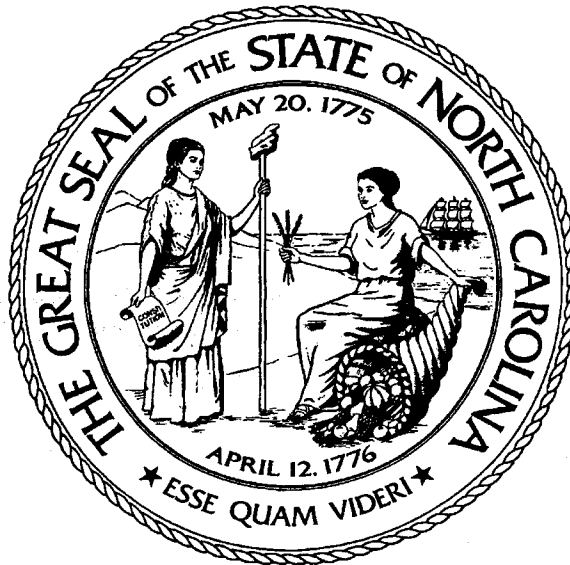


LEGISLATIVE RESEARCH COMMISSION ACTIVITIES

1997-1998 FISCAL YEAR



INTERIM REPORT

MAY 11, 1998

SUMMARIES PREPARED BY
LEGISLATIVE SERVICES OFFICE
1997 GENERAL ASSEMBLY OF
NORTH CAROLINA

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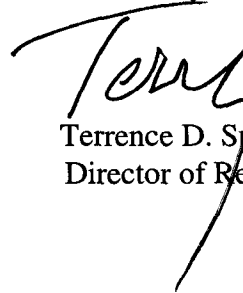
May 11, 1998

**TO THE MEMBERS OF THE 1997 GENERAL ASSEMBLY
(1998 REGULAR SESSION):**

The Legislative Research Commission directed its staff to prepare an interim report outlining the work thus far of its committees during the 1997-98 fiscal year. This report contains a brief summary of each committee's progress and describes the number of committee meetings, subjects studied, findings and recommendations. We contemplate publishing an updated report in January just prior to the 1999 General Assembly.

These summaries were prepared by the staff to the individual committees to provide brief overviews of the committees' work. These summaries do not modify nor should they be considered as modifying any committee's report. The individual report by the Legislative Research Commission is authoritative. Copies of the Legislative Research Commission's reports may be obtained from the Legislative Library, Room 2126, State Legislative Building, Raleigh, North Carolina, 27611. (Telephone: (919) 733-7778).

Yours truly,

A handwritten signature in black ink, appearing to read "Terrence", with a long, sweeping underline that extends below the printed name.

Terrence D. Sullivan
Director of Research

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LEGISLATIVE RESEARCH COMMISSION

INTRODUCTION

The North Carolina Legislative Research Commission is an interim study organization of the General Assembly. Authorized by North Carolina General Statutes § 120-30.10 through 120-30.18, the Commission undertakes studies by direction of resolutions from the preceding legislative session or by direction of the Commission Chairmen. The Commission, under G.S. 120-30.17(9), referred some studies authorized to be conducted by the Commission to other State agencies and existing study commissions. The indication of each study's disposition begins on page 9.

The Commission is chaired by the President Pro Tempore of the Senate and the Speaker of the House of Representatives. The chairmen appoint five members from their respective houses. By tradition, the Commission has produced its studies working through committees responsible to Commission members and made up of other members of the General Assembly assisted by advisory members from outside the General Assembly.

LEGISLATIVE RESEARCH COMMISSION

Membership

1997-1999

President Pro Tempore

Sen. Marc Basnight
Room 2007
Legislative Building
Raleigh, NC 27601
(919) 733-6854

Pro Tem's Appointments

Sen. Austin M. Allran
PO Box 2907
Hickory, NC 28603
(704) 327-2632

Sen. Jeanne H. Lucas
4504 Glenn Road
Durham, NC 27704
(919) 688-2838

Sen. Frank W. Ballance, Jr.
PO Box 616
Warrenton, NC 27589
(919) 257-3955

Sen. R.L. "Bob" Martin
PO Box 387
Bethel, NC 27812
(919) 825-4361

Sen. Ed N. Warren
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Speaker of the House

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Speaker's Appointments

Rep. Michael P. Decker, Sr.
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Walkertown, NC 27051
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Rep. Jerry Dockham
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(910) 859-2281

Rep. Beverly M. Earle
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(704) 333-7180

Rep. W. Eugene McCombs
PO Box 132
Faith, NC 28041
(704) 279-2128

Rep. Gregory J. Thompson
PO Box 574
Spruce Pine, NC 28777
(704) 765-1998

Clerk:

DeAnne Mangum
(919) 733-2578

ARTICLE 6B.

Legislative Research Commission.

§ 120-30.10. Creation; appointment of members; members ex officio.

(a) There is hereby created a Legislative Research Commission to consist of five Senators to be appointed by the President pro tempore of the Senate and five Representatives to be appointed by the Speaker of the House. The President pro tempore of the Senate and the Speaker of the House shall be ex officio members of the Legislative Research Commission. Provided, that when the President of the Senate has been elected by the Senate from its own membership, then the President of the Senate shall make the appointments of the Senate members of the Legislative Research Commission, shall serve ex officio as a member of the Commission and shall perform the duties otherwise vested in the President pro tempore by G.S. 120-30.13 and 120-30.14.

(b) The cochairmen of the Legislative Research Commission may appoint additional members of the General Assembly to work with the regular members of the Research Commission on study committees. The terms of the additional study committee members shall be limited by the same provisions as apply to regular commission members, and they may be further limited by the appointing authorities.

(c) The cochairmen of the Legislative Research Commission may appoint persons who are not members of the General Assembly to advisory subcommittees. The terms of advisory subcommittee members shall be limited by the same provisions as apply to regular Commission members, and they may be further limited by the appointing authorities. (1965, c. 1045, s. 1; 1975, c. 692, s. 1.)

§ 120-30.11. Time of appointments; terms of office.

Appointments to the Legislative Research Commission shall be made not earlier than the close of each regular session of the General Assembly held in the odd-numbered year nor later than 15 days subsequent to the close. The term of office shall begin on the day of appointment, and shall end on January 15 of the next odd-numbered year. No moneys appropriated to the Legislative Research Commission may be expended for meetings of the Commission, its committees or subcommittees held after January 15 of the next odd-numbered year and before the appointment of the next Legislative Research Commission. (1965, c. 1045, s. 2; 1975, c. 692, s. 2; 1977, c. 915, s. 4; 1981, c. 688, s. 19; 1983, c. 63, s. 1; 1983 (Reg. Sess., 1984), c. 1034, s. 178; 1991 (Reg. Sess., 1992), c. 900, s. 16.)

§120-30.12. Vacancies.

Vacancies in the appointive membership of the Legislative Research Commission occurring during a term shall be filled for the unexpired term by appointment by the officer who made the original appointment. Vacancies in the ex officio membership shall be filled for the unexpired term by election by the remaining members of the Commission. Every vacancy shall be filled by a member of the same house as that of the person causing the vacancy.

If for any reason the office of President pro tempore of the Senate becomes vacant, the five Senate members of the Legislative Research Commission shall elect one of their own number to perform and exercise the duties imposed and powers granted pursuant to this Article, and such Senator so elected shall serve until the Senate shall elect a President pro tempore. If for any reason the office of Speaker of the House of Representatives becomes vacant, the five members of the House of Representatives of the Legislative Research Commission shall elect one of their own number to perform and exercise the duties imposed and powers granted pursuant to this Article, and such member of the House of Representatives so elected shall serve until the House of Representatives shall elect a Speaker. (1965, c. 1045, s. 3; 1969, c. 1037.)

§120-30.13. Cochairmen; rules of procedure; quorum.

The President pro tempore of the Senate and the Speaker of the House shall serve as cochairmen of the Legislative Research Commission. The Commission shall adopt rules of procedure governing its meetings. Eight members, including ex officio members, shall constitute a quorum of the Commission. (1965, c. 1045, s. 4.)

§120-30.14. Meetings.

The first meeting of the Legislative Research Commission shall be held at the call of the President Pro Tempore of the Senate in the State Legislative Building or in another building designated by the Legislative Services Commission. Thereafter the Commission shall meet at the call of the chairmen. Every member of the preceding General Assembly has the right to attend all sessions of the Commission, and to present his views at the meeting on any subject under consideration. (1965, c. 1045, s. 5; 1981, c. 772, s. 1.)

§120-30.15. Repealed by Session Laws 1969, c. 1184, s. 8.

§120-30.16. Cooperation with Commission.

The Legislative Research Commission may call upon any department, agency, institution, or officer of the State or of any political subdivision thereof for such facilities and data as may be available, and these departments, agencies, institutions, and officers shall cooperate with the Commission and its committees to the fullest possible extent. (1965, c. 1045, s. 7.)

§120-30.17. Powers and duties.

The Legislative Research Commission has the following powers and duties:

- (1) Pursuant to the direction of the General Assembly or either house thereof, or of the chairmen, to make or cause to be made such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner.
- (2) To report to the General Assembly the results of the studies made. The reports may be accompanied by the recommendations of the Commission and bills suggested to effectuate the recommendations.
- (3), (4) Repealed by Session Laws 1969, c. 1184, s. 8.

- (5), (6) Repealed by Session Laws 1981, c. 688, s. 2.
- (7) To obtain information and data from all State officers, agents, agencies and departments, while in discharge of its duty, pursuant to the provisions of G.S. 120-19 as if it were a committee of the General Assembly.
- (8) To call witnesses and compel testimony relevant to any matter properly before the Commission or any of its committees. The provisions of G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Commission and its committees as if each were a joint committee of the General Assembly. In addition to the other signatures required for the issuance of a subpoena under this subsection, the subpoena shall also be signed by the members of the Commission or of its committee who vote for the issuance of the subpoena.
- (9) For studies authorized to be made by the Legislative Research Commission, to request another State agency, board, commission or committee to conduct the study if the Legislative Research Commission determines that the other body is a more appropriate vehicle with which to conduct the study. If the other body agrees, and no legislation specifically provides otherwise, that body shall conduct the study as if the original authorization had assigned the study to that body and shall report to the General Assembly at the same time other studies to be conducted by the Legislative Research Commission are to be reported. The other agency shall conduct the transferred study within the funds already assigned to it. (1965, c. 1045, s. 8; 1969, c. 1184, s. 8; 1977, c. 915, s.3; 1981, c. 688, s. 2; 1983, c. 905, s. 7; 1985, c. 790, s. 7.)

§120-30.18. Facilities; compensation of members; payments from appropriations.

The facilities of the State Legislative Building, and any other State office building used by the General Assembly, shall be available to the Commission for its work. Members of the General Assembly serving on the Legislative Research Commission or its study committees shall be reimbursed for travel and subsistence expenses at the rates set out in G.S. 120-3.1. Advisory subcommittee members shall be reimbursed and compensated at the rates set out in G.S. 138-5 (public members) and G.S. 138-6 (State officials or employees). All expenses of the Commission shall be paid from funds appropriated for the Commission. (1965, c. 1045, s. 9; 1975, c. 692, s. 3; 1981, c. 772, s. 2.)

1997-1998

**TABLE OF AUTHORIZED LEGISLATIVE RESEARCH COMMISSION
STUDIES**

The following is a list of the topics which were funded by the Legislative Research Commission to be studied and topics referred to another agency or commission for study pursuant to G.S. 120-30.17(9). Except where otherwise indicated, the original bill or resolution which outlines the scope of the particular study is incorporated by reference in Senate Bill 32, Chapter 483 of the 1997 Session Laws. Footnotes indicate which studies were referred to another agency or commission to be conducted.

Unless otherwise indicated, each Committee may report to the 1998 Session of the 1997 General Assembly or the 1999 General Assembly, or may make an interim report to the 1998 Session of the 1997 General Assembly and a final report to the 1999 General Assembly.

