

**JOINT LEGISLATIVE EDUCATION OVERSIGHT COMMITTEE
AGENDA**

March 11, 2004, 10:00 A.M., ROOM 544 LOB

Representative Grady, presiding

Welcome and Introductions

Rapid Growth School Systems (Behind Tab 4)

Dr. James Causby, Executive Director, NC Association of School Administrators

Mr. Philip Price, Associate Superintendent, Financial & Business Services, DPI

Mr. Adam Levinson, Fiscal Analyst, Fiscal Research Division

Proposals for Contract to Study of Articulation Agreement (Behind Tab 5)

Status Report on Request for IRS Ruling on Provision Allowing Retired Teachers to Return to Teaching (Behind Tab 6)

Mr. Michael Williamson, Director, Retirement Systems Division, Treasurer's Office

Orange County Schools/Cedar Ridge High School Furniture and Cabinetmaking Program (Behind Tab 7)

Dr. June Atkinson, Director, Division of Instructional Services, DPI

Dr. Shirley Carraway, Superintendent, Orange County Schools

Laura Williamson, Orange High School student

Gray Burton, Orange High School student

**JOINT LEGISLATIVE EDUCATION OVERSIGHT COMMITTEE
AGENDA**

March 12, 2004, 9:00 A.M., ROOM 544 LOB

Representative Grady, presiding

Welcome

Community Colleges' 2004-2005 Requests for Non-Budget Items

(Behind Tab 8)

President Martin Lancaster

**Status Report on Transfer of Business License Information Office to
Small Business Centers (S.L. 2003-284, Sec. 24.1)** (Behind Tab 9)

Mr. Franklin Scott Templeton, Deputy Secretary of State

President Martin Lancaster, Community Colleges

Chairman
Grady

— Took this off the agenda — said
it will be heard in Gov. Ops in
April when the report is due.

JOINT LEGISLATIVE EDUCATION OVERSIGHT COMMITTEE
2003-2004 SESSION

March 11-12, 2004

TABS

- 1 Membership List
- 2 Authorizing Legislation; Issues to Study; Reports Due to
Committee
- 3 Minutes
- 4 Rapid Growth School Systems
- 5 Proposals for Contract to Study of Articulation Agreement
- 6 Status Report on Request for IRS Ruling on Provision
Allowing Retired Teachers to Return to Teaching
- 7 Orange County Schools/Cedar Ridge High School
Furniture and Cabinetmaking Program
- 8 Community Colleges' 2004-2005 Requests for Non-Budget
Items
- 9 Status Report on Transfer of the Business License
Information Office to the Small Business Centers

***Information on Funding of Rapid Growth School Systems
Presented to the Joint Education Oversight Committee
By Dr. Jim Causby, Executive Director NCASA
March 11, 2004***

- Rapid student membership growth is causing major financial problems in a significant number of school systems in North Carolina
- This growth is located primarily in and around our state's urban centers
- Each rapid growth school system is affected uniquely
- Many of these rapid growth systems are also low wealth school systems
 - The majority of property tax growth is going to the urban centers
 - Low wealth counties are having to pick up extra costs of providing services for new residents without getting the growth in revenues
 - Low wealth school systems have little funding available to offset local expenses required by the growth
- Long-term planning is absolutely necessary – no additional positions to handle this
- There are three definite life stages related to the growth in these counties (more stages will come later)
 - Initial Stage -- Young families with one or two children in school and one child at home who are purchasing a lower cost home. This stage has high costs and low revenues for county government. New schools have to be planned for.
 - Second Stage – Families with children in elementary and middle school buying a moderate priced home. Retail development begins to provide a larger and more stable property tax base. Lots of new schools and/or mobile units are required. Additional student transportation is required.
 - Third Stage – Families with children in middle and high school buying a higher priced home in new golf course communities. Much more retail development resulting in higher tax base. Large need for more schools (including high schools) and heavy student transportation costs.
- School facilities needs require large investment of county resources to build, maintain and operate
- School systems are challenged to meet staffing needs

- Outdated state funding allocation system requires use of local funds
 - ADM funding
 - Textbooks
 - School Buses
 - Exceptional children funding
 - LEP funding
- This use of local funds for what are normally considered to be “state” funded programs has negative consequences for the school systems
 - Funds are diverted from other state funded programs
 - Local funds that would be used for additional teachers, salary bonuses, etc. have to be used to fund these areas
 - Counties have to commit large amounts of local funding to build school facilities which reduces funding available for current expense
 - Less than “customer friendly” student transportation system results in less supportive parents
 - The additional need for local funds causes constant friction between boards of education and boards of commissioners.
- Solutions
 - Regional taxation
 - Revise allocation formulas
 - Additional funding required and/or
 - Redistribution of resources required

