analysis (CGIA) reported on three successful grant applications.

- The CGIA partnered with the North Carolina Department of Cultural Resources Government Records Branch, and agencies in Kentucky and Utah, to form the Geospatial Multistate Archive and Preservation Partnership (GeoMAPP). This partnership is intended to preserve "at-risk," temporarily-significant digital mapping content. The CGIA received \$750,000 from the Library of Congress to support this effort.
- The US Geological Survey awarded CGIA, as well as teams in Louisiana and Washington, funding to evaluate the effectiveness of and recommend improvements to the National Hydrography Dataset for coastal regions. The award amount was \$91,825.
- The US Forest Service (USFS) Eastern Forest Environmental Threat Assessment Center contracted with CGIA to investigate the use of satellite images and digital elevation data for modeling forest vegetation on federal lands, allowing the agency to better understand how forest fires progress. USFS provided funding in the amount of \$143,696 to support this effort.

Committee Action: The Subcommittee accepted and gave it a favorable report.

Department of Secretary of State

1. Annual Report on the Investor Protection and Education trust Fund (G.S. 147-54.5(f))

Haley Haynes, Deputy Secretary

Summary: This was the first annual report on the Investor Protection and Education Trust Fund for the fiscal year that ended June 30, 2009. The Fund is administered by the Secretary of State in the Securities Division, which enforces the North Carolina Securities Act, the Investment Advisers Act, and the Commodities Act. The Division analyzes investment-related complaints received from the public or other sources, establishes jurisdiction, responds to inquiries and makes referrals, conducts investigations, and initiates enforcement actions to protect investors from fraudulent securities activities.

The Fund was created to protect the investing public and to enhance legitimate capital formation. During FY 2008-09 there was significant outreach and investor education accomplished, and the Fund ended the fiscal year with nearly a \$36,000 increase in its balance. The Fund's opening balance on July 1, 2008 was \$1,760,615 and the closing balance on June 30, 2009 was \$1,742,462. During FY2009 there were two deposits of \$162,011 to the Fund: \$82,417 from interest income; and \$79,584 from a settlement that was brought by the Securities Division on October 24, 2008 against an investment bank's violation of the NC Securities Act. Expenditures totaled \$126,154 that supported four investor education outreach activities and initiatives. Approximately 7,300 North Carolina Investors received direct, in-person education and training, and carefully targeted printed materials reached more than 22,500 North Carolinians. The DSOS was asked to provide information about the source of interest income.

Committee Action: The Subcommittee accepted and gave it a favorable report.

2. Grants Consultation – Trademark Offender Intelligence Enhancement Project (S.L. 2008-107, Sec. 6.9)

Haley Haynes, Deputy Secretary

Summary: The Department Secretary of State (DSOS) has been awarded a grant of \$44,485 from the US Department of Justice/Office of Justice Programs for the period October 1, 2009 – September 30, 2010 to better detect Trademark violations. The project will allow a coordinated enforcement strategy to identify suspects and target multi-level participants of trademark violations. The grant requires a 100% match that DSOS is providing by in-kind contribution, which consists of a Department employee's work time committed to implementing the project.

The Department Secretary of State (DSOS) currently possesses criminal jurisdiction for enforcement of trademark violations in all one hundred (100) counties. The Department has two (2) full-time sworn investigators to cover the state. To supplement this effort and leverage resources to the maximum extent, a standing Trademark Task Force was created in 2004, which is currently comprised of sixty (60) local law enforcement officers statewide. The Department provides the officers additional training so that they are empowered to conduct Trademark investigations and take enforcement action. The DSOS found that it did not have sufficient tools to detect relationships between Trademark counterfeiters or to conduct investigations on their interrelationships, i.e. gather intelligence, check movements, distribution, supply activity and associates. This grant will allow the purchase of equipment and software to promote the work of the Trademark Taskforce.

Committee Action: The Subcommittee accepted and gave it a favorable report.