<u>Study</u>	<u>Sponsor</u>	<u>Authorization</u>	<u>Staff</u>	<u>Page</u>
Adoption Registry	Rep. Allred	HB 1206	Attarian	83
Bingo Regulation	Sen. Weinstein Rep. Baker	HB 951	Levenbook	85
Building Code Issues	Sen. Shaw Rep. Davis	SB 820 HB 47	Riley	86
Business Development:			Avrette	17
Small Business Development	Rep. Shubert	HB 1177		
Venture Capital	Sen. Hoyle Sen. Kerr	SB 956		
Cemetery Issues	Rep. Hill	HB 98	Young	88
Coastal Beach Movement Issues	Sen. Horton Sen. Odom	SB 432	E Johnson	33
Community Colleges	Rep. Rayfield Rep. Shubert		Goldsmith	47
Consumer Protection:			Carter	25
Consumer Protection	Rep. Thompson Sen. Jordan	HJR 25 SJR 28		

Garnishment of Wages	Sen. Rand	SB 740		
Cooperative Extension	Rep. Smith	HB 1018	Goldsmith	50
Dedicated Sources of Revenue	Sen. Rand		Avrette	64
Dental Hygienist Regulation, Supervision, & Scope of Practice ¹			Young	101
DHR Schools ²			R Johnson	106
Dispute Resolution ³			Hovis	98
Division of 30 th District Court District & 30 th Prosecutorial District	Sen. Carpenter	SB 352	Perusse	41
Domestic Violence	Sen. Lucas Rep. Bowie	SB 753 HB 909	Hayes	26
Financial Institutions:			Cochrane-Brown	55
Branch Banking	Sen. Warren	SB 901		
Consumer Finance Industry Issues	Sen. Lee Rep. Tallent	SB 777 HB 356		
Future of the Courts	Sen. Ballance Rep. Daughtry Rep. Neely Rep. Baddour	HB 1192	Hayes	42
Guardian Ad Litem	Sen. Ballance Rep. Hiatt	SJR 24 HJR 107	Watson	45
Health Care Information Privacy Issues ⁴			Attarian	101
Health Care Issues ⁵			Young	101
Information Technology		HB 290, 925, 970, 973, 1034, 1047	Zeugner	58
Insurance Issues:			Jones	73
Insurance issues	Rep. Redwine	HB 452		

¹ Referred to the Health Care Oversight Study Committee by the LRC.

² Referred to the Legislative Study Commission on Public Schools by the LRC.

³ Referred to the Courts Commission by the LRC.

⁴ Referred to the Health Care Oversight Study Committee by the LRC.

⁵ Referred to the Health Care Oversight Study Committee by the LRC.

Coastal insurance	Rep. Redwine Rep. McComas	HB 452 HB 1119		
Intergovernmental Relations & Fiscal Reform	Sen. Perdue		C Johnson	67
Land Title Registration		SB 875	Perry	74
Lien Law Issues:			Reagan	28
Laws related to liens due med. providers	Sen. Hartsell Rep. Culpepper	SB 156 HB 199		
Allowing statutory liens for fees owed commercial RE brokers	Sen. Odom	SB 923		
Lobbying & Conflict of Interest:			Reagan	79
Lobbyists waiting period	Sen. Jenkins	SB 3		
No State Agency Contract Lobbying		SB 352		
No State funds for Lobbying		SB 352		
Gov.'s Highway Safety Program Lobbyists		SB 352		
Conflicts of Interest	Rep. Bowie	HB 1165		
Medical Assistance Program & State-County Special Assistance Program ⁶			Young	96
Medical Malpractice			Jones	30
Mortgage Bankers Loans and Fees	Rep. Miner	HB 1125	Cochrane-Brown	56
Municipalities Annexation & Incorporation:			Perry	76
Incorporation Process	Sen. Hartsell Rep. Ellis Rep. Cole	SJR 61 HB 93 HJR 163		
Annexation, Incorporation, & land-use planning	Sen. Hartsell	SB 903		
National Guard Buy-In to State Health Plan ⁷			Cochrane-Brown	100
Open Meetings Law & Public Records Law:			Gilkeson	80

⁶ Referred to the NC Study Commission on Aging. (SL 97-443, §12.19, SB 352).

⁷ Referred to the Committee on Employee Hospital and Medical Benefits by the LRC.

Relationship of Open Mtgs. Law & Public Records Law to UNC Institutions	Sen. Lee Rep. Daughtry	HB 898		
Robbery Witness Protection	Sen. Dalton	SB 384		
Oregon Inlet Stabilization Project		SB 352	Levenbook	35
Pharmacy Practice Act ⁸			Attarian	101
Property Tax Issues ⁹			Avrette	108
Public Transit	Sen. Gulley		Perry	21
Rabies and the Administration of Rabies Vaccines ¹⁰			Young	105
Rail Services to State Ports ¹¹			Perry	110
Special Registration License Plates ¹²			Perry	110
State Construction			Riley	69
State Government Services Improvement			Jones	63
Storm Hazard and Waste- water Systems Permits	Rep. Mitchell Sen. Odom Rep. Hardy	HB 572 SB 432 HB 1021	Iddings	38
Substance Abuse Aftercare	Sen. W. Martin		Attarian	51
Victims Rights ¹³			Perusse	103
Watercraft Safety	Rep. Preston	HB 513	Riley	91

⁸ Referred to the Health Care Oversight Study Committee by the LRC.

⁹ Referred to the Revenue Laws Study Commission.

¹⁰ Referred to the Public Health Study Commission by the LRC.

¹¹ Referred to the Transportation Oversight Committee by the LRC.

¹² Referred to the Transportation Oversight Committee.

¹³ Referred to the House and Senate Appropriations Committees on Justice and Public Safety by the LRC.

1997-98 TABLE OF STUDIES AUTHORIZED BY THE LEGISLATIVE RESEARCH COMMISSION

(Adopted by LRC on 10/8/97)

A. LRC STUDY COMMITTEES/ISSUES- LRC Member in Charge

<u>Grouping</u>	<u>LRC Member in Charge</u>	<u>Page</u>
<u>Committee</u>		
<u>Issues to be Studied</u>		
 I. BUSINESS DEVELOPMENT, COMMERCE, AND TRANSPORTATION GROUPING -	 Rep. McCombs	
1. <u>Business Development Committee:</u>		17
• Small business development (§2.1(28))		
• Venture capital and business financing (§2.1(29))		
2. <u>Public Transit Committee</u> (§2.8)		21
 II. CIVIL AND CRIMINAL LAW GROUPING -	 Rep. Thompson	
1. <u>Consumer Protection Committee</u>		25
• Consumer protection (§ 2.1(16))		
• Garnishment of wages (§2.5)		
2. <u>Domestic Violence Committee</u> (§2.1(5))		26
3. <u>Lien Law Issues Committee</u> (§ 2.1(10))		28
• Laws related to liens due medical providers for medical services provided and to the assignment of proceeds		
• Allowing statutory liens for fees owed to commercial real estate brokers		
4. <u>Medical Malpractice Committee</u>		30
 III. COASTAL BEACH ISSUES AND ENVIRONMENTAL GROUPING -	 Sen. Allran	
1. <u>Coastal Beach Movement Issues Committee</u> (§ 2.1(3))		33
2. <u>Oregon Inlet Stabilization Project Committee</u> (S.L.97-443, §32.22, SB 352)		35
3. <u>Storm Hazard and Wastewater Systems Permits Committee</u> (§ 2.1(22))		38
 IV. COURTS GROUPING -	 Sen. Ballance	
1. <u>Division of 30th District Court District and 30th Prosecutorial District Committee</u> (§2.1(14))		41
2. <u>Future of the Courts Committee</u> (§2.1(7))		42
3. <u>Guardian Ad Litem Program Committee</u> (§2.1(8))		45
 V. EDUCATION AND HUMAN RESOURCES GROUPING -	 Rep. Decker	
1. <u>Community Colleges Committee</u> (§ 2.1(23))		47
2. <u>Cooperative Extension Service Committee</u> (§2.1(17))		50
3. <u>Substance Abuse Aftercare Committee</u> (§2.10)		51
 VI. FINANCIAL INSTITUTIONS AND INFORMATION TECHNOLOGY GROUPING -	 Sen. Warren	

1. <u>Financial Institutions Issues Committee</u> (§2.1(6))	55
• Branch banking law in NC	
• Consumer finance industry issues	
2. <u>Mortgage Bankers Loans and Fees Committee</u> (§2.1(6))	56
3. <u>Information Technology Committee</u> (§2.1(24))	58

**VII. GOVERNMENT SERVICES AND REVENUE
ISSUES GROUPING -**

Sen. R.L. Martin

1. <u>State Government Services Improvement Committee</u>	63
• Competition to improve State government services (§ 2.3)	
2. <u>Dedicated Sources of Revenue Committee</u> (§ 2.4)	64
3. <u>Intergovernmental Relations and Fiscal Reform Committee</u>	67
• State and local government fiscal reform and intergovernmental relations (§2.6)	
4. <u>State Construction Study Committee</u>	69

VIII. INSURANCE, PROPERTY, AND ANNEXATION GROUPING - Rep. Dockham

1. <u>Insurance Issues Committee</u>	73
• Insurance issues, Articles 45 and 46 of Chapter 58, availability of property and homeowners insurance in the State (S.L.97-498, § 11, HB 452)	
• Coastal insurance issues (§2.1(13))	
2. <u>Land Title Registration Procedures Committee</u> (S.L.97-309, §14, SB 875)	74
3. <u>Municipalities Annexation and Incorporation Committee</u> (§ 2.1(12))	76
• Incorporation process and requirements for new municipalities	
• Annexation, incorporation, and land-use planning	

IX. ETHICAL AND OPEN GOVERNMENT ISSUES GROUPING - Sen. Lucas

1. <u>Lobbying and Conflict of Interest Issues Committee</u> (§2.1(11))	79
• Lobbyists waiting period for former legislators, former members of the Council of State, or other officers or employees of State government	
• No State agency contract lobbying	
• No State funds for lobbying	
• Governor's Highway Safety Program is not to hire paid lobbyists	
• Conflicts of interest, issues for public officials	
2. <u>Open Meetings Law and Public Records Law Committee</u>	80
• Relationship of the Open Meetings Law and the Public Records Law to institutions of the University of North Carolina (§2.9)	
• Robbery witness protection (§2.1(6)c.)	

X. REGULATION GROUPING -

Rep. Earle

1. <u>Adoption Registry Committee</u> (§ 2.1(30))	83
2. <u>Bingo Regulation Committee</u> (§ 2.1(1))	85
3. <u>Building Code Issues Committee</u> (§ 2.1(2))	86
4. <u>Cemetery Issues Committee</u> (§ 2.1(15))	88
5. <u>Watercraft Safety Committee</u> (§2.1 (21))	91

B. REFERRALS

	<u>Page</u>
1. Medical Assistance Program and State-County Special Assistance Program (S.L.97-443, §12.19, SB 352) to <i>North Carolina Study Commission on Aging</i>	96
2. Property tax issues (S.L.97-205, §2, SB 1064) to <i>Revenue Laws Study Committee</i>	108
3. Special registration license plates (S.L.97-461, §5, SB 426) to Joint Legislative <i>Transportation Oversight Committee</i>	110
4. Rail services to State ports (§2.1(19)) to <i>Joint Legislative Transportation Oversight Committee</i>	110
5. Rabies and the administration of rabies vaccine (§ 2.2) to <i>Public Health Study Commission</i>	105
6. Dental hygienist regulation, supervision, and scope of practice (§2.1(26)) to <i>Health Care Oversight Study Committee, Joint Legislative</i>	101
7. Pharmacy Practice Act revision (§ 2.7) to <i>Health Care Oversight Study Committee, Joint Legislative</i>	101
8. Health care information privacy issues (§2.1(9)) to <i>Health Care Oversight Committee, Joint Legislative</i>	101
9. Health care issues (§2.1(18)) to <i>Health Care Oversight Committee, Joint Legislative</i>	101
10. National Guard buy-in to State Health Plan (§ 2.1(27)) to the <i>Committee on Employee Hospital and Medical Benefits</i> (G.S. 135-38)	100
11. Victims Rights (§2.1(25)) to the <i>House and Senate Appropriations Committees on Justice and Public Safety</i>	103
12. Dispute Resolution Commission (§2.1(4)) to <i>Courts Commission</i>	98
13. DHR schools (§ 2.1(20)) to <i>Legislative Study Commission on Public Schools</i>	106

