1997

JOINT APPROPRIATIONS - NATURAL & ECONOMIC RESOURCES COMMITTEE

MINUTES

APPROPRIATIONS SUB-COMMITTEE

ON

NATURAL AND ECONOMIC RESOURCES

HOUSE OF REPRESENTATIVES

1997 SESSION

Representative Frank Mitchell
Representative Rex Baker
Representative Jim Carpenter
House Co-Chairmen

Senator R. L. "Bob" Martin
Senate Chairman

House Appropriations Sub-Committee

Natural & Economic Resources

1997-98 Session

Co-chairs



Frank Mitchell(SRM)



Rex L. Baker



Jim Carpenter



Bill Owens
Ranking Minority Member

House Appropriations Sub-Committee

Natural & Economic Resources

1997-98 Session

Members



Arlie F. Culp



Stan Fox



Bobby Hall



Howard J. Hunter, Jr.

Joe Tolson



John H. Weatherly



Michael S. Wilkins

HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON NATURAL AND ECONOMIC RESOURCES
1997 SESSION

Member (Clerk)	Tel #	Room #	Seat #
Rep. Frank Mitchell, CO-CHAIR Susan Thomason, Committee Clerk	3-5959	638	9
Rep. Rex Baker , CO-CHAIR Jo Hinton, Committee Clerk	3-5785	632	50
Rep. James Carpenter, CO-CHAIR Kara McCraw, Committee Clerk	3-5777	537	85
Rep. Arlie Culp Waneth Lord, Clerk	3-5865	1010	62
Rep. Bobby Hall Billie Stevens, Clerk	3-5906	637	87
Rep. John Weatherly Debbie Puckett, Clerk	3-5849	503	61
Rep. Bill Owens Marie Sheets, Clerk	3-0010	608	22
Rep. Stan Fox Sue Buehlmann, Clerk	3-5757	1217	46
Rep. Howard Hunter Barbara Phillips, Clerk	3-2962	613	68
Rep. Joe Tolson Gayle Christian, Clerk	3-5607	609	59
Rep. Michael. Wilkins Lillie Pearce	3-5746	1220	32

Fiscal Research Staff
Jennifer Herrera
Mona Moon
Mark Trogdon
Beth Christensen

MEMBERSHIP LIST

SENATE APPROPRIATIONS SUBCOMMITTEE ON

NATURAL AND ECONOMIC RESOURCES

MEMBERSHIP	OFFICE	PHONE
Senator R.L. "Bob" Martin, Chairman	410	5-3040
Senator Tommy Jenkins, Vice-Chair	622	3-6275
Senator Betsy Cochrane	1127	5-2525
Senator Ham Horton	1406	3-3272
Senator Larry Shaw	625	3-4809
Senator David Weinstein	2108	3-5651

ATTENDANCE

House APPROPRIATIONS Sub-committee on Natural & Economic Resources

DATES		2/18	2/19	2/20	2/25	2/25	2/26	2/26	2/27	3/3	3/4	3/4	3/5	3/5	3/6
Chairs		8:30	8:30	8:30	8:30	3:00	8:30	3:00	8:30	3:00	8:30	3:20	8:30	3:30	8:30
Frank Mitchell (SRM)		✓	✓*	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Rex L. Baker		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jim Carpenter		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
Members															
Arlie F. Culp		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Stan Fox		✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	
Bobby Hall		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Howard J. Hunter, Jr.		✓	✓				✓		✓		✓	✓	✓		
Bill Owens		✓	✓	✓	–		✓		✓	✓	✓	✓	✓	✓	✓
Joe Tolson		✓	✓	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
John H. Weatherly		✓	✓	✓	–		✓		✓	✓	✓	✓	✓		✓
Michael S. Wilkins		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓
George M. Holmes															
James Crawford, Jr.															
Billy Creech		✓													
Theresa Esposito															
Ex officio															
Leo Daughtry															
Julia Howard															
Steve Wood															

ATTENDANCE

House APPROPRIATIONS Sub-committee on Natural & Economic Resources

DATES		3/10	3/11	3/12	3/12	3/17	3/18	3/18	3/20	3/24					
Chairs		3:00	8:30	8:30		2:00	8:30		8:30	2:00					
Frank Mitchell (SRM)		✓	✓						✓						
Rex L. Baker		✓	✓						✓						
Jim Carpenter		✓	✓						✓						
Members															
Arlie F. Culp		✓	✓						✓						
Stan Fox		✓	✓						✓						
Bobby Hall		✓	✓						✓						
Howard J. Hunter, Jr.			✓						✓						
Bill Owens		✓	✓						✓						
Joe Tolson			✓						✓						
John H. Weatherly		✓							✓						
Michael S. Wilkins			✓						✓						
George M. Holmes															
James Crawford, Jr.															
Billy Creech															
Theresa Esposito															
Ex officio															
Leo Daughtry															
Julia Howard															
Steve Wood															

Joint Appropriations Committee on Natural and Economic Resources

February 18, 1997

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Natural and Economic Resources Budget Overview
   Mona Moon
   Fiscal Research Division

3. Budget Analysis: Department of Labor
   Mark Trogdon
   Fiscal Research Division

4. Committee Discussion

5. Instructions to Staff

Joint Appropriations Subcommittee
On
Natural and Economic Resources

Tuesday, February 18, 1997 at 8:30 a.m.

MINUTES

The Joint Appropriations Subcommittee on Natural and Economic Resources met on Tuesday, February 18, 1997 at 8:30 a.m. in Room 423 of the Legislative Office Building. Six Senate members attended the meeting, including the Chair, Senator R.L. "Bob" Martin, who presided. Representatives Mitchell, Baker, Carpenter, Culp, Fox, Hall, Howard Hunter, Owens, Tolson, Weatherly, Wilkins and Creech were present.

Ms. Mona Moon, Fiscal Research Staff, was recognized to give on overview of the Natural and Economic Resources Base Budget. This is Attachment A of these minutes. She referred to page 8 of this handout, which reported the summary of the Base Budget of the NER. This summary gave the NER total budget requirements of $1,141.8 million. This handout also gave the five agencies of State Government that this Committee would handle. Ms. Moon reported the distribution of the total budget within the NER area. The following was reported: EHNR 56.1%, Labor 2.1%, Agriculture 6.6%, Commerce 31.1% and Housing Finance Agency 4.0%. Page 11 of the handout explained the General Fund Appropriations of $369.4 million. The following was reported: EHNR 67.2%, Labor 4.2%, Agriculture 13.0%, Commerce 15.0% and Housing Finance Agency 0.6%. Page 13 gave a break down of the total positions at 9,967.10. Of these positions, EHNR with 51.2%, Labor 4.5%, Agriculture 13.4% Commerce 30.0% and Housing Finance Agency 0.8%.

Senator Martin introduced Mr. Harry Payne, Secretary of the Department of Labor, who presented an overview to the Committee on the work of the North Carolina Department of Labor. This is Attachment B of these minutes. He reported that today in North Carolina over 3.5 million people will go to work; they will work in over 180,000 work places; they will work in the most manufacturing intensive state in the country. Each year on average, the state has added 100,00 new workers on the job in the past four years. With this increase, the Department has had to handle 100,00 new questions, 100,000 new complaints, 100,000 new concerns and opportunities to train for new jobs and new technology. Secretary Payne said they expected continued growth over the next four years.

Representative Mitchell asked what questions are most frequently asked when workers call on the 800 number. Secretary Payne responded by saying mostly 60% are wage and hourly questions. They are from both employer and employee. He said there are more people on the job to ask questions.

Senator Horton asked Secretary Payne what the span of control is in the Department of Labor at this time? He said the Department will not wait for the time limit on the span of control. They are addressing this now and they are in a 1 to 7 ratio. There are 7 layers between the Secretary and the field people.

Mr. Mark Trogdon, Fiscal Research Staff, presented on overview of the Department of Labor in terms of total funds. This is Attachment C of these minutes. The Department of Labor is charged by general statute (G.S. 95-1) to promote the health, safety, and well-being of the State's workforce. The Constitution of North Carolina provides for the election of a Commissioner of Labor every four years. The Commissioner of Labor is a member of the Council of State. The Department 's responsibilities include administering and enforcing federal and state laws that affect people in the workplace, including administering the Occupational Safety and Health Act, regulatory and consultative services to the mining industry, enforcing safety regulations for elevators, amusement rides, and boilers. Other responsibilities include promoting and supervising apprenticeship and on-the-job training programs, and establishing license requirements for private employment agencies.

Mr. Trogdon continued with the Department of Labor Budget in the Administrative Programs handout. This is Attachment D of these minutes. The activities under this Division include the Commissioner's Office, Administrative Services, Communications and Research and Statistics Bureau.

Representative Baker asked Commissioner Payne the background of the current Chief-of-Staff? He responded that she had been with the Department for many, many years and over the last six months had worked with him on loan from one of the Divisions. He said she had done an outstanding job with the backlogs.

The meeting adjourned at 10:00 a.m.

Carolyn M. Gooden, Committee Clerk

Senator R.L. Martin, Chairman

Attachment A

G-7

Natural and Economic Resources

Base Budget Summary

Fiscal Research Division

February 18, 1997

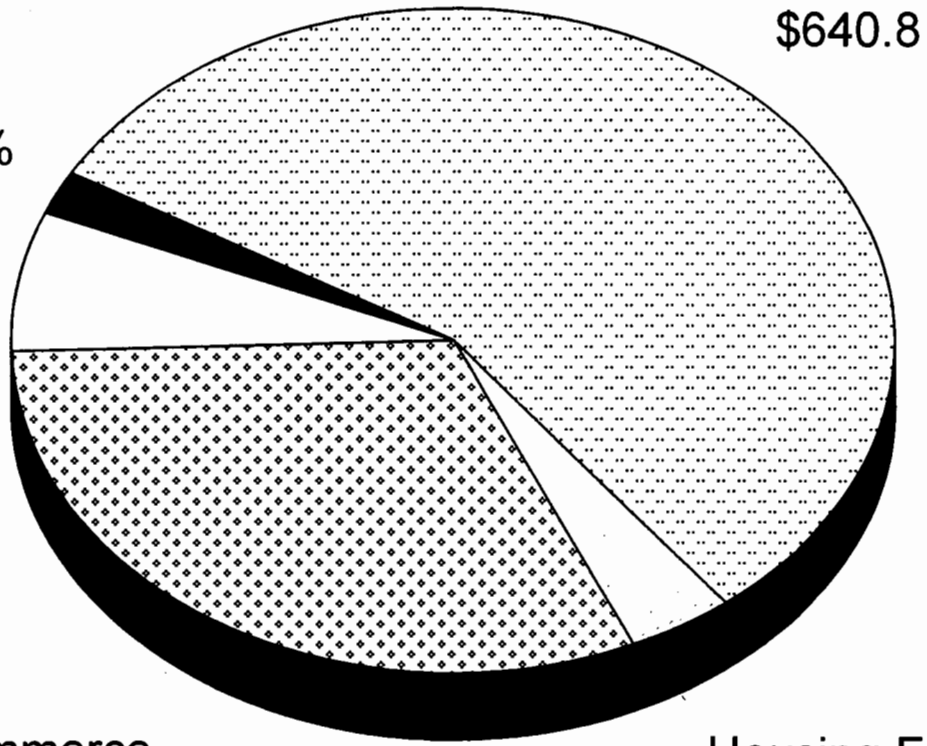
Natural and Economic Resources
Base Budget Summary

Total Budget Requirements

Department	1995-96 Actual	1996-97 Authorized	Governor's Continuation Request 1997-98 Recommended	Governor's Continuation Request 1998-99 Recommended
Agriculture	72,349,786	74,735,992	75,763,518	75,870,424
Commerce *(includes Employment Security Commission MCNC, NC Biotechnology Center and Rural Economic Development Center)*	350,236,381	368,765,804	355,482,795	355,518,909
Environment, Health, and Natural Resources *(includes Wildlife Resources Commission)*	626,271,937	646,959,061	640,774,125	639,942,013
Housing Finance Agency	41,108,814	48,682,544	45,200,520	45,200,520
Labor	24,873,383	24,827,220	24,536,171	24,458,442
NER Total Budget Requirements	**1,114,840,301**	**1,163,970,621**	**1,141,757,129**	**1,140,990,308**

Natural and Economic Resources
Total Budget Requirements $1,141.8 Million

1997-98 Recommended *



Fiscal Research Division -- February 1997

*Millions

Natural and Economic Resources

Base Budget Summary

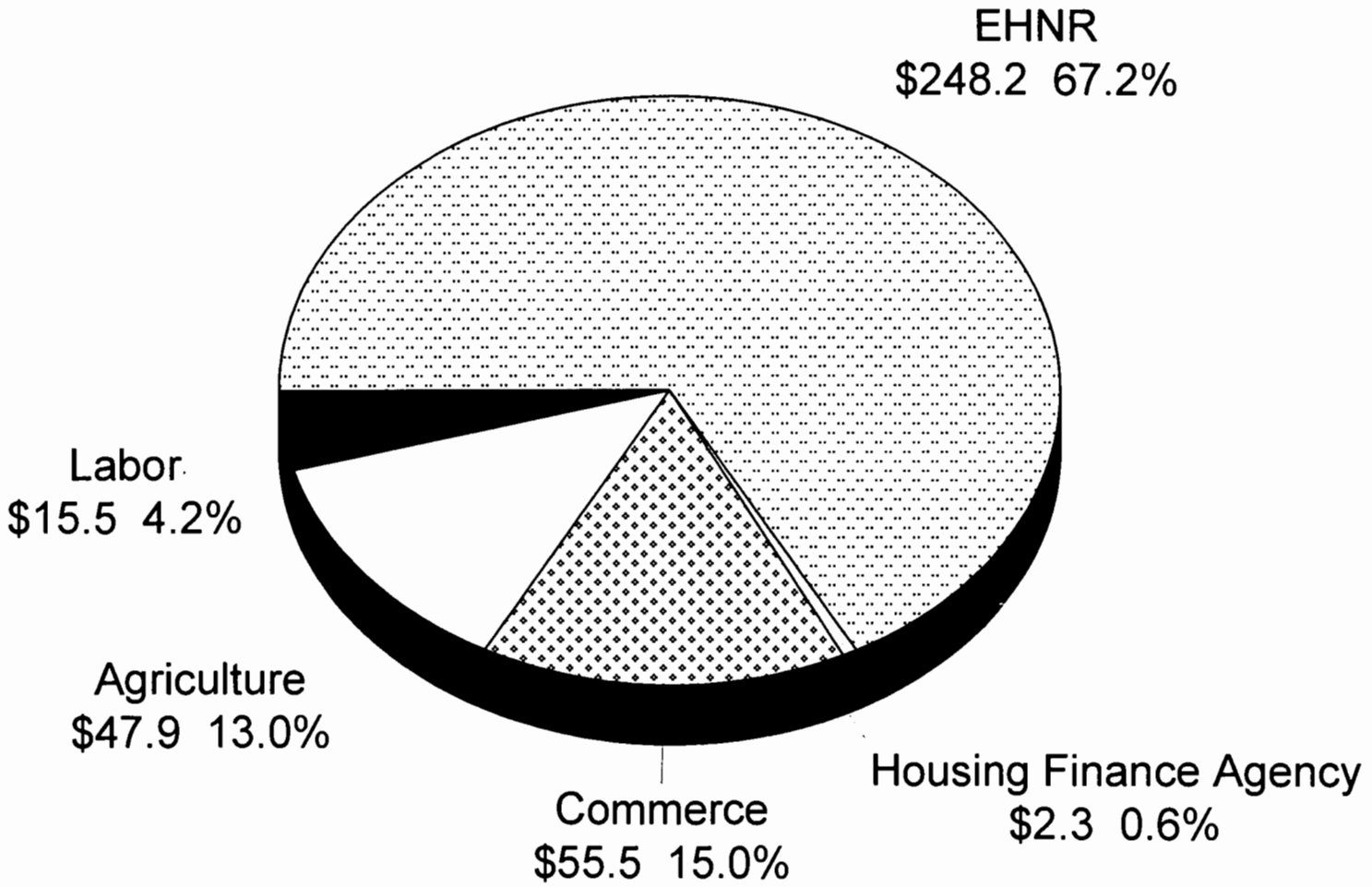
General Fund

Department	1995-96 Actual	1996-97 Authorized	Governor's Continuation Request 1997-98 Recommended	Governor's Continuation Request 1998-99 Recommended
Agriculture	44,403,777	47,401,072	47,907,194	48,115,447
Commerce *(includes Employment Security Commission, MCNC, NC Biotechnology Center and Rural Rural Economic Development Center)*	73,713,148	67,693,077	55,521,142	53,540,379
Environment, Health, and Natural Resources *(includes Wildlife Resources Commission)*	232,812,341	255,084,826	248,230,352	247,462,802
Housing Finance Agency	2,300,000	5,800,000	2,300,000	2,300,000
Labor	14,252,730	15,583,287	15,520,904	15,438,233
NER Total General Fund	**367,481,996**	**391,562,262**	**369,479,592**	**366,856,861**

Natural and Economic Resources

General Fund Appropriations $369.4 Million

1997-98 Recommended *



Fiscal Research Division -- February 1997

* Millions

Natural and Economic Resources

Base Budget Summary

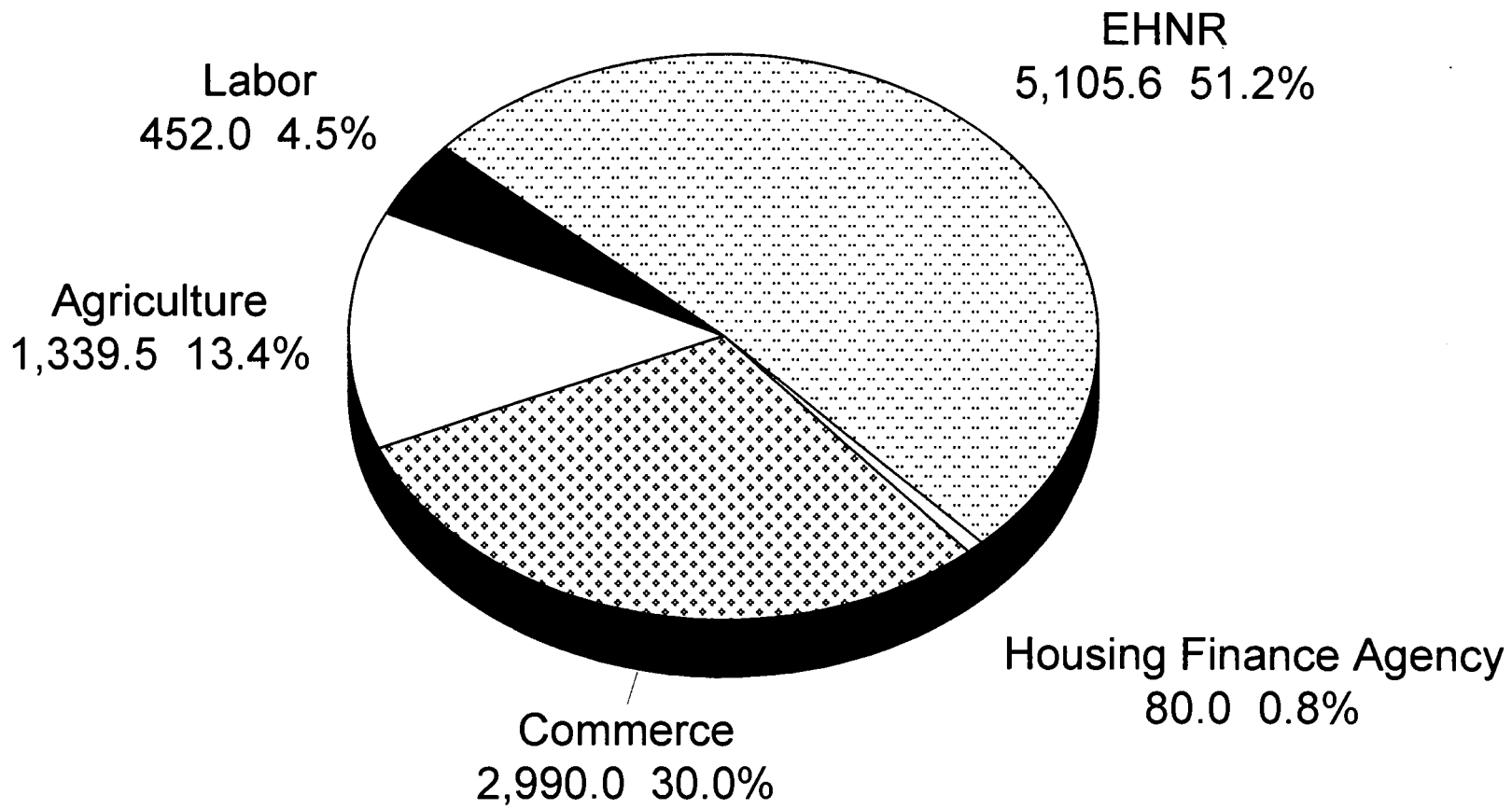
Total Positions

Department	1995-96 Actual	1996-97 Authorized	Governor's Continuation Request 1997-98 Recommended	Governor's Continuation Request 1998-99 Recommended
Agriculture	1326.52	1339.50	1339.50	1339.50
Commerce *(includes Employment Security Commission, MCNC, NC Biotechnology Center and Rural Economic Development Center)*	2956.00	2993.00	2990.00	2989.00
Environment, Health, and Natural Resources *(includes Wildlife Resources Commission)*	5076.10	5105.60	5105.60	5105.60
Housing Finance Agency	77.00	80.00	80.00	80.00
Labor	452.00	452.00	452.00	452.00
NER Total Positions	**9887.62**	**9970.10**	**9967.10**	**9966.10**

Natural and Economic Resources

Total Positions 9,967.10

1997-98 Recommended



Fiscal Research Division -- February 1997

Natural and Economic Resources

1997-98 Recommended Continuation Budget Summary

Performance/Program Budget Total Requirements *

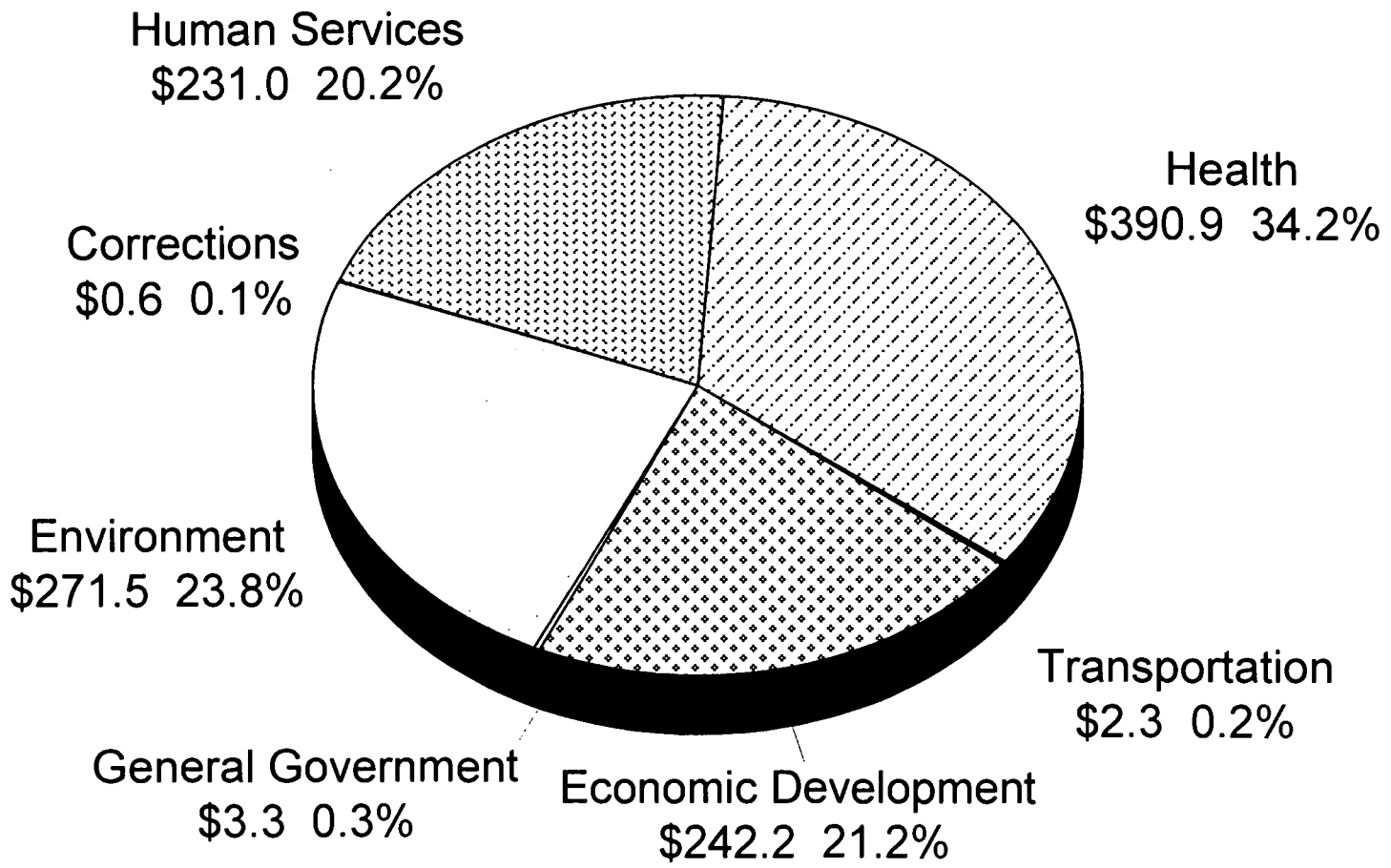
Department	Performance/Program Budget Area										
	Health	Human Services	Corrections	Justice & Public Safety	Environment	Economic Development & Commerce	Education	Transportation	Cultural Resources	General Government	Total
Agriculture	9.29	2.66			4.71	59.11					75.77
Commerce	0.29	178.92				174.04		0.03		2.20	355.48
Environment, Health, and Natural Resources	362.89		0.60		218.71	7.10				1.09	590.39
Housing Finance Agency		45.20									45.20
Wildlife Resources Commission					48.09			2.29			50.38
Labor	18.42	4.18				1.94					24.54
Total Budget Requirements	**390.89**	**230.96**	**0.60**	**-**	**271.51**	**242.19**	**-**	**2.32**	**-**	**3.29**	**1,141.76**