Funding ADM Growth in North Carolina's Public Schools

- **Basic State Funding Principles**
 - ▷ Position Allotments
 - ▷ Dollar Allotments
 - ▷ Categorical Allotments
- **How is ADM growth recognized and funded?**
 - ▷ Initial Allotments
 - ◇ Best 1 of 2 Actual ADM
 - ◇ Projected ADM
 - ▷ 1st month adjustment
 - ▷ Other adjustments

North Carolina's Public Schools Basic State Funding Principles

■ **Position Allotments**

Local education agencies (LEAs) receive a guaranteed position (or month of employment) allotment to serve all students. This means that the State will guarantee the salary and benefits of an employee regardless of their years of experience or education level. (Teachers, Assistant Principals, Principals, and Instructional Support).

One guaranteed teacher position can be used to employ 1 teacher for 10 months, 10 teachers for 1 month, or 200 teachers for 1 day.

North Carolina's Public Schools Basic State Funding Principles

■ Dollar Allotments

Local education agencies (LEAs) receive a set amount of funding for a specific purpose to serve all students. LEAs must operate within the funding provided. (Examples include: teacher assistants, textbooks, central office administration).

LEAs have the flexibility to move funding between categories unless specific legislation restricts flexibility.

North Carolina's Public Schools Basic State Funding Principles

■ Categorical Allotments

Local education agencies (LEAs) receive supplemental funding targeted to specific students or based on specific conditions. (Examples include: children with disabilities, limited English proficiency, at-risk, low wealth, and small county supplemental funding).

LEAs have the flexibility to determine how the supplemental funding can be used to address the special needs of the LEA's specific targeted population.

These funds are in addition to the position and dollar allotments and should supplement not supplant other State funding.

North Carolina's Public Schools Basic State Funding Principles

■ Categorical Allotments - *one additional point*

Funding formulas for categorical allotments are designed to equitably distribute the supplemental resources. The funding is not designed to be student specific; but, rather to create a pool of resources that can be used to compliment the basic State funding to address the specific needs of targeted student populations. Each student requires different levels of intervention strategies ... the goal is to create a pool of funding that will enable the LEA to add to the basic funding stream and to offer each student the appropriate intervention strategy.

North Carolina's Public Schools Recognizing & Funding ADM Growth

■ Initial Allotments

- ▷ **Average Daily Membership (ADM)** for the Initial Allotments represents the anticipated student population for the next school year.
- ▷ **To create the estimate, the starting point is the actual ADM for the 1st and 2nd months of the previous school year. The first 2 months are used because:**
 - ◇ **These months represent the peak enrollment period for public schools**
 - ◇ **The goal is to fund LEAs at the maximum funding level recognizing that ADM declines (in all LEAs) during the year.**

North Carolina's Public Schools Recognizing & Funding ADM Growth

■ Initial Allotments

- ▷ After collecting the 1st two months ADM data, the LEA student population is estimated for the next school year. The estimate is based on:
 - ◇ Birth rates
 - ◇ Historical growth rates between grades.
- ▷ The projected ADM is then compared to the actual ADM and the higher number is used for the Initial Allotments. This becomes the Allotted ADM.
- ▷ When the Allotted ADM is compared to the next year's actual ADM, the Allotted ADM has proven to be very accurate.

North Carolina's Public Schools Recognizing & Funding ADM Growth

■ First Month Adjustments

- ▷ The contingency reserve was established to support the average daily membership (ADM) based allotments. The reserve is to be used in cases where first month Average Daily Membership exceeds the original anticipated ADM used for allotments. Increases will be made in the Classroom Teacher, Instructional Support, Non-instructional Support, Teacher Assistant, Classroom Materials and Supplies, Textbook, and Vocational Educational Program Support categories as applicable.

North Carolina's Public Schools Recognizing & Funding ADM Growth

■ First Month Adjustments

- ▷ After the first month of school, a LEA can request additional resources due to extraordinary student population growth that results in significant class size overage problems. Each request will be reviewed based on the criteria outlined below:
- ▷ Overall growth must be at least 2% or 100 students and the growth must have created significant class size overage problems that cannot be resolved by the LEA.

North Carolina's Public Schools Recognizing & Funding ADM Growth

■ First Month Adjustments

- ▷ Less growth will be considered if the growth and class size problem occurs within a specific grade or grade spans K-3, 4-8, 9-12, or within classes for children with disabilities.

North Carolina's Public Schools Recognizing & Funding ADM Growth

■ Other Adjustments

- ▷ Additional allotment increases can be requested in any month. Although rare, we have processed allotment increases (per the previously described guidelines) after the 2nd month of school.
- ▷ In accordance with HB 397, Section 7.27 (b), decreases to allotments must be made if the original anticipated ADM used for allotments exceeds the higher of the first or second month Average Daily Membership (ADM). The funds from this adjustment will be added to the ADM Contingency Reserve to be used in cases where first month Average Daily Membership exceeds the original anticipated ADM.