Office of the State Controller

1. Report on Collection of State Agencies' Overpayments to Vendors (S.L. 2009-451, Sec. 23.1)

Thomas Cheek, Chief Fiscal Officer

Ben McLawhorn, Risk Mitigation Manager

Summary: The Office of State Controller reported the status of the Overpayments Audit and Recovery Program – Special Reserve Account 24172 – for FY 2009 and FY 2010 through December 31, 2009. The chart that follows provides the fiscal activity of the Overpayments Audit and Recovery Program for the report period:

Beginning Balance - July 1, 2008	\$25,249.50
Deposits - FY2009	\$271,532.22
Deposits - FY2010	\$176,255.46
Payments to third-party contractor - FY2009	(\$83,178.76)
Payments to third-party contractor - FY2010 thru December 31, 2009	(\$65,560.85)
Transfer to OSC Special Fund 24160 - June 2009	(\$186,816.76)
Transfers/Payments Associated with Miscellaneous Debt Collection Efforts	(\$2,742.33)
Ending Balance - December 31, 2009	\$134,738.48

Committee Action: The Subcommittee accepted and gave it a favorable report.

Capital

Department of Administration

1. Review of Land Transactions Exceeding \$25,000 in Value - January 2010 (G.S. 143-341 (4); G.S. 146-22, 27, 29.1, 30, 74)

Tim Walton, General Real Estate Manager

Summary: For the month of January there were twelve land transactions requiring review by the Joint Legislative Committee on Governmental Operations. There was one re-allocation, four acquisitions by deed, five dispositions by lease, one disposition by sublease, and one other matter for review.

Committee Action: Members of the Subcommittee expressed concern other the “other matter” regarding a transaction at Appalachian State University. Specifically, concern was expressed that the price the State was paying the Endowment Fund of Appalachian State University was higher than the appraised value of the land and property. The Subcommittee accepted the report and recommended the transmittal to the full Governmental Operations Commission.

Office of State Budget and Management

1. Reporting Budget Revisions to Capital Projects (G.S. 143C-8-8)

Jim Lora, Assistant State Budget Officer for Capital

Summary: Numerous capital budget revisions were reported to the Subcommittee. The revisions fall into two categories: cost increases from receipts and Higher Education Bond Transfers.

Committee Action: The Committee accepted the report and recommended the transmittal to the full Governmental Operations Commission.

2. Reporting Allocations from the Contingency and Emergency Fund (G.S. 143C-4-4)

Jim Lora, Assistant State Budget Officer for Capital

Summary: There were two allocations from the Contingency and Emergency Account that were reported to the Subcommittee. These allocations totaled \$269,725. Both allocations were for legal services.

Committee Action: The Subcommittee accepted the report and recommended the transmittal to the full Governmental Operations Commission.

3. Consultation on Capital Improvement Projects Funded from Non-General Fund Sources (G.S. 143C-8-12)

Jim Lora, Assistant State Budget Officer for Capital

Summary: Fourteen projects, totaling \$29,353,292, were funded from non-general fund sources during the required reporting period. These projects involved six expenditures to plan a capital improvement project; three expenditures to fund new capital projects; and five changes in scope in a previously approved capital projects. Finally, there was an expenditure of \$200,000 made without consulting the Commission due to an emergency that posed an imminent threat to public health and safety.

Committee Action: The Committee accepted the requests and recommended the transmittal to the full Governmental Operations Commission.

4. Consultation on Changes to the 2003-04 Repair and Renovations Projects Authorized in the State Capital facilities Finance Act (S.L. 2003-284, Sec. 46.1, HB 397)

Jim Lora, Assistant State Budget Officer for Capital

Summary: In FY 2004, the General Assembly authorized special indebtedness of \$300,000,000 in certificates of participation (COPs) to be used for the repair and renovation of State facilities. Over 500 projects were selected for funding as approved by the Joint Legislative Commission on Governmental Operations. Several projects, all within the Department of Health and Human Services, have requested changes in the project list.

Committee Action: The Subcommittee accepted OSBM’s recommended changes and recommended transmittal to the full Governmental Operations Commission.

University of North Carolina

1. Consultation on Allocations from the 2009 Reserve for Repairs and Renovations for the University of North Carolina System per G.S.143-C-3 (S.L. 2009-451, Sec. 27.5 (a))

Rob Nelson, Vice President for Finance

Summary: S.L. 2009-209 authorized \$50 million in Legislative Bonds or Special Indebtedness to finance the capital facility costs of repairing and renovating State facilities and related infrastructure. S.L. 2009-451 allocates 50 percent to OSBM and 50 percent to the UNC Board of Governors (UNC). UNC allocated its portion of funds (\$25 million) among 158 projects across the campuses on the basis of a formula developed in 1994.