PART I. SUMMARIES OF LRC STUDY COMMITTEES

I. BUSINESS DEVELOPMENT, COMMERCE AND TRANSPORTATION GROUPING

BUSINESS DEVELOPMENT COMMITTEE

Authority: SL 97-483, SB 32

LRC Member Rep. Gene McCombs
 PO Box 132
 Faith, NC 28041
 (704) 279-2128

Pro Tem's Appointments

Sen. David W. Hoyle, Cochair
PO Box 2494
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Mr. Mark Bernstein
Parker, Poe, Adams & Bernstein
2500 Charlotte Plaza
Charlotte, NC 28244

Mr. John Ciannamela
PO Box 13169
Research Triangle Park, NC 27709

Mr. Scott Daugherty
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Raleigh, NC 27601

Sen. Luther H. Jordan, Jr.
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Speaker's Appointments

Rep. Fern H. Shubert, Cochair
106 East Main Street
Marshville, NC 28103
(704) 624-2720

Rep. C. Robert Brawley
PO Box 1322
Mooresville, NC 28115
(704) 664-1502

Rep. Lanier M. Cansler
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Asheville, NC 28803
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Rep. Rick Eddins
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Mr. Johnny K. Long
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Sen. J. Mark McDaniel
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Sen. Beverly Perdue
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Sen. Eric M. Reeves
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Cindy Avrette
Research Division
(919) 733-2578

David Crotts
Fiscal Research Division
(919) 733-4910

Rep. Howard J. Hunter, Jr.
PO Box 506
Murfreesboro, NC 27855
(919) 398-5630

Rep. Mia Morris
105 Pigeon House Court
Fayetteville, NC 28311
(910) 630-0085

Rep. William C. Owens, Jr.
113 Hunters Trail East
Elizabeth City, NC 27909
(919) 335-0167

Rep. P. Wayne Sexton, Sr.
123 Irving Road
Stoneville, NC 27048
(910) 627-1418

Rep. Joe P. Tolson
PO Drawer 85
Pinetops, NC 27864
(919) 827-2266

Clerk:

Dawn Ellis
(919) 733-5771

Business Development Report

The Committee on Business Development held four meetings prior to the convening of the 1998 Regular Session of the 1997 General Assembly. The emphasis of its first two meetings was the concerns of small business in North Carolina, especially in the areas of regulation and taxation. The Committee devoted its third meeting to the discussion of the need for venture capital in North Carolina. The spokespersons for the venture capital industry made an excellent presentation on the need for more venture capital in the State. The Committee chairs will provide detailed minutes of the presentations to the Senate Finance Committee for its use during the 1998 Regular Session of the 1997 General Assembly.

The interim work of the Committee seeks to begin the process of proposing and implementing those changes that will make a positive difference for small businesses in North Carolina. The Legislative Recommendations and Proposals of the Committee are as follows:

1. **AN ACT TO REQUIRE THE BUSINESS LICENSE INFORMATION OFFICE OF THE SECRETARY OF STATE'S OFFICE TO PROVIDE INFORMATION AND ASSISTANCE TO SMALL BUSINESSES** – Creation of a Small Business Ombudsman in the Business License Information Office to assist small businesses in answering questions ranging from taxation to regulation, from workers' compensation to forms.
2. **AN ACT TO ELIMINATE THE NORTH CAROLINA INHERITANCE TAX AND TO RETAIN A STATE ESTATE TAX EQUAL TO THE FEDERAL STATE DEATH TAX CREDIT** – Repeals the State inheritance tax, effective October 1, 1998, and retains a State estate tax that is equivalent to the federal state death tax credit allowed on a federal estate tax return. The net fiscal impact to the General Fund is \$71.5 million for fiscal year 1999-00. The Committee recognizes that competing tax cut pressures as well as spending commitments may mean that the repeal needs to be phased in over a number of years.
3. **AN ACT TO REDUCE THE UNEMPLOYMENT INSURANCE TAX RATE FOR 1999 FOR ALL EMPLOYERS WITH A POSITIVE EXPERIENCE RATING** – A one-time tax rate cut of \$100 million for the 1999 tax year. The rate cut would use up all of the surplus in the Unemployment Insurance Fund that was unintended when the Governor recommended a one-year tax moratorium in January 1996.
4. **AN ACT TO PROVIDE THAT THE STATE SHALL NOT TAX INTERNET ACCESS CHARGES, SHALL ENFORCE SALES TAXES ON INTERNET COMMERCE ONLY TO THE SAME EXTENT IT ENFORCES SALES TAX ON MAIL ORDER COMMERCE, AND SHALL IMPOSE NO NEW TAXES ON THE INTERNET OR INTERNET COMMERCE** – Provides that the State will not tax internet access charges, that it will enforce sales taxes on internet commerce only to the same extent it enforces sales tax on mail order commerce, and that it will not impose new taxes on the internet or internet commerce. The current cost to the State budget of the proposal is insignificant.
5. **AN ACT TO IMPROVE THE STATE PROCUREMENT PROCESS** – It provides greater flexibility to agencies to purchase without using the State purchase and contract division, it applauds the Department of Administration's efforts to solicit bids through electronic means, and it asks the General Assembly to review the exceptions to the Umstead Act.
6. **AN ACT TO INCREASE THE NUMBER OF CONTRACTORS ON THE BUILDING CODE COUNCIL AND TO REQUIRE COUNCIL TO CONSIDER THE IMPACT OF CODE CHANGES ON THE AFFORDABILITY OF RESIDENTIAL HOUSING** – It increases the membership of the Building Code Council and it requires a fiscal note for any proposed Code change that would increase the cost of residential housing by \$80 or more per housing unit.

7. **AN ACT TO REQUIRE STATE AGENCIES TO PUBLISH THE TEXT OF A PROPOSED RULE ON THE INTERNET** – Requires State agencies to post proposed rules on the Internet as well as in the North Carolina Register.
8. **AN ACT TO ALLOW A CREDIT AGAINST THE FRANCHISE TAX FOR PROPERTY TAXES PAID ON CONSTRUCTION IN PROGRESS** – Allows a franchise tax credit equal to the amount of property tax paid on construction in progress, effective January 1, 1999. The most recent cost estimate pegged the annual budgetary impact on the General Fund, beginning in fiscal year 2000-01, at \$38 million.
9. **AN ACT TO REDUCE THE AMOUNT OF NET CAPITAL GAINS SUBJECT TO STATE INCOME TAX FOR ASSETS ACQUIRED ON OR AFTER JANUARY 1, 1999** – Allows an income tax exclusion for capital gains with the exclusion amount based on the holding period of the asset. The proposal would apply to assets acquired on or after January 1, 1999. There are not estimates at this time of the impact of the proposal. However, the earliest that the change would affect the General Fund would be fiscal year 2000-01.
10. **AN ACT TO EXPAND THE WILLIAM S. LEE INVESTMENT TAX CREDIT TO INCLUDE OPERATING LEASES** – Expands the investment tax credit under the Bill Lee Act to include operating leases. Due to the technical complexity of the issue, the Committee did not recommend specific statutory language. The wording can be worked out during the legislative process. The expansion of the credit would cost the State General Fund \$.2 million for 1998-99, growing to \$3.3 million in fiscal year 2001-02.
11. **AN ACT TO PROVIDE AN OPTIONAL METHOD FOR FUNDING WORKERS' COMPENSATION** – Provides for an optional system for funding the workers' compensation system based on a medical savings account approach. Due to the technical complexity of the issue, the Committee did not recommend specific statutory language. The wording can be worked out during the legislative process.

Fiscal Estimates Of The Proposals

Proposal	Fiscal Impact
Small Business Information Assistance	No known costs at this time.
Repeal Inheritance Tax	\$71.5 million loss to the General Fund in fiscal year 1999-00
Lower Unemployment Tax in 1999	\$100 million loss to the Unemployment Insurance Fund for the 1999 tax year
Prohibit Internet Taxation	Costs insignificant
Reform of State Procurement Process	No known costs or savings at this time
Building Code Council/Economic Impact	No known costs or savings at this time
Post Proposed Rules on Internet	Costs unknown at this time
Franchise Tax Credit for CIP	Most recent cost estimate pegged the annual budgetary impact on the General Fund, beginning in fiscal year 2000-01, at \$38 million
Deduction for Net Capital Gains	No estimate at this time. The earliest that

	the change would affect the General Fund would be fiscal year 2000-01
Investment Tax Credit for Operating Leases	\$.2 million loss to the General Fund for 1998-99, growing to \$3.3 million for 2001-02
Funding for Workers' Compensation	No known costs or savings at this time

The estimated impact on the General Fund for the upcoming fiscal year 1998-99 is \$.2 million. This figure increases by \$71.5 million in fiscal year 1999-00.

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Public Transit

The Committee on Public Transit met five times from December 1997 through April 1998 to review current public transit and rail programs of the State, allocation and spending of public transit and rail funds by the Department of Transportation, and the priorities set out for the future in the "Transit 2001" plan. The Committee recommends the following seven bills:

1. A BILL TO BE ENTITLED AN ACT TO AUTHORIZE TAX OFFICIALS TO SHARE TAX INFORMATION TO FACILITATE COLLECTION OF VEHICLE RENTAL TAXES.
2. A BILL TO BE ENTITLED AN ACT TO AUTHORIZE CERTAIN PUBLIC ENTITIES TO PROTECT RIGHTS-OF-WAY FOR FUTURE PUBLIC TRANSIT DEVELOPMENT.
3. A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE DEPARTMENT OF TRANSPORTATION TO CREATE TRANSPORTATION CORRIDORS AND PROTECT THEM FROM DEVELOPMENT.
4. A BILL TO BE ENTITLED AN ACT TO AUTHORIZE REGIONAL TRANSIT AUTHORITIES TO USE INSTALLMENT PURCHASE FINANCING.
5. A BILL TO BE ENTITLED AN ACT TO PROVIDE AN ALTERNATIVE PROCUREMENT BY COMPETITIVE PROPOSAL PROCEDURE FOR THE PURCHASE OF APPARATUS, SUPPLIES, MATERIALS, OR EQUIPMENT BY A

REGIONAL PUBLIC TRANSPORTATION AUTHORITY OR A REGIONAL TRANSPORTATION AUTHORITY.

6. A BILL TO BE ENTITLED AN ACT TO DIRECT THE STATE AUDITOR TO CONDUCT A PERFORMANCE AUDIT OF THE PUBLIC TRANSPORTATION AND RAIL DIVISIONS OF THE DEPARTMENT OF TRANSPORTATION

7. A BILL TO BE ENTITLED AN ACT TO REPEAL THE REQUIREMENT THAT DOT REIMBURSE THE GENERAL FUND FOR SALES AND USE TAX REVENUE THAT IS NOT REALIZED BY THE FUND AS A RESULT OF THE DOT EXEMPTION FROM THE SALES AND USE TAX.

Recommendation 7 will result in an approximate \$13.4 million gain to the Highway Fund, and a \$13.4 reduction to the General Fund each fiscal year. A fiscal analysis of this bill will be required following introduction. The other recommendations of this Committee are not anticipated to produce an increase or decrease in State revenue.

PART II. CIVIL AND CRIMINAL LAW GROUPING

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Consumer Protection

The Consumer Protection Study Committee met three times during the 1997-98 interim. At its first meeting, the Committee reviewed the work of the 1995 Consumer Protection Committee. The Committee heard from the Department of Insurance and representatives of the Energy Division of the Department of Commerce and the Department of Environment, Health and Natural Resources on regulations governing the use of unvented gas heaters in manufactured homes. The Committee also received an overview of the Consumer Protection Division of the Attorney General's Office. At its second meeting, the Committee heard presentations from the N.C. Retail Merchants Association and others on the issue of expanding North Carolina's wage garnishment statutes. At the third meeting, the Committee heard additional information on the wage garnishment issue, and heard a presentation on the regulation of telemarketing fraud. The Consumer Protection Committee makes no report at this time. It will continue its work following the 1998 Regular Session and will make a complete report of its findings and recommendations to the 1999 Session of the General Assembly.

