

Joint Legislative Commission  
on  
**Governmental  
Operations**



**Subcommittee Reports**  
**October 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, October 19, 2010, 1:00 P.M.  
Room 544, LOB

Representative Mickey Michaux called the meeting to order. The Statewide/Capital/General Government Subcommittee heard four fee requests and 39 required Non-Capital and Capital reports.

**Request to Increase Fes per G.S. 12-3.1**

**North Carolina Appraisal Board**  
**Roberta Ouellette, Assistant Attorney General**

*Summary:* In accordance with S.L. 2010-0141, the North Carolina Appraisal Board's consultation was in regards to establishing fees for the registration and regulation of Appraisal Management Companies (AMCs). The legislation requires the Board to register and regulate AMCs for the first time. The rules establish the initial registration fee, the annual renewal fee, and a fee for late renewal of a registration. Per G.S. 93E-2-6(a), the registration fee shall be an "amount set by the Board not to exceed three thousand five hundred dollars (\$3,500)." The annual renewal fee shall be "an amount set by the Board not to exceed two thousand dollars (\$2,000)." Additionally, G.S. 93E-2-6(b) states that "All registrations reinstated after the expiration date are subject to a late filing fee of twenty dollars (\$20.00) for each month, or part thereof", but "not to exceed one hundred twenty dollars (\$120.00)."

The initial registration fee is necessary to implement the registration program and to cover startup costs, which are primarily one-time costs. It is anticipated that most AMCs will register with the Board during the first six months of 2011. Based upon experience in other states, it is anticipated that 75 -100 AMCs will register in North Carolina during this period. This will generate approximately \$262,500 - \$350,000 the first year. The renewal fee, which is less than the initial registration fee, will be effective for 18 months with renewal of an AMC registration not required until June 20, 2012. The Board can expect approximately \$150,000 - \$200,000 in revenue. The expectation is that most AMCs in this State that plan to register will do so in the first six months of 2011.

*Committee Action:* The Subcommittee accepted the report.

**North Carolina Respiratory Board**  
**Floyd E. Boyer, Executive Director**

*Summary:* The North Carolina Respiratory Board requested revisions to the NC Administrative Codes in order to increase the fee for licensure renewal from \$65 to a fee not to exceed \$75 per year. The Board has increased the fee to meet budgetary requirements due to an increase in legal expenses for the Board and a decrease in revenue. The Board has experienced a decrease in annual income of approximately \$33,000 due to a decrease in renewals, possibly resulting from the changes in the economy. Based on 4,227 renewals for fiscal year 2009, this would increase private expenditures by \$42,270 per year.

*Committee Action:* The Subcommittee accepted the report.

**Department of Cultural Resources**  
**Michael Hill, Rule Making Coordinator**

*Summary:* The Department of Cultural Resources, Tryon Palace Historic Sites and Gardens Division requested a revision in the fee structure for visitors to the historic site that was last revised in 2000. In conjunction with the tricentennial of New Bern, Tryon Palace is opening a \$60 million History Education Center that is anticipated to significantly change visitors' experiences and will result in different fee options available to individuals, families, and students. Fees are estimated to increase overall by 25%. It is anticipated that the aggregate financial impact per year will be between ½ million and 1 million dollars.

*Committee Action:* The Subcommittee accepted the report.

**Department of State Treasurer**  
**Vance Holliman, Deputy Treasurer**

*Summary:* The Department of State Treasurer, Local Government Commission currently charges fees on debt issued in the State. The Department is requesting an increase in the fees charged for services provided in issuing and administering public debt. Essentially, these are user fees for units of government that request DST to issue debt. The proposed fee increases are anticipated to generate approximately \$1.1 million in additional revenue, which will be used to pay for technology upgrades in the Division. Specifically, the upgrades include a software system for debt management and a scanning system for incoming financial documents. Consultants estimated that, in undiscounted terms, over a period of five years the debt management system would cost \$4,448,899 and produce \$5,576,627 in direct quantifiable benefits to the Division. The integrated document management systems would cost approximately \$1,500,000 and produce \$2,100,000 in direct benefits, undiscounted over a five-year period.

*Committee Action:* The Subcommittee accepted the report.

**Required Reports**

**Non-Capital**

**Department of Administration**

**Quarterly Reports on Use of State-Owned Motor Vehicles – January 2010**  
**(GS § 143-431 (8))**  
**Speros Fleggas, Deputy Secretary**

*Summary:* In accordance with GS § 143-341(8)i,7a, the Committee heard the most recent quarterly report from Motor Fleet Management for the period April - June 2010 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. There were concerns expressed about the mileage accumulated by various drivers, and the reasons for vehicle assignments by agencies.

*Committee Action:* The Subcommittee accepted the report.

## **Department of Cultural Resources**

### **Report on the Tryon Palace Historic Sites and Gardens Fund (S.L. 2005-276, Part XIX-A, Sec. 19A.1)**

**Greg Piner, Controller**

*Summary:* This was an annual report on receipts the historic site receives from entrance fees. The fees are credited to the Tryon Palace Historic Sites and Gardens Fund, which is a special and non-reverting fund. Receipts may be used for repair, renovation, expansion, and maintenance at the historic site. For FY 2009-10, \$491,583.71 in admission fees and \$16,861.97 in interest were collected and deposited into the Fund. The beginning balance in FY 2009-10 was \$2,043,279.87 and, with the addition of receipts and interest deposits during the fiscal year, there was an availability of \$2,551,725.55. However, there were expenditures of \$2,451,325.56, leaving a balance of \$100,399.99. The balance is obligated for payments for the Exhibits Contract for the North Carolina History Center Construction Project currently under contract. The Exhibits Contract began in July 2009, and twelve payments totaling \$4,959,169.81 have been made to date. The full remaining balance in the Fund will be expended on Exhibits Contract payments in FY 2010-11. Per the Department, this balance will not result in the Fund operating with a negative balance during the fiscal year.