* Millions

G-15

Natural and Economic Resources
Total Requirements by Performance/Program Budget

1997-98 Recommended *



Fiscal Research Division -- February 1997

* Millions

Attachment B

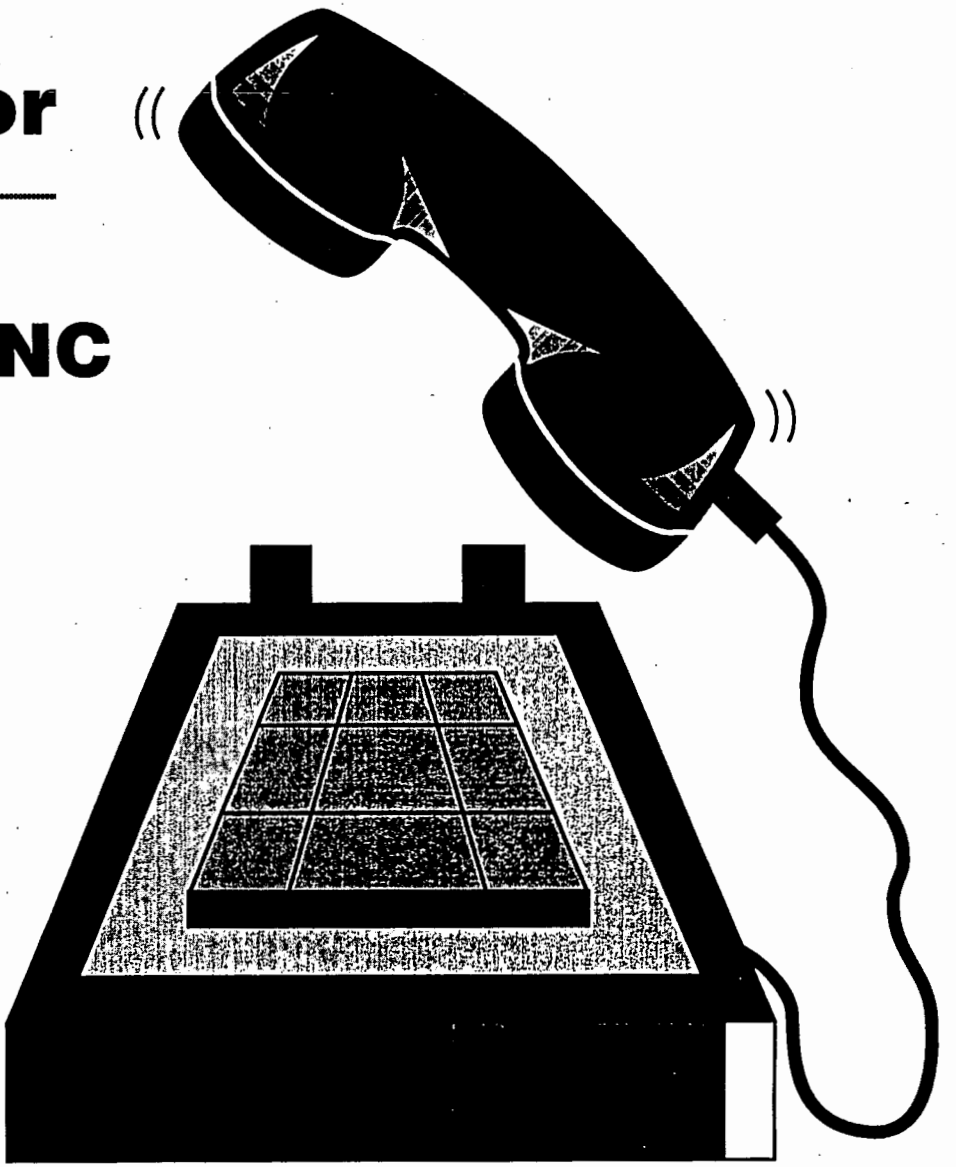
The Work of the North Carolina Department of Labor

Calls to 1-800-LABOR-NC

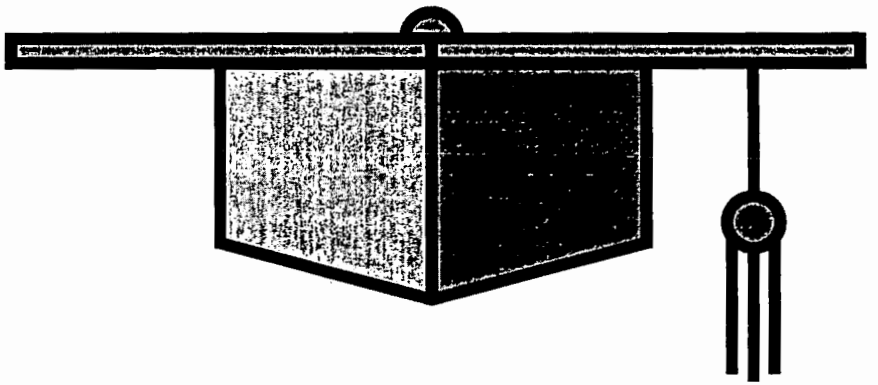
1995-96 - 88,200

1994-95 - 75,000

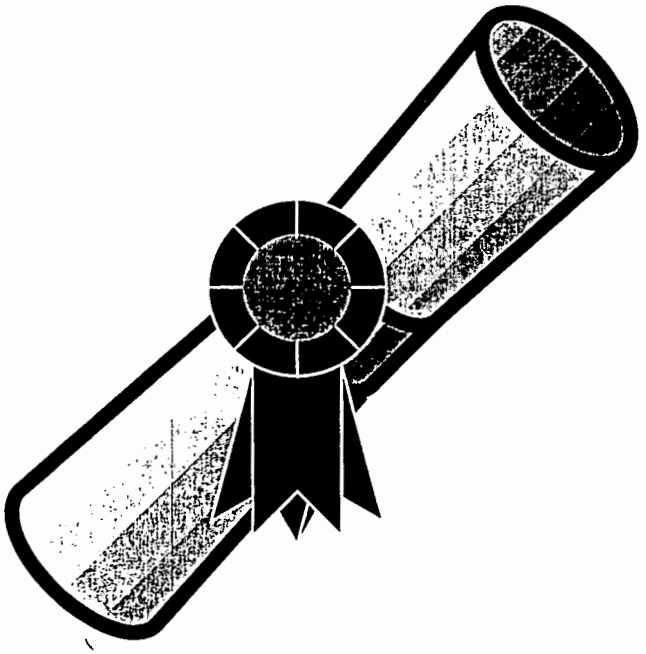
1993-94 - 65,000



The Work of the
North Carolina
Department of Labor



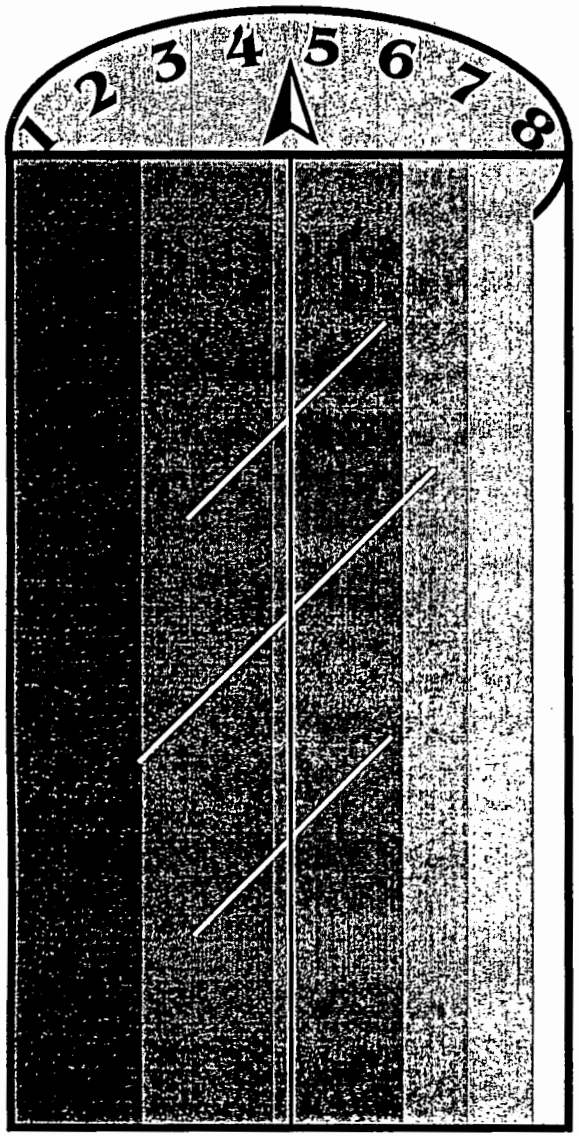
Apprentices &
On-the-Job Trainees
Registered



1995-96 - 6,538

1994-95 - 5,620

1993-94 - 4,653



The Work of the North Carolina Department of Labor

Existing Elevator & Escalator Inspections



1995-96 - 19,787

1994-95 - 20,303

1993-94 - 16,149

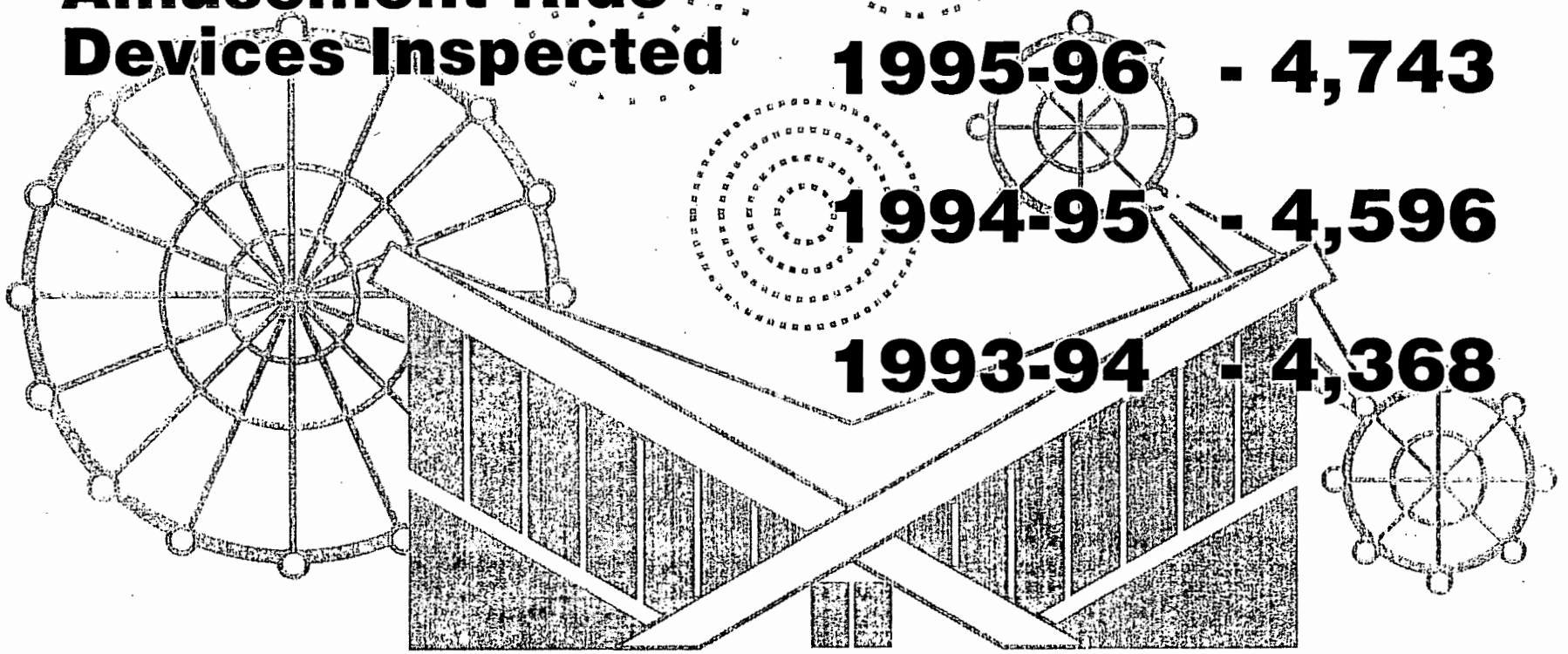
The Work of the North Carolina Department of Labor

Amusement Ride Devices Inspected

1995-96 - 4,743

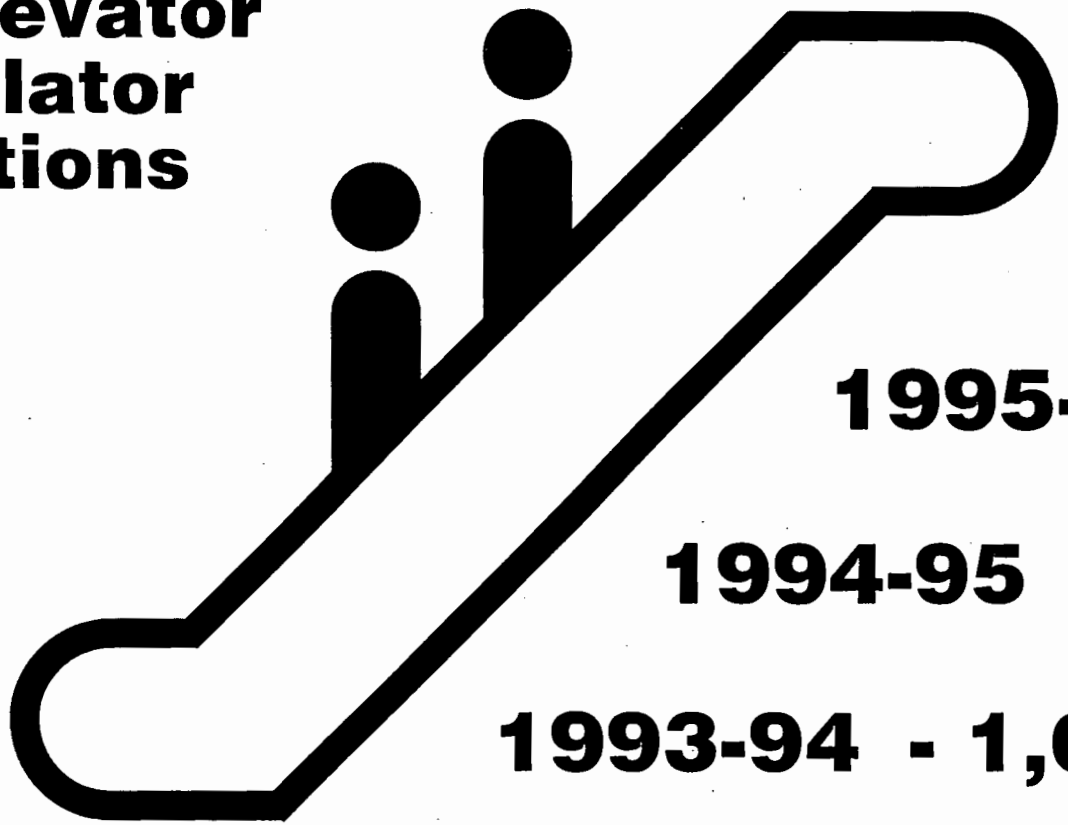
1994-95 - 4,596

1993-94 - 4,368



The Work of the North Carolina Department of Labor

New Elevator & Escalator Inspections

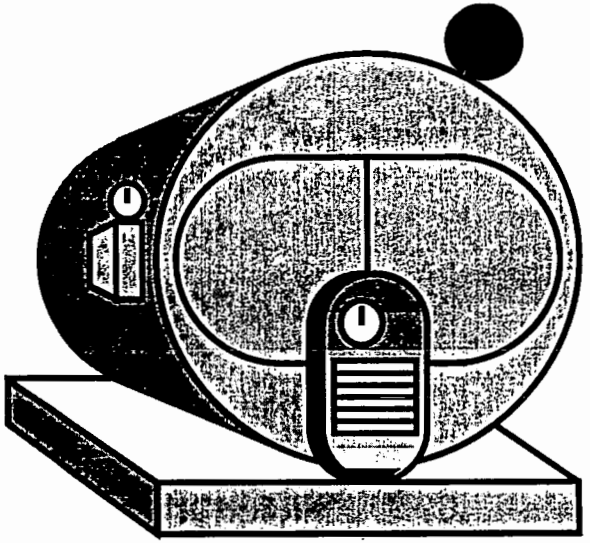


1995-96 - 970

1994-95 - 934

1993-94 - 1,006

The Work of the
North Carolina
Department of Labor



New Boiler Inspections

1995-96 - 4,215

1994-95 - 5,180

1993-94 - 5,054

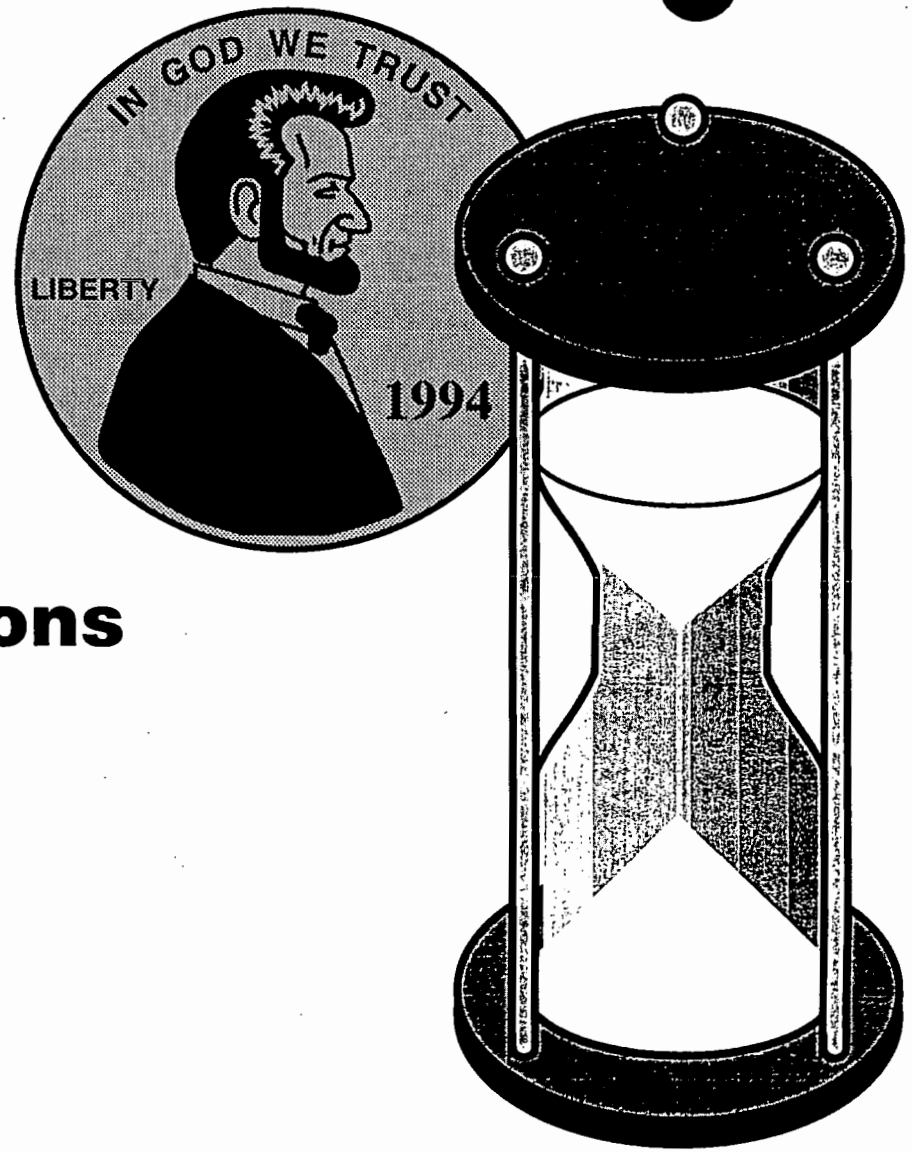
Boiler Reinspections

1995-96 - 11,945

1994-95 - 12,027

1993-94 - 8,892

The Work of the
North Carolina
Department of Labor



Wage/Pay/Youth
Employment Investigations

1995-96 - 3,755

1994-95 - 3,658

1993-94 - 3,556

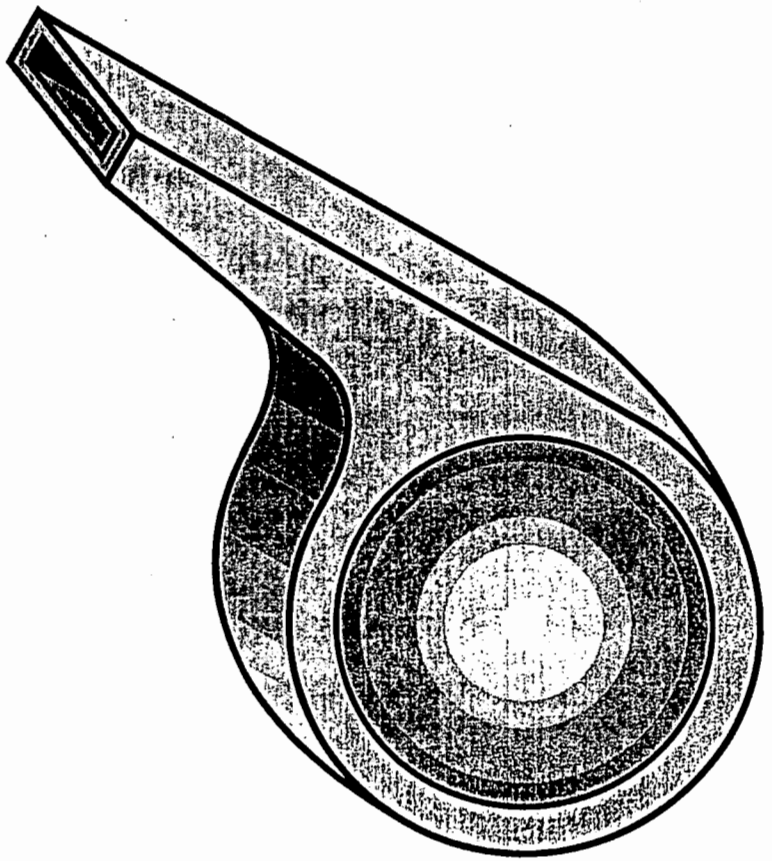
The Work of the
North Carolina
Department of Labor