North Carolina's Public Schools Recognizing & Funding ADM Growth

■ Other Adjustments

- ▷ The overall decrease must be at least 2% or 100 students to require an adjustment.
- ▷ The reduced allotment shall be based on the higher of first or second month ADM plus one-half of the number of students overestimated in the anticipated average daily membership.

North Carolina's Public Schools Recognizing & Funding ADM Growth

■ Other Adjustments

- **The State Board also distributes additional resources, as authorized per legislation, when appropriate for:**
 - ◆ **High cost exceptional children students.**
 - ◆ **Students assigned to group homes.**
 - ◆ **Small or geographically isolated schools**

Addressing Concerns of Rapid Growth School Systems (LEAs)

Joint Education Oversight Committee

March 11, 2004

Options for Committee Consideration

1. **Appropriation of new/additional funds:** Adds funding that targets the documented needs of rapid growth LEAs.

- Pros: Addresses needs that may be particular to rapid growth LEAs without reducing *existing* funding to other LEAs.
- Cons: Limited resources in current budget climate. Additional funds not likely to be available in FY 2004-05.

Allocating any *new* funds available to the Public Schools to a new/additional funding allotment for these LEAs would target limited new resources to a few LEAs rather than distributing it among all of them.

2. **Shifting of funds within current total State appropriation:** Either alters existing allotment formulas to give greater weight to rapid growth LEAs or creates new allotments funded by reductions to existing ones.

- Pros: Addresses needs that may be particular to rapid growth LEAs without increasing the *total* State appropriation for Public Education.
- Cons: Reduces *existing* funding levels of all other LEAs in order to target *additional* resources to few rapid growth LEAs.

3. **No action:** If determination is made that State provides sufficient resources and flexibility to allow LEAs to address needs within existing allotments, no action is necessary.

- Consider allotment and expenditure data
- Consider total funding picture (including federal funds)
- Consider equity issues

EVALUATION OF THE COMPREHENSIVE ARTICULATION AGREEMENT

SECTION 8.12.(a) The General Assembly finds that (i) there is a general sentiment expressed by students that the Comprehensive Articulation Agreement adopted by the Board of Governors of The University of North Carolina and the State Board of Community Colleges should be improved and (ii) over the past five years, there have been many suggestions for improving the Comprehensive Articulation Agreement as well as recommendations for new directions in which the Comprehensive Articulation Agreement should be developed.

SECTION 8.12.(b) The Joint Legislative Education Oversight Committee shall contract with a credible independent source, individual, or organization to study the Comprehensive Articulation Agreement. The contractor shall not be (i) a current employee of The University of North Carolina, Office of the President, the North Carolina Community College System, or any of the North Carolina independent schools/colleges participating in the Comprehensive Articulation Agreement or (ii) a current or past member of the Transfer Advisory Committee.

SECTION 8.12.(c) The study by the contractor shall:

- (1) Be consistent with the standards of the Southern Association of Colleges and Schools, Commission on Colleges, on educational quality and institutional effectiveness;
- (2) Be designed to provide an accurate and credible assessment of the effectiveness of the Comprehensive Articulation Agreement during its initial five years of existence relative to the intent of its authorizing legislation;
- (3) Be based on qualitative as well as quantitative information and data;
- (4) Take no more than four months from initiation to completion; and
- (5) Include input from college transfer students, counselors, faculty, and administration from both systems.

SECTION 8.12.(d) The contractor's report shall:

- (1) Adequately reflect the study's methodology, sources of information, purpose and scope, analyses, evaluative assessments, recommendations, and conclusions;
- (2) State any known deficiencies or limitations of the study;
- (3) Be presented in both a printed form and an electronic version; and
- (4) Provide recommendations for improving the Comprehensive Articulation Agreement.

SECTION 8.12.(e) The contractor shall submit a written progress report every four weeks to the Joint Legislative Education Oversight Committee, the vice-president of academic affairs of The University of North Carolina, Office of the President, the vice-president of academic affairs of the North Carolina Community College System Office, and the cochair of the Transfer Advisory Committee. The contractor shall complete the report within four months. At the completion of the study, the contractor shall submit a draft of the report document to the Joint Legislative Education Oversight Committee, the vice-president of academic affairs of The University of North Carolina, Office of the President, the vice-president of academic affairs of the North Carolina Community College System Office, and the cochair of the Transfer Advisory Committee for review.