*Committee Action:* The Subcommittee accepted the report.

## **Office of the Governor**

### **Consultation on Expenditure of Grant Awards (S.L. 2010-31, Sec. 6.7)**

**Anne Bryan, Senior Policy Advisor on Early Childhood**

*Summary:* In accordance with S.L. 2010-31, Sec. 6.7, Anne Bryan requested consultation on the Early Childhood System Building grant proposal of \$3.2 million from the US Department of Health and Human Services for the period September 30, 2010 – September 29, 2013. The grant proposal amount for 2010-11 is \$772,942. The purpose of the grant is to improve coordination and collaboration among early childhood programs and services in the state to help assure that young children enter school health and ready to learn.

Senator Dannelly asked if state funding would be required once federal funding ends. The Governor's Office responded that there is no requirement to use state funds to continue the program; however, they are hopeful that the program will gain momentum to continue once federal funding ends. Senator Garrou requested more information about the grant, which the Governor's Office will provide via e-mail, including the program goals and expected accomplishments. Senator Garrou asked about whether any funds will be used for service delivery. The Governor's Office indicated that a limited amount will be used for service delivery, including \$120,000 to provide small incentive grants to community colleges to begin the accreditation process for early childhood education programs with the goal of improving the workforce.

Representative Owens inquired about the source of required state matching funds for the grant. NC Department of Health and Human Services staff responded that they have identified a program (WAGES) that exists in their recurring budget as a source of \$7 million in state matching funds. No new state matching funds will be required.

*Committee Action:* The Subcommittee accepted the report.

## **NC Housing Finance Agency**

### **Annual Report on Programs for the 2010 Fiscal Year (GS § 112A-16)**

#### **A. Robert Kucab, Executive Director**

*Summary:* For Fiscal Year 2010, the Housing Finance Agency (HFA) provided \$307.1 million in financing for affordable housing. Additionally, the agency with its partners, administered \$136.8 million in federal rental assistance. HFA continued to administer \$52 million of Tax Credit Assistance funds and \$135 million of Tax Credit Exchange funds. These funds were awarded under the American Recovery and Reinvestment Act (ARRA).

The state of North Carolina was invited to participate in the Administration's HFA Hardest Hit Fund initiative, designed to fund innovative measures to help families stay in their homes or otherwise avoid foreclosure. North Carolina was selected because of its large number of counties with high unemployment rates, which has made it difficult for families in many areas to pay their mortgages. The North Carolina Housing Finance Agency submitted its proposal for \$159 million to the US Treasury on June 1 and has received funding in that amount. HFA has also received an additional \$323.8 million for a total of \$482.8 million to use over the next three to five years to assist workers to avoid foreclosure.

HFA provided two additional handouts to inform the subcommittee about the new program efforts. On October 18, 2010 a pilot program, the Mortgage Payment Program that is part of the NC Foreclosure Prevention Fund, was launched in 17 counties. The NC Foreclosure Prevention Fund is expected to assist 21,000 North Carolina workers keep their homes over the next three to five years. Most of the funding will be used to make mortgage payments for unemployed workers who are seeking jobs or completing job training in a new field. There were questions about informing the public about the program. HFA indicated the primary means of alerting the public is through ESC when workers apply for unemployment benefits. However, there will be more of an emphasis on informing the public through the pilot. Representative Adams requested copies of the handouts.

The agency's budget for FY 2009-10 was \$11.9 million with actual expenses of \$10.9 million that are supporting 118 authorized positions and operations.

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

*Committee Action:* The Subcommittee accepted the report.

## **Department of Insurance**

### **1. Report on Results of Efforts to Apply and Obtain Federal Funds to Support the Implementation of Health Care Reform (S.L. 2010-31, Sec. 24.2(b))**

#### **Vicky Young, Legislative Liaison/EEO Officer**

*Summary:* In accordance with S.L. 2010-31, Sec. 24.2(b) Vicky Young reported that the department has applied for three grants to begin implementing health care reform, two of which have been awarded:

- Premium Review Grant (Health Care Reform Grant) - \$1 million from the US Department of Health and Human Services for the period August 9, 2010 – September 30, 2011. The purpose of this grant is to explore opportunities to enhance the rate review process.
- The Exchange Planning Grant - \$1 million from the US Department of Health and Human Services for the period September 30, 2010 through September 29, 2011. The purpose of this grant is to provide funding to begin the process of planning necessary for possible implementation of Exchanges and research associated therewith. This grant is a joint effort between the Department of Insurance, NC Department of Health and Human Services and the NC Institute of Medicine.
- The Consumer Assistance Program Grant - expected award amount is \$850,000. The application was due September 10, 2010. As of October 19, 2010, the Department has not received notification of award. The purpose of the grant is to establish a consumer assistance program which will provide information assistance and counseling to citizens on health insurance issues and changes as a result of the Affordable Care Act as well as assist in understanding and enrolling in plans offered by the Health Insurance Exchange

Senator Garrou noted that the report indicates the initial Premium Review grant did not have adequate funds to cover all required positions and asked how many positions were funded in the initial Premium Review Grant. Senator Garrou also asked for confirmation that the Department was continuing to apply for federal funding for the remaining positions. The Department indicated that 8 positions were funded from the Premium Review Grant and that they are waiting on notification of award for the Consumer Assistance grant.