Workplace Retaliatory Discrimination Cases Closed

1995-96 - 1,015

1994-95 - 610

1993-94 - 307



The Work of the North Carolina Department of Labor

Wage & Hour Investigation Backlogs

1995-96 - 1,085

1994-95 - 1,216

1993-94 - 1,087

1991

1992

1993

1994

1995

The Work of the North Carolina Department of Labor

1994

October 1st

1994

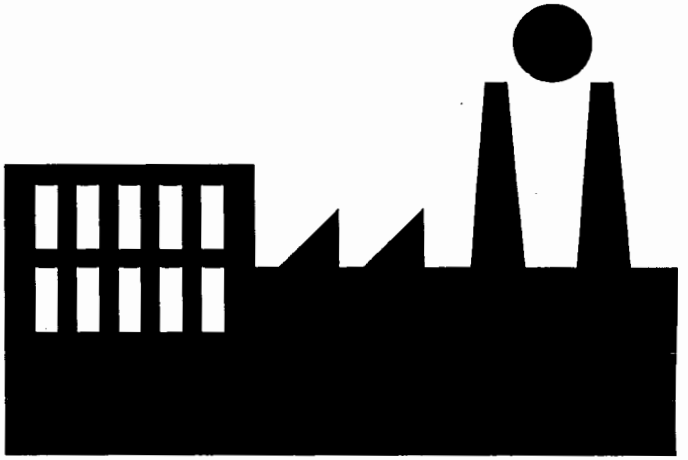
Average Number of Months To Resolve Wage & Hour Complaints

1995-96 - 2.5

1994-95 - 2.8

1993-94 - 3.6

The Work of the North Carolina Department of Labor

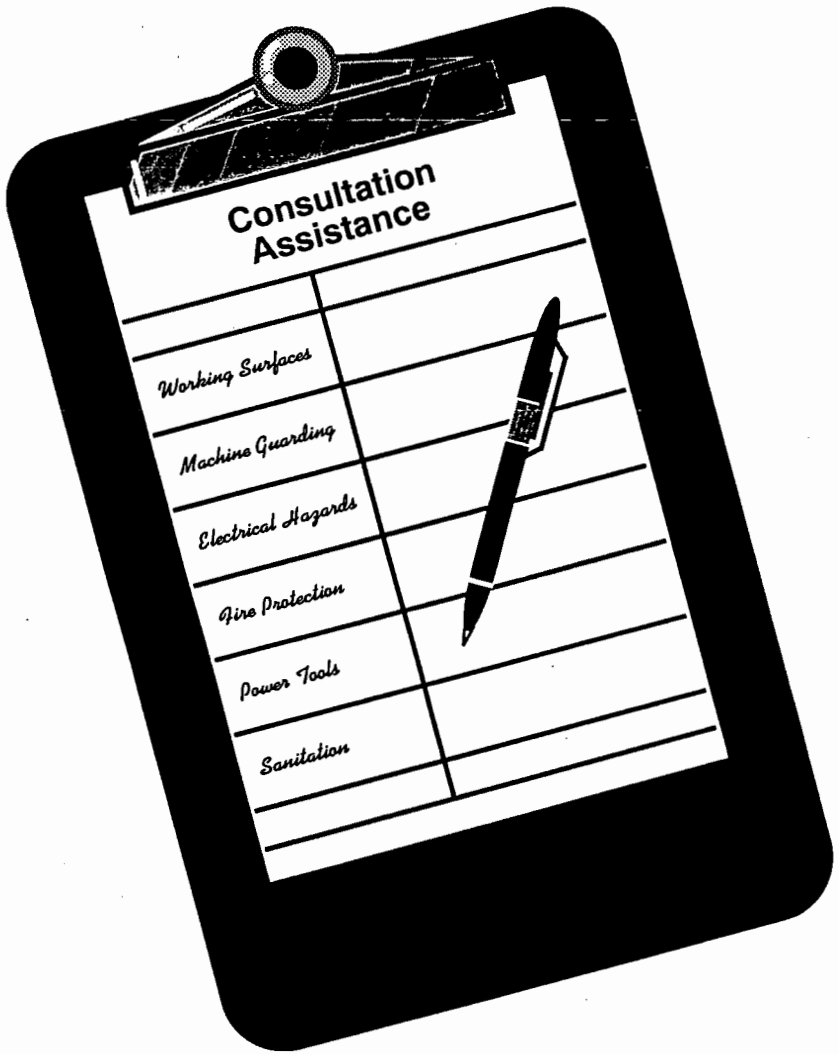


Workplace Safety Inspections Conducted

1995-96	-	2,482
1994-95	-	2,600
1993-94	-	2,390

Workplace Health Inspections Conducted

1995-96	-	1,070
1994-95	-	897
1993-94	-	410



The Work of the North Carolina Department of Labor

Safety and Health Consulting Assistance Visits

1995-96 - 632

1994-95 - 735

1993-94 - 427

Attachment C

LAB-1

DEPARTMENT OF LABOR

Departmental Overview							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	25,651,282	24,873,383	25,761,514	24,536,171	-4.8%	24,458,442	-5.1%
Less Receipts	(10,681,367)	(10,719,633)	(9,715,114)	(9,015,267)	-7.2%	(9,020,209)	-7.2%
Cash Balance +/-	335,957	98,980	-	-		-	
State Appropriations	*15,305,872*	*14,252,730*	*16,046,400*	*15,520,904*	-3.3%	*15,438,233*	-3.8%
Positions	458.12	452.00	452.00	452.00		452.00	

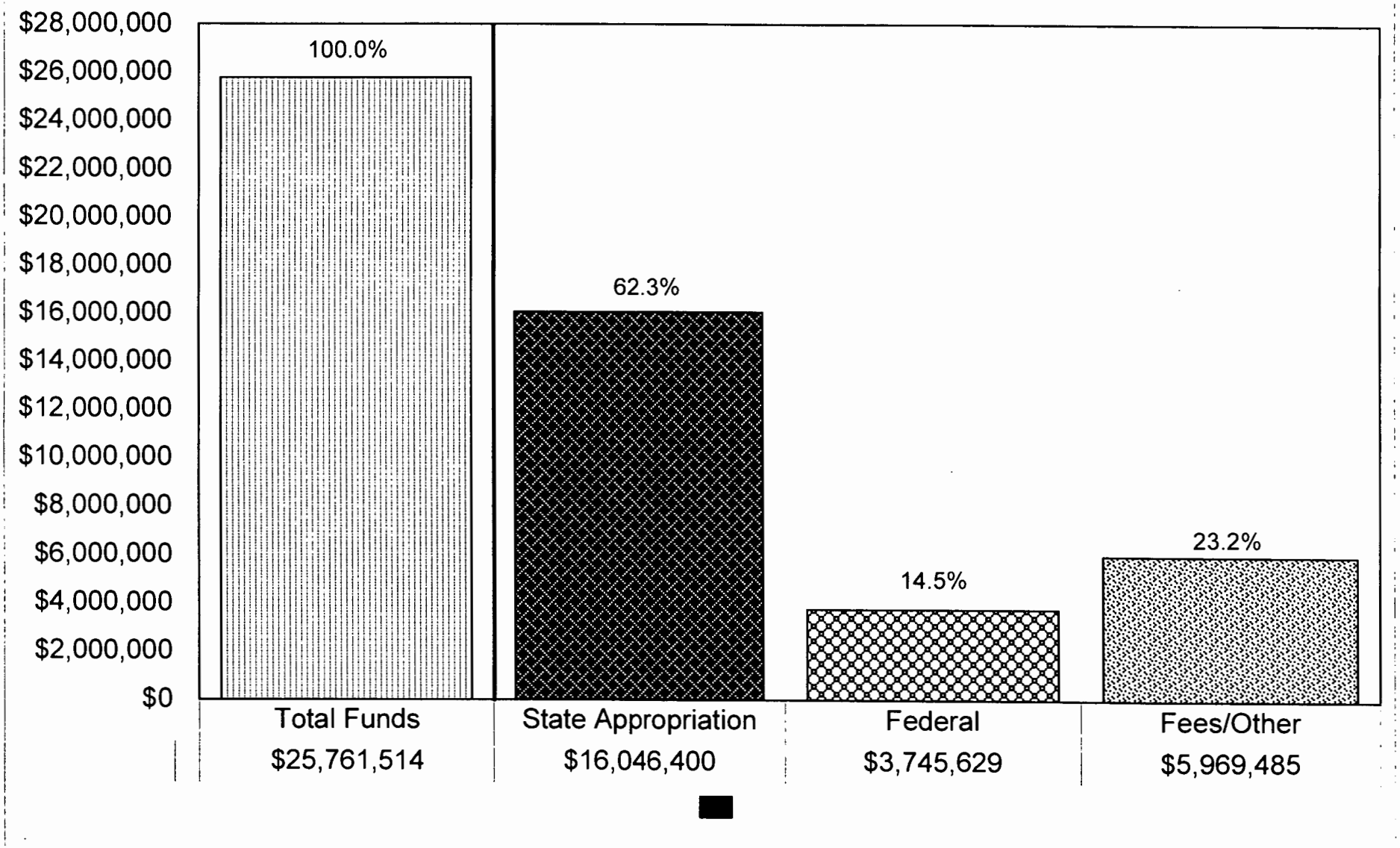
%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The Department of Labor is charged by general statute (G.S. 95-1) to promote the health, safety, and well-being of the State's workforce. The Constitution of North Carolina provides for the election of a Commissioner of Labor every four years. The Commissioner of Labor is a member of the Council of State.

The Department's responsibilities include administering and enforcing federal and state laws that affect people in the workplace, including administering the Occupational Safety and Health Act, regulatory and consultative services to the mining industry, enforcing safety regulations for elevators, amusement rides, and boilers. Other responsibilities include promoting and supervising apprenticeship and on-the-job training programs, and establishing license requirements for private employment agencies.

DEPARTMENT OF LABOR
Fund Sources
FY 1996-97 (Authorized)



DEPARTMENT OF LABOR
OVERVIEW OF BUDGET ACTIONS 1995-97

REDUCTIONS

The Department's overall budget was reduced by $516,074 in the 1995 Session. Some of the items included in that reduction are as follows: Eliminate Assistant Deputy Director for Administration position ($97,441); Eliminate contract for legal representation ($125,493); Reduce transfer to the Ergonomics Center at NC State ($95,000); budget additional Federal revenues for travel expenses ($79,848).

EXPANSION AND/OR CAPITAL IMPROVEMENTS

	FY 1995-96	FY 1996-97
1) Replace reduced federal Indirect cost receipts.		$419,183
		10.00
2) Provide additional operating support for the Department's toll free telephone number (1-800-LABOR-NC).	$ 36,000	$ 39,348

REPAIRS AND RENOVATIONS -- None.

MAJOR BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $589,832
Incorporates the Departments share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $462,413 in state appropriations and $127,419 in receipts.

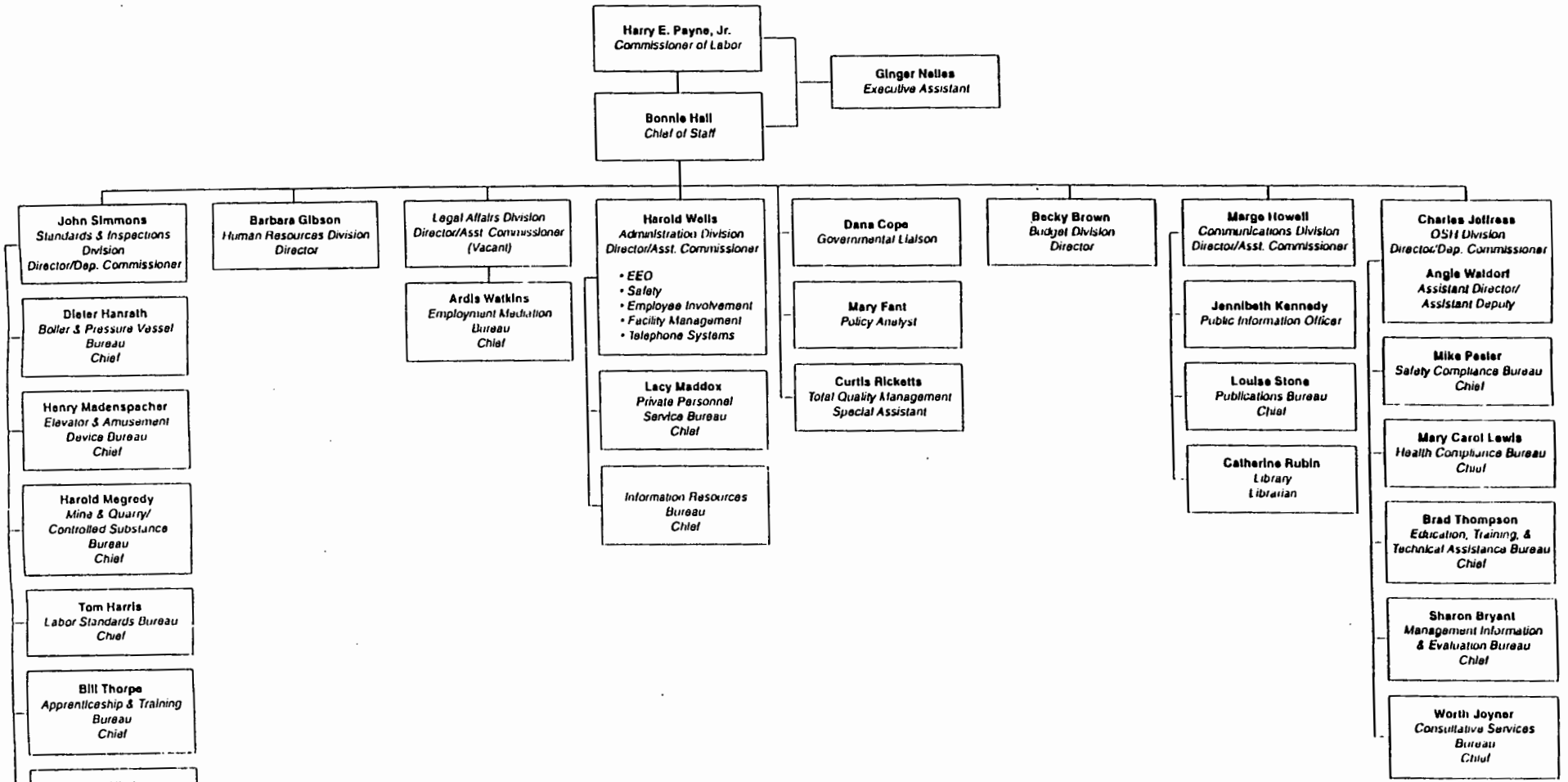
GOVERNOR'S RECOMMENDED REDUCTIONS -- None.

Fiscal Research Division -- February 1997

LAB-4

North Carolina Department of Labor

Organizational Chart*



* The organizational chart is subject to change.

January 16, 1997

Attachment D

LAB-5

DEPARTMENT OF LABOR

Administrative Programs							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December 1996)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	3,826,937	2,651,404	3,000,719	2,673,195	-10.9%	2,659,649	-11.4%
Less Receipts	(1,100,006)	(684,929)	(528,969)	(302,667)	-42.8%	(302,667)	-42.8%
State Appropriations	*2,726,931*	*1,966,475*	*2,471,750*	*2,370,528*	-4.1%	*2,356,982*	-4.6%
Positions	52.00	50.00	50.00	50.00		50.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

- Commissioner's Office – The Commissioner's Office is responsible for establishing broad departmental policies to implement effective workplace safety, employment rights, and workforce development programs.
- Administrative Services – Administrative Services provides budgetary, personnel, procurement, and other support functions to the Department's various divisions.
- Communications – The Communications Division is the public information arm of the Department.
- Research and Statistics Bureau – The Research and Statistics Bureau provides management information systems support and provides statistical data for departmental and public needs.

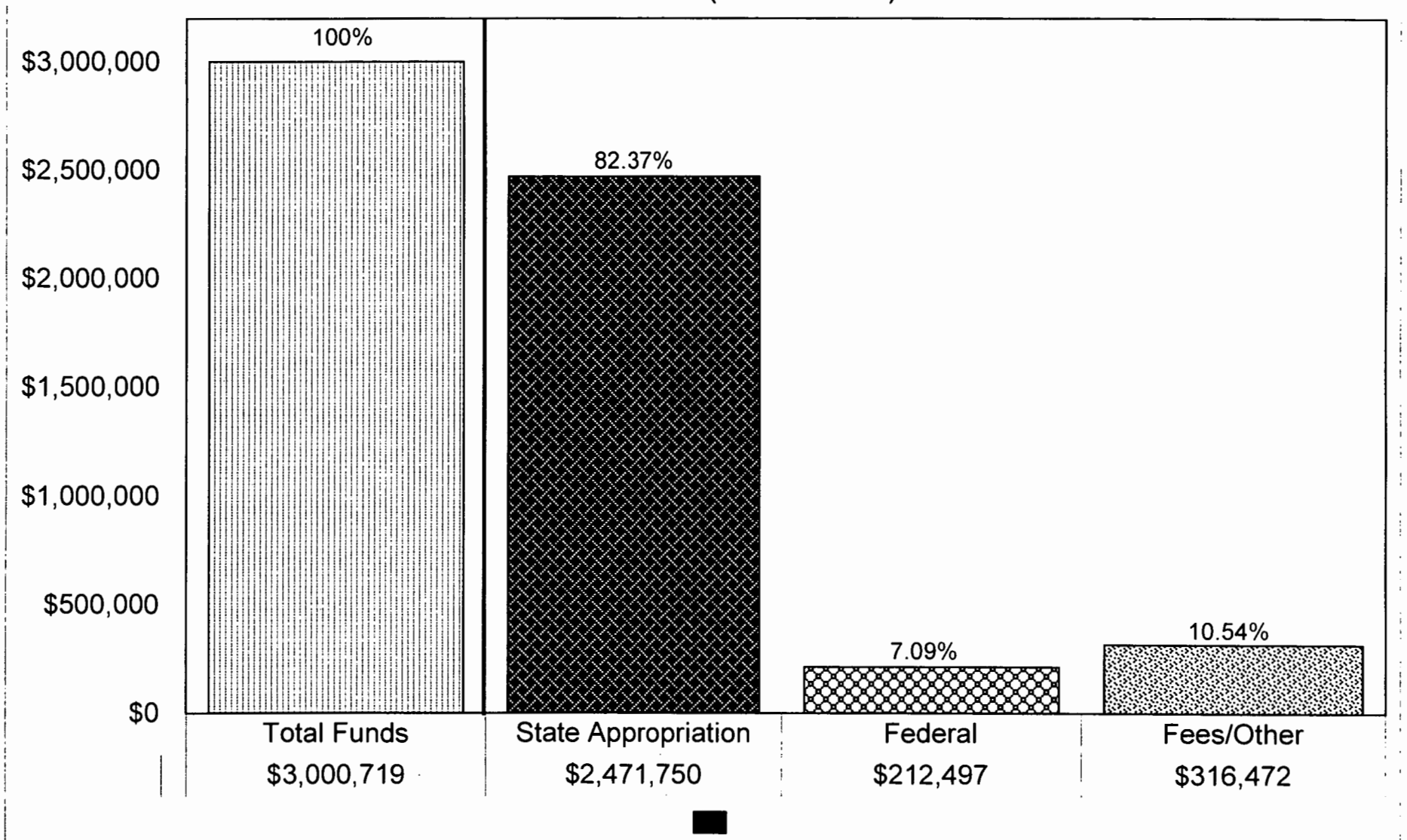
Cross References For Budget Volumes
Governor's Budget, Volume 5, pp. Z-5 to Z-10
Performance/Program Analysis, Volume 7A, p. 1-191

LAB-6

ADMINISTRATIVE PROGRAMS

Fund Sources

FY 1996-97 (Authorized)

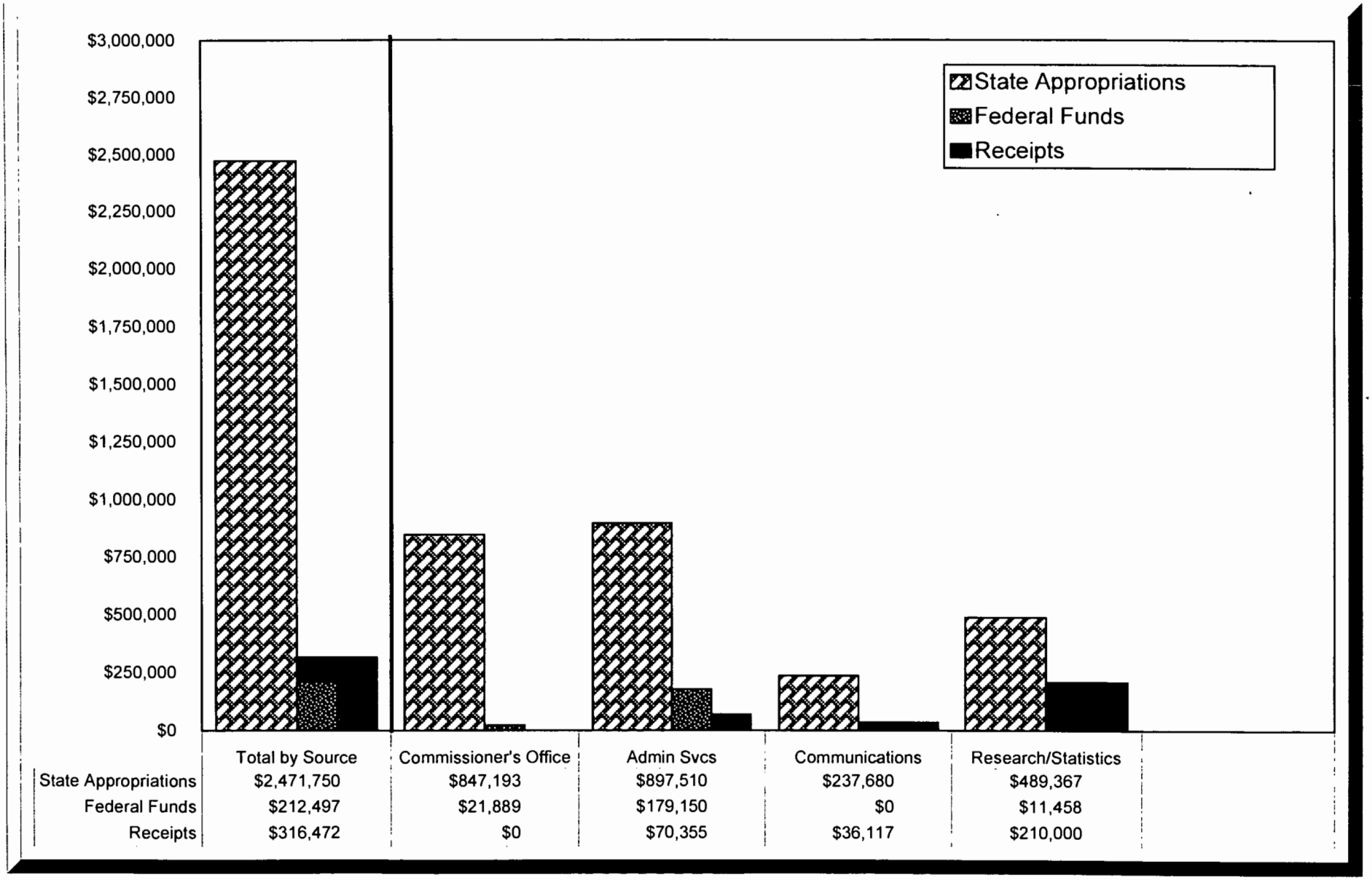


LAB-7

ADMINISTRATIVE PROGRAMS

Fund Sources by Effort

FY 1996-97 (Authorized)



	Total by Source	Commissioner's Office	Admin Svcs	Communications	Research/Statistics
State Appropriations	$2,471,750	$847,193	$897,510	$237,680	$489,367
Federal Funds	$212,497	$21,889	$179,150	$0	$11,458
Receipts	$316,472	$0	$70,355	$36,117	$210,000

ADMINISTRATIVE PROGRAMS
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS

	FY 1995-96	FY 1996-97
1) Abolish Positions: Administrative Secretary V & Assistant Deputy Director for Administration.	$ (97,441)	$ (97,441)
	-2.00	-2.00

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

	FY 1995-96	FY 1996-97
1) Replace reduced federal indirect cost receipts with state funds to continue existing administrative positions.		$389,045
		9.00
2) Provide additional operating support for the Department's toll free telephone number (1-800-LABOR-NC).	$ 36,000	$ 39,348

REPAIRS AND RENOVATIONS

None.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $74,686
Incorporates the Administrative program's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $73,551 in state appropriations and $1,135 in receipts.

Establish Chief of Staff Position -- $52,000
A Processing Assistant III position was transferred to receipt support (Elevator Fee Receipts) to create salary reserve totaling $18,242. Of this amount $15,366 was transferred to the Commissioner's Office to upgrade an Administrative Assistant III position from an annual salary of $36,634 to a Chief of Staff position at $52,000 annually.

GOVERNOR'S RECOMMENDED REDUCTIONS

No recommended reductions.