SECTION 8.12.(f) Within 30 days of completing the study, the contractor shall submit a final report to the Joint Legislative Education Oversight

Committee, the vice-president of academic affairs of The University of North Carolina, Office of the President, the vice-president of academic affairs of the North Carolina Community College System Office, and the cochairs of the Transfer Advisory Committee. The Joint Legislative Education Oversight Committee, vice-president of academic affairs of The University of North Carolina, Office of the President, and the vice-president of academic affairs of the North Carolina Community College System Office may, in their discretion, schedule a formal presentation of the report when it is submitted.

SECTION 8.12.(g) The University of North Carolina, Office of the President, and the North Carolina Community College System shall provide the contractor with access to and use of information databases to the extent that such access and use is necessary for the study and does not violate legal and ethical codes or create disruptions of normal operations.

SECTION 8.12.(h) The University of North Carolina, Office of the President, and the North Carolina Community College System shall each transfer thirty-five thousand dollars (\$35,000) to the Joint Legislative Education Oversight Committee to carry out this study.

ENCOURAGING RETIRED TEACHERS TO RETURN TO TEACHING

CURRENT LAW:

- Teachers can retire, return to teaching, and be exempt from the earnings cap if they have:
 - been retired at least 6 months;
 - not been employed in any capacity, except as a substitute teacher or as a part-time tutor, with a public school for at least 6 months immediately preceding the effective date of retirement; and
 - have had satisfactory performance during the last year of employment, as determined by a local board of education.
- If they meet these criteria, they can be hired to teach and receive a full-time salary and their retirement benefits without penalty.
- This is scheduled to expire June 30, 2004.
- In 2002, State Treasurer directed to seek a ruling from the IRS to determine whether the break in service could be reduced from six months to two months without adverse affect on the tax qualification of the Teachers' and State Employees' Retirement System.
- The State continues to await rulings from the IRS.

BREAK IN SERVICE ISSUES

Why does the law require a six-months break in service? There are a number of reasons for this requirement: federal law, State policy, fiscal impact, and actuarial soundness of the retirement system.

1. Federal law - IRS regulations generally prohibit a qualified defined benefit plan (like the State retirement system) from distributing benefits to a plan participant prior to the time the participant has incurred a "separation from service". Neither the U.S. Code nor the IRS regulations provide a bright-line definition for what constitutes a "separation from service". The real issue is whether there has been a bona fide termination of employment. If it appears that the plan participant "retired", but had no clear intention of actually severing his employment relationship with the employer, then a court could find there has not been a separation of service. The consequence of this type of ruling is that the IRS could disqualify the entire retirement plan, which in turn would have adverse tax consequences for ALL plan participants. (Among the consequences, state employees who had made pre-tax contributions to the plan would now have to pay taxes on those contributions.)

Given the serious consequences of an adverse ruling on this, and a lack of any clear definition of what constitutes a separation from service, many plans simply stop all retirement payments if the employee returns to service. Others have

adopted a 12-month break. Periods of 90 to 180 days are also used. However, at least one state (South Carolina) has virtually removed its break in service requirement as it applies to teachers. (However, South Carolina has a very different type of retirement system.)

It is not clear what position will pass IRS scrutiny. The problem of what will constitute a "bona fide termination of employment" is made more difficult because the IRS will look to see whether "the reasonable man would not have taken that action to intentionally circumvent the IRC Section 401(a) distribution rules." According to Deborah Schmieder, Principal and Benefit Consultant, Buck Consultants (the actuarial firm that administers North Carolina's retirement plan)

[T]he determination of whether an employee has incurred a "bona fide termination of employment" is determined on a facts-and-circumstances basis. For example, ...in the situation of a teacher who generally has a break from employment each summer and who retires at the end of one school year only to be rehired a few months later at the beginning of the next school year, it could be extremely difficult for the plan sponsor to show that this was a bona fide termination of employment.

2. Policy Issues - The original purpose of the retired teachers legislation was to help alleviate the shortage of qualified teachers, especially in hard to fill positions. The General Assembly was looking to draw from an **additional** pool of qualified and experienced teachers who were **not currently** teaching. Legislators were hearing that retired teachers were interested in returning to the classroom, but because of the salary cap under the retirement system, they would lose their benefits if they went back to teaching fulltime. So, the General Assembly created a limited exception to the general rule. At the time, it included the 12 month required break because without it there would be no disincentive for a teacher who was currently teaching from retiring immediately, being reemployed immediately, and thereby begin collecting a double salary. If currently employed teachers retire and are immediately reemployed, there is no net gain in the number of available teachers and no impact on the teacher shortage. Instead, the system would simply "churn" the existing pool of teachers.

3. Fiscal Impact - According to Stanley Moore in the Fiscal Research Division, allowing retired teachers or any group of employees to return with no earning limitations will at some point have a negative impact on the Retirement System. At one point, the actuary estimated the cost to the System to allow members to retire one day and return to work the next to be 1.35% of payroll, which will be \$97 million per year.