*Committee Action:* The Subcommittee accepted the report.

**2. Consultation on Expenditure of Grant Funds for Health Care Reform from the Department of Health and Human Services – 1 Grant (S.L. 2010-31, Sec. 5.4)**  
**Vicky Young, Legislative Liaison/EEO Officer**

*Summary:* In accordance with S.L. 2010-31, Sec. 5.4, the Department requested consultation on the \$1 million Health Care Reform Grant awarded by the US Department of Health and Human Services for the period August 9, 2010 – September 30, 2011. The grant will be used to provide staffing in response to an expected increased workload resulting from increased form filings and federal/state compliance requirements as a result of health care reform.

*Committee Action:* The Subcommittee accepted the report.

**3. Consultation on Expenditure of Grant Funds from the Department of Health and Human Services - Affordable Care Act (ACA)-Consumer Assistance Program Grants-Health Insurance Ombudsman Service Group - 1 Grant (S.L. 2010-31, Sec. 5.4)**  
**Vicky Young, Legislative Liaison/EEO Officer**

*Summary:* In accordance with S.L. 2010-31, Sec. 5.4, the Department requested consultation on the \$850,000 ACA – Consumer Assistance Program grant proposal submitted to the US Department of Health and Human Services. If awarded, the grant period will be from October 8, 2010 – October 7, 2011. Funds will be used for an Ombudsman Program to assist citizens with their health insurance needs. This includes counseling on products; developing a consumer navigation system of volunteers; and, assisting with premium subsidies, consumer complaints and appeals.

*Committee Action:* The Subcommittee accepted the report.

**4. Consultation on Expenditure of Grant Funds from the United States Fire Administration – 1 Grant (S.L. 2010-31, Sec. 5.4)**

**Vicky Young, Legislative Liaison/EEO Officer**

*Summary:* In accordance with S.L. 2010-31, Sec. 5.4, the Department requested consultation on the \$28,000 United States Fire Administration (USFA)/National Fire Academy (NFA) grant. The grant was awarded for the period September 15, 2010 – September 14, 2011 and will be used to provide National Fire Academy Leadership and Endorsement program courses.

*Committee Action:* The Subcommittee accepted the report.

**5. Consultation on Expenditure of Grant Funds from the North Carolina Association of Insurance Agents, Inc. – 10 Grants (S.L. 2010-31, Sec. 5.4)**

**Vicky Young, Legislative Liaison/EEO Officer**

*Summary:* In accordance with S.L. 2010-31, Sec. 5.4, the Department requested consultation on 9 grants totaling \$101,156 that have been awarded and one grant proposal of \$15,000 from the North Carolina Association of Insurance Agents, Inc.

*Committee Action:* The Subcommittee accepted the report.

**6. Consultation on Expenditure of Grant Funds from the Association of Polyurethane Manufacturers - American Plastic Institute – 1 Grant (S.L. 2010-31, Sec. 5.4)**

**Vicky Young, Legislative Liaison/EEO Officer**

*Summary:* In accordance with S.L. 2010-31, Sec. 5.4, the Department requested consultation on the Association of Polyurethane Manufacturers – American Plastic Institute – API Risk Watch continuation/renewal grant. The grant budgets the \$4,979 June 30, 2010 cash balance for the period July 1, 2010 – June 30, 2011 to work on furthering the Risk Watch program in Nash County.

*Committee Action:* The Subcommittee accepted the report.

**7. Consultation on Expenditure of Grant Funds from the North Carolina Hospital Foundation/Duke Endowment Risk Watch - 1 Grant (S.L. 2010-31, Sec. 5.4)**

**Vicky Young, Legislative Liaison/EEO Officer**

*Summary:* In accordance with S.L. 2010-31, Sec. 5.4, the Department requested consultation on the NC Hospital Foundation Grant/Duke Endowment Risk Watch continuation/renewal grant. The grant budgets the \$33,603 June 30, 2010 cash balance for the period July 1, 2010 – June 30, 2011 to work on expanding the Risk Watch program in North Carolina.

*Committee Action:* The Subcommittee accepted the report.

**8. Consultation on Expenditure of Grant Funds from the National Association of State Fire Marshals - 1 Grant (S.L. 2010-31, Sec. 5.4)**

**Vicky Young, Legislative Liaison/EEO Officer**

*Summary:* In accordance with S.L. 2010-31, Sec. 5.4, the Department requested consultation on the National Association of State Fire Marshals – Juvenile Firesetters Intervention Program continuation/renewal grant. The grant budgets the \$904 June 30, 2010 cash balance for the period July 1, 2010 – June 30, 2011 to work on furthering the Juvenile Firesetters program.

*Committee Action:* The Subcommittee accepted the report.

### **Secretary of State**

#### **Consultation on Expenditure of Grant Funds – Z Smith Reynolds Foundation (S.L. 2010-31, Sec. 5.4)**

**Robert Wilson, Assistant Secretary/Legislative Liaison**

*Summary:* In accordance with S.L. 2010-31, Sec. 5.4, the Department requested consultation on one grant proposal of \$35,000 from the Z. Smith Reynolds foundation for the period January 1, 2011 – December 3, 2011. The grant will be used to hire an IT contractor to develop a program for the public to have on-line access to searchable meeting notices of State public bodies as well as annual and financial reports of occupational licensing boards filed with the department.

*Committee Action:* The Subcommittee accepted the report.