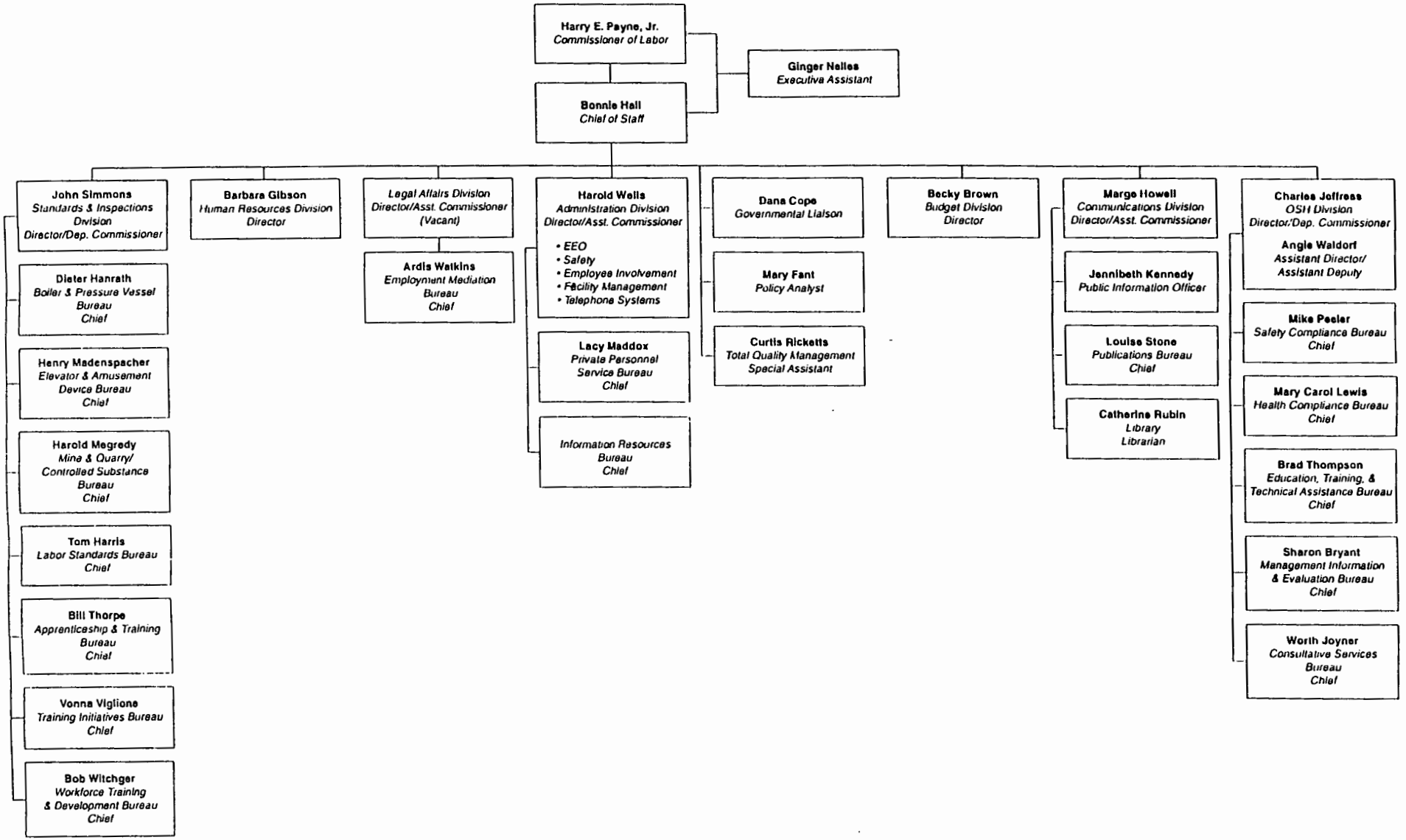
ITEM FOR POSSIBLE COMMITTEE DISCUSSION

- The Commissioner of Labor has recently reorganized the operating programs of the Department into various divisions and bureaus. In addition, the Commissioner has established a "Chief of Staff" position that reports directly to him on the internal operations of the Department. The Committee may wish to have the Department discuss the rationale and the expected increased in departmental effectiveness from these changes.

LAB-10

North Carolina Department of Labor

Organizational Chart*



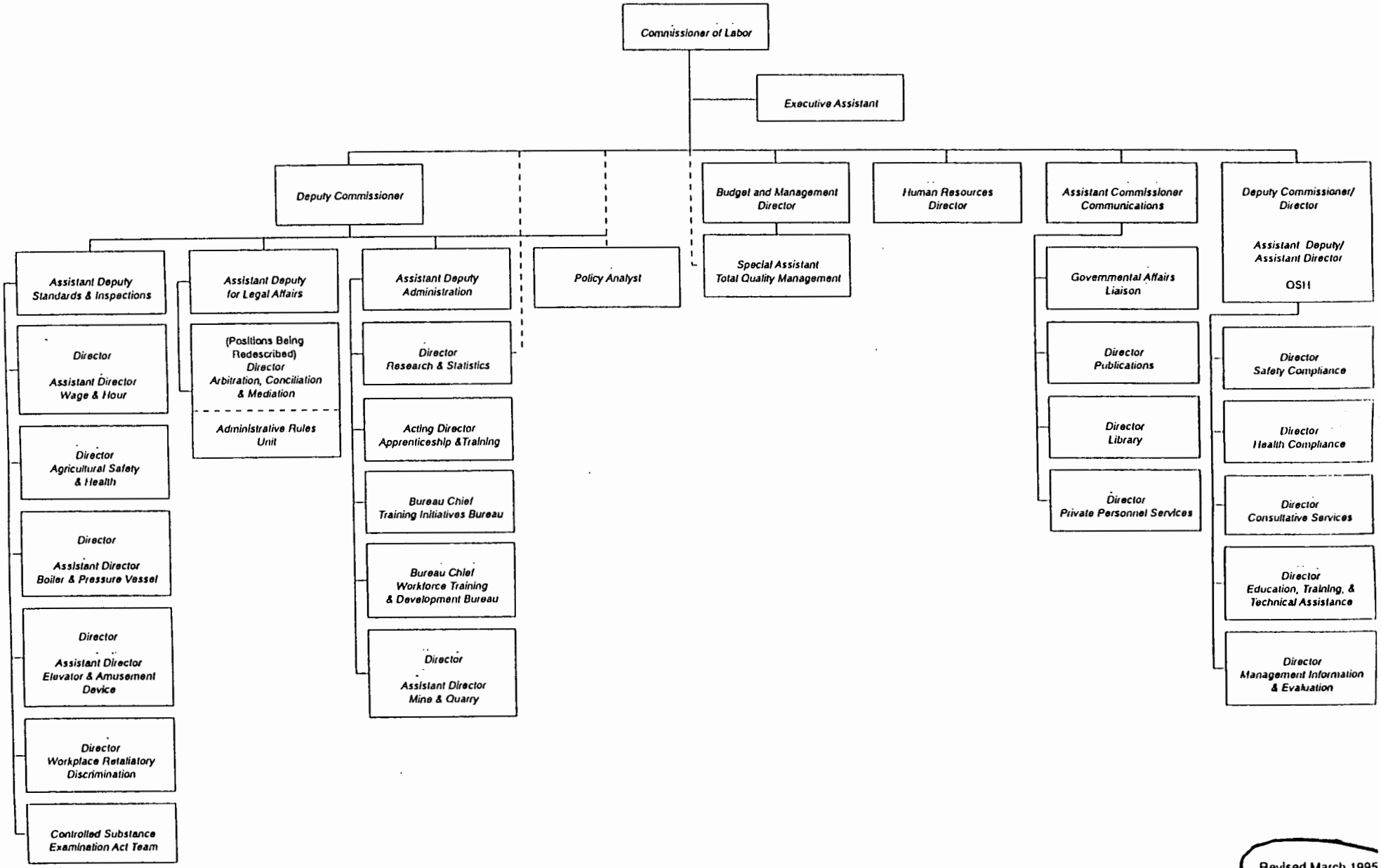
* The organizational chart is subject to change.

January 16, 1997

North Carolina Department of Labor

Organizational Chart

LAB-11



Revised March 1995

§ 143B-10. Powers and duties of heads of principal departments.

(a) Assignment of Functions. - Except as otherwise provided by this Chapter, the head of each principal State department may assign or reassign any function vested in him or in his department to any subordinate officer or employee of his department.

(b) Reorganization by Department Heads. - With the approval of the Governor, each head of a principal State department may establish or abolish within his department any division. Each head of a principal State department may establish or abolish within his department any other administrative unit to achieve economy and efficiency and in accordance with sound administrative principles, practices, and procedures except as otherwise provided by law. When any such act of the head of the principal State department affects existing law the provisions of Article III, Sec. 5(10) of the Constitution of North Carolina shall be followed.

Each Department Head shall report all reorganizations under this subsection to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Appropriations Committees in the Senate and the House of Representatives, and the Fiscal Research Division of the Legislative Services Office, within 30 days after the reorganization if the General Assembly is in session, otherwise to the Joint Legislative Committee on Governmental Operations and the Fiscal Research Division of the Legislative Services Office, within 30 days after the reorganization. The report shall include the rationale for the reorganization and any increased efficiency in operations expected from the reorganization.

(c) Department Staffs. - The head of each principal State department may establish necessary subordinate positions within his department, make appointments to those positions, and remove persons appointed to those positions, all within the limitations of appropriations and subject to the State Personnel Act. All employees within a principal State department shall be under the supervision, direction, and control of the head of that department. The head of each principal State department may establish or abolish positions, transfer officers and employees between positions, and change the duties, titles, and compensation of existing offices and positions as he deems necessary for the efficient functioning of the department, subject to the State Personnel Act and the limitations of available appropriations. For the purposes of the foregoing provisions, a member of a board, commission, council, committee, or other citizen group shall not be considered an "employee within a principal department."

(d) Appointment of Committees or Councils. - The head of each principal department may create and appoint committees or councils to consult with and advise the department. The General Assembly declares its policy that insofar as feasible, such committees or councils shall consist of no more than 12 members, with not more than one from each congressional district. If any department head desires to vary this policy, he must make a request in writing to the Governor, stating the reasons for the request. The Governor may approve the request, but may only do so in writing. Copies of the request and approval shall be transmitted to the Advisory Budget Commission and to the Joint Legislative Commission on Governmental Operations. The members of any committee or council created by the head of a principal department shall serve at the pleasure of the head of the principal department and may be paid per diem and necessary travel and subsistence expenses within the limits of appropriations and in accordance with the provisions of G.S. 138-5,

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when approved in advance by the Director of the Budget. Per diem, travel, and subsistence payments to members of the committees or councils created in connection with federal programs shall be paid from federal funds unless otherwise provided by law.

An annual report listing these committees or councils, the total membership on each, the cost in the last 12 months and the source of funding, and the title of the person who made the appointments shall be made to the Advisory Budget Commission and the Joint Legislative Commission on Governmental Operations by March 31 of each year.

Prior to taking any action under this subsection, the Director of the Budget may consult with the Advisory Budget Commission.

(e) Departmental Management Functions. - All management functions of a principal State department shall be performed by or under the direction and supervision of the head of that principal State department. Management functions shall include planning, organizing, staffing, directing, coordinating, reporting, and budgeting.

(f) Custody of Records. - The head of a principal State department shall have legal custody of all public records as defined in G.S. 132-1.

(g) Budget Preparation. - The head of a principal State department shall be responsible for the preparation of and the presentation of the department budget request which shall include all funds requested and all receipts expected for all elements of the department.

(h) Plans and Reports. - Each principal State department shall submit to the Governor an annual plan of work for the next fiscal year prior to the beginning of that fiscal year. Each principal State department shall submit to the Governor an annual report covering programs and activities for each fiscal year. These plans of work and annual reports shall be made available to the General Assembly. These documents will serve as the base for the development of budgets for each principal State department of State government to be submitted to the Governor.

(i) Reports to Governor; Public Hearings. - Each head of a principal State department shall develop and report to the Governor legislative, budgetary, and administrative programs to accomplish comprehensive, long-range coordinated planning and policy formulation in the work of his department. To this end, the head of the department may hold public hearings, consult with and use the services of other State agencies, employ staff and consultants, and appoint advisory and technical committees to assist in the work.

(j) Departmental Rules and Policies. - The head of each principal State department and the Director of the Office of State Personnel may adopt:

(1) Rules consistent with law for the custody, use, and preservation of any public records, as defined in G.S. 132-1, which pertain to department business;

(2) Rules, approved by the Governor, to govern the management of the department, which shall include the functions of planning,

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organizing, staffing, directing, coordinating, reporting, budgeting, and budget preparation which affect private rights or procedures available to the public;

(3) Policies, consistent with law and with rules established by the Governor and with rules of the State Personnel Commission, which reflect internal management procedures within the department. These may include policies governing the conduct of employees of the department, the distribution and performance of business and internal management procedures which do not affect private rights or procedures available to the public and which are listed in (e) of this section. Policies establishing qualifications for employment shall be adopted and filed pursuant to Chapter 150B of the General Statutes; all other policies under this subdivision shall not be adopted or filed pursuant to Chapter 150B of the General Statutes.

Rules adopted under (1) and (2) of this subsection shall be subject to the provisions of Chapter 150B of the General Statutes.

This subsection shall not be construed as a legislative grant of authority to an agency to make and promulgate rules concerning any policies and procedures other than as set forth herein.

(1973, c. 476, s. 10; c. 1416, ss. 1, 2; 1977, 2nd Sess., c. 1219, s. 46; 1983, c. 76, ss. 1, 2; c. 641, s. 8; c. 717, s. 78; 1985 (Reg. Sess., 1986), c. 955, ss. 97, 98; 1987, c. 738, s. 147; c. 827, s. 1; 1991 (Reg. Sess., 1992), c. 1038, s. 15.)

Editor's Note. - Session Laws 1995 (Reg. Sess., 1996), c. 743, s. 25, provides: "References in the Session Laws to any division of the Department of Environment, Health, and Natural Resources that is subdivided or renamed by this act shall be deemed to refer to the successor division. Every Session Law that refers to any division of the Department of Environment, Health, and Natural Resources to which this act applies or that relates to any power, duty, function, or obligation of any of those divisions and that continues in effect after this act becomes effective shall be construed so as to be consistent with this act. The repeal by this act of language authorizing the Secretary of Environment, Health, and Natural Resources to delegate any power, duty, or function is intended to repeal redundant language and does not alter the power of the Secretary of Environment, Health, and Natural Resources to assign or reassign any function vested in the Secretary or the Department of Environment, Health, and Natural Resources under G.S. 143B-10(a). This act shall not be construed to affect any pending action by or obligation due to any division of the Department of Environment, Health, and Natural Resources that is subdivided or renamed by this act."

Legal Periodicals. - For note on the public's access to public records, see 60 N.C.L. Rev. 853 (1982).

CASE NOTES

Cited in North Carolina Dep't of Justice v. Eaker, 90 N.C. App. 30, 367 S.E.2d 392 (1988).

OPINIONS OF ATTORNEY GENERAL

Delegation of Duties by State Council Members. - Those members of the Council of State who have statutory authority to delegate duties

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may, in conformity with such statutes, attend and vote at meetings of Boards of which they are ex officio members through delegates or designated subordinates. The remaining members of the Council of State may make similar delegations or designations where, in the member's judgment, other duties necessitate his absence and the statute creating his ex officio membership does not express or clearly imply an intent of the General Assembly that the powers of such membership be exercised personally. See opinion of Attorney General to the honorable James E. Long, Commissioner of Insurance, 55 N.C.A.G. 116 (1986).

Salary Schedules. - The Secretary of the Department of Human Resources and the Secretary of the Department of Correction have authority to set the salary schedules for persons employed by their departments in teaching and related educational positions exempt from the State Personnel Act by § 126-5(c3). See opinion of Attorney General to Mr. Phillip J. Kirk, Jr., Secretary, Department of Human Resources, 57 N.C.A.G. 13 (1987).

The salary schedules established by the Department of Human Resources and the Department of Correction for educational personnel exempt from the State Personnel Act must correspond to the salary schedules established by the State Board of Education for public school employees except in cases where the duties of employees do not correspond to the duties of public school employee positions. In such cases the salary schedule should conform as closely as possible to the public school salary schedules. See opinion of Attorney General to Mr. Phillip J. Kirk, Jr., Secretary, Department of Human Resources, 57 N.C.A.G. 13 (1987).

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VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources Feb. 18, 1997
Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Paula K Hyatt	NCFB
Sara McCraw	Rep. Carpenter's Office
Bonnie Hall	Dept. of Labor
Clyde Wagner	Dept. of Labor
Jeffrey Wadenspacher	Dept of Labor
Chuck Jeffress	Labor Dept
D— [illegible]	DOL
Becky Bunn	DOL
Peter DANIEL	NCDA
Maurice Weaver	NCDA
John Simms	DOL
Jane Brockington	UNC @ General Admin / NC State – Ag Program
Harvey Payne	Labor
Jane Smith	EHNR
BUCK LATTIMORE	NC INDUSTRIAL COMMISSION
Johnny Gray	OSBM
Shelley Watkins	OSBM
JW Reel	OSBM
Sheila Chavis	OSPL
Stuart DIXON	N.C. Natural Gas Corp.
John Rustin	Hunton & Williams
George Howe	MCUC
JERRY SCHILL	NC Fisheries Association
Joe McClees	IDA
Ron Atkins	IDA
Pat Yancey	LLPP

Joint Appropriations Committee on Natural and Economic Resources

February 19, 1997

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Continue Budget Analyses: Department of Labor
   Mark Trogdon
   Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

Minutes

Joint Appropriations Sub-Committee on

Natural and Economic Resources

February 19, 1997 - 8:30 a.m.

The Joint Appropriations Sub-Committee on Natural and Economic Resources met on Wednesday, February 19, 1997 at 8:30 a.m. in Room 423 of the Legislative Office Building. Representative Frank Mitchell, House Senior Co-Chair, called the meeting to order at 8:30 a.m. All House members were present.

After opening remarks, Representative Mitchell turned the meeting over to Mark Trogdon of the Fiscal Research Division to continue the review of the Department of Labor. After reviewing the calendar that the Sub-Committee would follow during the budget overview, Mr. Trogdon explained how the performance and outcome measures work with each objective within each division. He reviewed the budget history, current fiscal year budget, activities, fund sources, an organizational chart, fund sources by effort, an overview of 1995-97 budget actions, performance and outcome measures, program information, comparison pie charts of the state and federal programs, and items for possible committee discussion of the Occupational Health and Safety Division of the Department of Labor (LAB 16-27).

The following are questions asked by the Sub-Committee members pertaining to the OSHA Division. Concerning fines, Representative Mitchell asked where do they go in which Mr. Trogdon replied fines go directly into the general fund. Concerning violations, Senator Cochrane why does North Carolina have twice the number of violations compared to the national average. Mr. Trogdon replied the state tends to write more violations per inspection in which Commissioner Payne acknowledged there are more inspections done in North Carolina. Representative Mitchell asked the Commissioner do most of the deaths occur from construction accidents. Commissioner Payne replied that 25% of deaths occur from construction (16% of the work force) and the majority of deaths occur in manufacturing. Representative Fox asked Mr. Trogdon if he knew what the number of fatalities were nationally in which he responded he would get the figure. Senator Cochrane asked why there were more inspections conducted in which Mr. Charles Jeffress, Director of the OSHA Division explained the OSHA program is the third largest in the country and the General Assembly increased the size of the program. Concerning fines, Representative Wilkins asked how the state compares with other states in which Mr. Jeffress replied that the average fine on the national level is $1,000 and the State's fine is averages $800. Representative Baker asked how our cost per life saved compare in which Mr. Jeffress replied there is no way to measure this. Representative Owens asked about expenditures in which Mr. Trogdon replied that the legislative increases from 1996 were not included in these figures, and $250,000 was carry forward from the previous year. Representative Weatherly asked if an improvement in accident

rates could be attributed to an increase of inspections resulting from the chicken plant fire in Commissioner Payne responded it was a combination of compliance and education in the workplace. Representative Wilkins asked what triggers an inspection in which Commissioner Payne replied inspections are triggered by complaints, a history of problems, and a general inspection schedule. Representative Mitchell asked how were complaints handled by disgruntled employees in which Commissioner Payne explained the procedure the Division follows. Representative Tolson asked if there was a percentage of complaints coming from disgruntled employees from an unsafe workplace. Commissioner Payne replied the complaint could be recognized if it was coming from a disgruntled employee. Senator Martin asked if there was a State agency that handles workplace complaints other than OSHA. Commissioner Payne replied that the employee calls to let the Division know there is machinery problems and the employer won't fix it which falls under workplace safety. He continued to say that some calls are by disgruntled employees that have been fired, and reports there are safety problems in the workplace. There is no way to tell if this is a legitimate problem or not by the phone call. The Commissioner explained how the workforce retaliatory discrimination program works. Representative Mitchell asked how the Division handles a complaint in chronological order in which Ann Wall, Director of Workplace Retaliatory Discrimination Section, explained how cases are handled. She pointed out that in a discrimination case, the employee must give his name. Pertaining to the performance and outcome measures dealing with fatal injuries on LAB-25 an LAB-23, Representative Baker remarked that one third of the fatalities were investigated and wondered why the other two thirds were not. Commissioner Payne explained that half of the total deaths are highway accidents which are investigated by the highway patrol, and homicides are categorized as work-related or on-the-job deaths (some are not investigated). Senator Horton asked about the special provision ($706,000 reversion) in which Mr. Trogdon explained. Senator Horton asked that this item be flagged. Senator Martin gave a further explanation and discussed the matching funds. Representative Owens commented against changing the special provision.

Mr. Trogdon continued by reviewing the Mine and Quarry Bureau of the Department of Labor. He explained the expenditures, activities, the performance and outcome measures, an overview of the Bureau's budget actions for the FY 1995-97, and an organizational chart for the Bureau (LAB 28-31).

The following are questions asked by the Sub-Committee members pertaining to the Bureau. Representative Mitchell asked what happens to abandoned mines in which Mr. Trogdon responded the regulatory oversight falls under the Land Resources Division in DEHNR. Representative Owens asked how could active or abandoned mines decrease in which Mr. Trogdon explained that dealt with how Land Resources processes closing a mine. Representative Baker asked about drug testing for prospective employees in which Commissioner Payne explained. Representative Owens asked if there had ever been any charge for training in which Commissioner replied there had not. Representative Weatherly asked about the relationships between the departments on the training incidents of environmental safety in which Commissioner Payne replied it would be reported but had never been a issue. Representative Fox asked if there was a charge for inspection

of elevators, escalators, boilers, etc. in which Commissioner Payne replied that was determined by the General Assembly. Representative Baker asked what other state agencies other than the Department of Agriculture have written agreements to report OSHA violations in which Commissioner Payne replied Dr. Ron Levine, State Health Director of DEHNR, does as well as non-state agencies. Representative Owens asked what percentages are mines and quarries in which Commissioner Payne explained there are no more closed mines (all are open pit mines) in North Carolina and there are 500 mines open today.

Mr. Trogdon continued with the discussion of Elevator and Amusement Device Bureau. He reviewed their budget, activities, funding sources for FY 1996-97, an organizational chart, an overview of the budget actions taken in 1995-97, performance and outcome measures, and items for possible committee discussion (LAB 32-37). He also reviewed the fee amount for inspection.

Senator Cochrane asked if the increase in 1997-98 was totally for salaries in which Mr. Trogdon replied the total figure for salaries would be $60,000. Senator Horton asked was there any anticipation of increased violations in which Henry Madenspacher, Director of the Bureau, explained new units require routine inspections after installation. Representative Mitchell asked what is the most common infraction with elevators in which Mr. Madenspacher replied maintenance. He added that they are behind on inspections. Representative Owens addressed his concern that new elevators can have major problems. Commissioner Payne commented that the Bureau has no legal authority to work with the contractor, and as a state agency, their responsibility is only to inspect. Representative Hunter asked what happens after the inspection if violations are found in which Mr. Madenspacher explained what takes place. Senator Martin asked about the contractor's responsibility in which Senator Horton responded about the legal aspects between the owner and the contractor versus the State. Senator Jenkins asked if elevator contractors licensed in which Mr. Madenspacher replied they are not. Representative Hall asked about the depth of knowledge the inspector has when he inspects or services an elevator in which Commissioner Payne replied the inspectors are very qualified. Representative Hall also asked how many elevators travel one floor. Mr. Madenspacher replied he didn't know. Representative Baker asked if the amusement device inspections are self-sufficient in which Mr. Madenspacher stated they are not. Representative Baker asked for further information.

The meeting adjourned at 9:50 a.m. to reconvene Thursday, February 20 at 8:30 a.m.