DOMESTIC VIOLENCE COMMITTEE

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Domestic Violence

The Domestic Violence Study Committee met three times. At the first meeting the Committee reviewed the current North Carolina laws relating to domestic violence. The Committee heard from a representative of the Governor's Crime Commission who gave a general overview of the types of services currently provided to domestic violence victims by various programs and the sources of funding available for those programs. At the second meeting, the Committee heard from representatives of several groups and agencies regarding the issues that those groups and agencies feel need to be addressed by the Committee. The Director of the North Carolina Coalition Against Domestic Violence, a representative for the North Carolina Council for Women, a representative of the Governor's Crime Commission, and a representative of HELP, Inc. all made presentations to the Committee and suggested several areas that the Committee might choose to address. At the third meeting, the Committee heard from Davidson County Sheriff, Gerald K. Hege, regarding his suggestions for improvement in handling domestic violence offenders from a law enforcement perspective. A representative from the Institute of Government provided the Committee with an overview of the training that magistrates receive concerning the handling of domestic violence cases. The Committee heard from a representative of the Office of State Budget and Management who presented the findings of the Study to Combine Programs to Help Women and Children. Also, a representative of the Governor's Crime Commission reviewed for the Committee the current recommendation of another study committee regarding a definition of domestic violence for purposes of the Victims' Rights Amendment. The Committee will continue its work following the 1998 Session of the General Assembly and will report to the 1999 Session of the General Assembly with recommendations for making improvements in the handling of domestic violence cases and other relevant recommendations.

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Lien Law Issues

The Lien Law Issues Committee met one time. At the meeting, the Committee was given an overview of the two bills introduced during the 1997 that the Committee had been directed to study. These bills were House Bill 199, Amend Medical Providers Liens and Senate Bill 923, Commercial Realtor Lien Act. The remainder of the meeting

was spent on detailed presentations on the issues related to the medical providers liens and the assignment of proceeds in personal injury cases to medical providers. These presentations included a report from the staff of the General Statutes Commission that had previously studied the issue and recommended House Bill 199 to the 1997 Session. Summaries of the positions of various interested parties were presented from the perspective of the patient/plaintiff, the medical providers, and the insurance companies. The Committee had planned two additional meetings which were canceled in part due to the 1998 Special Session. The Committee plans to meet after the Short Session to continue consideration of the medical providers lien matter. It has not been determined whether or not the Committee will study the commercial realtor's lien issue.

MEDICAL MALPRACTICE COMMITTEE

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Medical Malpractice

The Medical Malpractice Study Committee met once during the interim. The Committee heard overviews from their counsel and a Duke professor of law on medical malpractice in North Carolina and the nation; comments on the insurance aspects of

medical malpractice from the Department of Insurance, the two largest medical malpractice insurance carriers in the State, and a consumer insurance organization; and testimony on managed care and malpractice. The Committee intends to resume meeting in the fall and expects to hear testimony from doctors, hospitals, and attorneys on medical malpractice issues. The Committee did not file a report to the short session.

PART III. COASTAL BEACH ISSUES AND ENVIRONMENTAL GROUPING

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Coastal Beach Movement Issues

The Legislative Research Commission's Coastal Beach Movement Issues Study Committee met five times. The Committee agreed to address the beach renourishment issue prior to the short session and to consider the storm hazard mitigation issues after the short session. The Committee heard from a number of coastal experts who are knowledgeable about beach erosion issues, the North Carolina coast and its unique features, and the current administrative and legislative policies (local, State, and federal) that affect beach erosion issues in the State. In its findings the Committee noted that beach renourishment appears to be an erosion control method that is both effective and acceptable to citizens, the Coastal Resources Commission, and the U.S. Army Corps of Engineers.

Based on its findings, the Committee recommends the following two bills to the 1997 General Assembly for consideration during the 1998 Regular Session:

1. A BILL TO BE ENTITLED AN ACT TO ESTABLISH THE BEACH RENOURISHMENT FUND, TO ESTABLISH THE TRUSTEES OF THE FUND, TO RESERVE FIVE PERCENT OF THE UNRESERVED CREDIT BALANCE IN THE GENERAL FUND AT THE END OF EACH FISCAL YEAR TO THE BEACH RENOURISHMENT FUND, AND TO MAKE CONFORMING STATUTORY CHANGES.

This bill is similar to House Bill 1090 that is currently in the House Environment Committee and that is eligible for consideration during the Short Session. This bill

reserves five percent of the General Fund unreserved credit balance at the end of each fiscal year to the Beach Renourishment Fund and provides that those funds shall be used only for grants for beach renourishment projects in accordance with Article 13B of Chapter 113 of the General Statutes which creates the Beach Renourishment Fund and its Board of Trustees.

The bill provides that any local government or other political subdivision of the State is eligible for a grant from the Beach Renourishment Fund. However, the Trustees must require as a condition of the grant a local match of up to 10% of the grant awarded. The bill also establishes an independent nine member Board of Trustees housed under Department of Environment and Natural Resources for administrative purposes) to establish grant criteria, review applications, and award the grants. Three members are appointed by the Governor; six members are appointed by the General Assembly, three upon the recommendation of the President Pro Tempore of the Senate and three upon the recommendation of the Speaker of the House of Representatives. Trustees must be knowledgeable in one of the following areas: beach renourishment, coastal wildlife and fisheries habitats and resources, or environmental management.

The bill provides that the Trustees must develop grant criteria and award grants that meet that criteria. Grant criteria must include all of the following: significant beach enhancement and conservation, areas in need of renourishment, geographic distribution of funds, significant recreational or economic value and uses of an area, public access to beaches, including handicapped access to beaches, complete planning and design work adequate to provide project specifications, cost estimates, review of environmental impacts and estimation of benefits. Up to fifty percent of the cost of the necessary planning and design work may be awarded as a grant from the Beach Renourishment Fund.

The substantive differences between this bill and House Bill 1090 are noted on page A-8 of the Committee's report.

2. A BILL TO BE ENTITLED AN ACT TO APPROPRIATE FUNDS TO THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES TO ASSIST WITH THE RELOCATION OF STRUCTURES THREATENED BY BEACH EROSION AND TO ACQUIRE COASTAL SHORELINE PROPERTY RENDERED UNBUILDABLE UNDER CAMA RULES BY BEACH EROSION.

This bill would appropriate ten million dollars from the General Fund to the Department of Environment and Natural Resources. Funds would be allocated as follows: five million dollars for relocation of structures threatened by beach erosion and five million dollars for State acquisition of shoreline property rendered unbuildable under CAMA rules due to beach erosion.

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Oregon Inlet Stabilization

The Oregon Inlet Stabilization Committee met three times.

The Committee has adopted a bill entitled: A BILL TO BE ENTITLED AN ACT TO IMPLEMENT RECOMMENDATIONS CONCERNING THE OREGON INLET. This bill would implement its three recommendations to the 1998 Session of the General Assembly:

First, the Committee recommends passage of an appropriation of \$100,000 for the 1998-99 fiscal year to continue a study of the migration of the sand in a region from six miles north of the Oregon Inlet, through the inlet, and six miles south of the inlet. The study was funded through May, 1998 by the U.S. Corps of Engineers and it is expected that the study will again be funded with the adoption of the federal budget that is effective on October 1, 1998. These funds continue the study during the interim.

Second, the Committee recommends that the study be continued, as an independent commission to allow added flexibility in considering all aspects of the

complex issues surrounding the stabilization of the Oregon Inlet, and recommends the passage of an appropriation of \$300,000 for the 1998-99 fiscal year to fund this continued study including a proposed statewide benefit-cost analysis for the various proposed stabilization projects.

Third, the Committee recommends that the Department of Environment and Natural Resources be designated as the lead agency in State government to monitor and respond to the issues on the state and federal level surrounding the possible stabilization of the Oregon inlet. Up to now, the state's responses to initiatives on the federal level has not been coordinated by a single State agency. The recommended legislation adds this responsibility to the functions of the department.

STORM HAZARD AND WASTEWATER SYSTEMS PERMITS COMMITTEE

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Storm Hazard and Wastewater Systems Permits

The Committee on Storm Hazard and Wastewater Systems Permits met two times. At the first meeting, the Committee decided to focus its attention on issues related to wastewater systems and not to address issues concerning storm hazard mitigation, which subject was also assigned to the LRC study committee on coastal beach movement issues. The Committee received a full explanation and demonstration of how a conventional septic system works, with emphasis on the importance of proper operation and maintenance. The Divisions of Environmental Health, Solid Waste Management, and Water Quality each outlined its State regulatory program for septic systems and for the septage pumped from the septic systems, respectively. Local health departments permit most subsurface wastewater systems in accordance with the State regulatory program and State rules. Each of Wake, Orange, and Cumberland Counties has adopted a local program for the permitting of these systems.

At the second meeting, the Pasquotank Perquimans Chowan Camden District Health Department related its history in establishing a public management entity for its permitted on-site wastewater systems. The formal and informal process of appealing permit decisions and the approval process for innovative and experimental wastewater systems were presented to the Committee. Representatives of four different local on-site wastewater permitting programs spoke at the two meetings.

The Committee will continue its work following the 1998 Regular Session of the General Assembly and make a final report to the 1999 Session of the General Assembly, after hearing from more officials of local permitting programs and receiving more information regarding the repair of failing systems, the need for best management practices for septic systems, and other issues related to subsurface on-site wastewater systems.

PART IV. COURTS GROUPING

DIVISION OF 30TH DISTRICT COURT AND 30TH PROSECUTORIAL DISTRICT COMMITTEE

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A meeting of the Division of the 30th District Court and 30th Prosecutorial District Committee has not been scheduled.

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Future Of The Courts

The Future of the Courts Committee held five meetings as a full committee. The Committee reviewed the recommendations of the Commission for the Future of Justice and the Courts in North Carolina and heard from various interest groups regarding the recommendations.

Based on the Committees findings , the Future of the Courts Committee makes the following recommendations to the 1998 General Assembly:

1. That the General Assembly enact legislation establishing a State Judicial Council to assist the Chief Justice of the Supreme Court in governance of the Judicial Branch. The Council would make recommendations to the Chief Justice regarding the budget, salaries and performance standards for courts and evaluation procedures for judges. At this point it is estimated, based upon the assumption that the Council would hold 12 one day meetings per year, that there would be an annual cost of \$43,200 (potentially 12 non-judicial or public official members at \$300 per meeting).
2. That the General Assembly enact legislation authorizing the Administrative Office of the Courts to establish up to three pilot family courts following the guidelines contained in the report of the Commission for the Future of Justice and the Courts in North Carolina and assigned to hear all matters involving intrafamily rights, relationships, and obligations, and all juvenile justice matters. At this point it is estimated that each pilot district would need a case calendaring assistant for a potential of \$110,000 in recurring costs and \$10,000 in non-recurring costs.
3. That the General Assembly enact legislation providing that the criminal court calendar be prepared by the district attorney and filed with the clerk of court. After filing of the calendar, the resident superior court judge shall have control of the calendar. At this time no additional expense is anticipated for the implementation of this recommendation.

These recommendations are contained in the Committee's legislative proposal entitled "A BILL TO BE ENTITLED AN ACT TO IMPROVE THE STATE COURT SYSTEM BY IMPLEMENTING CERTAIN RECOMMENDATIONS OF THE COMMISSION FOR THE FUTURE OF JUSTICE AND THE COURTS IN NORTH CAROLINA AND TO MAKE OTHER CHANGES IN THE OPERATIONS OF THE COURTS."

In addition to the recommendations above, the Committee recommends that the General Assembly enact legislation increasing the number of superior court divisions from four to twelve, thereby providing a constitutional means of establishing pilot "circuits" in which many of the circuit court recommendations made by the Commission for the Future of Justice and the Courts could be evaluated. (Draft legislation to

implement this recommendation will be prepared by the Committee staff as soon as the Chief Justice has been given an opportunity to recommend a suitable grouping of the existing judicial districts into twelve divisions and various other technical drafting issues have been addressed.)