4. Actuarial Soundness - If the General Assembly removed the 1 year required break in service, there would exist an **enormous incentive** for teachers to retire immediately and then be reemployed. In fact, a teacher with 20 or 25 years of service would be foolish not to take this option. Given the attractiveness of this option, it is reasonable to assume that a huge percentage (if not all) of experienced teachers would elect to retire, thereby beginning to draw retirement benefits immediately and ceasing to add funds to the Retirement system.

Promising Practices in Career-Technical Education – College Tech Prep

Background

The Orange County Schools/Cedar Ridge High School Furniture and Cabinetmaking Program has been under the direction of Mr. Keith Yow for eleven years. The program was at Orange High School for nine years and moved to the newly opened Cedar Ridge High School in 2001-2002. Four levels of the program are offered. The program has achieved national recognition for student achievement and a successful industry-education partnership.

WoodLINKS-USA Partnership

In 2000-2001, preparation began to affiliate with the international WoodLINKS program. In 2003-2004, the Cedar Ridge High Program officially became a member of this industry-education partnership. The industry, students, and program reap many benefits from this collaborative initiative. The industry benefits by having:

- A pool of future employees who are attracted to the wood manufacturing industry
- Employees who have been trained to industry standards
- Employees who have higher skill levels because of following an articulated program from high school to post-secondary institutions
- Improvements in industry productivity.

The students benefit by having:

- Specialized technical training
- Exposure to high quality equipment
- Opportunity to secure a nationally recognized certification
- Jobs available immediately from high school or preferred standing in post-secondary programs
- Opportunities for recognition and scholarships

The program benefits by having:

- WoodLINKS curriculum
 - WoodLINKS student certification
 - Educational resources
 - Teacher training
 - Interaction with industry representatives for both teacher and students
 - Collaboration with post-secondary institutions
 - Donations from business partners
-

2003 AWFS Recognition

In summer 2003, eight students and five parents traveled with Mr. Yow to the Association of Woodworking and Furnishing Suppliers (AWFS) Bi-annual Conference. By invitation, Cedar Ridge High School students entered 13 projects categories. The students received five first place awards and two honorable mentions.

Katelyn Ander	First Place	Creative Casework
Ashley Hilton	First Place	Creative Table
Ashley Hilton	First Place	Traditional Upholstery
Jens MacAller	First Place	Theme Furniture
Laura Williamson	First Place	Traditional Casework
Gray Burton	Honorable Mention	Creative Table
Josh Peck	Honorable Mention	Creative Casework

In addition, Ashley Hilton won the overall high school and college show award, the People's Choice Award. This award was determined by popular vote from all the fair attendees. Following the conference, it was announced that she had also won the annual AWFS student scholarship valued at \$5,000 annually. Ashley is currently a freshman enrolled in the Woods Manufacturing Program at Appalachian State University.

Summary

Orange County's Furniture and Cabinetmaking Program has inspired numerous students to pursue related postsecondary programs in woods manufacturing, design, and engineering. Students benefit from having an engaging program that stretches their abilities and talents, integrates their academic and technical knowledge, develops foundational skills, and creates a desire to learn and succeed.

2004-05 Short Session “Non-Budget” Items

The Division of Business and Finance

Originator	Item	Intent
Martin Lancaster	Military Tuition Waiver	To provide that military personnel stationed in North Carolina ARE NOT billed for the increment between what the military will pay and the computation of the out-of-state difference.
Martin Lancaster	National Guard Non-Resident Waiver (?)	To support the NC National Guard in their quest to have those qualifying for admission, but not qualifying as a resident for tuition purposes, to be charged only the in-state rate.
Martin Lancaster	Administrative Code Rule Making	To “exempt” the State Board from APA rule-making process, but not from the Act itself. To enable the Board to adopt rules more quickly than the current twelve-month rule-making process. To make the Board’s process of managing the Code exactly the same as the University of North Carolina.
Kennon Briggs	Designate a Portion of either the “Beginning Unreserved Credit Balance” or the “Unappropriated Balance Remaining” for Community College Equipment	From the “General Fund Availability” Statement, designate ten percent (10%) from both these amounts to address the backlog of equipment needs in the NCCCS. The funds would be placed into the State Board’s “Equipment Reserve Fund” for allocation based upon the State Board’s “equipment formula.”
Martin Lancaster & Kennon Briggs	Faculty Salary Plan	Work cooperatively with legislators and Fiscal Research, along with input from the NCACCP and NCFA, to develop a multi-year salary plan for faculty that moves them to the national average salary, and provides management and budget flexibility to college presidents viz the two percent transfer.
Kennon Briggs	Amend GS 115D-58.13	To amend the statute by adding the sentence: “Funds received by an institution on account of vending facilities shall not be used to supplement salaries of any personnel.”
Martin Lancaster	Amend GS 115D-68	To amend the statute by deleting strikethrough portion: “The board of trustees shall consist of the President of the North Carolina System of Community Colleges and nine members appointed by the Governor.
Larry Keen	Create “Customized Training Program” Amend GS 115D-5(i) and (k)	Merge the “Focused Industrial Training Program” and the “New and Expanding Industry Training Program” into the “Customized Industry Training Program.” The statutory language for the NEIT program needs to be amended to delete the reference to the NEIT program and replace it with Customized Industry Training Program, and roll 115D-5 (i) and (k) together. In addition, the President of the North Carolina Community College System should have the discretion to allocate funds to training for new product lines within existing