Respectfully submitted,

W. F. Mitchell
Representative Frank Mitchell
Senior Co-Chair

Susan Thomason
Susan Thomason
Clerk

VISITOR REGISTRATION SHEET 2/19/97

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME	FIRM OR AGENCY AND ADDRESS
David Simmons	Zeb Alley, PA
Doug Lewis	Div Budget, Planning & Analysis, DEHNR
Sheila Chavis	OSPL
Johnny Gray	OSBM
~~Shelli Wallace~~	OSBM
Peter Daniel	NCDA
Tom Harris	NCDOL
JOHN Simmons	NCDOL
HENRY MADENSPACHER	"
Jim Taylor	"
Ann Wall	"
D-G	DOL
Ricky	DOL
HP	DOL
CJ	DOL
Sheron Morgan	OSPL

VISITOR REGISTRATION SHEET 2/19/97

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME	FIRM OR AGENCY AND ADDRESS
Lynn Wilson	SCANC
P A	NCFB
Gayle Fitzgerald	OSPL
Chad Jeffries	Labor Dept
Becky Brown	Labor
Harry Bowers	"
Linda Hamm	REDC
George Howe	MCNC
Maurice Weaver	NCDA
Wilda Denny	NCDA
John Austin	Hunton & Williams
Natalie Haskins	Charlotte Chamber
Doug Lassiter	Joe McCleer TDA
Joe McCleer	TDA
R. ROGERS	ENR
Laura Hartsell	NCIC

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 2/19/97

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom Covington	FRD

DEPARTMENT OF LABOR

Occupational Health & Safety Division (OSHNC)							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December 1996)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	12,369,321	13,076,936	12,862,439	12,281,930	-4.5%	12,208,527	-5.1%
Less Receipts	(4,152,404)	(4,976,215)	(3,874,811)	(3,530,633)	-8.9%	(3,532,439)	-8.8%
State Appropriations	*8,216,917*	*8,100,721*	*8,987,628*	*8,751,297*	-2.6%	*8,676,088*	-3.5%
Positions	230.00	229.00	229.00	229.00		229.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

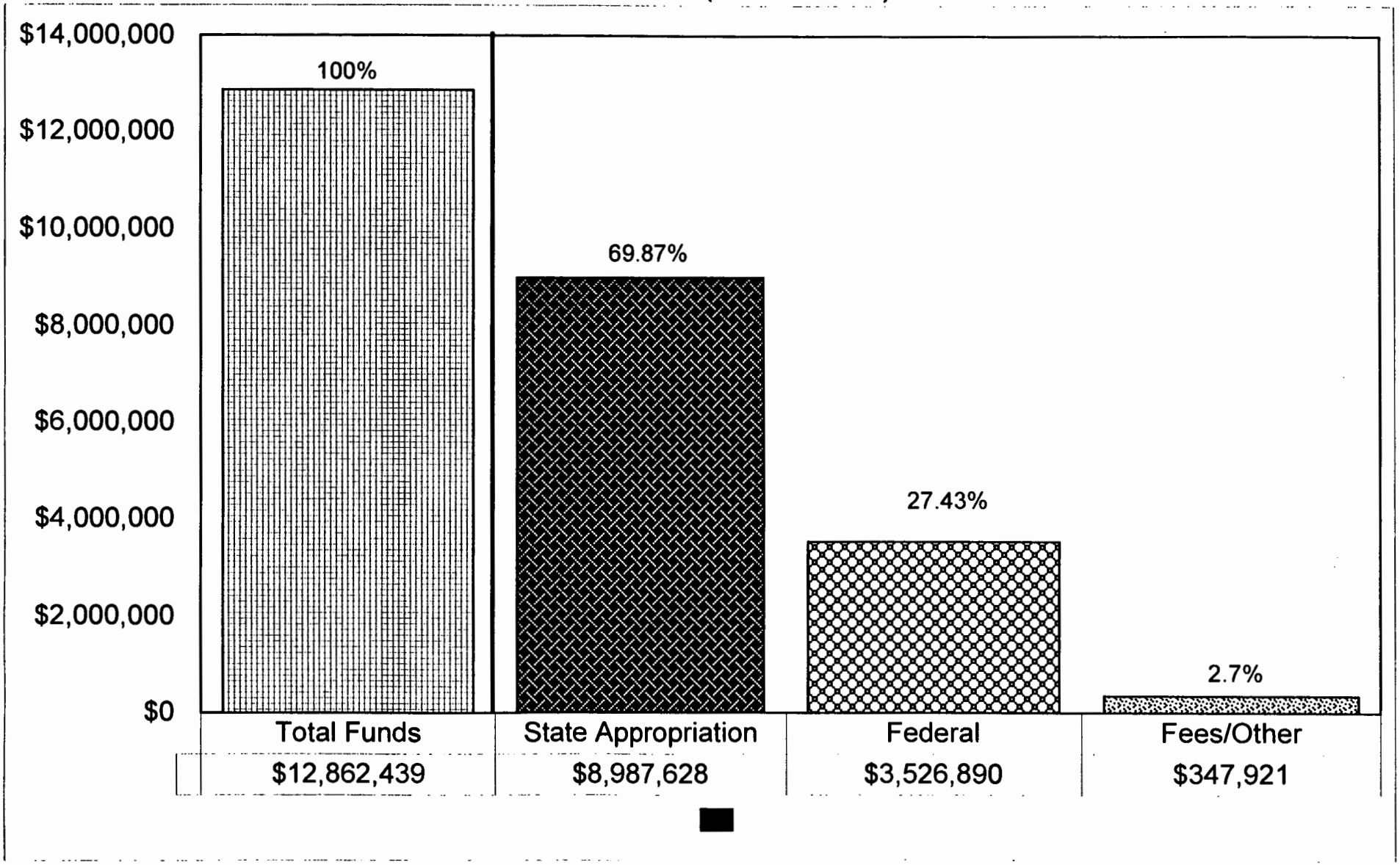
DIVISION ACTIVITIES

- **Agricultural Safety and Health** – The Division enforces the Migrant Housing Act of North Carolina which requires safe and sanitary living conditions for migrant workers.
- **Occupational Safety and Health** – The Division enforces safety and health regulations in the workplace and provides education and consultative assistance to businesses seeking assistance in meeting workplace safety requirements.
- **Research & Statistics** – The Division collects and analyzes labor related data as part of the federal Bureau of Labor Statistics survey.
- **OSHA Review Board** – The Review Board serves as the appeals review panel for contested violations issued to business by the OSHNC Division.

Cross References For Budget Volumes

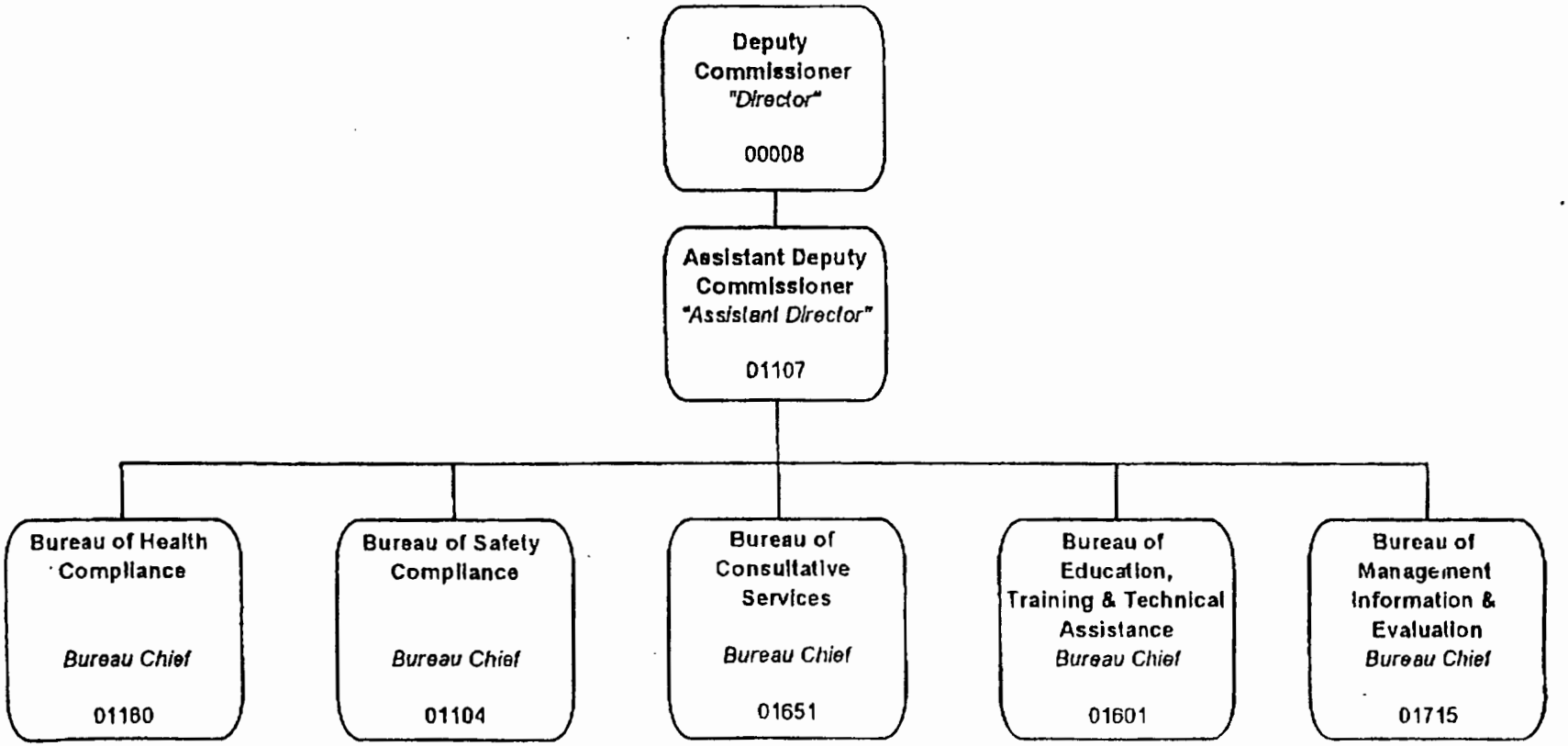
Governor's Budget, Volume 5, pp. Z-20 thru Z-30
Performance/Program Analysis, Volume 7A, pp. 1-67

OSHNC DIVISION
Fund Sources
FY 1996-97 (Authorized)



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North Carolina Department of Labor
Division of Occupational Safety and Health



Revised 8-14-95

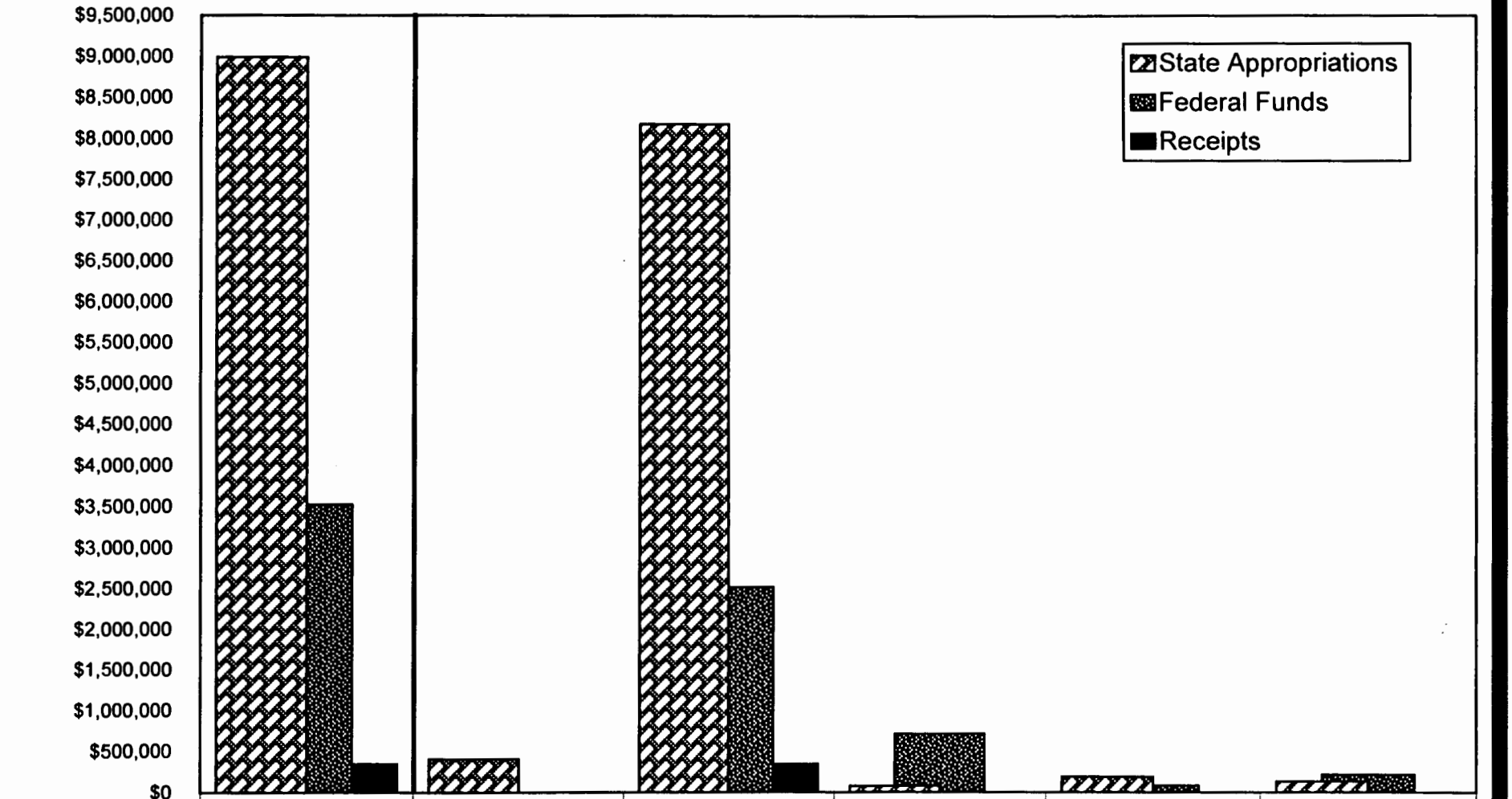
P.3/10

OSHNC DIVISION

Fund Sources by Effort

FY 1996-97 (Authorized)

LAB-19



	Total by Source	Ag Safety & Health	OSH Enforcement	OSH Consult. Svcs.	Review Board	Research & Data
State Appropriations	$8,987,628	$408,319	$8,177,891	$76,433	$191,631	$133,354
Federal Funds	$3,526,890	$0	$2,514,492	$712,738	$83,951	$215,709
Receipts	$347,921	$0	$346,607	$0	$0	$1,314

OSHNC DIVISION
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS

	FY 1995-96	FY 1996-97
1) Eliminate Contract with Justice Department	(125,493)	(125,493)
2) Eliminate OSH Compliance Supervisor	(22,218) -1.00	(22,218) -1.00
3) Reduce transfer to the Ergonomics Center	(95,000)	(95,000)
4) Increase use of federal receipts for travel expenses	(79,848)	(79,848)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None.

REPAIRS AND RENOVATIONS

None.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $328,200
Incorporates the Division's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $234,769 in state appropriations and $93,431 in receipts.

CONTINUATION BUDGET ITEMS

The recommended budget has been adjusted to reduce the transfer to the Ergonomics Center at NC State University to $500,000 by FY 1998-99. Funding for the Center began in FY 1994-95 with an initial state appropriation of $691,016.

PROGRAM UPDATE

The OSHNC Division has been granted "full OSHA status" by the U.S. Department of Labor. This designation allows the federal government to relinquish simultaneous enforcement authority over private and public employers subject to occupational safety and health laws[1]. The OSHNC Division will now perform all safety and health inspections conducted in the state's private and public workplaces.

GOVERNOR'S RECOMMENDED REDUCTIONS

None.

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[1] Federal OSHA retains enforcement authority on federal property.

Objective 6: Seventy-five percent (75%) of growers will achieve Gold star status by 2001.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Ratio of Gold Star growers to growers registering	n/a	n/a	14%	25%	26%	*40%*	*50%*	*70%*
Performance Measures:								
Number cards received requesting migrant housing inspection	1,232	1,106	1,141	1,038	1,141	*1,200*	*1,300*	*1,500*
Number of growers receiving migrant housing permits	749	764	837	1,047	1,099	*1,100*	*1,200*	*1,400*
Number of pre-occupancy inspections completed (by grower)	n/a	n/a	1,145	1,056	1,141	*1,200*	*1,300*	*1,500*
Number of migrant housing permits issued for camps	n/a	n/a	1,049	1,301	1,401	*1,500*	*1,600*	*1,700*
Number of pre-occupancy inspections completed (by camps)	n/a	n/a	1,475	1,395	1,526	*1,600*	*1,700*	*2,000*
Number of public meetings where information on migrant housing is presented	25	25	25	25	30	*30*	*35*	*40*

Current Situation:

The current guest worker program, known as H2-A, will increase with increased demographic and regulatory changes. The next two to three years will continue to see an increase in the H2-A applicants, due to the economic crisis in Mexico and the proposed increase in the enforcement of sanctions against those who employ undocumented workers. Since 1990, when the preoccupancy inspection was started, the number of H2-A participants has increased by more than half.

Funds:

3800 LABOR
1346 Agricultural Safety and Health

OSHNC DIVISION
PROGRAM INFORMATION

- There were 63 fatalities investigated in the workplace for FY 1995-96. This number is down from 65 deaths in FY 1994-95.

- The Division conducted 103 accident investigations between October 1995 and September 1996. For the same time period, other state programs (i.e., across the United States) averaged 141 accident investigations.

- For the period October 1995 to September 1996, the Division issued 12,726 violations to employers. The average number of violations issued by other state programs totaled 6,702 for the same time period.

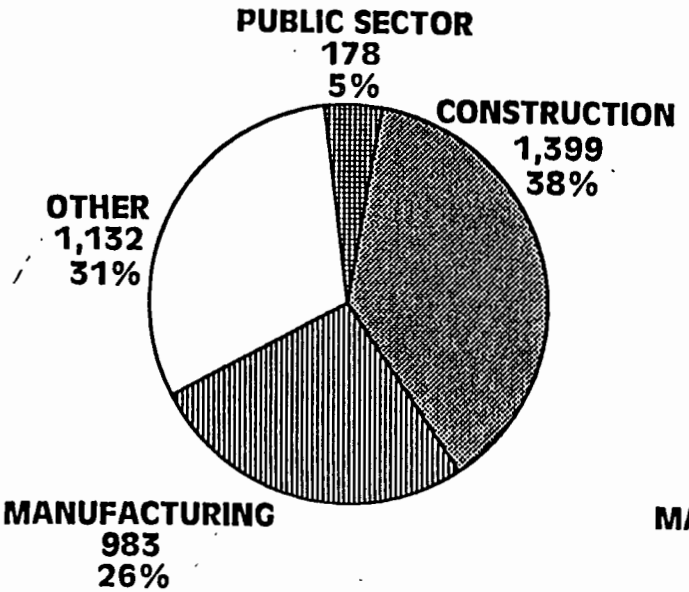
- Civil penalties collected by the Division in FY 1995-96 totaled $3,708,078 which is a 3.2% decrease in collections over the previous fiscal year. By statute, penalties collected are deposited to the General Fund and cannot be budgeted for use by the Department.

- The Division's Consultative Services Bureau conducted 475 private sector visits and 65 public sector visits in FY 1995-96.

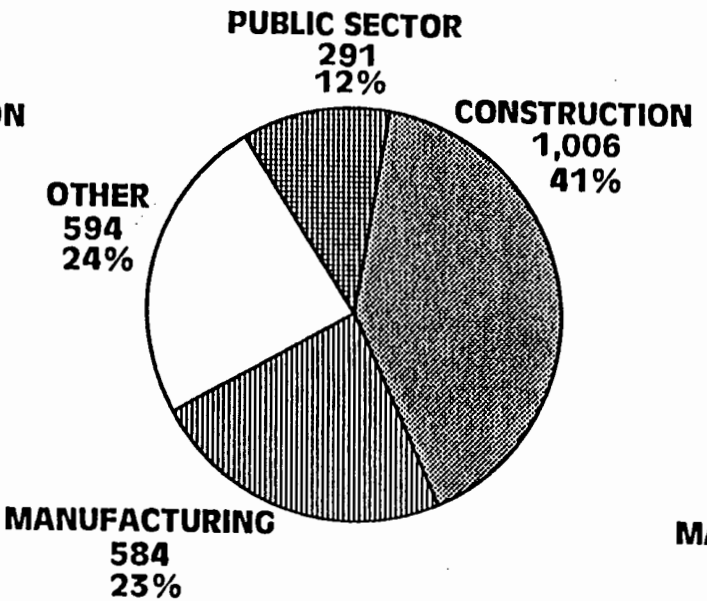
LAB-24

NORTH CAROLINA DEPARTMENT OF LABOR
DIVISION OF OCCUPATIONAL SAFETY AND HEALTH
STATE AND FEDERAL COMPARISONS
OCTOBER 1995 - SEPTEMBER 1996

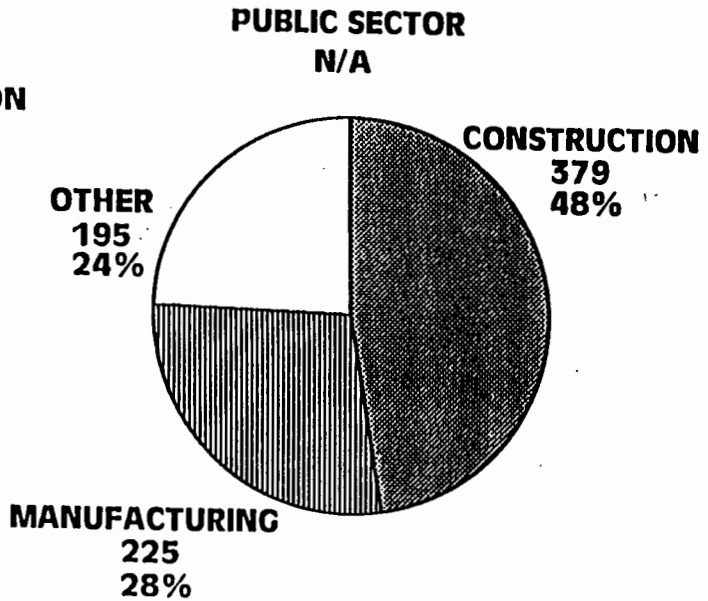
NORTH CAROLINA TOTAL



STATE PROGRAM AVERAGE



FEDERAL OSHA AVERAGE



Inspections by Industry Type*

*Data from an IMIS micro-to-host report, "Inspection Report," run 10-28-96.

1240 Reduce exposure to health hazards and injury risks

LAB-25

Objective 8: Reduce the rate of cases of people losing time from work as a result of an occupation/al injury or illness.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Lost workday case rate for all N.C. employers (1994-95 and 1995-96 federal reports are currently un/available)	n/a	n/a	3.5	n/a	n/a	*3.4*	*3.4*	*3.4*
Performance Measures:								
Number of serious hazards elimin/ated	n/a	n/a	n/a	n/a	n/a	*6,500*	*6,500*	*6,500*
Training programs conducted or coordin/ated	n/a	n/a	265	315	223	*250*	*250*	*250*
Number of people trained in training programs	n/a	n/a	1,231	5,571	10,704	*12,600*	*14,000*	*15,000*
Number of publications distributed	n/a	n/a	9,770	11,963	14,700	*15,000*	*15,000*	*15,000*
Number of phone inquiries responded to by standards officers	n/a	n/a	n/a	n/a	n/a	*5,000*	*5,000*	*5,000*

Current Situation:

Between 1992 and 1994, North Carolin/a experienced a reduction in the overall occupation/al injury and illness rate of 9% - 22,000 fewer people have been hurt at work. Similarly, fatal injuries dropped from 214 in 1993 to 187 in 1995. However, there has been an increase in the rate of serious injuries which cause people to lose time from work. In 1983, 25 of every 1000 North Carolin/a workers lost time from work as a result of an occupation/al injury. In 1994, the rate was 35 per 1000 employees. While the OSHA Division will continue to focus on reducing overall injuries and fatalities, a primary focus will be placed on lost time cases.

Funds:

3800 LABOR
1350 OSHA - Administration

3800 LABOR
1352 OSHA - State Funds

3800 LABOR
1358 7-C-1 On-Site Consultation

ITEM FOR POSSIBLE COMMITTEE DISCUSSION

1) Continuing the "OSHA POSITIONS" special provision for the next biennial budget.

Section 27.1 of Chapter 324 of the 1995 Session Laws (i.e. the 1995 Continuation Budget Bill) reads as follows:

OSHA POSITIONS

Sec. 27.1 (a) The Department of Labor may use funds appropriated to the Department of Labor for the Occupational Safety and Health Act of North Carolina (OSHANC) program to fully fund enforcement personnel in the Compliance Bureau of the OSHANC program, provided the Department of Labor certifies to the Office of State Budget and Management that no federal match is available for the 1995-96 fiscal year and for the 1996-97 fiscal year.