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Guardian Ad Litem

The LRC Guardian Ad Litem Study Committee will not be submitting a report to the LRC prior to the 1998 short session. Following is a summary of the Committee's work to date. The Committee met two times before the convening of the 1998 Extra Session of the General Assembly. The meetings were held on January 28 and February 26. The meetings were designed to provide information to members on the Guardian Ad Litem Program at the administrative level and also on how the Program was serving children at the local level. At the first meeting Committee members heard from the Executive Director of the GAL Program and from personnel at the Administrative Office of the Courts. The second meeting focused on how the foster care and court systems serve children who have been determined to be abused, neglected, or dependent. The Committee heard from two district court judges, one of whom presented information on the Court Improvement Project being implemented in his district. The Committee also heard from an attorney for the Forsyth County department of social services, an attorney in private practice who represented Orange county in abuse and neglect cases, an attorney with the Guardian Ad Litem program in Johnston County, and an attorney in private practice in Wake county who represents parents in abuse and neglect cases. The Committee also heard from a faculty member at the Institute of Government who provided information on the role of attorneys, in general, in abuse and neglect cases.

Among the concerns that Committee members have raised thus far pertains to the compensation of GAL attorneys for the time spent representing the Program and whether the method and amount is adequate and efficient. There was general consensus among committee members that it would be more efficient and effective if GAL attorneys were able to bill AOC directly for their services rather than go through the GAL's budget.

The Committee will reconvene its meetings after the 1998 short session. Committee members will then hear from advocacy groups, foster parents, and young adults who were represented by the GAL program as children. The Committee will make recommendations in its final report to the LRC in January, 1999.

PART V. EDUCATION AND HUMAN RESOURCES GROUPING

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Community Colleges

The Committee on Community Colleges held four meetings. At the first meeting, the committee heard from committee members and President Martin Lancaster regarding potential topics for study. The committee also received a brief history of the community college system in North Carolina, and an update on fiscal information and enrollment trends. At the second meeting the committee heard from the Department of Community Colleges regarding the requested ½% reversion. The request came as a result of an anticipated decline in receipts due to the conversion to the semester system. The committee also heard a presentation on the process the State Board used this year to prepare the system's budget request. The committee also heard a report on the system's equipment needs, the need to clarify whether colleges are authorized to enter into lease purchase agreements, the need for more purchasing flexibility, the status of benefits for 30 hour employees, and the Gender Equity Report. At the next meeting, the committee reviewed draft legislation regarding colleges' authority to enter into lease purchase contracts and increasing colleges' purchasing flexibility. The committee approved both pieces of draft legislation as recommendations to the General Assembly. The committee also reviewed draft legislation regarding the election process for State Board members and conflicts of interest for members of boards of trustees. The committee held those issues over for further consideration. The Department of Community Colleges provided information regarding the process for disposing of surplus property, and the Office of Purchase and Contract provided information regarding its program of recycling computers and selling them to the public schools for \$20 each. The committee also received information regarding the capital expenditures/renovation and repair needs of the community colleges system, the New and Expanding Industries Training Program,

administrative costs at the local level, budget transfers, and a review of the implementation of the GPAC recommendations. The committee held over for further consideration findings and recommendations regarding the New and Expanding Industries Program and community colleges' capital needs. At the fourth meeting, the committee approved draft legislation regarding conflicts of interest of members of local boards of trustees. It also approved findings and recommendations regarding the New and Expanding Industries Training Program and the Capital Needs budget request. The committee also heard follow-up information regarding the computer recycling program.

Based on its findings and recommendations, the Committee on Community Colleges recommends the following three bills to the 1998 General Assembly:

1. A BILL TO BE ENTITLED AN ACT TO CLARIFY COMMUNITY COLLEGES' AUTHORITY TO ENTER INTO LEASE PURCHASE AND INSTALLMENT PURCHASE CONTRACTS FOR EQUIPMENT. This bill would provide clear statutory authority allowing community colleges to acquire equipment using these financing techniques. It also provides for review and approval of contracts that exceed \$100,000 or a term of three years. The estimated cost of this legislation is \$0.

2. A BILL TO BE ENTITLED AN ACT TO PROVIDE COMMUNITY COLLEGES WITH ADDITIONAL PURCHASING FLEXIBILITY. This bill would allow community colleges to purchase items off term contract if they can acquire the same item for less than what it would cost on term contract. The cost of the item can not exceed the bid level benchmark set for that community college. Currently, all community colleges have a bid level benchmark of \$10,000. Colleges may apply to the Department of Administration to have the benchmark raised to as much as \$25,000. This legislation could result in some cost savings, but it is not possible to estimate those savings.

3. A BILL TO BE ENTITLED AN ACT TO REVISE THE ELIGIBILITY REQUIREMENTS FOR MEMBERS OF THE LOCAL BOARDS OF TRUSTEES FOR COMMUNITY COLLEGES. This bill would prohibit the parent or parent-in-law of a full-time employee of a community college from sitting on the board of trustees. It also would prohibit members of the General Assembly from being appointed to the local board of trustees. The bill would not remove current members from office, but persons could not be re-appointed if they were disqualified by one of these disabilities. The estimated cost of this legislation is \$0.

Based on its findings and recommendations, the Committee on Community Colleges recommends that the Joint Education Appropriations Subcommittee consider the State Board of Community Colleges' budget request for funds to renovate, repair, and construct new buildings on community college campuses

Based on its findings and recommendations, the Committee on Community Colleges recommends that the State Board of Community Colleges continue to implement the New and Expanding Industries Training Program in accordance with the program guidelines and also monitor compliance with the guidelines.

The LRC at its meeting on May 11, 1998, reviewed this Committee's report and accepted it for transmittal to the 1998 Regular Session of the 1997 General Assembly.

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Cooperative Extension Service

The Cooperative Extension Service Committee held two meetings. At the first meeting, staff explained that both the Joint Legislative Education Oversight Committee and this LRC committee had been authorized to study issues related to the Cooperative Extension Service. The Joint Legislative Education Oversight Committee was directed to report its findings and recommendations to the General Assembly by May 1, 1998. By agreement between the House and the Senate, the LRC committee would study the issues and report to both the Legislative Research Commission and the Joint Legislative Education Oversight Committee. The committee also heard from representatives of North Carolina State University who provided information regarding the structure, budget, and scope of services provided by the Cooperative Extension Service. At the second meeting the committee received information from representatives of four different boards of county commissioners regarding the interaction between Cooperative Extension and counties. The committee also heard a report by North Carolina A & T State University regarding the Cooperative Extension Program, its structure, budget, and scope of services. The committee also adopted its Interim Report.

The Committee on the Cooperative Extension Service finds that it has just begun its review of the North Carolina Cooperative Extension Service and the issues the General Assembly directed it to address. Therefore, it has no recommendation regarding the Cooperative Extension Service or its programs at this time. The Committee does recommend that it continue to study the issues before it after the conclusion of the 1998 Regular Session of the 1997 General Assembly and submit a final report to the 1999 Session of the General Assembly.

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Substance Abuse Aftercare

The Substance Abuse Aftercare Study Committee met three times. The agenda of the first meeting consisted of an initial overview of issues and topics related to substance abuse aftercare. The Committee heard from several policy experts and then set its proposed course of study and action. Ideas for possible study topics included: substance abuse and criminal justice, women and substance abuse, children in treatment, adults in treatment, the impact of managed care, the culture of substance abuse, new drugs to treat substance abuse at the brain level, and an overview of the kinds of research on substance abuse being conducted in North Carolina.

The next meeting was held on two consecutive days in February. The first day consisted of a candid and informal round-table discussion involving treatment professionals, recovering addicts, including teenagers, their family members, and members of the committee. The participants shared their personal experiences with addiction and treatment, as well as their viewpoints as to what should be done in the area of prevention. The topics included: the impact of alcohol and drug addiction, treatment and prevention needs/barriers, the interventions that help the most, and whether the problem getting worse or better.

On the second day, the Committee learned about the physiology of addiction from Dr. Mark Galizio, a professor at the University of North Carolina at Wilmington. After the introduction to the physiology of addiction, Mr. Worth Bolton, a Social Worker with the Jordan Institute for Families at the UNC School of Social Work discussed the various stages of addiction. Later that day, the discussion topics shifted to understanding the substance abuse problem in North Carolina. Ms. Carol Council, Director of Research and Planning with the Division of MH/DD/SAS provided an overview of how big the substance abuse problem is in North Carolina. Janice Peterson, Executive Director of the Governor's Office of Substance Abuse Policy, estimated the amount of money that is spent in North Carolina on substance abuse. Ms. Flo Stein, Section Chief of Substance Abuse Services, Division of MH/DD/SAS, provided an overview of the unmet needs for substance abuse and prevention in North Carolina and concluded the meeting by suggesting a model for state spending based on a continuum of care approach.

The third meeting focused on issues of substance abuse and the criminal justice system. A special emphasis was given to juvenile offenders. The Committee will continue its work following the 1998 Short Session. It will consider model laws targeting substance abuse prevention and treatment, and continue to receive and distill information and suggestions from the many substance abuse organizations and professionals in North

Carolina to find concrete ideas the Legislative Research Commission can use to make its recommendations to the General Assembly.

**PART VI. FINANCIAL INSTITUTIONS AND
INFORMATION TECHNOLOGY GROUPING**

FINANCIAL INSTITUTIONS ISSUES COMMITTEE

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Financial Institution Issues

The Financial Institutions Issues Study Committee met two times. At the first meeting, Hal Lingerfelt, the North Carolina Commissioner of Banks, reported on the activities of his office with emphasis on the nonbanking consumer industries regulated by the Office of the Commissioner of Banks. During this meeting, the Committee raised several questions about savings banks and credit unions, which are not within the jurisdiction of the Commissioner of Banks. In addition, questions were raised about how bank and loan fees are determined. The Co-chairs requested presentations on these issues for the next meeting. At its second meeting, the Committee heard from Stephen Eubanks, Administrator of the Savings Institutions Division, about the condition of savings banks and savings and loan associations in the State. The committee also heard from Ms. Jerrie Lattimore, Administrator of the Credit Union Division. Deputy Attorney General McNeil Chestnut made a presentation to the committee on the laws governing the interest rates and fees which may be charged by financial institutions. Finally, Reitzel Deaton, Consumer Finance Administrator in the Office of the Commissioner of Banks made a presentation on the North Carolina Consumer Finance Act. Mr. Deaton noted that the maximum rate charged by consumer finance licensees had not changed since 1975. The Committee did not report to the 1998 Session of the General Assembly. The Committee will continue its work following the 1998 Session and possibly report to the 1999 Session of the General Assembly.

MORTGAGE BANKERS LOANS AND FEES COMMITTEE

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Mortgage Bankers Loans and Fees

The Mortgage Bankers Loans and Fees Committee met once and a subcommittee appointed by the Co-chairs also met once. At the Committee's first meeting, Deputy Attorney General McNeil Chestnut presented an overview of North Carolina law related to mortgage lending. Mr. Chestnut noted that Chapter 24 contains numerous ambiguities and inconsistencies which need to be addressed. The Committee also heard from the Commissioner of Banks, Hal Lingerfelt, on the role of the Office of the Commissioner of Banks in supervising mortgage lenders and providing consumer protection. The Commissioner indicated that his office receives a high percentage of complaints regarding mortgage brokers and lenders, and that he would like to see changes in the law to clarify and strengthen his responsibility in this area. Deputy Commissioner, Otis Meacham, then presented an overview of the Registration of Mortgage Bankers and

Brokers Act. The Commissioner also introduced Will Langston, the Administrator of the Mortgage Broker/Banker section of his Office. Mr. Langston described some of the problems the Office faces in implementing the law. Finally, the Committee heard from Mr. Larry Heckner, who represents Household Financial Group. Mr. Heckner presented an overview of the mortgage lending industry. A subcommittee was appointed to consider specific recommendations from the Commissioner of Banks. The subcommittee met once to receive proposed legislative changes from the Commissioner. The subcommittee also heard from John McMillan and Hayes Hyman, on behalf of the North Carolina Association of Mortgage Brokers; Larry Heckner and Chris DiPietro, of Household Financial Group and Beneficial Management Corporation, respectively, and Chuck Barbour of the North Carolina Financial Services Association, representing consumer finance affiliated mortgage lenders; and Paul Stock with the North Carolina Banker's Association. The Mortgage Bankers Loans and Fees Committee did not report to the 1998 Session of the General Assembly. The Committee will continue its work after the 1998 Session and possibly report to the 1999 General Assembly.