### **Office of State Budget and Management**

#### **Report on the Use of the State Emergency Response Account (GS § 166A-6.01 and 166A-6.02)**

**Aaron Gallagher, Budget Analyst**

*Summary:* In compliance with G.S. 166A-6.01 and 166A-6.02, OSBM reported on the use of additional funding from the State Emergency Response Account, Budget Code 19031. There were two additional allocations from the State Emergency Response Account totaling \$218,174. Both allocations fund the individual assistance and public assistance programs related to flooding in Mecklenburg and Cabarrus counties on August 26 and 27, 2008 caused by Tropical Storm Fay. Representative Michaux asked about the status of the account. State Budget and Management staff responded that current balance is \$6,279,548 as of October 17, 2010. DENR has indicated that they plan to return approximately \$3.5 million in previously allocated funds that were not needed to combat the 2008 Evans Road Fire in Hyde County. This will increase the balance to approximately \$9,779,548.

*Committee Action:* The Subcommittee accepted the report.

### **Office of State Controller**

#### **Report on Collection of State Agencies' Overpayments to Vendors (S.L. 2009-451, Sec. 23.1)** **Thomas Cheek, Chief Fiscal officer**

*Summary:* The Office of State Controller (OSC) reported on the status of the Overpayments Audit and Recovery Program – Special Reserve Account 24172 – deposits and expenditures in FY 2011 through September 30, 2010. The chart that follows provides the fiscal activity of the Overpayments Audit and Recovery Program for the report period:

*Committee Action:* The Subcommittee approved the report.

**Report on the Payment Card Rebate Program (S.L. 2010-31, Sec. 27B.2)**

Beginning Balance - July 1, 2010	\$29,535.94
Deposits - FY2011 through September 30, 2010	\$7,506.98
Payments to third-party contractor – FY 2010 thru September 30, 2010	(\$2,493.56)
Transfer to OSC Special Fund 24160 – FY 2011	(\$22,000.00)
Ending Balance - December 31, 2009	\$12,549.36

**Thomas Cheek, Chief Fiscal officer**

*Summary:* The Office of State Controller (OSC) provided a quarterly report on the status of implementing the Payment Card Rebate Program. The report indicates that OSC would have to make significant and time intensive modifications to the North Carolina Accounting System (NCAS). Currently, all of the agency's accounting technical resources that would be responsible for the changes are engaged on NC Open Book and the federally mandated 3% Federal tax withholding requirement that will become effective on January 1, 2012. No funds were made available to the OSC for these unfunded mandates. In order to meet these required mandates the Payment Card Rebate Program must be postponed at this time. The Office of State Controller will revisit this program at a later date.

*Committee Action:* The Subcommittee accepted the report.

**Office of State Personnel**

**Report on Fiscal Year 2009 North Carolina State Employees Workplace Requirements Program for Safety and Health (GS § 143, Article 63)  
Ruth Barlow, Statewide Wellness Coordinator**

*Summary:* The Office of State Personnel (OSP) presented the Annual Safety and Health Report for FY 2009. There were 171,208 employees who worked 328,223,345 hours, experienced 6,689 cases of reported illnesses, lost 138,266 days of work, filed 6,321 workmen compensation claims (of which 310 were denied) with a total cost of \$59.8 million that averaged \$349 per employee. For the year, the focus was on safety and health written assessments in program development and implementation of all program areas. Additionally, there were no reported State employee occupational fatalities in FY 2008-2009. However, there were fines imposed by the NC Department of Labor as a result of conducting inspections or in response to complaints in State government facilities:

July 1, 2008 through May 31, 2009

- Forty-nine (49) inspections or response to complaints were conducted.
- Forty-one (41) State facilities or work sites were inspected.
- Initial or reduced fines following informal hearings totaled \$40,004.

*Committee Action:* The Subcommittee accepted the report.

### **Department of State Treasurer**

#### **Quarterly Report on State Investments for the Period Ended June 30, 2010 (GS § 147-68(d1))**

**Shawn Wischmeier, Chief Investment Officer**

*Summary:* In compliance with GS § 147-68 the Department of the State Treasurer submitted a quarterly report on investment activities for the period ended June 30, 2010. This report addressed the Cash Management Program, Trust Funds Investment Program, and the Ancillary Investment Programs.

The Cash Management Program is responsible for managing the State's operating funds, i.e. the General Fund and Highway Fund. The Program is comprised primarily of the Short-Term Fund (STIF) and the Bond Proceeds Fund, which is a separate account for each state bond issued to comply with IRS regulations. The Cash Management Program has \$12 billion in holdings for the General Fund and Highway Fund. The STIF produced a fiscal year return of 1.57% for participants that resulted in earned income for the General Fund that was \$61 million higher than the previous year based on book value, and \$18 million higher for the Highway Fund.

The Trust Funds Investment Program ("Trust Funds") is responsible for managing the assets of the retirement funds, i.e. the North Carolina Retirement Systems of the Pension Fund, the State Health Plan, the Disability Income Plan and the State Educational Assistance Authority. The Trust Funds are comprised of the Long-Term Investment Fund (LTIF) and the Equity Investment Fund (EIF). The Trust Funds have \$66 billion in holdings, of which \$65 billion is in the State Pension Plan. There was a 12% return that was netted from fees and expenses, which is slightly below median because of the conservative approach in North Carolina. For the quarter, LTIF assets (based on market value) ended approximately \$466 million higher than the end of the prior reporting period, approximately \$769 million was used to pay benefits or was reallocated to other investment funds during the quarter, and realized earnings for the fiscal year were \$1.4 million. The EIF realized assets (based on market value) of \$1.4 billion lower than the end of the prior reporting period, and approximately \$30 million was used to pay benefits or was reallocated to other investment funds during the quarter.