Committee Action: The Subcommittee accepted the UNC recommended allocation from the Repair and Renovations Reserve and recommended transmittal to the full Governmental Operations Commission. Members of the Subcommittee expressed some concern that historically under-funded campuses were not receiving a fair-allocation under the 1994 formula.

Department of Commerce/State Energy Office

1. American Recovery and Reinvestment Act - Report on Status of State Energy Program Revision: Energy Related Repair and Renovation in State Buildings

Star Hodge, Section Chief, Contracts and Administration

Summary: The Subcommittee requested to hear information regarding the State Energy Program at the Department of Commerce's State Energy Office. The State Energy Program received approximately \$76 million in funding from the American Recovery and Reinvestment Act of 2009. The Office's plan was approved by the US Department of Energy. However, S.L. 2009-451 subsequently selected projects to receive funding that differed with the State's approved plan. A plan was resubmitted to the US Department of Energy. Three of the revisions were not accepted: funding Energy Related Repair and Renovation in State Buildings, Coastal Sounds Wind Study, and funding for the BioFuels Center of North Carolina. The Energy Office is attempting to address the three items in a resubmitted plan.

Committee Action: None required

***Justice
and
Public Safety
Subcommittee***

Joint Legislative Commission on Governmental Operations
Subcommittee on Justice and Public Safety
Subcommittee Report
Tuesday, January 19, 2010, 1:00 P.M.
Room 415, LOB

Rep. Haire called the meeting to order. The Justice and Public Safety Subcommittee heard the following agenda items:

Department of Juvenile Justice and Delinquency Prevention

1. Sexual Victimization in Juvenile Facilities

John Poteat, Fiscal Analyst, Fiscal Research Division

Linda Hayes, Secretary, Department of Juvenile Justice and Delinquency Prevention

Summary: The Subcommittee heard a brief overview of the *Sexual Victimization in Juvenile Facilities Reported by Youth, 2008-09* report, which was a Bureau of Justice Statistics' national survey of the sexual victimization of juveniles in Youth Development Centers. The Secretary provided an update of steps the Department is taking to meet some of the findings of report.

Committee Action: The Subcommittee received the report.

Department of Justice

1. Reports on Settlement Agreements (G.S. 114-2.5)

Kristi Hyman, Chief of Staff

Summary: The Subcommittee heard four reports on settlements between the State and the following companies:

- Ortho McNeil Pharmaceutical, Inc. – A settlement was paid to the State to resolve allegations that Ortho McNeil Pharmaceuticals and UDL Laboratories sold certain drugs as noninnovator when they were in fact found to be innovator drugs. Of the total amount (\$216,743.43) received by the State, \$122,400.62 was returned to the federal Medicaid program, North Carolina Medicaid received \$54,614.55, the penalty portion of the settlement (\$37,193.39) was sent to the Civil Penalty Forfeiture Fund, and \$2,534.87 was retained by the North Carolina Department of Justice for investigative and collection costs incurred.
- Aventis Pharmaceuticals – A settlement was paid to the State to resolve allegations that Aventis Pharmaceuticals and its corporate predecessors knowingly misreported best prices for steroid-based anti-inflammatory nasal sprays it charged commercial customers. Of the total amount (\$2,258,321.53) received by the State, \$1,401,245.03 was returned to the federal Medicaid program, North Carolina Medicaid received \$832,132.16, and \$24,944.34 was retained by the North Carolina Department of Justice for investigative and collection costs incurred.
- Medtronic, Inc. – A settlement was paid to the State to resolve allegations that Medtronic, Inc. and its subsidiary Medtronic Sofamor Danek, Inc (MSD) offered kickbacks to spine surgeons to induce them to choose devices marketed by MSD. Of the total amount (\$171,629.83) received by the State, \$81,477.09 was returned to the federal Medicaid program, North Carolina Medicaid received \$49,960.15, the penalty portion of the settlement (\$37,896.77) was sent to the Civil Penalty Forfeiture Fund, and \$2,295.82 was retained by the North Carolina Department of Justice for investigative and collection costs incurred.