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Information Technology

The Information Technology Study Committee held four meetings to address several issues under the very broad topic of Information Technology (IT).

At the first meeting the Committee was introduced by staff and by a national expert on government IT to a lengthy list of issues typically requiring the attention of State senior managers and oversight bodies, including: the structure, operation, and effectiveness of, and the interrelationships between, the IT governance, oversight and management entities in all branches of government; the need for effective strategic IT planning at the Agency and statewide level; the need for modernization of the state's IT infrastructure, and approaches to its funding; application development approaches; the need for a "best value" approach to IT procurement, rather than simply awarding contracts for complex IT goods and services to the low bidder; what IT functions should be outsourced and which performed by in-house state staff; IT human resource issues, including how the state can produce, attract and retain qualified staff in a very competitive and volatile field and in competition with the many high-tech companies located nearby; the need to consolidate IT infrastructure and its support in order to minimize cost; the Year 2000 problem in State government; the endless possibilities for dramatically improving government's delivery of information and services to citizens

through use of IT, particularly the Internet; and the need for legislation to give "electronic signatures" equivalent recognition to written ones in order to facilitate "electronic commerce" between government agencies, between government and citizens, and between government and industry.

The committee recognized that these are all very important issues, and a study of any of the individual topics could consume a great deal of time. Therefore it would need to select a manageable number of issues to consider prior to the 1998 short session.

During the remaining meetings the IT Study Committee heard expert speakers and staff presentations on the following specific topics:

- The governance of IT in the Executive Branch of North Carolina State Government, and the function of the State's Chief Information Officer, IT planning and policy organization, and State Information Processing Services, all within the Department of Commerce;
- The State's approach to the Year 2000 date problem;
- Procurement of Information Technology, including the need for "best value" practices, and the need for State personnel involved in IT acquisition to be trained in best practices with regard to procurement and project management;
- The technology employed to achieve electronic and digital signature, and the various approaches to enabling legislation that have been used in other states.

The Committee in its interim report recommends the following two bills to the 1998 General Assembly:

1. **AN ACT TO FACILITATE ELECTRONIC COMMERCE WITH AND BY PUBLIC ENTITIES OF THE STATE OF NORTH CAROLINA BY RECOGNIZING THE VALIDITY OF ELECTRONIC SIGNATURES AND BY AUTHORIZING THE SECRETARY OF STATE TO REGULATE ELECTRONIC SIGNATURES AND CERTIFICATION AUTHORITIES.** This bill would give electronic signatures the same force and effect as written ones in all transactions to which the State and other public entities within the State are party, provided it meets the following criteria: it is unique to the person using it; it is capable of certification; it is under sole control of the person using it; it is linked to data in such a manner that if the data are changed, the electronic signature is invalidated; and it conforms to rules adopted by the Secretary of State. The rules to be developed and promulgated by the Secretary of State would, among other things, address the creation, accreditation, licensing, operation, regulation, and sanctioning of "certification authorities," the organizations who issue and administer the use of "certificates" containing individuals' electronic signatures. The Secretary of State's office projects that the cost of implementation of this proposed legislation will be approximately \$60,000. The amount includes salary and fringe benefits for one additional staff position.
2. **AN ACT TO PROVIDE FOR "BEST VALUE" INFORMATION TECHNOLOGY PROCUREMENTS.** This bill would require that the acquisition of information technology by the State of North Carolina shall be conducted using the Best Value procurement method, meaning the selection of a contractor based on a determination of which proposal offers the best

tradeoff between price and performance, where quality is considered an integral performance factor. The award decision is made based on multiple factors, including: total cost of ownership, meaning the cost of acquiring, operating, maintaining and supporting a product or service over its projected lifetime; the evaluated technical merit of the vendor's proposal; the vendor's past performance; and the evaluated probability of performing the requirements stated in the solicitation on time, with high quality, and in a manner that accomplishes the stated business objective(s). The bill also requires the Department of Administration's Division of Purchase and Contracts and the Department of Commerce's Division of Information Technology Services to jointly develop and implement a training program to ensure that State personnel involved in the acquisition of IT goods and services and the administration of resulting contracts are properly trained in best value and proper project management principles. Program changes and training required by this proposed legislation are not expected to result in any additional costs for the agencies involved.

The Committee also identified the governance of the State's IT, the condition of the State's IT work force, consolidation of the State's IT resources, and technology in the public schools as topics to which it plans to devote particular attention as it continues its work during the interim between the 1998 and 1999 sessions.

PART VII. GOVERNMENT SERVICES AND REVENUE ISSUES GROUPING

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State Government Services Improvement

The State Government Services Improvement Committee met three times. The Committee studied House Bill 31 from the 1997 session – a bill that would create a Competition Commission to develop a framework within State government to evaluate proposals to provide the most efficient delivery of services, including proposals to privatize those services. The Committee heard testimony from the State Employees Association and the Division of Purchase and Contract on the bill. The Committee also heard a presentation from the Commonwealth (Virginia) Competition Commission – the organization on which the proposed Competition Commission in House Bill 31 is modeled. The Committee made a number of changes to House Bill 31 to address various issues that were raised during the deliberations.

The Committee recommends the following legislation: AN ACT ESTABLISHING THE NORTH CAROLINA GOVERNMENT COMPETITION COMMISSION TO PROVIDE FOR BETTER GOVERNMENT IN NORTH CAROLINA THROUGH A COMPREHENSIVE STATE GOVERNMENT COMPETITION INITIATIVE. The proposal would create a 9-member commission, housed within the Office of State Budget, to develop an institutional framework within State government to evaluate the efficient delivery of services, including an evaluation of privatization proposals. The Commission would not have authority to order the privatization of a service, but would instead make recommendations to the affected agencies, the Governor, and the legislature. The projected operating cost of the Commission for the upcoming fiscal year (FY 98-99) is \$210,000. The operating cost over the next several years is slightly less per year.

DEDICATED SOURCES OF REVENUE COMMITTEE

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Dedicated Sources Of Revenue

Dedicating some or all of the revenue from a specific tax for a specific purpose with the intention that the designation continue into the future is commonly known as "earmarking". The Legislative Research Commission's Committee on Dedicated Sources of Revenue met three times before the 1998 Regular Session of the 1997 General Assembly to discuss the budgetary policy issues raised by earmarking.

The budgetary policy question earmarking raises is whether the inflexibility earmarking imposes on a state revenue system is sufficiently balanced by the guaranteed level of funding it provides programs. The heart of the state budget process consists of weighing funding priorities against one another. Earmarking limits this process to a greater degree than it would otherwise be. On the other hand, earmarking may be a desirable budgetary tool to perpetuate a stable and secure source of revenue for a particular program.

The Committee spent a considerable amount of time learning about the three programs the Legislative Research Commission asked the Committee to consider funding through a dedicated source of revenue. It heard from a number of people interested in low-income housing, Legal Services of North Carolina, and retirement benefits for professional firefighters. After deciding that the goals and purposes of the programs managed by the entities warranted a steady, dedicated source of funding, the Committee gathered recommendations on possible sources of revenue that could be dedicated to funding them. The recommendations of the Committee as to the dedicated sources of funding are contained in its recommendations and legislative proposals found in this report:

1. AN ACT TO RESERVE FOUR PERCENT OF THE UNRESERVED CREDIT BALANCE IN THE GENERAL FUND AT THE END OF EACH FISCAL YEAR TO THE HOUSING TRUST FUND AND TO RESERVE TWO PERCENT OF THE UNRESERVED CREDIT BALANCE IN THE GENERAL FUND AT THE END OF EACH FISCAL YEAR TO THE DEPARTMENT OF COMMERCE FOR THE CENTER FOR COMMUNITY SELF-HELP.

The Committee recommends that a portion of the unreserved credit balance remaining in the General Fund at the end of each fiscal year be earmarked to help fund the State's low-income housing needs. The proposal earmarks four percent or \$20 million, whichever is greater, to the Housing Trust Fund and two percent or \$10 million, whichever is greater, to the Department of Commerce for the nonprofit Center for Community Self-Help. The portion earmarked for the Housing Trust Fund must be used in accordance with the statute creating the Fund. The portion earmarked for the Center for Community Self-Help must be used to further a statewide program of lending for owner-occupied home ownership. For the fiscal year ending June 30, 1988, \$28 million would be earmarked to the Housing Trust Fund and \$14 million would be earmarked to the Department of Commerce for the Center for Community Self-Help.

2. AN ACT TO DEDICATE A PORTION OF COURT COSTS TO PROVIDE ACCESS TO CIVIL JUSTICE.

The Committee recommends that a portion of the court costs currently credited to the General Fund be redirected to the NC State Bar and earmarked for legal services programs. The proposal does not increase court costs. The amount of court costs earmarked for Legal Services in 1998-99 is \$4.00. This amount increases over six years until, by the fiscal year 2003-04, the amount of money earmarked from the court costs for Legal Services is \$10.00. Each \$1 of court costs earmarked is a dedication of approximately \$1.5 million. The North Carolina Commission on the Delivery of Civil Legal Services to the Poor determined that it would take at least \$14 million in State funds to meet the most minimal legal needs of the poor. By the time this proposal is fully implemented, it will generate approximately \$14 to \$15 million for Legal Services.

3. AN ACT TO DEFINE A PROFESSIONAL FIREFIGHTERS' BENEFITS ACCRUAL RATE FOR MEMBERS AND BENEFICIARIES OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The Committee recommends that the service retirement benefits of professional firefighters be enhanced by allowing the firefighters to retire with unreduced benefits on or after age 50 with 27 years of creditable service as a professional firefighter, or to retire on or after age 55 with five years of creditable service as a professional firefighter. It will take an estimated \$15.7 million to fund these enhanced retirement benefits. Professional firefighters are local government employees and their retirement benefits are funded by their local government employers. However, the Committee did not want to impose an unfunded mandate on local governments. Therefore, it is the recommendation of the Committee that the General Assembly appropriate the necessary \$15.7 million from the General Fund for this purpose. To obtain a revenue neutral proposal, the Committee recommends that the additional statewide premium tax rate on fire and lightning policies be increased to the extent necessary to generate \$15.7 million. The revenue generated by the increased tax rate would be credited to the General Fund.

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Intergovernmental Relations and Fiscal Reform

The Intergovernmental Relations and Fiscal Reform Committee met on March 2, 1998. The Committee is authorized to study emerging fiscal and governmental service issues which impact the roles and responsibilities between the State and local governments. Professor Charles D. "Don" Liner of the Institute of Government discussed the evolution and current status of State and local relations in North Carolina. A meeting, scheduled for April 6, 1998, was canceled due to the General Assembly's 1998 Extra Session. The Committee will resume its study of State and local issues upon the conclusion of the 1997 General Assembly (1998 Regular Session).

STATE CONSTRUCTION STUDY COMMITTEE

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State Construction

The State Construction Study Committee was charged with finding ways to streamline the state construction process. It met four times and heard from a variety of industry groups, user agencies, and the State Construction Office ("SCO"). The topics discussed were:

- How the state construction process works.
- SCO's role in the review and approval of state construction projects.
- The role that other government entities play in the process.
- How initial agency funding requests are made and how they are processed and reviewed by SCO.
- Suggestions for improving the state construction process and SCO's reviews of funding requests.
- The role that computers can play in improving and streamlining the review and approval process.
- How the SCO plans to utilize computers to improve the process.

Based on the information it received, the committee determined that most groups involved in the process viewed it as both necessary and beneficial. The general consensus amongst these groups was that the process was not totally dysfunctional; it could be adjusted to better serve the needs of government, industry and the public.

The committee further determined that, due to the complexity of the process, it needs additional time to complete its work. During the upcoming months it will continue to study and address the issues it has identified as meriting further attention. These issues include: (i) project funding and staffing allocations; (ii) staff qualifications and training; (iii) computerization; (iv) designer competence and qualifications; (v) coordination of reviews, graduated reviews, and certification programs; (vi) procedural flexibility; (vii) management and organization; (viii) process monitoring and oversight; (ix) the role of reinsurance in the state construction process; and (x) the current university and State Ports exemptions from the process.