(b) If federal Occupational Safety and Health Administration funds are granted to match all or part of the funds for enforcement positions and support that are one hundred (100%) State-funded, then State funds equivalent to the federal match shall revert to the General Fund at the end of the fiscal year for which the federal match was received.

Since FY 1989-90, the budget has contained the "OSHA Positions[2]" special provision (shown above). The provision allows the Department of Labor to fund OSHA enforcement positions with 100% state appropriated funds if the Department certifies to the Office of State Budget and Management that no federal receipts are available to offset the State's cost of funding enforcement positions. However, the provision also requires that if federal receipts are available for funding enforcement positions, then the Department must revert to the General Fund the amount federal receipts used to supplant state funds.

The state currently provides funding for state OSHA safety and health inspectors by two methods[3]: first, 57 enforcement positions are funded with 50% state appropriated funds and 50% federal funds. For example, a position whose salary and benefits total $40,000 per year would be funded with $20,000 in state funds and $20,000 in federal funds. The second method funds 77 additional enforcement positions with 100% state funds. That is, all salary and benefits costs are borne by the state.

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[2] Subsection (b) was added to the special provision beginning with the FY 1994-94 budget.

[3] Position counts exclude legal, consultative, education related, and administrative personnel. Source: Personnel Schedule, Office of State Budget and Management, dated 11/13/96, as submitted to the Fiscal Research Division.

The Department of Labor has disclosed that the OSHNC Division expects an increase of $790,600 in federal receipts for FY 1997-98. This increase is a discretionary grant that can be utilized for OSHA related activities including enforcement, consultative services, education, legislative increases, etc. The Department has noted that $84,600 of this grant will be needed for cost of living adjustments to annualize the FY 1996-97 legislative increase. The remaining balance, $706,000 will be available for other OSHNC Division programs.

If the General Assembly chooses to continue the existing "OSHA Positions" special provision in the next budget cycle, then the expected increase in federal receipts will be used to reduce the amount of state appropriations funding enforcement personnel. The result would shift approximately 22 enforcement officers from 100% state funding to 50% state funding and 50% federal receipt support.

The Department of Labor has stated that it wants to use the increase in federal receipts ($706,000) to provide additional safety and health consultants (Consultative Services program) to provide on-site compliance assistance to private and public employers. In addition, the Department would increase the Education, Training, and Technical Assistance program which provides training seminars on how to comply with OSHA regulations.

Therefore, the Committee may wish to discuss the following option(s):

Option 1

Include the "OSHA Positions" Special Provision.

Fiscal Impact: Revert $706,000 in state appropriations to the General Fund by supplanting an equal amount of federal receipts.

Issue: Increase amount and percentage of federal receipts used to support enforcement of federal and state workplace safety and health laws.

Option 2

Do not include the "OSHA Positions" Special Provision.

Fiscal Impact: Expand the OSH Division budget by $706,000 in federal receipts to provide additional OSH consultants and trainers to the regulated community.

Issue: Expand existing services that provide on-site technical assistance and education seminars to employers, especially small private and public employers, who seek or may be identified as needing assistance to comply with workplace safety and health laws.

DEPARTMENT OF LABOR

Mine & Quarry Bureau							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December 1996)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	601,440	575,549	612,065	597,009	-2.5%	597,824	-2.3%
Less Receipts	(100,874)	(59,423)	(75,998)	(75,998)	0.0%	(75,998)	0.0%
State Appropriations	*500,566*	*516,126*	*536,067*	*521,011*	-2.8%	*521,826*	-2.7%
Positions	10.00	10.00	10.00	10.00		10.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

- The Mine & Quarry Bureau conducts inspections and provides safety training to the state's mining industry. The Bureau's focus is primarily consultative rather than enforcement oriented.
- The Bureau also provides compliance information to employers and employees concerning North Carolina's Controlled Substance Examination Act.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Z-15 thru Z-17
Performance/Program Analysis, Volume 7A, p. 1-76

LAB-29

Objective 7: Reduce the number and severity of injuries and illnesses by 10% in the minerals industry by the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Injury incidence rate (by calendar year) in the minerals industry (the baseline year for this objective is 1994-95)	n/a	n/a	4.69	4.57	3.97	*3.85*	*3.74*	*3.62*
Performance Measures:								
Number of mine injuries	n/a	n/a	210	203	147	*146*	*145*	*144*
On-site training of miners and contractors	n/a	n/a	10,195	8,740	10,132	*10,436*	*10,749*	*11,072*
Number of on-site training programs offered	n/a	n/a	353	303	350	*361*	*371*	*382*
Number of mine instructors trained and certified	n/a	n/a	31	83	57	*59*	*60*	*62*
Number of Part 48 miners trained and retrained	n/a	n/a	1,231	1,073	1,220	*1,257*	*1,294*	*1,333*
Number of on-site technical assistance and consultative services	n/a	n/a	1,092	928	1,127	*1,161*	*1,196*	*1,232*
Number of inspections conducted on active and abandoned mines	n/a	n/a	772	767	735	*742*	*742*	*742*

Current Situation:

Economic and population growth play an important role on the employment, size and life-span of mining operations in North Carolin/a. For example, the demand for crushed stone and sand and gravel are influenced by increased consumption of aggregates, new home construction and construction of highways. Environmental issues, zoning restrictions and permitting regulations all affect mining development.

Funds:

3800 LABOR
1330 Min/Quarry Inspection Division

3800 LABOR
1331 Federal MSHA

LAB-30

MINE & QUARRY BUREAU
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS

None.

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None.

REPAIRS AND RENOVATIONS

None.

BUDGET REVISIONS (606S)

Legislative Salary Increase (10 months) -- $15,540
Incorporates the Bureau's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $15,540 in state appropriations.

GOVERNOR'S RECOMMENDED REDUCTIONS

None.

Fiscal Research Division – February 1997

Organization Chart

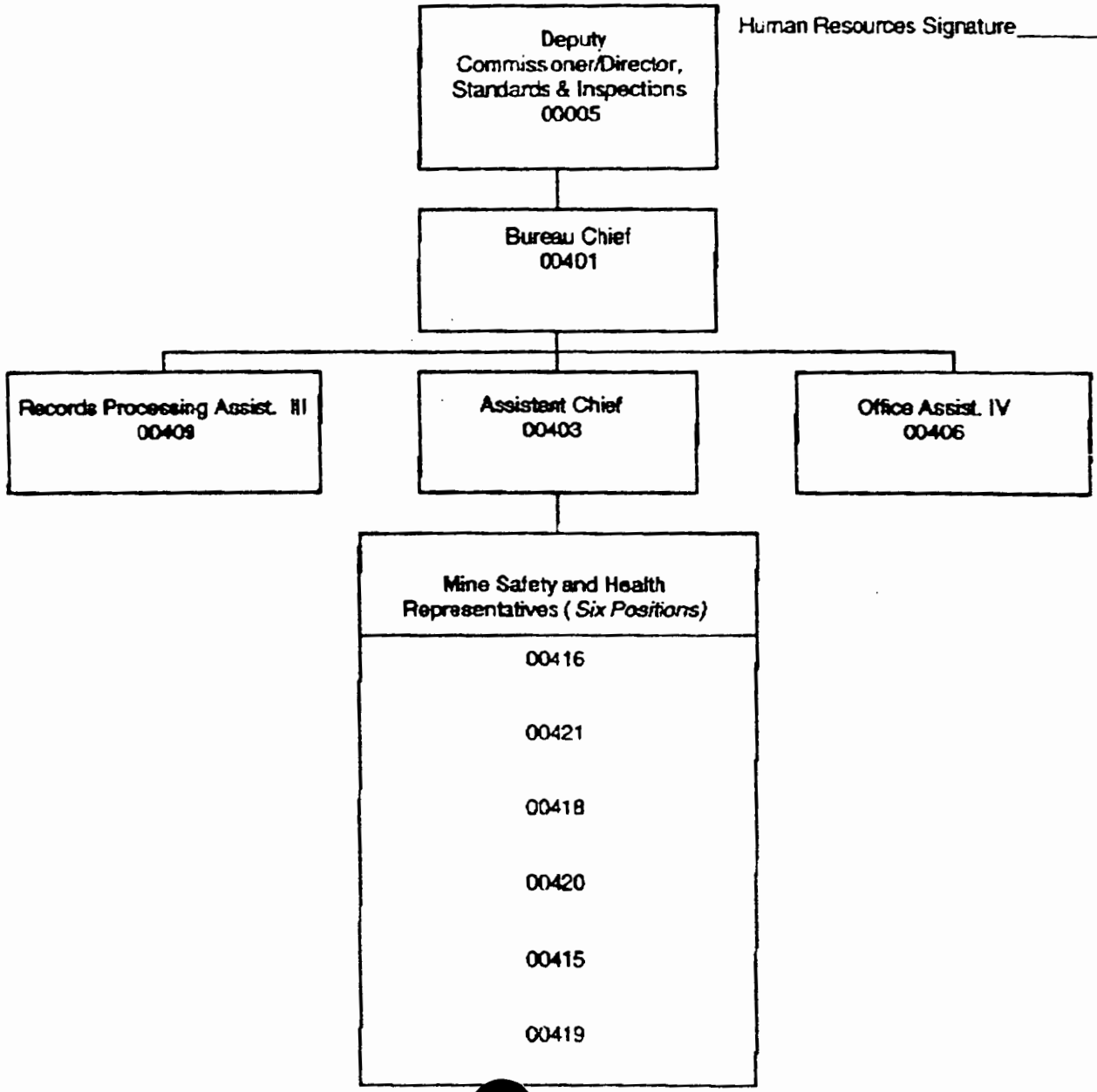
N.C. Department of Labor
Standards and Inspections Division
Mine and Quarry Bureau

Date LAB-31

Agency Head Signature

Bureau Chief Signature

Human Resources Signature



2/97

TEL:
Feb 11'97 12:14 No.001 P.02

DEPARTMENT OF LABOR

Elevator & Amusement Device Bureau

			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December 1996)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	1,520,796	1,496,390	1,598,875	1,529,144	-4.4%	1,530,516	-4.3%
Less Receipts	(858,803)	(898,796)	(855,304)	(862,680)	0.9%	(862,680)	0.9%
State Appropriations	*661,993*	*597,594*	*743,571*	*666,464*	-10.4%	*667,836*	-10.2%
Positions	32.00	32.00	32.00	32.00		32.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

- The Elevator and Amusement Device Bureau is responsible for conducting safety inspections on elevators, escalators, ski-lifts, amusement and other similar devices operated across the state.

Cross References For Budget Volumes

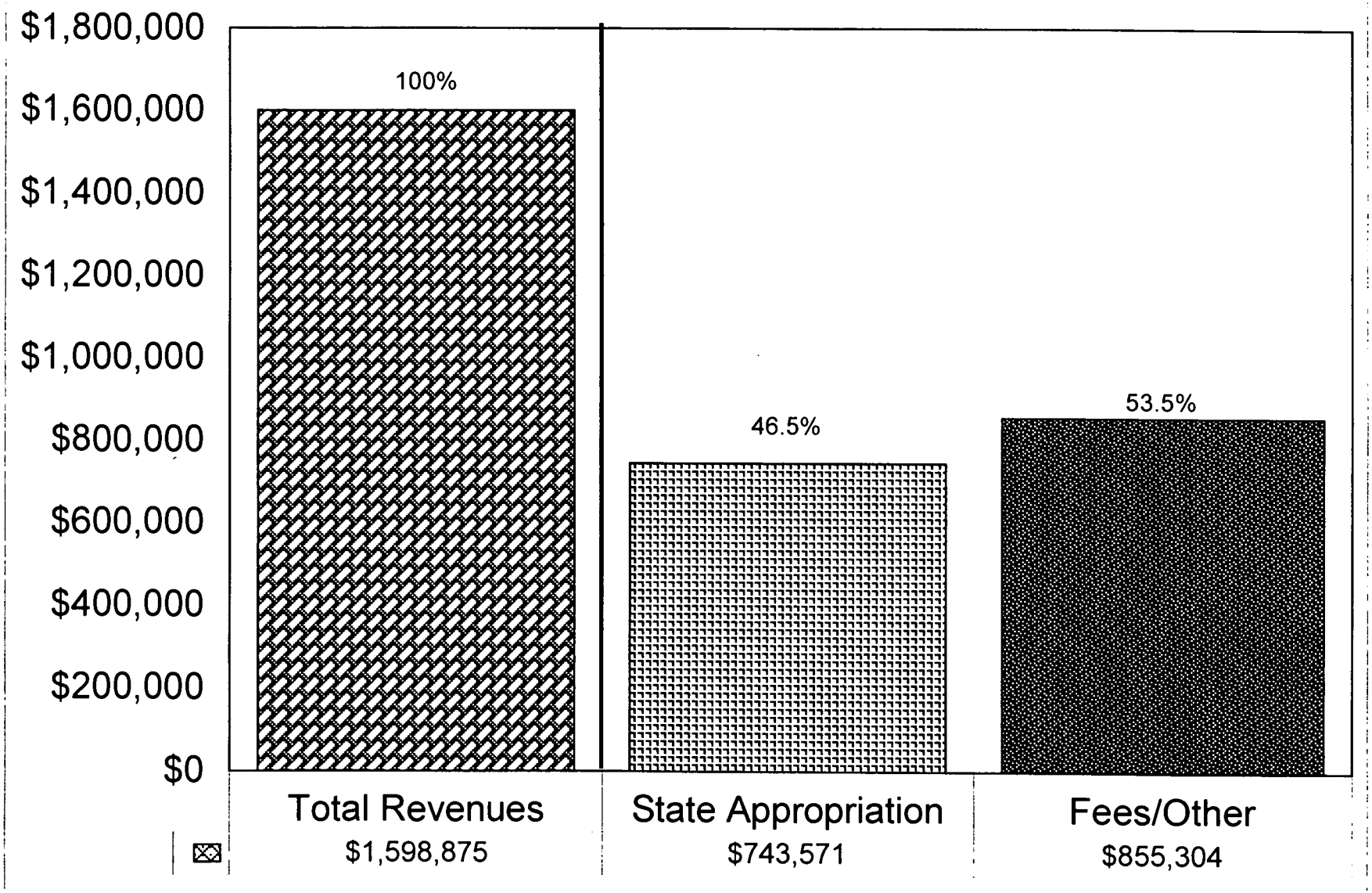
Governor's Budget, Volume 5, pp. Z-12 thru Z-14
Performance/Program Analysis, Volume 7A, p. 1-79

LAB-33

Elevator & Amusement Device Bureau

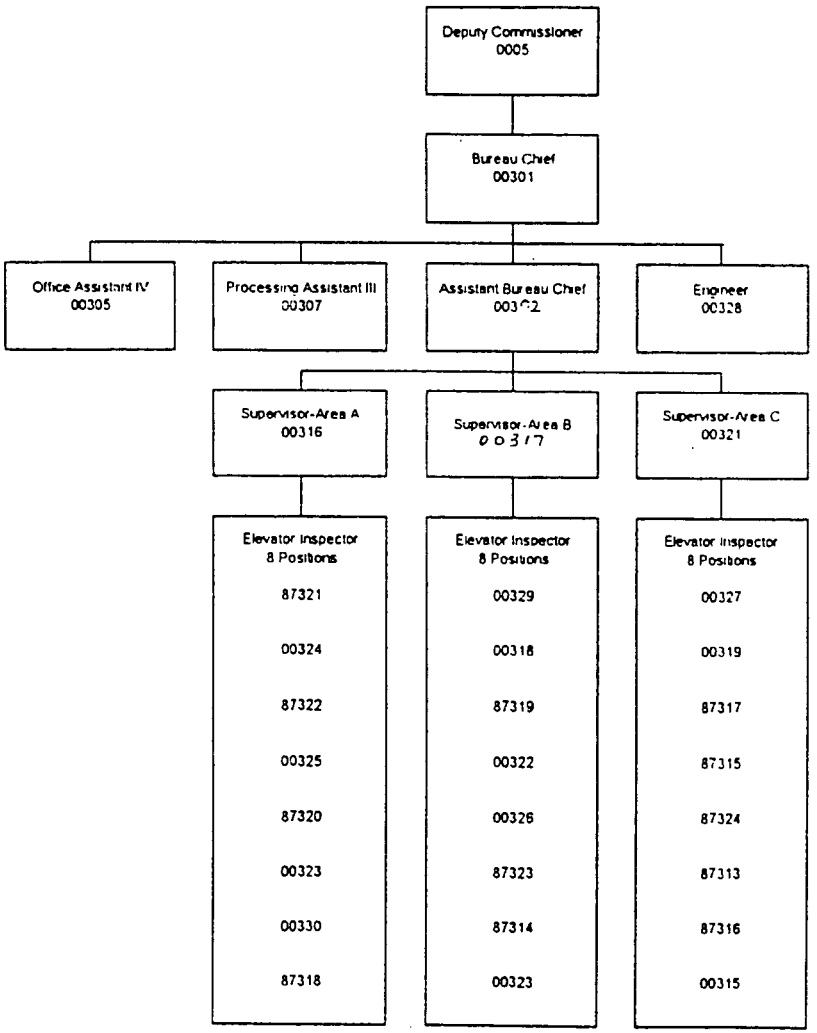
Fund Sources

FY 1996-97 (Authorized)



LAB-34

Organizational Chart
N.C. Department of Labor
Elevator and Amusement Device Bureau



ELEVATOR & AMUSEMENT DEVICE BUREAU
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS

	FY 1995-96	FY 1996-97
1) Adjustment for underbudgeted receipts	(80,000)	(80,000)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS -- None.

REPAIRS AND RENOVATIONS -- None.

BUDGET REVISIONS (606S)

Legislative Salary Increase (10 months) -- $46,646
Incorporates the Bureau's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $46,646 in state appropriations.

Special Entry Rate – $83,420
Funds were awarded by the Office of State Personnel to the Department of Labor from the Salary Adjustment Fund to upgrade the pay scale for elevator inspector positions. The upgrade affected 25 positions in the Elevator & Amusement Device Bureau.

GOVERNOR'S RECOMMENDED REDUCTIONS -- None.

LAB-36

Objective 10: Complete all new equipment and amusement device inspections and all periodic elevator inspections prior to posted expiration dates.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of inspections of new equipment, amusement devices and elevators completed prior to posted expiration dates	n/a	n/a	n/a	n/a	95%	*96%*	*97%*	*98%*
Performance Measures:								
Total number of existing elevators, dumbwaiters, escalators, and handicap lifts in the state	13,399	13,766	14,153	14,482	14,927	*15,427*	*15,972*	*16,427*
Percent of total number of existing units inspected annually	85.0%	n/a	100%	100%	100%	*96.5%*	*93.0%*	*89.5%*
Percent of existing elevators having violations	71.0%	68.6%	68.5%	67.0%	67.0%	*69.0%*	*69.0%*	*69.0%*
Total number of new elevators, escalators, dumbwaiters, and handicap lifts installed	472	444	537	547	595	*550*	*550*	*550*
Percent of the total number of new equipment inspected	100%	100%	100%	100%	100%	*100.0%*	*100.0%*	*100.0%*

Current Situation:

Funds:

3800 LABOR
1320 Elevator and Amusement Device

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

G.S. 95-110.5 allows the Commissioner of Labor to authorize inspection of elevators "as often as every six months." Currently the Department is inspecting, on average, elevators every 10 months. The Department hopes to increase the frequency of elevator inspections to every 6 months in order to conform to elevator industry standards. To meet this standard the Department will have to hire additional elevator inspectors.

Increasing the frequency of inspections will generate additonal fee revenue needed to hire additonal elevator inspectors. In addition, the chart below reflects the annualized rate at which elevator inspection fees are currently collected (10 month basis) and proposed to be collected (6 month basis). The chart also reflects the additional revenue that would be generated by conducting inspections every 6 months.

Elevator Inspection Fees

Fee Category (Floors)	Fee Per Inspection	Average Annual Fee Cost to Elevator Operator 10 Month Basis (Current)	6 Month Basis (Proposed)	Number Of Elevators	Additional Revenue Generated By Inspections Every 6 months
1-5	$ 30.00	$ 36.00	$ 60.00	12,788	$ 306,912
6-10	$ 40.00	$ 48.00	$ 80.00	1,737	$ 55,584
11-15	$ 50.00	$ 60.00	$ 100.00	480	$ 19,200
16-20	$ 60.00	$ 72.00	$ 120.00	184	$ 8,832
21 & Up	$ 70.00	$ 84.00	$ 140.00	45	$ 2,520
				Total	**$ 393,048**

The Committee may wish to have the Department discuss the rationale behind the industry's standard for elevator inspections every six months. In addition, the Committee may want the Department to discuss the types and severity of violations discovered through their inspections that support an increase in the inspection rate.

Joint Appropriations Committee on Natural and Economic Resources

February 20, 1997

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Complete Budget Analysis - Department of Labor
   Mark Trogdon
   Fiscal Research Division

3. Budget Analysis - Department of Environment, Health, and Natural Resources
   Jennifer Herrera
   Fiscal Research Division

4. Committee Discussion

5. Instructions to Staff

Joint Appropriations Subcommittee
On
Natural and Economic Resources

Wednesday, February, 20 1997 at 8:30 a.m.

MINUTES

The Joint Appropriations Subcommittee on Natural and Economic Resources met on Wednesday, February 20, 1997 at 8:30 a.m. in Room 423 of the Legislative Office Building. Six Senate members attended the meeting, including Senator Tommy Jenkins, Vice Chairman, who presided. Twelve House members were present.

Senator Jenkins asked Mr. Mark Trogdon, Fiscal Research Division, to complete the budget analysis of the Department of Labor. Mr. Trogdon directed the Committee to the handout entitled Labor Standards Bureau (Attachment A). The Labor Standards Bureau investigates employer compliance with minimum wage and overtime laws as well as complaints for non payment of promised wages. The Program also regulates youth employment requirements and the Wage and Hour Act. The Division also regulates the retaliatory Employment Discrimination Act.

Mr. Trogdon then explained the next handout entitled Employment Mediation Bureau (Attachment B). He stated that this Bureau provides mediation services to employers and employees involved in labor disputes and also is responsible for recommending private arbitrators for resolving labor dispute issues.

The next handout entitled Private Personnel Service Bureau (Attachment C) was explained by Mr. Trogdon. The Private Personnel Service Bureau provides regulatory oversight of private personnel employment agencies. The Bureau conducts complaint investigations, review and approval of license applicants, personnel contracts, and applicants for exemption.

The last handout for the Department of Labor was entitled Apprenticeship Training Bureau (Attachment D). The Apprenticeship and Training Bureau promotes, monitors, and accredits voluntary apprenticeship programs established in both businesses and high schools around the state. The program focuses on involving high school juniors in businesses that offer employment and training while a student is in high school and after graduation when a student may continue their education in the community college

system. The program also offers an adult apprenticeship program that designs training programs for existing and new hires in companies.

Senator Jenkins then introduced the Honorable Jonathan Howes, Secretary of the Department of Environment, Health and Natural Resources to address the Committee. Secretary Howes' remarks are Attachment E of these minutes.

The meeting adjourned at 10:00 a.m.

Carolyn M. Gooden, Committee Clerk

Senator R.L. Martin, Chairman

Handout A LAB-38

DEPARTMENT OF LABOR

Labor Standards Bureau							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December 1996)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	1,990,997	2,038,580	2,159,129	2,054,860	-4.8%	2,057,541	-4.7%
Less Receipts	(70,312)	(31,637)	(5,094)	-	-100.0%	-	-100.0%
State Appropriations	*1,920,685*	*2,006,943*	*2,154,035*	*2,054,860*	-4.6%	*2,057,541*	-4.5%
Positions	45.00	45.00	45.00	45.00		45.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

- Wage & Hour Act – The Labor Services Bureau investigates employer compliance with minimum wage and overtime laws as well as complaints for non payment of promised wages. The Program also regulates youth employment requirements and the Wage and Hour Act.