- Mylan Pharmaceuticals, Inc and UDL Laboratories Inc. – A settlement was paid to the State to resolve allegations that Mylan Pharmaceuticals and UDL Laboratories sold certain drugs as noninnovator when they were in fact found to be innovator drugs. Of the total amount (\$3,355,506.35) received by the State, \$2,008,441.46 was returned to the federal Medicaid program, North Carolina Medicaid received \$906,341.43, the penalty portion of the settlement (\$401,903.52) was sent to the Civil Penalty Forfeiture Fund, and \$38,819.76 was retained by the North Carolina Department of Justice for investigative and collection costs incurred.

Committee Action: Senator Bingham asked how cases are selected for investigation/prosecution. Charlie Hobgood, director of the North Carolina Medicaid Fraud Unit, informed the Subcommittee that nearly all states have Medicaid fraud investigation units and the cases generally originate from information received from whistleblowers or information available about pharmaceutical company businesses. The Subcommittee accepted the settlement reports and recommended their transmittal to the full Governmental Operations Commission.

2. Report on the Use of Federal Forfeiture Receipts by the State Bureau of Investigation (SBI) (S.L. 2009-451, Sec. 16.2)

Kristi Hyman, Chief of Staff

Summary: The Subcommittee heard a report on the SBI's intent to use \$231,519.44 from the Federal Forfeiture Fund account to purchase approximately 30 VIPER (Voice Interoperability Plan for Emergency Responders) radios, pay costs associated with a vehicle received from USDOJ, and meet the state match (25%) for a federal grant for two positions that work in the North Carolina Information Sharing and Analysis Center (NCISAAC). After these expenditures, the account balance will be \$322,090.88.

Committee Action: The Subcommittee accepted the report and recommended its transmittal to the full Governmental Operations Commission.

3. Proposed Alarm Systems Licensing Board Fee Changes (G.S. 12-3.1)

Charles McDarris, Board Counsel

Summary: The Subcommittee heard a consultation by the Alarm Systems Licensing Board attorney, Charles McDarris, for two fee increases being proposed by the Board. The first is a \$25 increase to a \$350 fee currently charged for new or renewed licenses issued by the Board. The second is a \$5 increase to a \$40 biennial registration fee charged on all license applications.

Committee Action: The Subcommittee accepted the report and recommended its transmittal to the full Governmental Operations Commission.

Department of Crime Control and Public Safety

1. Report on the Use of Federal Forfeiture Receipts by the Alcohol Law Enforcement Division (ALE) (S.L. 2009-451, Sec. 16.2)

Thomas Caves, Special Assistant to the Secretary

Summary: Thomas Caves reported on ALE's intent to use \$913,253 from the division's Federal Forfeiture Fund account to pay for surveillance equipment, polygraph equipment, boxing regulation software development, and office furniture. After these expenditures, the account balance will be \$4,645,909.21.

Committee Action: The Subcommittee accepted the report and recommended transmittal to the full Governmental Operations Commission.

2. Report on the Use of Federal Forfeiture Receipts by the State Highway Patrol (SHP) (S.L. 2009-451, Sec. 16.2)

Thomas Caves, Special Assistant to the Secretary

Summary: Thomas Caves reported on the SHP's intent to use \$707,362 from the division's Federal Forfeiture Fund account to pay for equipment acquisition/upgrades (e.g., tasers, bullet-proof vests, digital cameras) and training. After these expenditures, the account balance will be \$2,923,662.

Committee Action: Senator Kinnaird questioned the SHP's intent to expand the use of tasers by law enforcement officers. Thomas Caves informed the Subcommittee that despite the taser-related fatalities that have occurred, tasers are less lethal than firearms. He also informed the Subcommittee that no fatalities have occurred as a result of incidents where tasers were used by officers in the law enforcement divisions of the Department of Crime Control and Public Safety. The Subcommittee accepted the report and recommended transmittal to the full Governmental Operations Commission.

3. Other Topics

Summary: The Subcommittee asked the Department staff about two agency programs:

- Senator Bingham and Representative Haire asked about the status of the VIPER Program. Thomas Caves informed the Subcommittee that upon completion the VIPER network will consist of 225 radio towers that will provide the entire State with radio interoperability for law enforcement and emergency responder groups. To date, 139 towers sites are constructed and operational, 30 tower sites are funded and in the process of being constructed and 46 towers are unfunded.
- Senator Apodaca asked about the growth of sweepstakes businesses around the State and efforts by the agency to address this matter. Mr. Caves informed the Subcommittee that the Department is not currently looking into this issue. Senator Apodaca informed the Subcommittee that he would like to hear more about this issue in the future. Staff indicated that this topic could be added to the agenda for a future Joint Legislative Correction, Crime Control and Juvenile Justice Committee meeting.