The committee found that delays in the process were frequently attributable to incomplete project planning at the outset. Funding requests often failed to adequately

describe the overall scope, budget and implementation schedule of proposed projects. This shortcoming led to appropriations that were incapable of completing the project as originally envisioned. The committee found that this matter can be addressed legislatively

Based on the committee's findings and recommendations, the State Construction Study Committee recommends the following bill to the 1998 session of the 1997 General Assembly:

A BILL TO BE ENTITLED AN ACT TO REQUIRE THE DEPARTMENT OF ADMINISTRATION TO CERTIFY THE BROAD FEASIBILITY OF STATE CONSTRUCTION PROJECTS AND MAKE THAT CERTIFICATION A PREREQUISITE TO FUNDING. This bill would require the Department of Administration to certify that proposed state building projects are sufficiently defined in overall scope, detailed budgeting, and comprehensive project scheduling as to make their construction feasible with the amount of funds requested. This bill would make this certification a prerequisite to funding.

There are no costs associated with the State Construction LRC bill.

PART VIII. INSURANCE, PROPERTY, AND ANNEXATION GROUPING

INSURANCE ISSUES COMMITTEE

Authority: SL97-498, §11, HB 452 and SL97-483, SB 32

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Insurance Issues

The Insurance Issues Study Committee met twice during the interim. At its initial meeting, the Committee heard testimony on House Bill 452, legislation enacted last year that is designed to encourage more insurers to write homeowners and business owners property insurance coverage in the beach and coastal areas of the State. The Committee heard an historical overview from its counsel on the coastal insurance availability and affordability issue, testimony from the North Carolina Insurance Underwriting Association on the changes made by House Bill 452, recommendations from the Department of Insurance on restoring the joint underwriting authority of the Commissioner of Insurance, and testimony from two realtors concerning continued problems with obtaining affordable homeowners insurance coverage.

At its second meeting, the Committee heard brief testimony from the insurance industry, the Department of Insurance restated its recommendation for restoring the Commissioner of Insurance's authority to form a joint underwriting association, and one of the realtors again spoke on problems with homeowners insurance affordability.

The Committee recommended A BILL TO BE ENTITLED AN ACT TO RE-ENACT THE 1986 LAW PROVIDING FOR RISK-SHARING PLANS, TO AMEND THE IMMUNITY STATUTES FOR THE FAIR AND BEACH PLANS, AND TO MAKE A TECHNICAL AMENDMENT IN THE BEACH PLAN LAWS. The bill restores the recently-expired authority of the Commissioner of Insurance to order insurers, after a hearing, to form joint underwriting associations to provide insurance that is not readily available in the voluntary market. The Commissioner has had this authority since the mid-1980s. From 1986 to 1997, the authority was set to expire every two years but was always extended before actually expiring. In 1997, the Commissioner's authority expired when a bill containing the renewal provision and numerous other insurance provisions stalled. The Committee also recommended that a letter be written to all insurance companies that had not responded to requests for data from the North Carolina Insurance Underwriting Association to ask that they respond or appear before the Committee in the fall to explain why they had not responded. The Committee intends to continue meeting in the fall to look more at the impact of House Bill 452 and to possibly consider additional options concerning coastal insurance.

LAND TITLE REGISTRATION PROCEDURES COMMITTEE

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Land Title Registration

The Committee on Land Title Registration met three times from January through March 1998 to develop legislation to reform the "Torrens" land title registration system, an alternate property records system available statewide, and commonly used in several eastern North Carolina counties. The Committee consulted with interested Registers of Deeds, property owners such as Weyerhaeuser that have "Torrens" registered property,

and representatives of the land surveying industry as they developed their proposed legislation. The Committee recommends one bill:

A BILL TO BE ENTITLED AN ACT TO IMPROVE AND MODERNIZE THE TORRENS LAND TITLE REGISTRATION PROCEDURES OF THE STATE.

This bill may produce a small increase in State fee revenue. Due to the low number of "Torrens" title transactions, the fiscal effect of this bill will probably be minor. A fiscal analysis of this bill will required following introduction.

MUNICIPALITIES ANNEXATION AND INCORPORATION COMMITTEE

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Municipalities Annexation and Incorporation

The Committee on Municipalities Annexation and Incorporation met four times between January and April 1998. The Committee reviewed prior proposals to change the annexation laws of the State, considered the views of numerous interested parties, and participated in extended discussion developing the proposed legislation they recommend to revise the State's annexation and incorporation-related laws. The Committee recommends two bills to the 1998 General Assembly:

1. A BILL TO BE ENTITLED AN ACT TO REVISE THE MUNICIPAL ANNEXATION LAWS AND TO CHANGE THE CRITERIA TO BE CONSIDERED BY THE JOINT LEGISLATIVE COMMISSION ON MUNICIPAL INCORPORATION; and
2. A BILL TO BE ENTITLED AN ACT TO REQUIRE LOCAL GOVERNMENTS TO PUBLICIZE THE REVENUE NEUTRAL TAX RATE IN THE YEARS WHEN

THERE IS A GENERAL REEVALUATION OF REAL PROPERTY, AND TO NOTIFY PERSONS SUBJECT TO ANNEXATION OF THE PROJECTED CHANGE TO THEIR PROPERTY TAX LIABILITY.

In addition, the committee recommends that the General Assembly support continued work by the Committee to study the development of an appeal procedure for citizens that would serve as an alternative to lawsuits over proposed annexations.

These recommendations are not anticipated to produce any increase or decrease in State revenue.

PART IX. ETHICAL AND OPEN GOVERNMENT ISSUES GROUPING

LOBBYING AND CONFLICT OF INTEREST ISSUES COMMITTEE

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LOBBYING AND CONFLICT OF INTEREST ISSUES

The Lobbying and Conflict of Interest Issues Committee met one time. At the meeting, the Committee was given an overview of the three issues and five bills introduced during the 1997 that the Committee had been directed to study. These issues included 1) agency use of State funds to hire contract lobbyists, 2) conflict of interest issues related to public officials, and 3) public official lobbyist waiting period. After a presentation on these issues by the sponsors of legislation introduced in 1997, the Committee had a more in-depth discussion on the issue of public official lobbyist waiting period. No further meetings of the Committee have been scheduled and it has not been determined whether or not the Committee plans to meet again after the Short Session.

OPEN MEETINGS LAW AND PUBLIC RECORDS LAW COMMITTEE

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Open Meetings And Public Records

The Committee on Open Meetings and Public Records met twice and considered proposals to protect bank robbery witnesses from exposure in the public records. The Committee also agreed that the Co-Chairs should write to the Press Association and the President of the University of North Carolina, encouraging them to continue their talks concerning their differences over public records law. The Committee hoped to hear from the parties about those issues after the Short Session. The Committee is not making an interim report to the Short Session.

PART X. REGULATION GROUPING

ADOPTION REGISTRY COMMITTEE

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Adoption Registry

Study Committee on an Adoption Registry met five times. At its first meeting the Committee heard the legislative history in North Carolina of the confidentiality and disclosure of adoption records and of initiatives to establish an adoption registry, both as a prelude to analyzing the provisions of House Bill 1206. Adoption registries in other states were also discussed. The Committee heard Ms. Esther High, an adoptions specialist with the Division of Social Services in the N.C. Department of Health and Human Services, give a report on current procedures in her Division in the collection and disclosure of information contained in adoption records.

At the Committee's second meeting a four member panel, representing opposing views on whether an adoption registry should be established in North Carolina addressed the Committee. After the panel discussion, Ms. Elaine Franzetti of Catholic Social Ministries in Greenville addressed the Committee concerning how House Bill 1206 would affect private adoption agencies. She said the bill as introduced would help, but that an active registry would help more. Ms. Meredith Mills, an adoptee, told of her recent reunion with her biological mother.

At its third meeting, the Committee heard from two legislators whose names were on the introduced House Bill 1206, Rep. Cary Allred, the prime sponsor, and Rep. Jane Mosley, one of the co-sponsor. Rep. Julia Howard, the other co-sponsor, declined an invitation to appear before the Committee, citing a scheduling conflict. Both Reps. Allred and Mosley elaborated on their rationale for proposing more openness in adoption records. The Committee then heard a presentation comparing the provisions of HB 1206 with adoption registry bills from previous sessions of the N.C. General Assembly. The presentation included information concerning the adoption registry law in Georgia, which utilizes confidential intermediaries. Ms. Sharnese Ransom of the N.C. Department of Health and Human Services gave the Committee requested data concerning the nature of requests the Department receives about adoptions. Ms. Sandy Cook of the Children's Home Society presented an opinion survey of adoptees, birth parents, and adoptive parents concerning access to adoption information.

At its fourth meeting, the Committee voted on several proposed amendments to HB 1206 and eventually approved the bill as amended. The Committee made the following findings:

- North Carolina is one of the few states that does not provide, other than by court order, for the sharing of identifying information in the adoption records among birth parents, adopted children, and adoptive parents. The majority of people in the adoption triad feel a compelling need for a mechanism to assist adopted persons

and their biological relatives in locating and contacting one another. Research has shown that 47 states have adoption registries, including three states with open record laws.

- Concerns remain, however, that without safeguards, an open-records system could jeopardize the privacy of an adopted person, a birth relative, or an adoptive family.

Based on the Committee's findings, the Committee recommends that the 1997 General Assembly, Regular Session 1998, establish a statewide, passive, confidential, mutual consent, voluntary adoption registry as embodied in the Legislative Proposal titled: AN ACT TO AMEND THE ADOPTION LAWS PERTAINING TO ACCESS TO ADOPTION RECORDS, AND TO ESTABLISH AN ADOPTION REGISTRY.

BINGO REGULATION COMMITTEE

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Bingo Regulation

The Bingo Regulation Committee met seven times, in full committee and subcommittee, to consider Charitable Bingo, the only state regulated form of gaming in North Carolina, and Beach Bingo. Last year, almost \$40 million was raised by licensed charities and an unknown amount was collected by operators of Beach Bingo businesses.

Beach Bingo, where the prizes are limited, by statute to \$10 or less, is currently unregulated. Charitable bingo is licensed and regulated through an office in the Department of Health and Human Services.

The Committee is recommending a bill that would create a three-member, independent, and fee supported Bingo Commission to regulate Charitable Bingo and to regulate Commercial Bingo with increased prizes limited to \$20 per game. The bill continues the current level of regulation for Charitable Bingo and applies those same regulations, modified to fit the circumstances, to Commercial Bingo.

The bill provides for civil fines, civil injunctions, and criminal sanctions for violations of the statutes and rules adopted by the regulations. The bill on Bingo is entitled: A BILL TO BE ENTITLED AN ACT TO RECODIFY EXISTING BINGO STATUTES AND TO REGULATE COMMERCIAL BINGO.

The newly created Bingo Commission will be fee supported.

BUILDING CODE ISSUES COMMITTEE

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Clerk:

Jayne Walton
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Building Code

The Building Code Study Committee met four times. It discussed quality of workmanship issues; mobile home inspections and the safety requirements for those dwellings; and the need for continuing education for Code-enforcement officials.

Based on its findings and recommendations the committee recommends the following bill to the 1998 session of the 1997 General Assembly:

A BILL ENTITLED AN ACT TO AUTHORIZE THE NORTH CAROLINA CODE OFFICIALS QUALIFICATION BOARD TO REQUIRE CODE-ENFORCEMENT OFFICIALS TO PARTICIPATE IN PROFESSIONAL DEVELOPMENT PROGRAMS. This bill authorizes the North Carolina Code Officials Qualification Board to establish a professional development program for Building Code enforcement officials. This is accomplished by adding a new section to Article 9C, Chapter 143 of the General Statutes. This new section allows the Board to establish a professional development program and sets out criteria that may be adopted by the Board in administering this program.

The costs associated with the Building Codes LRC bill are \$100,000.

CEMETERY ISSUES COMMITTEE

Authority: SL97-483, SB 32

LRC Member Rep. Beverly Earle
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Charlotte, NC 28202
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Pro Tem's Appointments

Sen. Luther H. Jordan, Jr., Cochair
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Sen. John M. Blust
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Ms. Helen Moody Buckner
c/o Smith & Buckner Funeral Home
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Mr. Elliott Futrell
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Dr. Ray Howell
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Cemetery Issues

To execute the charge assigned to it by the Legislative Research Commission, the Committee on Cemetery Issues met four times in 1998 to prepare its recommendations to the 1997 General Assembly (1998 Regular Session): January 29, February 24, March 23, and April 23rd. In these meetings, the Committee heard from numerous groups and persons including the Cemetery Commission, consumer protection representatives from the Attorney General's Office, and providers of cemetery goods and services.