		industry and training funds to service-based companies seeking to locate in NC.

S.L. 2003-284, Section 24.1

**TRANSFER CONSULTATION REQUIREMENT UNDER BUSINESS
LICENSE INFORMATION OFFICE TO SMALL BUSINESS CENTERS**

SECTION 24.1.(a) The Department of the Secretary of State (Department) and the North Carolina Community College System (System) shall develop and implement a plan to transfer the consultation function of the Business License Information Office (BLIO) in the Department to the Small Business Centers that are located within each of the community colleges in the System. The plan shall provide for the following:

- (1) Establishment of a Statewide Coordinator position who will develop and maintain a web-based master application system of all State licensing and regulatory requirements.
- (2) Development and ongoing maintenance of a web-based master application system of all State licensing and regulatory requirements.
- (3) Training for the Directors of the Small Business Centers.
- (4) Phase-out of the BLIO consultant positions.

SECTION 24.1.(b) The Department shall use funds appropriated for the 2003-2004 fiscal year for the Business License Information Office (Fund 1240) in Budget Code 13200 to develop the web-based master application and for training.

SECTION 24.1.(c) The Department and the System shall present their plan to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees of the Senate and the House of Representatives by October 1, 2003. After presenting the plan, the Department and the System shall report on the implementation of the plan to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees of the Senate and the House of Representatives on a quarterly basis. The plan shall be fully implemented by June 30, 2004.



*State of North Carolina
Department of the Secretary of State*

ELAINE F. MARSHALL
SECRETARY OF STATE

FRANKLIN SCOTT TEMPLETON
DEPUTY SECRETARY OF STATE

Memorandum

Date: October 1, 2003

To: Joint Legislative Commission on Governmental Operations
Chairs, Appropriations Committees of the Senate and the House of Representatives

From: Scott Templeton (*signed on paper copy*)

Re: Initial Report: Session Law 2003-284 § 24:
Transfer of the Business License Information Office consultation function
to the Community College System Small Business Centers

Section 24 of the current state budget (Session Law 2003-284; House Bill 397) contains the following provision:

**"TRANSFER CONSULTATION REQUIREMENT UNDER BUSINESS
LICENSE INFORMATION OFFICE TO SMALL BUSINESS CENTERS**

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October 1, 2003. After presenting the plan, the Department and the System shall report on the implementation of the plan to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees of the Senate and the House of Representatives on a quarterly basis. The plan shall be fully implemented by June 30, 2004."

This memorandum is the Department of the Secretary of State's initial plan presentation. After consultation with the Community College System, we understand that the System will be providing its report under separate cover. This memorandum first provides background on the Business License Information Office consultation function, and then addresses the transfer plan.

I. The Business License Information Office Consultation Function

The General Assembly enacted the Business License Information Act, GS 147-54.11 et seq., in 1987. The staff of BLIO "consultants" works to ensure that businesses starting or moving into North Carolina obtain all state permits and licenses required by law. BLIO is a "one-stop" information and assistance center to help those operating businesses in North Carolina determine licensing requirements applicable to their businesses. Our historical understanding is that BLIO was created out of a legislative concern that businesses were not meeting all licensing requirements because of the difficulty of determining how many licenses were required, how many different boards and agencies regulated a particular business activity, and which boards and agencies to contact.

BLIO helps "cut the red tape" for the full range of prospective and existing business operators by providing the following services:

- A "one-stop-shop" and clearinghouse for identifying and meeting business-related licensing and permitting requirements in North Carolina. (Even with efforts at regulatory reform over the years, North Carolina law still provides for over 700 different types of business permits and licenses.)
- Individual referrals to state, local and federal agencies and licensing boards.
- "How-to" guides on starting a business in our state.
- Customized assistance in identifying private and public resource groups.
- Customized packages of many state, local and federal forms necessary for conducting business, and
- The State Directory of Business Licenses and Permits.