Committee Action: No action needed.

Department of Correction

1. Consultation on Expenditure of Federal Grant Funds (S.L. 2009-451, Sec. 5.6)

Frank Rogers, Deputy Secretary

Summary: The Subcommittee heard the Department's report on the use of federal Residential Substance Abuse Treatment (RSAT) grant funds to establish two new 6-12 month residential treatment programs to serve 46 inmates at Polk Correctional Institution. The grant amount is \$214,402.

Committee Action: The Subcommittee accepted the report and recommended transmittal to the full Commission.

2. Performance Audit Report: Central Pharmacy Inventory

Beth Wood, State Auditor

Alvin Keller, Secretary

Dr. Paula Smith, DOC Health Services Director

Summary: The State Auditor presented an audit performed by the Performance Audit Division analyzing inventory controls within the Division of Prisons' Central Pharmacy. The audit identified inadequate controls and inappropriate record-keeping methods. The Health Services Director of the Division of Prisons responded to the audit with the Department's action steps to address the concerns in the audit.

Committee Action: The Subcommittee received the report.

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

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

Tuesday, January 19, 2010, 1:00 P.M.
Room 605, LOB

Representative Crawford called the meeting to order and Senator Hoyle chaired the remainder of the meeting. The Natural and Economic Resources/Transportation Subcommittee heard the following agenda items:

Department of Agriculture and Consumer Services

1. Grant Consultations (S.L. 2009-451, Sec. 5.6)

Joy Hicks, Policy Analyst

Summary: Joy Hicks requested consultation on nine grant awards totaling over \$1.6 million for FY 2009-10. The grants support the Markets, Plant Industry, and Veterinary Divisions. A list of the grants has been attached to this report.

Committee Action: The Subcommittee accepted the report and recommended transmittal to the full Governmental Operations Commission.

2. Proposed Plant Industry Fee Increase (G.S. 12-3.1)

Gene Cross, Director, Plant Industry Division

Summary: Gene Cross presented a proposed fee increase within the Plant Industry Division. The Department proposes to increase the Collected Plant Certificate fee from \$1.00 to \$20.00. This fee is paid by individuals who desire to gather collected plants, which are nursery plants that are dug or gathered. In FY 2008-09, 68 individuals applied for and received the Collected Plant Certificate. This fee has not changed since 1957. The fee increase will be used to support the collected plant regulatory program.

Committee Action: The Subcommittee accepted the report and recommended transmittal to the full Governmental Operations Commission.

Department of Environment and Natural Resources

1. Grant Consultations (S.L. 2009-451, Sec. 5.6)

Cathy Hardy, Budget Officer

Summary: Cathy Hardy requested consultation on four grants totaling \$228,577. These grants support the Office of Environmental Education, the Division of Marine Fisheries, the Division of Coastal Management, and the Division of Environmental Health. A list of the grants has been attached to this report.

Committee Action: The Subcommittee accepted the report and recommended transmittal to the full Governmental Operations Commission.

2. Proposed Board of Environmental Health Examiners Fee Increases (G.S. 12-3.1)

Terry Pierce, Board Vice-Chair

Summary: Terry Pierce presented a proposed fee increase for the Board of Environmental Health Examiners. The Board proposes to implement a new fee for examinations and to increase the fees for registration, renewal, and reciprocity. Approximately 50 percent of fees are paid by Registered Environmental Health Specialists or Health Specialist Interns with the remaining 50% paid by the employing counties. The fee was instituted in 1982 and has never been increased. The fee increase will be used to support Board activities.

Committee Action: The Subcommittee accepted the report and recommended transmittal to the full Governmental Operations Commission.

Department of Commerce

1. Consultation: Reallocation of CDBG Funds (S.L. 2008-107, Sec. 13.5(f))

Gloria Nance Sims, Director, Division of Community Assistance

Summary: Gloria Nance Sims reported on the proposed re-purposing of CDBG funds. Of the \$8.7 million originally appropriated for CDBG-Economic Development for FY 2008-09, \$1.7 million remains unspent. The Department would like to move those funds to address unmet needs in CDBG – Community Revitalization. Community Revitalization funds are used for projects that provide decent housing and suitable living environments for low- to moderate-income individuals.