There were questions about the solvency of the State Pension Fund. The response was that North Carolina is in the top 5 of State Plans, and is 99% funded actuarially (down from 105%). This appears to be primarily in response to the State not adding to the Pension Fund at the same level as it had in the past.

*Committee Action:* The Subcommittee accepted the report.

## **Capital**

### **Department of Administration**

#### **Annual Report of the State Building Commission (G.S. 143-135.6)**

**Speros Fleggas, Deputy Secretary, Department of Administration**

The Annual Report of the State Building Commission was presented to the Committee. The report described the commission, members, meetings, powers, and subcommittees. The presenter made special note of the pre-qualification process being developed by the Commission. The pre-qualification process will allow a standard process for those bidding on State, university, and community college projects.

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

#### **Review of land Transactions Exceeding \$25,000 in Value – July, August, and October 2010 (G.S. 143-341(4) g; 146-22, 27, 29.1, 30, 74)**

**Tim Walton, General Real Estate Manager, State Property Division**

For the months of July, August, and October there were six, fifteen, and fourteen land transactions receptively. The October report combines the months of September and October. In total, there were three reallocations, twenty-three acquisitions by deed, two dispositions by deed, and three dispositions by lease.

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

### **Office of State Management and Budget**

#### **Consultation on Capital Improvement Projects Funded from the Non-General Fund Sources for September and October (G.S. 143C-8-12)**

**Jennifer Hoffmann, Assistant State Budget Officer for Infrastructure**

In September, six projects totaling \$11,250,008 were funded from non-General Fund sources. These projects are two planning projects and four new capital projects at the University of North Carolina system. The source of funds for the September projects are carry-forward funds, receipts, and trust funds. In October, three new capital improvement projects funded from non-General Fund sources were funded at the University of North system. The source of funds for the October projects were Federal grant funds and carry-forward funds.

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

#### **Consultation on Changes to the 2009-10 Repair and Renovations Two-Thirds Bond Allocation (S.L. 2009-451, Sec. 27.5(a))**

**Jennifer Hoffmann, Assistant State Budget Officer for Infrastructure**

The Office of State Budget and Management has requested the reallocation of funds made available to the Reserve for Repair and Renovations in S.L. 2009-451. The projects are a HVAC

project at the Murdoch Center at the Department of Health and Human Services and a roof repair project at the Tarboro Armory.

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

**Report on Budget Revisions to Capital Projects (G.S. 143C-8-8).**

**Jennifer Hoffmann, Assistant State Budget Officer for Infrastructure**

Numerous capital budget revisions were reported to the Committee. These project revisions involve 2000 Higher Education Bond projects at the University of North Carolina, self-liquidating projects at the University of North Carolina, non-General Fund appropriated projects among State government, and appropriated projects. With the exception of the Higher Education Bond projects, the source of funds for the project budget increases involve gifts, grants, receipts, carry-forward funds, and trust funds.

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

**Report on Emergency Expenditures without Consultation with the Joint Legislative Commission on Governmental Operations (G.S. 120-76.1)**

**Jennifer Hoffmann, Assistant State Budget Officer for Infrastructure**

Two projects were funded without consulting the Joint Legislative Commission on Governmental Operations due to an eminent threat posed to public health and safety. The projects were a repair to the steam system by the Department of Administration and flood damage related repair at the University of North Carolina – Asheville. The projects are funded from transfers from prior allocations to the Reserve for Repair and Renovations.

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

**Consultation on Allocations from the 2010 Reserve for Repair and Renovations for State Agencies per G.S. 143C-4-3 (S.L. 2010-31, Sec. 30.4(a))**

**Jennifer Hoffmann, Assistant State Budget Officer for Infrastructure**

S.L. 2010-31 authorized \$120 million in Special Indebtedness to finance the capital facility costs of repairing and renovating State facilities and related infrastructure. S.L. 2010-31 allocated 50% to OSBM and 50% to the UNC Board of Governors. S.L. 2010-31 directed OSBM to allocate \$500,000 of their amount to be allocated to the Department of Crime Control and Public Safety for the purpose of repairing and renovations at National Guard Armories. In total, \$60 million will fund 119 projects across twelve different state agencies.

*Committee Action:* The Committee accepted the OSBM recommended allocation from the Repair and Renovations Reserve and recommended transmittal to full Governmental Appropriations.

**University of North Carolina**

**Consultation on Allocations from the 2010 Reserve for Repair and Renovations for the University of North Carolina System per G.S. 143C-4-3 (S.L. 2010-31, Sec. 30.4(a))**

**Ernest Murphrey, Vice President for Finance, University of North Carolina**

S.L. 2010-31 authorized \$120 million in Special Indebtedness to finance the capital facility costs of repairing and renovating State facilities and related infrastructure. S.L. 2010-31 allocated 50% to OSBM and 50% to the UNC Board of Governors. In total, \$60 million will fund projects across the various campuses of the University of North Carolina System.

*Committee Action:* The Committee accepted the University of North Carolina recommended allocation from the Repair and Renovations Reserve and recommended transmittal to full Governmental Appropriations.

**Justice  
and  
Public Safety  
Subcommittee**

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

Rep Phil Haire called the meeting to order. The JPS Subcommittee heard the following agenda items:

**Department of Justice**

**State Bureau of Investigation Use of Federal Forfeiture/Seized Assets** (*S.L. 2009-451, Sec. 16.2*)

**Kristi Hyman, Chief of Staff**

*Summary:* The SBI reported its intent to use \$491,838 in seized and forfeited assets to purchase equipment and training services, leaving a balance of \$242,512 in the account.