- Workplace Retaliatory Discrimination – The Bureau also enforces the provisions of the Retaliatory Employment Discrimination Act which prohibits employment discrimination against workers who exercise their rights under the Occupational Safety and Health Act, Mine Safety and Health Act, Wage and Hour Act, and Worker's Compensation Act.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Z-17 thru z-19
Performance/Program Analysis, Volume 7, pp. 2-160

LABOR SERVICES BUREAU
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS -- None

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

	FY 1995-96	FY 1996-97
1) Replace reduced federal indirect cost receipts with state funds to continue existing administrative positions.		30,138 1.00

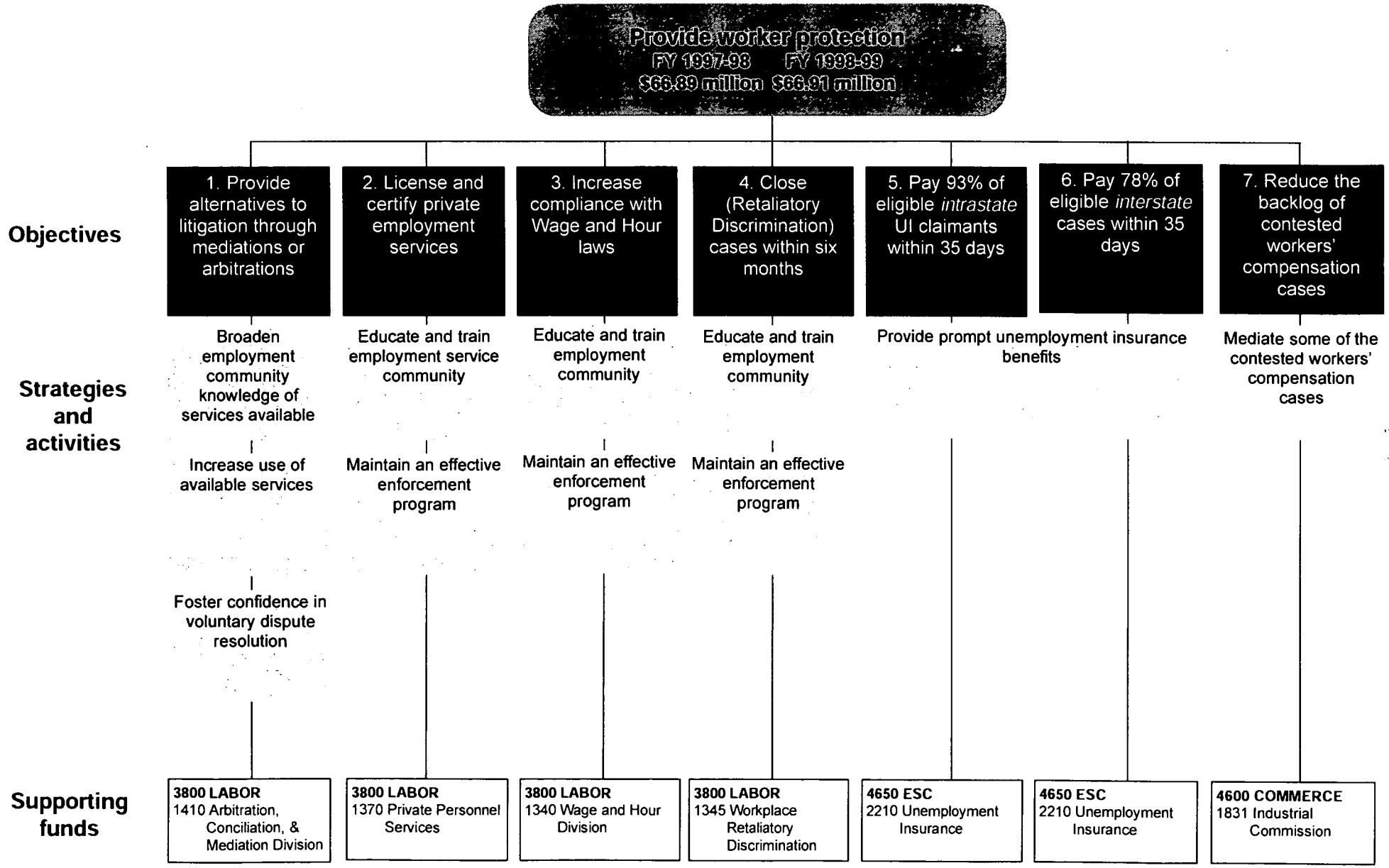
REPAIRS AND RENOVATIONS -- None

BUDGET REVISIONS (606S)

Legislative Salary Increase (10 months) -- $58,909
Incorporates the Administrative program's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $58,909 in state appropriations.

GOVERNOR'S RECOMMENDED REDUCTIONS -- None.

2600 Provide worker protection



2600 Provide worker protection

Objective 3: Increase employment community compliance with employment compensation and youth employment provisions of the Wage and Hour Act to 63% by 2001.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of complete investigations in which no violation is substantiated	n/a	n/a	64.7%	63.0%	59.0%	*57.0%*	*57.0%*	*59.0%*
Performance Measures:								
Number of investigations completed (minimum wage, overtime pay, promised wages, and youth employment)	n/a	n/a	3,556	3,658	3,812	*3,850*	*3,950*	*4,050*
Number of public presentations	n/a	n/a	22	36	60	*60*	*60*	*60*
Number of cases involving technical assistance	n/a	n/a	12	3	12	*20*	*20*	*20*
Average number of months to respond to, investigate, and resolve new complaints	n/a	n/a	3.6	2.8	2.5	*2.1*	*1.8*	*1.4*
Backlog of cases	n/a	n/a	1,087	926	787	*687*	*587*	*487*

Current Situation:

Funds:

3800 LABOR
1340 Wage and Hour Division

2600 Provide worker protection

Objective 4: Close 75% of (Retaliatory Discrimination) cases within 90 days of receipt by June 30, 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percentage of cases closed within 90 days of receipt (Records maintained by the Workplace Retaliatory Discrimination Division)	n/a	n/a	n/a	n/a	10.0%	*15.0%*	*25.0%*	*50.0%*
Performance Measures:								
Number of complaints received	n/a	n/a	923	974	911	*925*	*950*	*975*
Number of complaints closed	n/a	n/a	307	678	915	*1,000*	*1,100*	*1,200*

Current Situation:

Funds:

3800 LABOR
1345 Workplace Retaliatory Employment Discrimination Division

2600 Provide worker protection

		1996-97 Authorized Expenditures				
		Number of Positions	Total Requirements	Total Receipts	Total Appropriation	Percent of Total Requirements
Funds reviewed by						
Natural and Economic Resources						
Appropriations Subcommittee:						
3800	LABOR					
1340	WAGE AND HOUR DIVISION	33.00	1,480,430.00	0.00	1,480,430.00	2.17
1345	WKPLC RETAL'TORY DISCRIM	12.00	575,389.00	0.00	575,389.00	0.84
1370	PRIVATE PERSONNEL SERVIC	3.00	132,446.00	0.00	132,446.00	0.19
1410	ARBITRATION/CONCILIATION	2.00	93,178.00	0.00	93,178.00	0.14
4600	COMMERCE					
1831	INDUSTRIAL COMM ADM	140.00	8,486,955.00	1,473,840.00	7,013,115.00	12.43
4650	ESC					
2210	UNEMPLOYMENT INSURANCE	850.00	57,508,397.00	57,508,397.00	0.00	84.23
	TOTAL FOR 2600 FUNDS	1,040.00	$ 68,276,795.00	$ 58,982,237.00	$ 9,294,558.00	100.00

Dept B- LAB-50

Departent of Labor

Employment Mediation Bureau							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized December 1996	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	64,117	92,764	64,019	62,392	-2.5%	62,392	-2.5%
Less Receipts	-	-	-	-	-	-	-
State Appropriations	*64,117*	*92,764*	*64,019*	*62,392*	-2.5%	*62,392*	-2.5%
Positions	2.00	2.00	2.00	1.00		1.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The Employment Mediation Bureau provides mediation services to employers and employees involved in labor disputes and also responsible for recommending private arbitrators for resolving labor dispute issues.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $1,627
Incorporates the program's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $1,627 in state appropriations.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Z-32 thru Z-33
Performance/Program Analysis, Volume 7, pp. 2-161

2600 Provide worker protection

Objective 1: Provide a specialized alternative to litigation by arranging or performing 26 mediations or arbitrationsby the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of mediations or arbitrations performed	n/a	n/a	0	1	0	*8*	*14*	*20*
Performance Measures:								
Number of inquiries regarding labor management relations	n/a	n/a	0	124	130	*145*	*145*	*145*
Number of mediations/arbitrations arranged or performed	n/a	n/a	0	0	0	*8*	*14*	*20*
Number of labor disputes and contract notices received and responded to	n/a	n/a	136	153	189	*200*	*200*	*200*

Current Situation:

Funds:

3800 LABOR
1410 Arbitration, Conciliation, and Mediation Division

Handout C LAB 2

Departent of Labor

Private Personnel Service Bureau							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized December 1996	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	131,636	129,970	136,544	132,483	-3.0%	132,701	-2.8%
Less Receipts	-	-	-	-	-	-	-
State Appropriations	*131,636*	*129,970*	*136,544*	*132,483*	-3.0%	*132,701*	-2.8%
Positions	3.00	3.00	3.00	3.00		3.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The Private Personnel Service Bureau provides regulatory oversight of private personnel employment agencies. The Bureau conducts complaint investigations, review and approval of license applicants, personnel contracts, and applicants for exemption.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $4,098
Incorporates the program's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $4,098 in state appropriations.

Cross References For Budget Volumes
Governor's Budget, Volume 5, pp. Z-30 thru Z-32
Performance/Program Analysis, Volume 7A, pp. 2-162

2600 Provide worker protection

Objective 2: Increase the percentage of private employment companies reached through licensing, certification or notification to 95% by the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percentage of private employment companies reached through licensing, certification, or notification (**Note:** Baseline data have not been established for this measure.)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Number of new private personnel services licensed	n/a	n/a	6	8	3	*10*	*8*	*8*
Total number of private personnel services licensed	n/a	n/a	96	85	82	*80*	*80*	*80*

Current Situation:

Funds:

3800 LABOR
1370 Private Personnel Service Division

Handout D. LAB 1/14

DEPARTMENT OF LABOR

Apprenticeship Training Bureau							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (Month)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	908,308	901,090	959,488	933,571	-2.7%	934,617	-2.6%
Less Receipts	(13,514)	(10,190)	(6,702)	(6,548)	-2.3%	(6,548)	-2.3%
State Appropriations	*894,794*	*890,900*	*952,786*	*927,023*	-2.7%	*928,069*	-2.6%
Positions	18.00	18.00	18.00	18.00		18.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

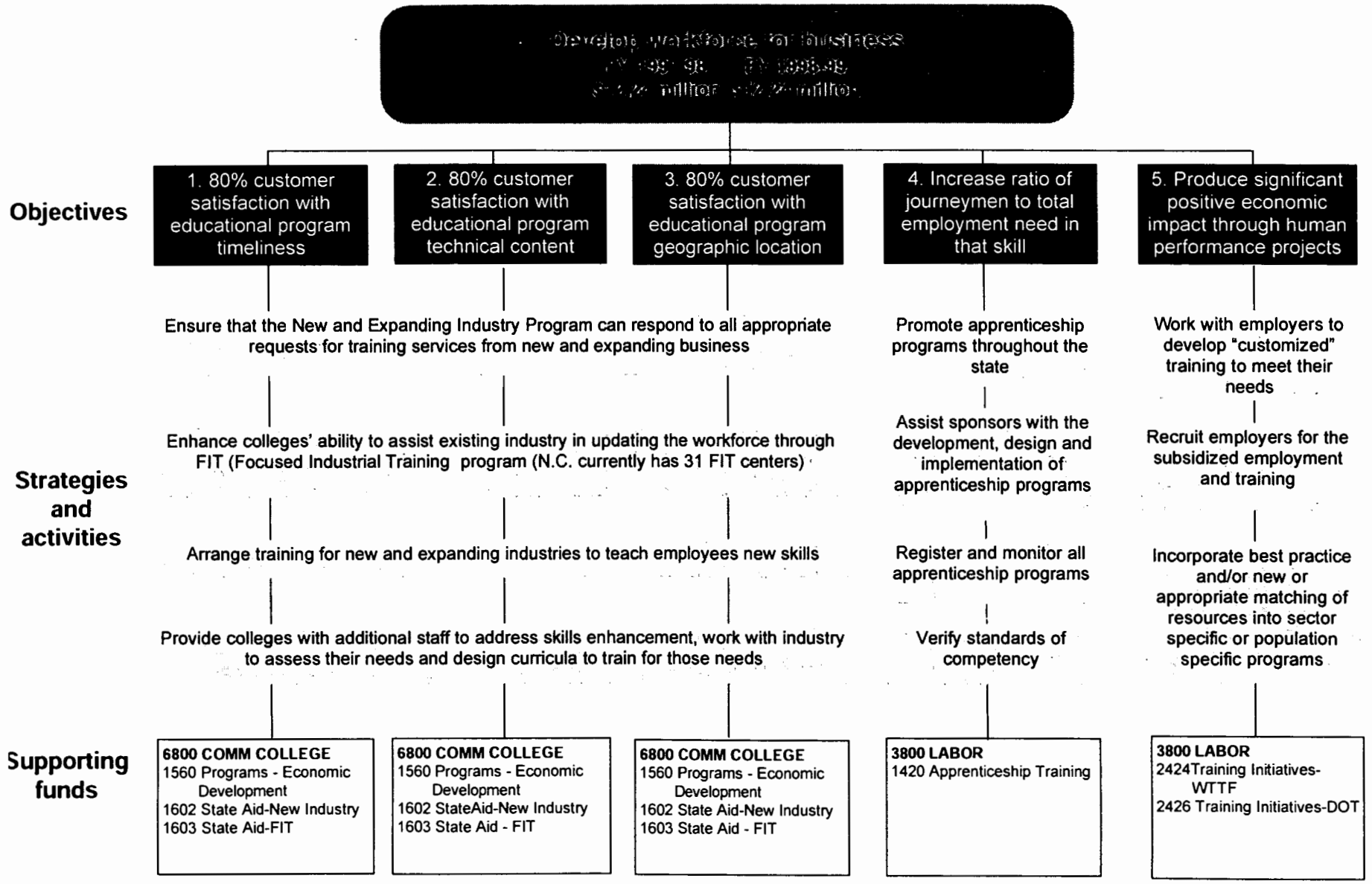
ACTIVITIES

The Apprenticeship & Training Bureau promotes, monitors, and accredits voluntary apprenticeship programs established in both businesses and high schools around the state. The program focuses on involving high school juniors in businesses that offer employment and training while a student is in high school and after graduation when a student may continue their education in the Community College system. The program also offers an adult apprenticeship program that designs training programs for existing and new hires in companies.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Z-33 thru Z-35
Performance/Program Analysis, Volume 7B, pp.6-24

LAB-45


Objectives
1. 80% customer satisfaction with educational program timeliness
2. 80% customer satisfaction with educational program technical content
3. 80% customer satisfaction with educational program geographic location
4. Increase ratio of journeymen to total employment need in that skill
5. Produce significant positive economic impact through human performance projects
Strategies and activities
Ensure that the New and Expanding Industry Program can respond to all appropriate requests for training services from new and expanding business
Enhance colleges' ability to assist existing industry in updating the workforce through FIT (Focused Industrial Training program (N.C. currently has 31 FIT centers)
Arrange training for new and expanding industries to teach employees new skills
Provide colleges with additional staff to address skills enhancement, work with industry to assess their needs and design curricula to train for those needs
Promote apprenticeship programs throughout the state
Assist sponsors with the development, design and implementation of apprenticeship programs
Register and monitor all apprenticeship programs
Verify standards of competency
Work with employers to develop "customized" training to meet their needs
Recruit employers for the subsidized employment and training
Incorporate best practice and/or new or appropriate matching of resources into sector specific or population specific programs
Supporting funds
6800 COMM COLLEGE
1560 Programs - Economic Development
1602 State Aid-New Industry
1603 State Aid-FIT
6800 COMM COLLEGE
1560 Programs - Economic Development
1602 StateAid-New Industry
1603 State Aid - FIT
6800 COMM COLLEGE
1560 Programs - Economic Development
1602 State Aid-New Industry
1603 State Aid - FIT
3800 LABOR
1420 Apprenticeship Training
3800 LABOR
2424Training Initiatives-WTTF
2426 Training Initiatives-DOT

Objective 4: Increase the ratio of employed workers attaining journeyman competency to the total need in key employment areas in both existing and emerging industries.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Ratio of employed workers attaining journeyman competency to the total need in key employment areas (baseline data for this measure have not been developed)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Number of trade skill contestants at the State Fair	n/a	56	60	62	67	*72*	*77*	*82*
Number of participants at the Apprenticeship Forum	250	251	360	375	390	*410*	*430*	*450*
Number of new programs registered	n/a	109	214	489	619	*749*	*879*	*1,000*
Number of apprenticeship programs with employers	400	612	870	1,260	1,500	*1,750*	*2,000*	*2,250*
Number of apprentices registered	2,640	2,968	4,335	5,282	6,335	*7,335*	*8,335*	*9,350*
Number of apprentices and other on-the-job trainees	2,882	3,261	4,653	5,649	6,853	*7,953*	*9,053*	*10,150*
Number of certificates issued	500	779	1,037	991	1,040	*1,090*	*1,140*	*1,200*

Current Situation:

Funds:

3800 LABOR
1420 Apprenticeship and Training

6200 Develop a high quality workforce for business and industry

		1996-97 Authorized Expenditures				
		Number of Positions	Total Requirements	Total Receipts	Total Appropriation	Percent of Total Requirements
Funds reviewed by Natural and Economic Resources Appropriations Subcommittee:						
3800	LABOR					
1420	APPRENTICESHIP TRAINING	18.00	941,625	6,474	935,151	7.63
2424	TRAINING INITIATIVES	12.00	1,049,120	1,049,120	0	8.50
2426	DOT PRE-EMPLOYMENT TRNG	1.00	46,622	46,622	0	0.38
Funds reviewed by Education Appropriations Subcommittee:						
6800	COMM COLLEGE					0.00
1560	ECONOMIC DEVELOPMENT	0.00	436,485	0	436,485	3.54
1602	STATE AID-NEW INDUSTRY	0.00	6,153,541	0	6,153,541	49.89
1603	STATE AID-FIT	0.00	3,708,032	1,746,000	1,962,032	30.06
	TOTAL FOR 6200 FUNDS	31.00	$12,335,425.00	$2,848,216.00	$9,487,209.00	100.00

APPRENTICESHIP & TRAINING BUREAU
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS -- None

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS -- None

REPAIRS AND RENOVATIONS -- None

SELECTED BUDGET REVISIONS FY 1996-97

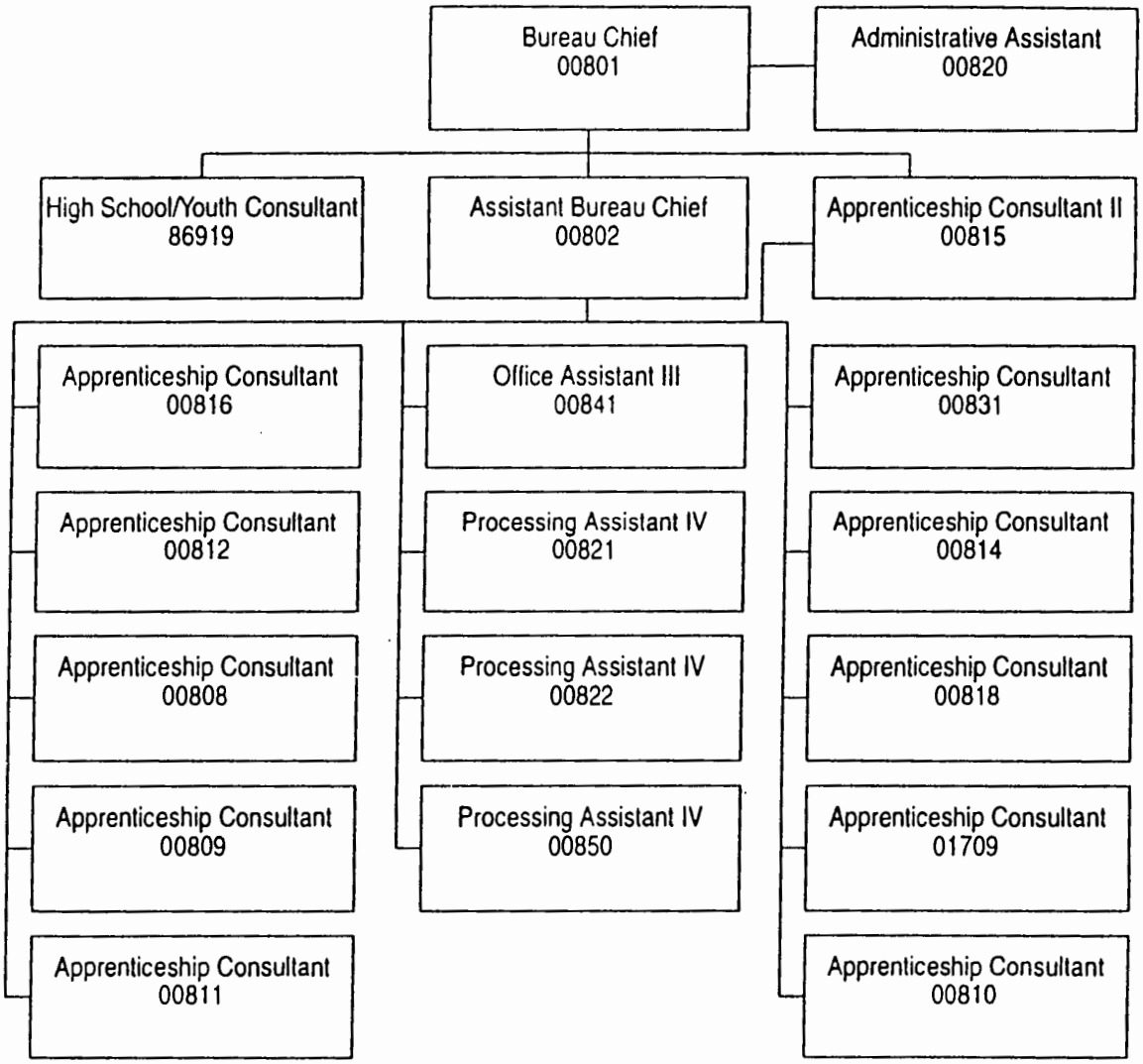
Legislative Salary Increase (10 months) -- $25,820
Incorporates the Administrative program's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $25,592 in state appropriations and $228 in receipts.

GOVERNOR'S RECOMMENDED REDUCTIONS -- None

Organization Chart

N.C. Department of Labor

Apprenticeship and Training Bureau



sed: February 11, 1997

LAB-4/5

Jonathan Howes
NER Presentation
2/19/97

- Thanks for inviting me here today. I value this opportunity to introduce our DEHNR team.

- First, I'd like to introduce you to our assistant secretaries. We have one assistant secretary for each program area---environment, health, natural resources and administration. Henry Lancaster, who is the assistant secretary for natural resources, isn't here today. But, most of you know Henry from both his current position and his time as DEHNR's legislative liaison. I would like to introduce Linda Rimer, assistant secretary for environmental protection; Ron Levine, assistant secretary for health; and, Lois Artis-Murray, assistant secretary for administration.

- Before you start your work, I would like to touch briefly on a few major items of interest.

- First, DEHNR reorganization. For four years, I've liked to say that DEHNR covered "A" to "Z"---autopsies to the zoo. But, it looks as if we will lose the "A" in that equation. As you know, Governor Hunt has proposed that the public health divisions be moved from DEHNR to DHR.

- This reorganization will strengthen both departments. In my department, we can more clearly focus on environment and natural resources, while DHR will be more effective with the health programs all in one place.

- ~~We're also continuing our efforts to streamline our water quality programs~~. To that end, we have proposed moving the on-site wastewater section from the Division of Environmental Health to the Division of Water Quality. This will put all of the state's wastewater programs in one place---a definite step forward in improved customer service.

- On that customer service note, I would like to mention that Governor Hunt has given me a clear directive. He wants every DEHNR employee to be friendly and helpful. He wants to make certain that we are customer-friendly. We plan to make this a high priority in the coming years.

- Governor Hunt has also made it clear that we must address the span of control issue. IN August 1996, we began implementing a two-year plan to meet the span of control guidelines, which require a 1 to 7 reporting ratio and 7 layers of organization.

- As of December 1996, we had made modest improvements toward meeting those guidelines. In August we had 4,487 employees and 1,087 supervisors. In December, we had gained more than 100 employees for a total of 4,591 employees and reduced the number of supervisors to 1,012. We had increased the span of control ratio from 1 to 4.13 to 1 to 4.54. Our percentage of supervisors has been reduced from 24.2 percent to 22

percent. The number of 1 to 1 reporting relationships has been reduced from 230 to 182, or 21.2 percent to 17.9 percent.

- We will continue to work diligently to reduce span of control. I would like to note that in some cases, this is going to be difficult. In general, our supervisors are not just riding a desk. They are working supervisors, who are actually pulling a part of the workload. In some cases, program delivery would suffer if the supervisor was not doing his or her share of the load.

- We also face special problems in individual parks and county forestry headquarters. In some cases, we may have a very small park with only three employees. We have to have some reporting structure in those parks---in other words, someone has to be in charge.