Committee Action: The Subcommittee accepted the report and recommended transmittal to the full Governmental Operations Commission.

2. Report on Transfer of Heritage Tourism Positions to Cultural Resources (G.S. 143B-10(b))

Russ Haddad, Director of Tourism Development

Summary: Russ Haddad reported on the transfer of four Heritage Tourism positions to the Department of Cultural Resources. The four positions are Heritage Tourism Officers; salaries and benefits for these four positions for FY 2009-10 total \$226,793. No operating funds were associated with this transfer.

Committee Action: The Subcommittee received the report.

Clean Water Management Trust Fund

1. Report on the Clean Water Management Trust Fund

Richard Rogers, Executive Director

Summary: Richard Rogers, Executive Director of the Clean Water Management Trust Fund (CWMTF), provided a report on the activities of CWMTF. CWMTF received \$50 million in FY 2009-10. In FY 2008-09, the Governor used \$115 million from the CWMTF to balance the State budget. The Board has reapproved \$50 million in projects from the 2008 grants cycle. Infrastructure projects, which account for approximately 45 percent of projects, are underway. This fall, the Governor froze funds for land acquisition projects, including \$25 million from CWMTF. Recently, she released \$5 million for acquisition, leaving a balance of nearly \$20 million. Additionally, four new board members were appointed to the Board.

Committee Action: The Subcommittee received the report.

Employment Security Commission

1. Report on Unemployment Insurance Benefits and the Status of the Unemployment Insurance Fund

Moses Carey, Chairman, Employment Security Commission

Dr. Betty McGrath, Director of Labor Market Information

Summary: Moses Carey, Employment Security Commission (ESC) Chairman, and Dr. Betty McGrath, Director of Labor Market Information, provided a report on unemployment and the insurance benefits programs. North Carolina's unemployment rate as of the end of November was 10.8 percent. From January through December 2009, ESC paid out over \$4.86 billion in benefits. Some individuals may be eligible for up to 99 weeks of unemployment benefits. The State pays for the first 26 weeks of benefits from the Unemployment Insurance Fund, and Federal funds cover the other programs. To date, the Fund has borrowed \$1.6 billion from the federal government to pay benefits. The loan is interest free through the end of 2010. Twenty-six states have borrowed to pay benefits.

Committee Action: The Subcommittee received the report.

Agriculture Reports to January 2010 Governmental Operations Commission on FY 2009-10 Grants

FY 2009-10

Division	Grant Name	Grant Description	Amount	FTE	Funding Entity
Markets	Specialty Crops Block Grant - Farm Bill 2009	The purpose of this grant is to enhance the competitiveness of NC specialty crops.	\$ 300,000	0	US Department of Agriculture
Plant Industry	Monitoring, Management, and restoration of Endangered Plant Species	The purpose of this grant is to monitor, manage, and restore rare plant species.	\$ 76,715	0	US Fish & Wildlife Service
Plant Industry	Hemlock Wool Adelgid Predator Rearing Program	The purpose of this grant is to conduct biological control activities that will provide specific info to the Cooperator, APHIS, and other interested parties for the hemlock woolly adelgid.	\$ 35,000	0	US Department of Agriculture
Plant Industry	2010 CAPS, Noxious Weed Survey and Tropical Spiderwort Survey Cooperative Agreement	The purpose of this grant is to safeguard the nation's food and environmental security from exotic pests that threaten production and ecological systems.	\$ 69,125	0	US Department of Agriculture
Plant Industry	Gypsy Moth Regulatory	The purpose of this grant is to increase the ability to identify isolated infestations of the gypsy moth that occur as a result of artificial spread and to assist in determining the major routes of artificial spread.	\$ 36,533	0	Gypsy Moth Fund
Plant Industry	Witchweed Eradication Project and European Gypsy Moth Survey	The purpose of this grant is to eradicate witchweed and to prevent the artificial spread of gypsy moth	\$ 900,000	0	US Department of Agriculture
Veterinary	Scrapie Disease	The purpose of this grant is to provide continued on-site surveillance of live sheep and goats through North Carolina's livestock markets for the detection and reporting of scrapies disease.	\$ 45,000	0	US Department of Agriculture
Veterinary	Implementation of National Animal Id System	The purpose of this grant is to register in the National Animal Identification System (NAIS).	\$ 71,783	0	US Department of Agriculture
Veterinary	AHMS - Brucellosis	The purpose of this grant is to provide continued and ongoing lab support for brucellosis testing and to carry out and maintain surveillance, tracking, data management, and reporting.	\$ 91,535	0	US Department of Agriculture