BLIO's business is booming – the number of consultations provided to businesspeople has grown from just over 20,000 per year in 1997 to nearly 50,000 annually at the current rate. This count does not include the hundreds of thousands of visits to BLIO's Internet site, or the countless people who call BLIO just wanting to know "who to call" regarding a specific license or permit or seeking other business information.

As an example of the consultation function, if someone contacts a BLIO consultant regarding starting a restaurant, or bringing a chain of restaurants to North Carolina, the consultant

will help that person identify the permit, license and related requirements involving the state departments of Revenue, Agriculture, ESC, Health & Human Services, Labor and ABC (Alcoholic Beverage); federal requirements by the IRS, ATF, US Departments of Labor and Homeland Security; and county health requirements. Without the BLIO consultant, the person would otherwise have to identify and make eleven different agency contacts to obtain the same information.

BLIO also provides an additional, important benefit to the process – if a person utilizes BLIO's service and follows the consultant's advice, the person is protected from government penalty if BLIO fails to identify a required state permit or license.

BLIO is currently staffed with five business license consultants. The five consultants have a combined eighty-nine years of government service, most of it in BLIO (the most junior consultant has over nine years in BLIO).

II. Transfer of the BLIO Consultation Function to the Small Business Centers

A plan to transfer the BLIO consultation function to the Small Business Centers must address four core issues:

1. Transfer of consultant role.

- The departments are tasked with transferring a function currently performed by the Department of the Secretary of State's central staff of five consultants to the System's network of fifty-nine Small Business Centers. Discussions are ongoing between the Department and the System regarding how to best fulfill that obligation. Our understanding is that the System's initial assessment is that it may require additional resources in order to successfully assume the consultant role.

2. Statewide coordinator position.

- A "statewide coordinator position" is to be established to "develop and maintain a web-based master application system of all State licensing and regulatory requirements."
- Given the diverse expectations of that role and based on Department of the Secretary of State experience, one position is likely inadequate to fulfill that expectation without adequate support staff. Discussions are ongoing between the Department and the System regarding how to best fulfill that obligation.

3. Web-based master application system.

- For several years, the Department of the Secretary of State has requested legislative funding, without success, to study and develop a scope of work for an Internet-enabled business license and permit information and application system. The most recent estimate, prepared for the 2003-05 biennium, was that it would cost approximately \$90,000 to conduct a study and obtain a useful scope of work from a qualified consultant.

- The transfer provision notes that the BLIO budget is to be used “to develop the web-based master application and for training.” That provision is problematic in at least three regards:
 - The FY 03-04 budget appropriation for BLIO is \$374,947. Of that, \$308,425 is personal services (salaries and fringe), leaving \$66,522 for operating costs. Last year, BLIO expended \$66,647 in operating costs. It is possible that some funds could be diverted from otherwise-required operating costs for software development and for training, and other funds may become available over the year if existing employees leave the BLIO program. The amount potentially available is nonetheless grossly insufficient to study and scope, much less develop, an Internet-enabled business license and permit information and application system and for training.
 - While directed to use the BLIO budget to develop an application, that application must reside with the Community College System and be compatible with their computer systems and expectations if the consultation transfer is to have any real chance for success.
 - The current BLIO license and permit data is maintained by ITS on its mainframe system. The software is outdated and not readily “web-enabled.” It may be possible to convert the data to a static, searchable file that could be posted on the Internet. This is likely to be the most “web-enabled” application that could be provided with the available resources. Such a solution would allow users to word-search a listing of state license and permit data, and from those results contact the appropriate office(s). Such a data file, providing information on over 700 individual licenses and permits, would likely be frustratingly “slow” for dial-up Internet users to load and search.
- The Department and the System continue to discuss how to best address this complex issue. The Department believes that the BLIO budget is inadequate to “to develop the web-based master application and for training.”

4. SBC director training.

- As stated previously, the junior BLIO consultant has been with the program for over nine years. There is no consultant “training manual” or printed curriculum. Historically, BLIO has trained its consultants by having them read the BLIO Directory, relevant General Statutes, and work side-by-side with the experienced consultants for extended periods. As new consultants were gradually allowed to perform consultations, their consultations were monitored and their results documented, reviewed, and corrected when necessary.
- The BLIO Directory, historically printed biennially, was last printed in 1999 and is both out-of-print and outdated. A 2000-01 Directory was not printed in order to divert funds to Hurricane Floyd relief, and subsequent departmental requests to fund the manual have been declined.
- The Department and the System are exploring possible methods of providing the required knowledge transfer to the Small Business Center directors. It will be challenging to balance the need to provide the System with adequate access to BLIO

consultants in order to assist with SBC director training, with the ongoing obligation to provide BLIO consultation services to the public. The two agencies have already discussed that it will likely be desirable for the State to retain the existing BLIO consultants beyond the June 30, 2004 date at which funding for their positions expires, in order to effectuate this knowledge transfer.