*Committee Action:* The Subcommittee accepted the report and recommended transmittal to the Full Committee.

**Department of Correction**

**1. Reimburse Counties for Jail Backlog** (*S.L. 2009-451, Sec. 19.3*)

**Frank Rogers, Deputy Secretary**

*Summary:* The DOC reported on the first quarter expenditures for reimbursing counties for holding State prisoners awaiting transfer to DOC after sentencing. DOC expended \$2,948,840 from July 1, 2010, through September 30, 2010. Total expenditures for FY 2009-10 were \$9.6 million.

*Committee Action:* The Subcommittee accepted the report and recommended transmittal to the Full Committee.

**2. Inmate Medical Cost Containment** (*S.L. 2009-451, Sec. 19.6*)

**Frank Rogers, Deputy Secretary**

**Paula Smith, MD, Health Services Director**

*Summary:* The DOC reported on its efforts to reduce costs for inmate health care. The Department has implemented the required reimbursement rates specified by the General Assembly for non-contracted services; for providers with contracts, the Department will continue to pay the contract rate until it expires. The Department has signed a Memorandum of Understanding with the Department of Health and Human Services to implement procedures to reinstate Medicaid rates for Medicaid-eligible inmates placed in a hospital for over 24 hours. The Department reported that the initial effort to obtain a vendor to develop a provider network and perform claims processing through a Request for Proposal had not yielded an acceptable bid and the RFP would be re-released before the end of the year.

*Committee Action:* The Subcommittee accepted the report and recommended transmittal to the Full Committee.

## **Department of Crime Control and Public Safety**

### **1. Use of Federal Forfeiture/Seized Assets (S.L. 2009-451, Sec. 16.2)**

**Thomas Caves, Special Assistant to the Secretary**

*Summary:* The Department reported its intent to use seized asset funds to purchase a variety of equipment and training services for the Highway Patrol and the Division of Alcohol Law Enforcement. The Highway Patrol intends to use \$551,660, leaving \$1,057,802 in the fund. ALE intends to use \$1,127,543, leaving a balance of \$3,990,559 in the account.

*Committee Action:* The Subcommittee accepted the report and recommended transmittal to the Full Committee.

### **2. State Response to Tropical Storm Nicole Flooding**

**Michael Sprayberry, Deputy Director**

*Summary:* The Division of Emergency Management reported on the State's activities related to damage from flooding caused by Tropical Storm Nicole from September 27 through October 1, 2010. The State is seeking to maximize federal aid to respond to the crisis and its aftermath, and is in the process of establishing Disaster Recovery Centers in the affected counties.

*Committee Action:* The Subcommittee accepted the report and recommended transmittal to the Full Committee.

**Natural and  
Economic Resources/  
Transportation  
Subcommittee**

Joint Legislative Commission on Governmental Operations  
**Subcommittee on NER/Transportation**  
**Subcommittee Report**  
Tuesday, October 19, 2010, 1:00 P.M.  
Room 605, LOB

Representative Crawford called the meeting to order. The NER/Transportation Subcommittee heard the following agenda items:

**Department of Agriculture and Consumer Services**

**1. Ginseng Regulation Fee Structure (G.S. 12-3.1)**

**Joy Hicks, Policy Development Analyst**

*Summary:* Joy Hicks presented the proposed fees related to Ginseng, including a fee for Ginseng export certificates and for a dealer's permit. These are new fees; the Department has an amendment to 02 NCAC 48F .0305 before the Rules Review Commission that would establish them. The fees are expected to bring in \$38,000 in revenue that would be used to support Division operations related to the administration and enforcement of Ginseng regulations.

The proposed fee structure is as follows:

<b>Category</b>	<b>Fee</b>
Resident - Unlimited quantities	\$100
Resident - Limited-Up to 100 pounds per license period	\$50
Non-resident	\$500
Export Certificate – per pound	\$3/ lb

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

**2. Grant Consultations (S.L. 2010-31, Sec. 5.4)**

**Joy Hicks, Policy Development Analyst**

*Summary:* Joy Hicks requested consultation on three grant awards totaling \$323,980. The grants support the Emergency Programs and Plant Industry Divisions. A list of the grants has been attached to this report (See Appendix 1).

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

**Department of Environment and Natural Resources**

**1. Aquariums Fee Increase (G.S. 12-3.1)**

**David Griffin, Director, NC Aquariums**

*Summary:* David Griffin presented on the proposed fee structure for the North Carolina Aquarium Piers. All existing fishing piers on the North Carolina coast charge a fee for fishing; the fee is based on prevailing local market rates. These are new fees that will begin to be collected with the opening of the pier at Nags Head (Jeanette's Pier). This pier is under construction and is expected to open in May 2011. Fees charged at Jeanette's Pier are expected to bring in \$756,000, and will be used to operate the facility.

The proposed fee structure is as follows:

Category	Fee
Adult fishing, 13 years old and over, max. of two rods per 24-hour period	\$12
For each rod over two per 24-hour period	\$2
Youth fishing, ages 12 years old and under	½ fee

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

## **2. Grant Consultations (S.L. 2010-31, Sec. 5.4)**

**Cathy Hardy, Budget Officer**

*Summary:* Cathy Hardy requested consultation on four grants for a total of \$3,185,000. These grants support the Divisions of Soil & Water Conservation, Marine Fisheries, and Forest Resources. A list of the grants has been attached to this report (See Appendix 2); Ms. Hardy noted a number of corrections to this list of grants, including:

- Grant 2, Marine Fisheries: the total FTE should be 2 FTE.
- Grant 3, Forest Resources: the FY 2010-11 amount should be \$247,000.
- Grant 4, Forest Resources: the Funding Entity should be noted as ARRA funds; the FY 2010-11 Amount should be \$1,742,000; and total FTE should be 1.5 FTE.