DENR Reports to January 2010 Governmental Operations Commission on FY 2009-10 Grants

FY 2009-10

Division	Grant Name	Grant Description	Amount	FTE	Funding Entity
Environmental Education	Environmental Education Grants - Solicitation Notice for 2010	The purpose of this grant is to strengthen North Carolina's ability to provide a quality, comprehensive, and sustainable state-level environmental education program.	\$ 137,874	1	US Environmental Protection Agency
Marine Fisheries	Reducing Stormwater Runoff into Bogue Sound	The purpose of this grant is to conduct a shoreline restoration project at the NC DMF Headquarters in Morehead City that will reduce stormwater runoff.	\$ 8,087	0	Clean Water Management Trust Fund
Coastal Management	NC National Estuarine Research Reserve Signage Project	The purpose of this grant is to fund the purchase and installation of signage at the four components of the NC National Estuarine Research Reserve.	\$ 22,200	0	National Oceanic & Atmospheric Administration
Environmental Health	Innovative Food Defense Projects	The purpose of this grant is to enhance the environmental health facility database and software system with key components designed to provide surveillance and emergency response capabilities related to food regulation and public health protection.	\$ 60,416	0	US Food & Drug Administration

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

Joint Legislative Commission on Governmental Operations
Subcommittee on Education/Health & Human Services
Subcommittee Report

Tuesday, January 19, 2010, 1:00 P.M.
Room 421, LOB

Senator Nesbitt called the meeting to order. The Education/Health & Human Services Subcommittee heard the following agenda items:

Department of Health & Human Services

1. FY 2009-10 Medicaid Shortfall

Secretary Lanier Cansler, Department of Health & Human Services

Summary: Secretary Cansler addressed the projected \$250M overage in State expenditures for Medicaid in FY 2009-10, citing higher than anticipated enrollment levels, delayed federal approval of State Plan Amendments, ARRA prohibitions on eligibility restrictions, and delayed implementation of technological initiatives and other efficiency measures. As of December 1, 2009, 55 percent of the State's Medicaid budget had been expended. Although many cost-cutting measures enacted for FY 2009-10 were to become effective in September or October, 2009, several actions still require federal approval. To date, approval has only been granted for provider rate reductions.

Secretary Cansler described DHHS' cost-cutting approach as an attempt to "tread lightly." However, he acknowledged the severity of particular actions, referencing situations in which Medicaid provider reimbursement rates are lower than actual costs.

Secretary Cansler further addressed future budgetary challenges, including federal financial participation rates and increased Medicaid enrollment resulting from potential health-care reform legislation.

Committee Action: The Subcommittee heard the Secretary's presentation.

2. Changes to Block Grant Allocations (S.L. 2009-451, Section 10.78(e))

Mr. Jim Slate, Director of the Office of Budget and Analysis

Summary: Mr. Slate presented DHHS adjustments to the General Assembly's approved allocations for the Low-Income Home Energy Assistance (LIHEAP) and Temporary Assistance for Needy Families (TANF) block grants, as follows:

LIHEAP: Per additional federal LIHEAP funding in federal fiscal year (FFY) 2009-10, DHHS proposes to allocate \$53.2 million of the anticipated \$107.4 million of total FFY 2009-10 funding as follows:

- Low-Income Energy Assistance Program (LIEAP) – \$27,683,999
- Crisis Intervention Program (CIP) - \$18,010,758
- Heating Air Repair and Replacement Program (HARRP) - \$3,546,651
- DOA- Commission on Indian Affairs - \$63,934
- County DSS Administration - \$3,855,547
- State DSS Administration - \$60,000

Increased LIEAP funding will cover a projected 20% increase in checks issued to low-income households in February 2010, relative to FY 2008-09.