A number of recent changes in the cemetery industry prompted this legislative review. The nature of ownership of the for-profit cemeteries is changing. At least 30 of North Carolina's 174 privately owned cemeteries have been bought by three national death-care conglomerates in the past eight years. In the recent past, individual legislators, as well as the Attorney General's Office have received increasing numbers of complaints from consumers. Much Committee effort and discussion centered on the issues of preneed sales of burial places and other items, access to grave sites, including the opening and closing of burial places, and the purchasing and installation of monuments.

The Committee examined the existing law governing cemeteries, Article 9 of Chapter 65 of the General Statutes, the North Carolina Cemetery Act. This law establishes the North Carolina Cemetery Commission and sets its powers and duties. The Committee heard that this Commission has almost no legal authority over the consumer protection issues that the Committee identified, particularly those concerning competitive pricing, preneed contract disclosures, and access to grave places. Federal anti-trust and unfair trade practices laws do apply, but as a practical matter, the amounts that can be recovered are so small, few district attorneys will follow through to suit. The Committee also heard from the Attorney General's Office that it has not had in the past, staff sufficient to address all consumer issues.

Based upon the information gathered from the four meetings, the Committee recommends "AN ACT TO MAKE CERTAIN CHANGES TO REGULATIONS REGARDING CEMETERIES TO PROVIDE FOR CONSUMER PROTECTION". Section 1 of the bill would increase the legal powers of the Cemetery Commission to include ensuring that there is reasonable competition, that consumers and their providers of products and services have reasonable access to their purchased grave spaces. Section 2 of the bill would require that all cemetery contracts contain clear disclosures designed to ensure that both the consumer and the cemeterians understand exactly what is being offered. Section 3 prohibits a cemetery company from prohibiting providers of cemetery products and services from providing products or services to persons having rights in a

burial space so long as the provider is properly bonded and qualified to provide the product or service. This new requirement does not prohibit a cemetery company from adopting reasonable rules to ensure that these providers follow procedures established by the cemetery company to fulfill its obligation to its purchasers. The Committee found that these changes would offer consumers protection without unfairly restraining the cemeterians' trade.

The proposed legislation would add additional consumer protection authority to the Cemetery Commission. Since this Commission is fee supported, there will be no additional cost to the State.

WATERCRAFT SAFETY COMMITTEE

Authority: SL97-483, SB 32

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Mr. William D. Mills
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Mr. Scott Britt
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Watercraft Safety

The Committee on Watercraft Safety met two times. At its first meeting, the Committee reviewed existing State and local laws regulating personal watercraft. A private citizen, Ms. Arland Whitesides, appeared on behalf of nineteen coastal municipalities that have been advocating additional regulation of personal watercraft. Captain Randy Thomas, Boating Safety Coordinator for the Wildlife Resources Commission, supplied the Committee with perspectives on both personal watercraft and boating safety in general.

At its second meeting, the Committee heard from Mr. Howard Park, a representative of the Personal Watercraft Industry Association, on the PWIA's position on additional regulations. Mr. Park provided the Committee with a model act for the regulation of personal watercraft that is endorsed by the PWIA. Mr. Artie Tillett, a member of the Committee whose family operates a personal watercraft rental business in Nags Head, described the educational and other efforts they make to ensure that persons

renting watercraft from them operate the watercraft in a responsible manner. The Committee was also addressed by Captain Bob Melvin of the US Coast Guard Auxiliary and Mr. Peter Chenery of the US Power Squadron on boating safety instruction currently available through those organizations.

The Committee will continue its work after the 1998 Session of the General Assembly and will report to the 1999 General Assembly with its recommendations for improvements in boating safety on the waters of the State.

**PART II. SUMMARIES OF REFERRALS TO AGENCIES
AND EXISTING STUDY COMMISSIONS**

A. AGING, NORTH CAROLINA STUDY COMMISSION ON

Pro Tem's Appointments

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Sen. Charlie Smith Dannelly
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Ms. Anne Holton
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Phyllis Porter
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Medical Assistance Program and State-County Special Assistance Program

The Legislative Research Commission referred to the North Carolina Study Commission on Aging the study of the Medical Assistance program and the State-County Special Assistance program as stated in S.L. 97-443, Sec. 12.19, SB 352. Because of the short period between the 1997 General Assembly and the 1997 General Assembly (Regular Session 1998) and because of the Commission's statutory obligation to conduct public hearings, the Chairs of the North Carolina Study Commission postponed consideration of this issue until after the 1997 General Assembly (Regular Session 1998).

B. COURTS COMMISSION, NORTH CAROLINA**Pro Tem's Appointments**

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Mr. C. Philip Ginn, Esquire
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The Honorable Robert H. Hobgood
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The Honorable Robert Johnston
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Dr. Traciel Venise Reid
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The Honorable Willis P. Whichard
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Members Ex Officio (Voting)

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Ms. Ann Reed
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Members Ex Officio (Non-Voting)

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Ferebee Stainback
(919) 733-5987

Dispute Resolution Committee

The North Carolina Courts Commission will not be making an interim report to the Legislative Research Commission on the issue of the Dispute Resolution Committee (Chapter 483 of the 1997 Session Laws, Section 2.1(4), SB 32). As requested by the Legislative Research Commission, the Courts Commission will make a report on this issue no later than January 8, 1999.

C. EMPLOYEE HOSPITAL AND MEDICAL BENEFITS, COMMITTEE ON

Pro Tem's Appointments

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Sen. James S. Forrester
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Sen. Brad Miller
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Sen. Aaron W. Plyler
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Sen. William R. Purcell
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Karen Cochrane Brown
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National Guard Buy-In To State Health Plan

The Committee on Employee Hospital and Medical Benefits devoted part of a meeting held in early 1998 to a discussion of this topic.

D. HEALTH CARE OVERSIGHT COMMITTEE, JOINT LEGISLATIVE

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Dental Hygienist Regulation, Supervision, And Scope Of Practice

The Joint Legislative Health Care Oversight Study Committee took no action on this referral.

Health Care Information Privacy Issues

The Joint Legislative Health Care Oversight Study Committee appointed a subcommittee to consider health care information privacy issues. The subcommittee has scheduled two meetings and both had to be canceled. The subcommittee and the full Committee intends to study this issue and consider the need for State legislation in light of recently enacted federal legislation.

The Joint Legislative Health Care Oversight Committee recommended legislation to protect the privacy of the health information. The legislation does not include an appropriation of State funds.

Health Care Issues

The Health Issues referral included the following bills:

H 1207. STUDY REVIEW OF HEALTH BILLS (Bowie), A Bill To Study A Procedure For Review Of Health Care Bills Prior To Consideration By The General Assembly.

H 1204. STUDY HEALTH CARE COSTS. (Brawley), A Bill To Study health care in the state and recommend methods to reduce health care costs.

The Joint Legislative Health Care Oversight Study Committee has not specifically addressed these issues.

Pharmacy Practice Act Revision

The Joint Legislative Health Care Oversight Study Committee appointed a subcommittee to consider pharmacy issues, including proposed revisions to the Pharmacy Practice Act. The subcommittee has met twice to gather information and hear testimony from the NC Board of Pharmacy and others. The subcommittee and the full Committee will continue to review the proposals and related pharmacy issues.

The Joint Legislative Health Care Oversight Committee recommended legislation to amend the Pharmacy Practice Act, and endorsed Senate Bill 866, Prescription Drug/Competition. The bill to amend the Pharmacy Practice Act does not include an appropriation of State funds.

**E. JUSTICE AND PUBLIC SAFETY, HOUSE AND SENATE
APPROPRIATIONS SUBCOMMITTEES**

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Victims Rights

The House and Senate Appropriations Subcommittees on Justice and Public Safety (JPS) were assigned to study crime victims rights generally and HB 665 - the Crime Victims Rights Act by the Legislative Research Commission (LRC). The Joint

Subcommittee held three meetings and the House Subcommittee held one meeting. The Joint Subcommittee identified and reviewed current services and funding for victims rights and reviewed funding needs and agency requirements under the proposed HB 665 - the Crime Victims Rights Act. The Senate JPS chose not to make a joint or Senate interim report since the Senate version of the Crime Victims Rights Act – SB 763 – is still under consideration in the Senate Judiciary Committee. The House JPS submitted an interim report to the 1998 Session of the General Assembly. The Senate Committee will continue its work following the 1998 Regular Session and will report to the 1999 Session of the General Assembly. The scope of the Subcommittee's work will depend on whether crime victims rights legislation is ratified in the 1998 Session.

F. PUBLIC HEALTH STUDY COMMISSION

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Sen. Jim Forrester
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Rep. John M. Nichols
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Mr. Robert Parker
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Home & Community Health
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Lieutenant Governor's Appointments

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Governor's Appointments

Mr. Paul Sherwood
Senior Vice President
Halifax Memorial Hospital
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Clerk:

Bernie David-Yerumo
(919) 733-5664

Rabies And The Administration Of Rabies Vaccine

The Legislative Research Commission referred to the Public Health Study Commission for study the issue of rabies and the administration of rabies vaccine as stated in S.L. 97-205 Sec. 2.7. The Public Health Study Commission has held one meeting for organizational purposes. The issue of rabies and the administration of rabies vaccine will be studied after the adjournment of the 1997 General Assembly (1998 Regular Session).

G. PUBLIC SCHOOLS, LEGISLATIVE STUDY COMMISSION ON

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Sen. Charlie Smith Dannelly

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DHR Schools

The Legislative Study Commission on Public Schools was established by The Studies Act of 1997 (SB 32) to study issues relating to equity for public school systems. In addition, the Legislative Research Commission referred to the Commission the

authority to study issues pertaining to the Department of Health and Human Services (DHHS) schools.

In connection with their study of the DHHS schools, the Commission held a public hearing in January, 1998, during which parents of students in DHHS schools expressed their interests and concerns about the schools their children were attending. Commission members spent a total of seven days from January to March, 1998, visiting a variety of schools and programs throughout the state. In January they visited the Governor Morehead School and the Eastern North Carolina School for the Deaf. In February they visited the North Carolina School for the Deaf at Morganton and the Juvenile Evaluation Center in Black Mountain. In addition, during these months Commission members visited a number of public schools, community colleges, and universities.

Finally, the Public Schools Commission met in April to hear a report presented by the State Board of Education and the Department of Health and Human Services on the Plan to Implement the ABC's Plan in the DHHS Residential Schools.

The Joint Legislative Commission on Public Schools identified the following issues and plans to make a report to the 1998 Session that includes recommendations and draft legislation to address these issues in the DHHS residential schools: implementation of the ABC's Plan, teacher supplement, teacher certification, sign language, appropriations for the residential school facilities, professional development opportunities, and criminal records check.

H. REVENUE LAWS STUDY COMMITTEE

Pro Tem's Appointments

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Property Tax Issues

The Legislative Research Commission referred the topic of "Property Tax Issues" to the Revenue Laws Study Committee. The topic, developed under G.S. 1997-205, encompasses the process for appeals of the value or listing of property, the octennial revaluation schedule, and the creation of a State tax court. The Revenue Laws Study Committee did not recommend any proposals addressing the property tax issues raised by S.L. 1997-205 to the 1998 Regular Session of the 1997 General Assembly. The Revenue Laws Committee considered many issues this past interim, but it had to defer many other

issues until the fall. The property tax issues referred to it by the LRC remain on the Committee's list of topics to address this fall.

I. TRANSPORTATION OVERSIGHT COMMITTEE, JOINT LEGISLATIVE

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Rail Services To State Ports

The Joint Legislative Transportation Oversight Committee has not yet addressed this issue. The Committee is not making a report on this issue to the 1998 Session.

Special Registration License Plates

The Joint Legislative Transportation Oversight Committee received a report on this issue on February 4, 1998 from the Division of Motor Vehicles. The Committee received the report, but took no action. The Committee is not making a report on this issue to the 1998 Session.