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

## **3. Report on DENR Aviation Activities (S.L. 2010-31, Sec. 13.18)**

**Wib Owens, Director, Division of Forest Resources**

*Summary:* Wib Owens provided a report on DENR's aviation activities including an update on current aircraft operations, implementation of best management practices recommended in the Program Evaluation Division's Study of State Aircraft, and the sale of State aircraft required in S.L. 2010-31.

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

## **Department of Commerce**

### **1. Wine & Grape Council Annual Report (S.L. 2010-31, Sec. 14.10)**

**Justin Furr, Acting Executive Director, NC Wine and Grape Council**

*Summary:* Justin Furr provided an overview of the Wine & Grape Council's activities for the past fiscal year as well as an update on the state of the viticulture industry in North Carolina. The Wine & Grape Council, which was moved to General Fund support in FY 2009-10, received \$828,000 from the General Fund in that year.

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

## **Commerce State-Aid**

### **1. Rural Economic Development Center Annual Report (S.L. 2009-451, Sec. 14.27(e)) Billy Ray Hall, President**

*Summary:* Billy Ray Hall provided an overview of the Rural Center's activities for the past fiscal year (FY 2009-10). The Rural Center received \$23.9 million from the General Assembly in FY 2009-10.

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

### **2. NC Biotechnology Center Annual Report Norris Tolson, President**

*Summary:* Norris Tolson presented the Biotechnology Center's report of activities for the previous fiscal year (FY 2009-10). The Biotechnology Center received \$14.8 million for FY 2009-10

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

**Appendix 1: Agriculture Report to October 2010 Governmental Operations Commission on Grants  
FY 2010-11**

Division		Official Grant Title	Grant Description	Funding Entity	FY 2010-11 Amount	FTE
1	Emergency Programs	CEMS2010 - Revision 1	Funds will be used to continue to build GIS capabilities for the Division of Facility Services, OMES. Funds are used for personnel, supplies, travel, and communication.	DHHS - Office of Emergency Medical Services (OEMS)	\$ 91,000	0
2	Plant Industry	Hebron Road Plant Conservation Preserve - Partners Tract Addition	Funds will be used to acquire additional acreage to add to the existing plant conservation preserve. The preserve supports an existing population of State and federally endangered Smooth Coneflower as well as several other rare plant species.	Natural Heritage Trust Fund	\$ 154,480	0
3	Plant Industry	Rocky River/ Morgan's Bluff PCP & Davidson College Tract	Funds will be used to establish the Rocky River/ Morgan's Bluff Plant Conservation Preserve to preserve the presence of three imperiled plants - Wrights Cliff Crake, Southern Anemone, and Missouri Rockcress.	Natural Heritage Trust Fund	\$ 78,500	0

**Appendix 2: Environment & Natural Resources Report to October 2010 Governmental Operations Commission on Grants  
FY 2010-11**

						<b>FY 2010-11</b>	
	<b>Division</b>	<b>Official Grant Title</b>	<b>Grant Description</b>	<b>Funding Entity</b>	<b>Amount</b>	<b>FTE</b>	
1	Soil & Water Conservation	Contribution Agreement by and between the Div. of Soil & Water Conservation & the Natural Resources Conservation Service	Funds will be used to accelerate the implementation of State and Federal conservation efforts in local soil & water conservation districts. Thirty-two part-time temporary positions will assist agricultural landowners with conservation plans and BMPs.	USDA - Natural Resource Conservation Service	\$ 600,000	0	
2	Marine Fisheries	NC Marine Aquatic Resource Education	Funds will be used to create the NC Marine Aquatic Resource Education Strategic Plan which will outline how to educate anglers on ethical angling practices and protection of marine sport fish habitat.	US Fish & Wildlife Service	\$ 110,000	0	
3	Forest Resources	Federal Economic Recovery/ Stimulus Funds	"Keeping Sediment in Check with BMPs, Bridgemats, and Stream restoration. The Project will (1) implement forestry BMPs to improve forest roads and install erosion control structures, (2) purchase portable bridgemats for loggers to borrow when crossing streams during logging, and (3) restore a degraded stream.	USDA Forest Service - ARRA	\$ 275,000	0	
4	Forest Resources	Restoring and Sustaining Longleaf Pine Ecosystems in North Carolina	Funds will help expand DFR's seedling nursery, seed orchard management, seed collection, and tree improvement capacity for longleaf pines. Efforts will include prescribed burning; producing seeds for longleaf pine ecosystem restoration; planting 1,000 acres of longleaf pine; identifying, inventorying, and mapping existing longleaf pine stands; and forming partnerships, developing plans, and implementing priority actions.	USDA Forest Service	\$2,200,000	4.00	

**Education /  
Health and  
Human Services  
Subcommittee**

Joint Legislative Commission on Governmental Operations  
**Subcommittee on Education/Health & Human Services**  
**Subcommittee Report**  
Tuesday, October 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 and Human Services**

**1. Consultation on Notification of State Facilities Operations (G.S. 122C-112.1(a)(30))**  
**Lanier Cansler, Secretary, Department of Health and Human Services**

**Summary** – Mr. Cansler presented information on the downsizing and potential closure of Dorothea Dix Hospital. Mr. Cansler discussed that there has not been a budget for the hospital in several years, since the new replacement hospital was built. This consultation with Governmental Operations is part of the required process to close Dorothea Dix.