In addition to these joint responsibilities, Department of the Secretary of State must also address the "phase-out" of the five BLIO consultants. These five individuals are extremely valuable assets to the state, and it would be a substantial waste to lose their knowledge and experience.

Based upon our experience with the BLIO program, the Department of the Secretary of State opposed this special provision. We are nonetheless committed to fulfilling our statutory directives, and will cooperate fully and provide every reasonable assistance to the Community College System to effect this transfer. Our discussions to date have been productive, but many options remain to be identified and evaluated. We will provide updated information at the next quarterly reporting date, on or about January 1, 2004.

Please contact me if you have questions.



Press Release

FOR IMMEDIATE RELEASE
March 8, 2004

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Independent Study Confirms Effectiveness of National Board Certification® *Expansive Study Shows Students Make Greater Academic Gains When Taught by National Board Certified Teachers®*

(Arlington, Va.) – An independent, multi-year study of more than 600,000 student records from students in North Carolina schools has found that children learn more from National Board Certified Teachers (NBCTs). The scientifically based study, which was funded by the U.S. Department of Education, adds to the growing body of evidence demonstrating that National Board Certification identifies teachers who enhance student achievement.

“Our findings appear to confirm that NBPTS (National Board for Professional Teaching Standards) is in fact succeeding at identifying those teachers who are more effectively producing student learning gains,” according to the study “Can Teacher Quality Be Effectively Assessed?” by Dan Goldhaber of the University of Washington and The Urban Institute, and Emily Anthony of The Urban Institute. The University of Washington released the study today. It can be viewed at www.crpe.org.

The researchers measured the effectiveness of NBCTs by studying the annual test scores of North Carolina students in grades three, four and five from three academic years: 1996-97, 1997-98 and 1998-99. Data for the project came from the North Carolina Department of Public Instruction, which has an accountability system that allows researchers to link student and teacher records over time. Goldhaber and Anthony were able to successfully link more than 600,000 student records in reading and math to individual teachers, thus yielding pre-test and post-test scores. The study found:

- Teachers who achieve National Board Certification do a measurably better job in the classroom.
- Students of NBCTs improved an average of seven percent more on their year-end math and reading tests than students whose teachers attempted but failed to gain certification.
- This performance differential was most pronounced for younger and lower-income students whose gains were as high as 15 percent.

“This independent research is welcome news and it confirms what we have always known: National Board Certification is the gold standard in teaching and teachers who earn this distinction are among the most effective teachers in our classrooms today,” says NBPTS Board Chair Roy E. Barnes. “The study provides state and national policymakers with proof that National Board Certification is a smart investment.”

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1525 Wilson Blvd • Suite 500 • Arlington, VA 22209 • FAX 703-465-2715

This project is funded in part with grants from the U.S. Department of Education and the National Science Foundation. Through September 2003, NBPTS has been appropriated federal funds of \$129.3 million, representing approximately 41 percent of the National Board Certification project. More than \$186.2 million (59 percent) of the project's cost will be financed by non-governmental sources.

National Board Certification is the highest credential in the teaching profession. A voluntary process established by NBPTS, certification is achieved through a rigorous performance-based assessment that takes between one and three years to complete and measures what accomplished teachers should know and be able to do.

"At long last, we have clear evidence of how the nation can truly leave no child behind: National Board Certified Teachers are the way. Now we need the will and wherewithal to make good on that commitment," says NBPTS President Joseph A. Aguerreberere. "This study is welcome news to NBPTS as well as the 50 states and more than 500 school districts across the nation that have implemented policies and regulations to recruit, reward and retain National Board Certified Teachers."

The researchers said their study has important public policy implications. "To begin with, this is the first large-scale student study that appears to confirm the NBPTS assessment process is effectively identifying those teachers who contribute to relatively larger student learning gains. This finding is important both because it provides some indication of a positive return on the investment in NBPTS, and, on a more fundamental level, it demonstrates that it is actually possible to identify teacher effectiveness through NBPTS-type assessments."

In its continuing effort to measure the impact of National Board Certification and the effects of NBCTs on the quality of teaching and student achievement in America's schools, NBPTS has engaged in an independent, rigorous research agenda. There have been more than 150 studies, reports and papers commissioned on the value of the National Board Certification process, as well as its standards and assessments. Findings and results from a number of research studies are expected to be completed in 2004 and 2005.

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The National Board for Professional Teaching Standards is an independent, nonprofit, nonpartisan and nongovernmental organization governed by a board of directors, the majority of whom are classroom teachers. Its mission is to establish high and rigorous standards for what accomplished teachers should know and be able to do. For more information about NBPTS, please visit <http://www.nbpts.org>.

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