TANF: To further reduce State appropriations per the Governor's directive to reduce Departmental allotments by 5 percent, DHHS proposes to adjust allocated TANF basic block, supplemental, and TANF Contingency grant funds as follows:

- Reduce TANF basic block and supplemental grant funds allocated for subsidized child care services by \$4,409,009, and transfer these funds to Department of Public Instruction (DPI) for the More at Four program to reduce state appropriations by an equivalent amount;
- Reduce FFY 2008-09 TANF basic block and supplemental grant funds allocated for Work First Cash Assistance by \$1,523,301, and transfer these funds to DPI for the More at Four program to reduce state appropriations by an equivalent amount; and,
- Increase TANF Contingency funding for Work First Cash Assistance by \$1,523,301, based on anticipated FFY 2009-10 awards.

The net impact on program funding is the additional reduction of \$4.4M in TANF funding for subsidized child care services. The cumulative effect of this transfer and those approved by the Subcommittee on November 17, 2009 is a \$16.4M reduction in funding for subsidized child care services from the General Assembly's FY 2009-10 allocation.

Committee Action: The Subcommittee accepted the report and recommended transmittal to the full Governmental Operations Commission.

3. Grants Consultations (S.L. 2009-451, Section 5.6)

Mr. Jim Slate, Director of the Office of Budget and Analysis

Summary: Mr. Slate consulted on three (3) grants totaling \$3.1 million for FY 2009-10 and \$1.7 million for FY 2010-11.

- The Division of Public Health applied for one grant for \$13,978 in FY 2009-10 and \$69,890 in FY 2010-11.
- The Division of Health Services Regulation received one grant for \$2,399,957 in FY 2009-10 and \$218,178 in FY 2010-11.
- The Division of Medical Assistance applied for one grant for \$689,823 in FY 2009-10 and \$1,379,646 in FY 2010-11.

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

North Carolina Community College System

Report on Funding for High School Students Enrolled in Community Colleges, Colleges, and Universities (S.L. 2009-451, Section 8.22)

Mr. Van Wilson, Associate Vice President for Academic and Student Services

Summary: Andrea Poole, Fiscal Research Division, summarized S.L. 2009-451, Section 8.22, which required this report. Ms. Jennifer Haygood, Vice President and Chief Financial Officer of the NC Community College System, gave an introduction to the report. She stated that this report is of an interim nature and acknowledged that it did not meet all the requirements of Section 8.22. Mr. Wilson then presented the report and discussed the recommendation of the NC Community College System that the rules and statutes governing high school programs within community colleges be simplified.

Committee Action: The Subcommittee requested that the Department of Public Instruction, NC Community College System, and University of North Carolina System work with the Fiscal Research Division staff to provide them the data needed to determine the most efficient and effective way to pay for high school students enrolled in community colleges, colleges, and universities. The agencies and the Fiscal Research Division staff will report again at the Subcommittee's next meeting.

Department of Public Instruction, North Carolina Center for the Advancement of Teaching (NCCAT)

Grants Consultation (S.L. 2009-451, Section 5.6)

Dr. Mary McDuffie, Executive Director, NCCAT

Summary: Dr. McDuffie consulted on 6 grants received by NCCAT. Due to the transfer of NCCAT from the Board of Governors of the University of North Carolina to the State Board of Education in S.L. 2009-451 (S.B. 202), the remaining balances on these grants needed to be added to the Public Education Budget. The grants included:

- \$57,954 remaining from Johnston, Martin, and Edgecombe counties for 10 one-day programs for up to 24 beginning teachers.
- \$2,616 remaining from the Progress Energy Foundation for a five-day professional development seminar focusing on sustainable energy and the environment.
- \$78,995 remaining from the Golden Leaf Foundation to support National Board Support Seminars in Tier 1 tobacco-dependent, rural counties.
- \$8,760 remaining from Duke Energy to provide teachers with professional development in science, technology, engineering, and mathematics.
- \$119,735 remaining from the Z. Smith Reynolds Foundation for professional development for beginning teachers and data analysis.
- \$29,357 remaining from the Z. Smith Reynolds Foundation for professional development to 22 second and third year public school teachers from Tier 1 schools.

Committee Action: The Subcommittee accepted the report and recommended transmittal to the full Governmental Operations Commission.