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

**2. Report on Medicaid Budget Update**  
**Lanier Cansler, Secretary, Department of Health and Human Services**

Sec. Cansler provided information on the Medicaid Budget for the current year. He announced that Medicaid is currently under budgeted expenditures by \$170 million as a result of slower growth in eligibles than projected. This funding will help offset accounts-payable carried forward from the prior fiscal year.

Sec. Cansler also stated that seven percent of the overall HHS budget is spent on personnel and administrative costs, while 59 percent of the overall HHS budget is spent directly on services in Medicaid. Actions to reign in Medicaid costs include limiting eligibility and enrollment, curbing or eliminating services and consumption, decreasing provider rates, and improving program integrity through prosecuting and eliminating fraud and abuse. Currently, federal and State restrictions prevent DHHS from pursuing many of these strategies.

*Committee Action:* No action required.

**3. Consultation on Expenditure of Grant Awards (S.L. 2009-451, Section 5.6)**  
**Jim Slate, Director of DHHS Division of Budget and Analysis**

**Summary:** Mr. Slate consulted on twenty-five grants that DHHS has applied for and/or have been awarded. The following chart shows the grants within the Division of Aging and Adult Services, Division of Central Management and Support, Division of Medical Assistance and Division of Public Health.

<b>Division/Purpose</b>	<b>Applied 2010-11</b>	<b>Awarded 2010-11</b>	<b>Applied 2011-12</b>	<b>Awarded 2011-12</b>
<b><i>Division of Aging and Adult Services</i></b>				
Medicare Improvements for Patients and Providers Act - Beneficiary Outreach and Assistance	397,184	404,850	132,394	134,930
Evidence-Based Disease Prevention		74,690		
Alzheimer's Disease Supportive Services Program	375,000		125,000	
<b><i>Division of Central Management and Support</i></b>				
ADRC Options and Counseling Assistance Programs (Affordable Care Act)	224,907	196,321	299,876	261,761
ADRC Evidence-Based Care Transitions Programs (Affordable Care Act)	150,000		200,000	
Personal and Home Care Aide State Training (PHCAST) Program (Affordable Care Act)	434,059	434,058	672,059	144,686
<b><i>Division of Medical Assistance</i></b>				
ADRC Nursing Home Transition and Diversion Program (Affordable Care Act)	200,000		200,000	
<b><i>Division of Public Health</i></b>				
Addressing Syndemics Through Program Collaboration and Service Integration	300,000	264,000	100,000	88,000
Building and Strengthening Epidemiology, Laboratory and Health Information Systems Capacity in State and Local Health Departments (Affordable Care Act)	285,380	334,705	285,379	37,189
Communities Putting Prevention to Work (Affordable Care Act)	5,767,125	1,387,500	3,863,973	1,850,000
Communities Putting Prevention to Work (Affordable Care Act)	36,850	36,850	49,133	49,133
Maternal, Infant, and Early Childhood Home Visiting Program (Affordable Care Act)	2,134,807	2,134,807		
Support for Pregnant and Parenting Teens and Women	1,473,333		294,667	
ADAP Administrative Supplement	500,000	2,055,553	500,000	186,868

Developing Public Health Capacity and Adaptations to Reduce Human Health Effects of Climate Change	90,000	90,000	30,000	30,000
State Competitive Supplemental Funding for Behavioral Risk Factor Surveillance System (Affordable Care Act)	349,990	349,990		
State Competitive Supplemental Funding for Behavioral Risk Factor Surveillance System (ACA)	136,062	136,062		
Pesticide Incident Surveillance Program	37,500		37,500	
PREPare for Success: Investing in Youth Today for Future Outcomes	1,158,234		386,078	
Enhancing Cancer Registry Data for Comparative Effectiveness Research – Special Project on Reporting from Medical Office Practices (ARRA subcontract)	160,792		275,644	
Enhancing Cancer Registry Data for Comparative Effectiveness Research (ARRA subcontract)	210,440		360,755	
Racial and Ethnic Approaches to Community Health for Communities Organized to Respond and Evaluate (REACH CORE)	150,000	75,000	200,000	100,000
Child and Adult Care Food Program, Child Wellness Grant	195,195		673,967	
Strengthening Public Health Infrastructure for Improved Health Outcomes – Component 1	300,000	300,000	100,000	100,000
Strengthening Public Health Infrastructure for Improved Health Outcomes – Component 2	2,025,000		675,000	

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

#### **Department of Public Instruction**

#### **4. Education-related Grants to the Office of the Governor (S.L. 2010-31, Sec. 5.4) Dr. William Harrison, Chairman of the NC State Board of Education**

*Summary:* Dr. Harrison updated the committee on two federal grants received by the State.

Race to the Top: North Carolina received \$399.5 million in August 2010. These funds are available until August 31, 2014; \$86.5 million is expected to be spent in FY 2010-11. Race to the Top funds will be spent in direct support of four major areas, NC's four main "pillars" of work: great teachers and principals, quality standards and assessments, turnaround of lowest-achieving schools, and a data system to improve instruction.

Education Jobs Fund: North Carolina received \$300 million in August 2010. These funds are available to Local Education Agencies (LEAs) until September 30, 2012. The Education Jobs Fund is intended to protect the jobs of school-based personnel by providing funds for compensation, benefits, and other related expenses.

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