- Our county forestry headquarters receive 40 percent of their support from local government. These are initial attack fire control positions, and they require on-site supervision. Someone back in Raleigh can't be calling the shots on a fire in Whiteville. Due to the county involvement and fire control, the current relationships are more efficient.

- But, we are committed to reducing span of control. We realize that in most cases, it will make the department more efficient and effective. We are continuing an aggressive schedule with each of our Division Directors to make further improvements.

- Before I talk about the future, I would like to talk a little about the past. The legislature has been very good to our department's environment and natural resource programs. Thanks to your action in the past few years, we now have a comprehensive inspection program for animal waste facilities---with our Divisions of Water Quality and Soil and Water Conservation both engaged in that process.

- We have followed through on our promise to help farmers comply with tough water quality standards. Soil and Water Conservation Division Director Dewey Botts like to call this regulation with compensation, and I think that is a good way to think of it.

- We now have a wetlands restoration program, better monitoring of our state's waters and a multi-million dollar trust fund to improve water quality across the state. My thanks to the Legislature on behalf of all North Carolinians who cherish our precious natural resources.

- I would also like to briefly draw your attention to the Governor's $23.4 million "Green Budget." Highlights include:

- $2.6 million to begin fisheries reform by creating fisheries management plans, a coastal fisheries habitat section and staffing for the Marine Fisheries Commission.

- $2,022,887 to maintain existing water quality permitting program. In recent years, the

Division of Water Quality has reduced its own receipts by streamlining the permitting program and the existing fee schedule is woefully out of date. Without this money, the Division would have to reduce its permitting staff.

- $664,713 to improve the Division of Water Quality's wastewater treatment system operator training. Four years ago DWQ's training program applied only to the operators of wastewater treatment plants. Now the division trains operators of other systems including animal waste management. New staff are needed to meet this additional demand.

- $623,032 for the water quality program stakeholder assistance and accountability initiative, to help citizens get better access to state water data and programs, $587,701 to establish a citizen's water quality monitoring program and $155,000 to staff the Environmental Permit Information Center, which provides a single point of contact for all DEHNR permit information. All of these items are part of the customer service initiative I mentioned earlier.

- $2 million in Agricultural Cost Share funds to bring all of the state's large livestock operations into compliance with state water quality standards by the December 31, 1997 deadline.

on the health side ...

- There are a number of other items in the expansion request, so I urge you to look at the list carefully. In closing, I would like to say that I am excited about what we can accomplish with this budget. We can begin meaningful fisheries reform, continue our efforts to improve water quality and make our programs more user-friendly. I look forward to working with all of you in the next few months.

VISITOR REGISTRATION SHEET

Committee: _____ Date: 2/20/97

VISITORS: Please sign below and return to Committee Clerk.

NAME	FIRM OR STATE AGENCY AND ADDRESS
Angie Harris	Commerce
Lee Tilley	"
Jane Smith	EHNR
Dianne Parrish	Forestry
Anita McNeil	EHNR
Doug Lewis	EHNR
Robert B Skinner	EHNR
Dina S Rutherford	EHNR
	DOT
	DOT
LINDA RIMC	DEHNR
Lois Artis-Murray	DEHNR
Shelley Mazzeri	OSBM
Anne Taylor	EHNR
Maurice Ukoura	NCDA
Gary Carpenter	DCS
R. Rogers	EHNR
Jane Grotheton	UNC Gen Admin / NC State - Ag Pgms.
J.W. Reel	OSBM
Johnny Gray	OSBM
L Howe	DEHNR
RB	NCDA
Linda Gunn	REDC
John Simmons	DOC
Peter Daniel	NCDA
Amanda Davis	Sierra Club
CW	Gov

VISITOR REGISTRATION SHEET

Committee: _____ Date: 2/20/97

VISITORS: Please sign below and return to Committee Clerk.

NAME	FIRM OR STATE AGENCY AND ADDRESS
Patricia Yancey	APPCNC + LLPP
Laura Hartsell	MCIC
Martha Eden	Self Help
Deckie Street	PPAB
Natalie Haskins	Charlotte Chamber
[illegible]	TPA
Zeb Alley	ZDAPAC
Doug Lassiter	N.C. State U
Andy Miller	NC Farm Bureau

Minutes

House Appropriations Sub-Committee on

Natural and Economic Resources

February 25, 1997 - 8:30 a.m

The House Appropriations Sub-Committee on Natural and Economic Resources met Tuesday, February 25, 1997, at 8:30 a.m. in Room 423 of the Legislative Office Building. Representative Rex Baker, House Co-Chair, called the meeting to order at 8:30 a.m. Members present were Representatives Baker, Mitchell, Carpenter, Culp, Tolson, Fox, Weatherly, Wilkins, Owens and Senators Martin, Weinstein, Shaw, Jenkins, Horton, and Cockran.

After opening remarks, Jennifer Herrera of the Fiscal Research Division, gave a brief overview on the budget analysis of the Department of Environment, Health, and Natural Resources. The General Assembly created the department during the 1989 session. She pointed out the department's primary responsibilities and programs which are organized into four main functions: Environmental Protection, Health, Natural Resources, and Administration. Ms. Herrera reviewed the Governor's Recommended Reductions. Cabinet agencies were directed to implement internal studies to focus on issues identified and have been given target for salary reductions to their operating budgets effective July 1, 1997. DEHNR has been targeted for reductions totaling $2,335,425 The handout figure was listed as reductions totaling $2,952,032. Fiscal Research Division is to correct this page and bring back to the meeting. Senator Cochran asked if response has been received to improve ratio of supervisors to employees and asked what is being done to minimize seven layers and expressed doubt that it could be done in a year. Mr. Henry Lancaster, DEHNR, stated that a report is due to the General Assembly by May 15. Mr. J. W. Reel, of the Office of State Budget, stated that the average is to target one to seven and seven layers. The concept is sound and acceptable and is an evolving process, and the first steps are now beginning. Mr. Reel noted that attrition, retirements, and unfilled positions would take care of some of the reductions and in some cases might end up where supervisors might be one to ten or one to thirteen.

Ms. Herrera then gave an overview of the North Carolina Zoological Park. She reviewed the fund sources, expenditures by category, and objectives. The purpose is to develop, maintain and operate a major habitat zoological park which provides a meaningful and accessible recreational and educational outlet for citizens and tourists and is located in Asheboro. The Governor did not recommend any cuts for the Zoo. Senator Shaw asked how revenues were generated, and Mr. Reel answered they receive state appropriations, gate/admission fees, and sales/services. Rep. Mitchell asked if the 780,000 estimated visitors for 1996-97 included schools. Dr. David Jones, Director of the North Carolina Zoological Park, noted that the estimated number of school group visitors expected this year is 100,000. Representative Owens asked why the expected

visitors are going down. Dr. Jones noted there is a new plateau and the Zoo will appeal to a new audience. He noted that North Carolina is performing well and has about the same number of visitors as South Carolina . Administration has proposed redirecting priorities to the concept of an "Earth Resources Center" complete with a privately financed hotel and convention area. There was discussion about the Zoo's long-range master plan and development of seven continental regions to include Africa, North America, Asia, South America, Australia, Europe and the World of the Seas. Dr. Jones noted that it is important to have quality rather than quantity. Representative Wilkins asked if the conference center issue was presented to the General Assembly four years ago. Dr. Jones replied there was no willingness at that time. Senator Martin asked Dr. Jones to explain what the Earth Resource Center is and if audiovisual would be used, and Dr. Jones explained and noted that the center would be highly audiovisual.

At this time, Mark Trogdon passed out a map by the North Carolina Division of Forest Resources reflecting the North Carolina woodland destruction by Hurricane Fran. Ms. Herrera presented an overview on the Division of Forest Resources' fund sources, expenditures by category, objectives, and the Governor's recommended reductions. The current fiscal year's authorized budget includes $2,355,538 for property, plant and equipment items. The Division of Forest Resources has the lead role in managing, protecting and developing the forest resources of the state. There was discussion by the committee on the percentage of prisoners in the BRIDGE program. Representative Culp asked how long they stayed in the program, and Stan Adams, Director of Forest Resources, stated they stay in the program for three months. Senator Cochran noted that fire towers are being manned by more people than last year and asked where the money is coming from. Mr. Adams replied the money is coming from lapsed salaries. Representative Mitchell asked if the $120,000 reduction in receipts would be passed on to the counties. Mr. Adams replied that a reduction in appropriations is recommended by making an adjustments to receipts from counties. Currently counties share in the cost of forestry operations with a match of 25 to 40 percent depending on the tax base of the county. Representative Weatherly asked how reductions could be made with the fire threats. Mr. Adams stated they would delay radio system by two years, and there are other systems they can fall back on. Representative Culp asked if the Division of Forest Resources has a cooperative agreement with all one hundred counties, and Mr. Adams replied they did. Senator Horton then asked if they had ever thought of taking this out of the state and let it be run by the private sector. Mr. Adams replied there has not been a study to prioritize management in Forest Resources.

The meeting was adjourned at 10:50 a.m. to reconvene fifteen minutes after the House adjourns.

February 25, 1997 - 3:00 p.m.

The House Appropriations Sub-Committee on Natural and Economic Resources reconvened at 3:00 p.m. in Room 423 of the Legislative Office Building. Representative Rex Baker, House-Co-Chair, called the meeting to order at 3:00 p.m. Members present were Representatives Baker, Carpenter, Culp, Fox, Hall, Tolson, and Wilkins. It was reported that the Senate had a caucus, and no senators were in attendance. A motion was made by Representative Tolson to adjourn. Motion carried. The meeting was adjourned to reconvene Wednesday, February 26 at 8:30 a.m.

Respectfully submitted,

Representative Rex L. Baker
House Co-Chair

J o Hinton
Committee Clerk

VISITOR REGISTRATION SHEET ~~1995~~ 1997

Committee: NER Date: 2/25/97

VISITORS: Please sign below and return to Committee Clerk.

NAME	FIRM OR STATE AGENCY AND ADDRESS
[illegible]	DOC
Becky Brown	DOC
BRETT WHITE	NC AQUARIUMS
Jane Smith	EHNR
Anita McNeil	EHNR
Mary Green	EHNR
Cathy Cathle	EHNR
JERRY SCHILL	NC Fisheries ASSO. Wash Beach
Linda Hunt	REDC
John Rusti	Hunton & Williams
Doug Lewis	EHNR
Johnny Gray	OSBM
J.W. Reid	OSBM
Shelley Wheeless Allison	OSBM
Peter Daniel	NCDA
Maurice Ward	NCDA
Rob Runkle	EHNR - DPR
Robert Skinner	EHNR - DPR
Gina Rutherford	EHNR - DPR
Stuart Dixon	NCNG - Hoffman
Laura Hartsell	MCIC
Anne Taylor	Gov. Hunt's Office
Henry M Lancaster	EHNR
STAN ADAMS	EHNR - Forest Resources
DAN SMITH	EHNR - Forest Resources
DAVID JONES	EHNR - Zoological Park
Andy Ellen	NC Farm Bureau

Joint Appropriations Committee on Natural and Economic Resources

February 25, 1997

(Morning Meeting)

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis - Department of Environment, Health, and Natural Resources (DEHNR)

   DEHNR Overview
   Natural Resources Divisions
   Jennifer Herrera
   Fiscal Research Division

4. Committee Discussion

5. Instructions to Staff

SPAN OF CONTROL STATUS - FEBRUARY, 1997

SUMMARY

	Total Employees	Total Supervisors	Span Ratio
Natural Resources	1572	456	3.45
Health	1498	287	5.22
Environmental Protection	1288	224	5.75
Administration	233	46	5.07
Department Total	**4591**	**1013**	**4.53**

SPAN1.WK4

SOURCE: EHNR 2/24/97

SPAN OF CONTROL STATUS - FEBRUARY, 1997

Area	Division	Average Span	Division Number of Levels	Total Number of Levels
Natural Resources	Aquariums	1:2.83	3	6
	Environmental Education	1:4.5	2	5
	Forest Resources	1:3.3	5	8
	Marine Fisheries	1:3.02	7	10
	Museum of Natural Sciences	1:3.63	3	6
	Parks & Recreation	1:3.24	6	3
	Soil & Water	1:3.21	4	7
	Zoo	1:4.95	5	8
	Total	**1:3.45**		
Health	Director's Office	1:4.00		
	Dental	1:8.4	4	7
	Epidemiology	1:3.37	7	10
	Health Promotion	1:3.65	5	8
	Maternal & Child Health	1:7.62	5	8
	Environmental Health	1:6.19	4	7
	Health Statistics	1:4.76	5	8
	Lab	1:5.59	4	7
	Medical Examiner's Office	1:2.43	4	7
	Total	**1:5.22**		
Environmental Protection	Air Quality	1:10.81	4	7
	Coastal Management	1:5.32	4	7
	Land Resources	1:2.57	5	8
	Pollution Prevention	1:5.86	2	5
	Radiation Protection	1:6.00	4	7
	Waste Management	1:5.55	5	8
	Water Quality	1:5.73	5	8
	Water Resources	1:3.33	4	7
	Total	**1:5.75**		
Administration	Budget, Planning & Analysis	1:8.00	1	4
	Controller	1:4.71	4	7
	Personnel/Human Resources	1:3.33	3	6
	EEO	1:1.00	1	4
	Information Technology	1:4.67	3	6
	General Services	1:4.29	3	6
	Secretary's Office	1:8.11	3	6
	Public Affairs	1:3.5	2	5
	Total	**1:5.07**		
Department Total		**1:4.53**	**3.94**	**6.75**
			126	216
			3.9375	6.75
			32	32

SPAN1.WK4

SOURCE: EHNR 2/24/97

Department of Environment, Health, and Natural Resources

Departmental Overview							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	584,018,417	570,669,363	616,348,421	590,394,865	-4.2%	589,626,997	-4.3%
Less Receipts	(356,110,059)	(368,916,000)	(359,414,342)	(342,164,413)	-4.8%	(342,164,095)	-4.8%
Cash Balance +/-	5,175,481	31,058,978	(70,353)	(100)		(100)	
State Appropriations	*233,083,839*	*232,812,341*	*256,863,726*	*248,230,352*	-3.4%	*247,462,802*	-3.7%
Positions	4,517.75	4,580.10	4,609.60	4,609.60		4,609.60	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The General Assembly created the Department of Environment, Health, and Natural Resources (DEHNR) during the 1989 Session. The Department is headed by a Secretary appointed by the Governor.

ORGANIZATION

The Department's primary responsibilities include protection of the environment, improvement of the health of North Carolinians, and conservation and development of the natural resources of North Carolina. The Department administers a variety of assistance, regulatory, promotional and educational programs.

DEHNR's programs are organized into 4 main functions: Environmental Protection, Health, Natural Resources and Administration.

EHNR-2

Department of Environment, Health, & Natural Resources

Organization Chart

RECEIVED
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DEHNR PERSONNEL

SECRETARY
Jonathan B. Howes

DEPUTY SECRETARY
(vacant)

Wildlife Resources
Charles Fullwood

Clean Water Management Trust Fund
(vacant)

General Counsel
Richard Whisnant

Legislative and Intergovernmental Affairs
Richard Rogers (acting)

Public Affairs
Debbie Crane

ASSISTANT SECRETARY
Environmental Protection
Linda Bray Rimer

- Air Quality
  Alan Klimek
- Coastal Management
  Roger Schecter
- Land Resources
  Charles Gardner
- Pollution Prevention and Environmental Assistance
  Gary Hunt
- Radiation Protection
  Mel Fry (acting)
- Waste Management
  Bill Meyer
- Water Quality
  Preston Howard
- Water Resources
  John Morris

ASSISTANT SECRETARY
Health and State Health Director
Dr. Ronald Levine

- Deputy State Health Dir.
  Dr. Leah Devlin
  - Dental Health
    Dr. Steve Cline
  - Epidemiology
    Dr. Michael Moser
  - Health Promotion
    Peter Andersen (acting)
  - Maternal & Child Health
    Dr. Ann Wolfe
  - Minority Health
    Barbara Pullen-Smith
  - Public Health Nursing
    Dr. Joy Reed
- Deputy State Health Dir.
  Chris Hoke
  - Environmental Health
    Linda Sewall
  - Health Statistics
    Delton Atkinson
  - Laboratory Services
    Dr. Lou Turner
  - Local Health Services
    (vacant)
  - Post Mortem Medicolegal Examination
    Dr. John Butts

ASSISTANT SECRETARY
Natural Resources
Henry M. Lancaster II

- Aquariums
  Rhett White
- Environmental Educ.
  Anne Taylor
- Forest Resources
  Stan Adams
- Marine Fisheries
  Bruce Freeman
- Museum of Natural Sciences
  Dr. Betsy Bennett
- Parks & Recreation
  Dr. Phil McKnelly
- Soil & Water Conservation
  Dewey Botts
- Zoological Park
  Dr. David Jones

ASSISTANT SECRETARY
Administration
R. Lois Artis-Murray

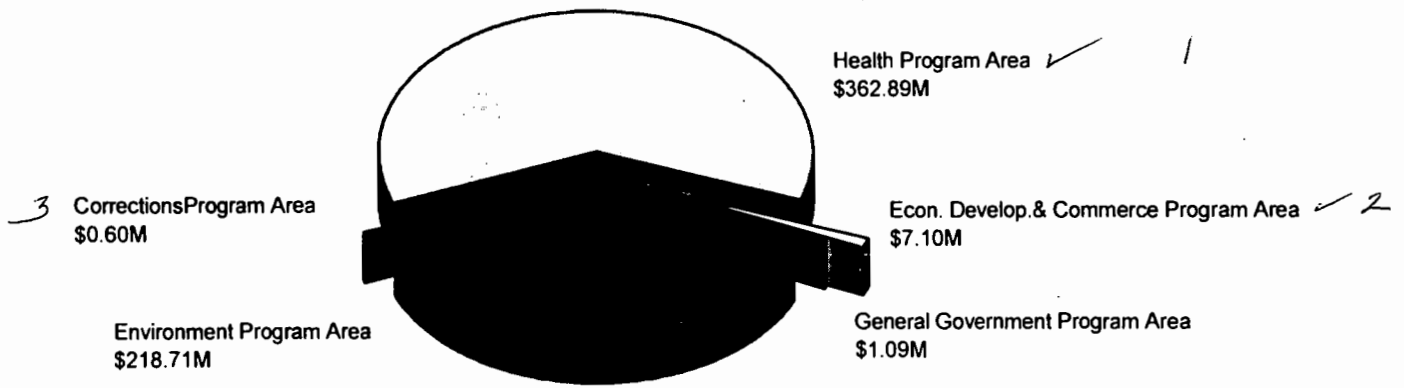
- Budget, Planning & Analysis
  Jane Smith
- Controller
  Rod Davis
- Equal Employment Opportunity
  Sandra Washington
- General Services
  Laird Davison
- Information Tech. Services
  Bill Golden
- Personnel/ Human Resources
  Ann Cobb

1/97

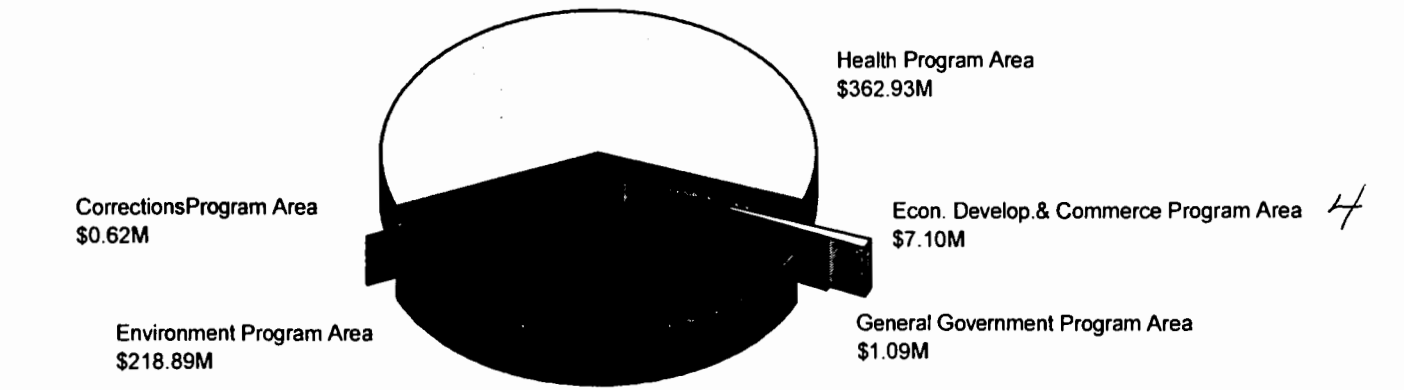
ENVR-3

1997-99 Recommended Continuation Budget
for
Department of Environment, Health, and Natural Resources
(in $ millions)

1997-98 Recommended Total Expenditures
(in $ millions)



1998-99 Recommended Total Expenditures
(in $ millions)

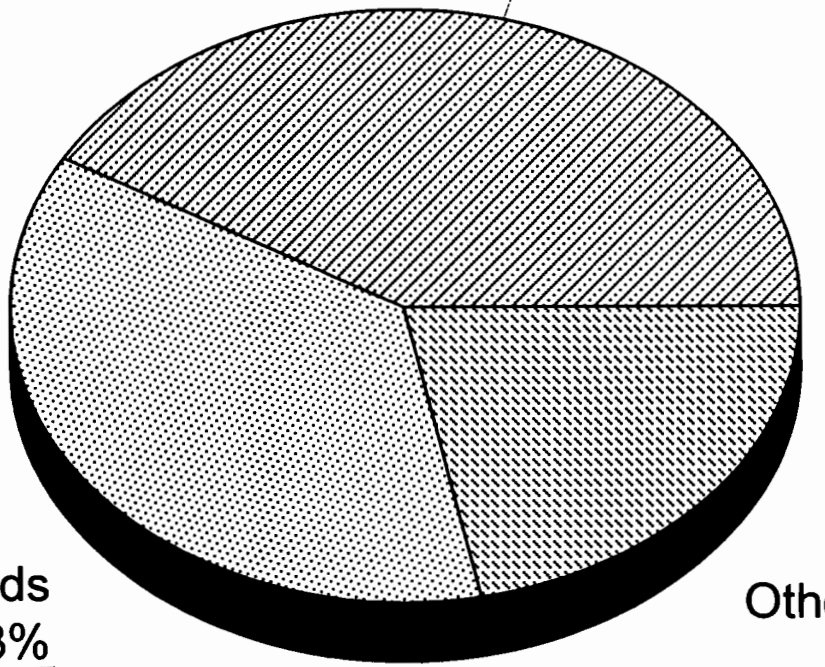


SOURCE: VOLUME 5 NATURAL & ECONOMIC RESOURCES

EHNR-4

Department of Environment, Health, and Natural Resources

1996-97 (Authorized) Total Budget By Funding Source*



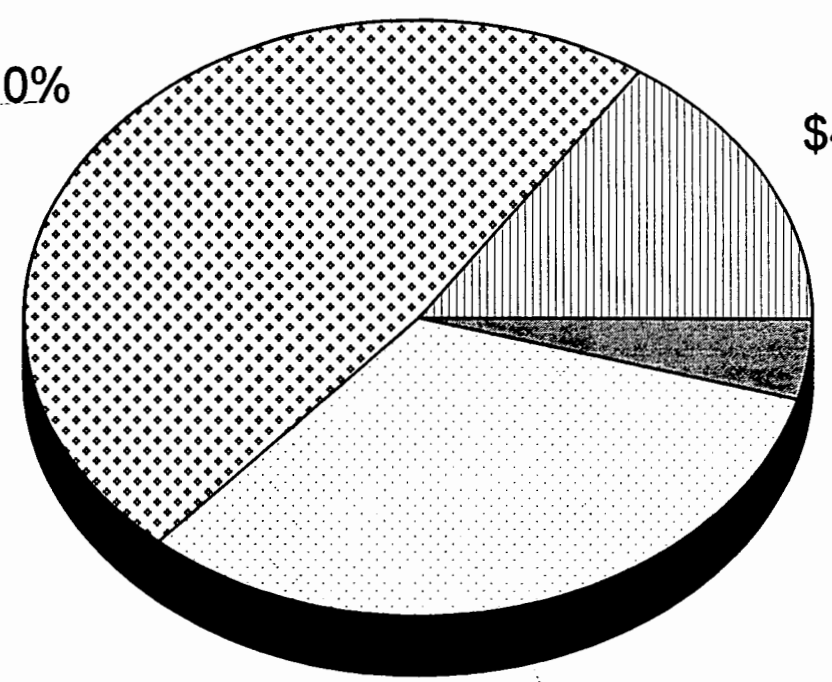
Fiscal Research Division February 1997

* millions

EHNR-5

Department of Environment, Health, and Natural Resources

FY 1996-97 (Authorized) General Fund Appropriations by Program

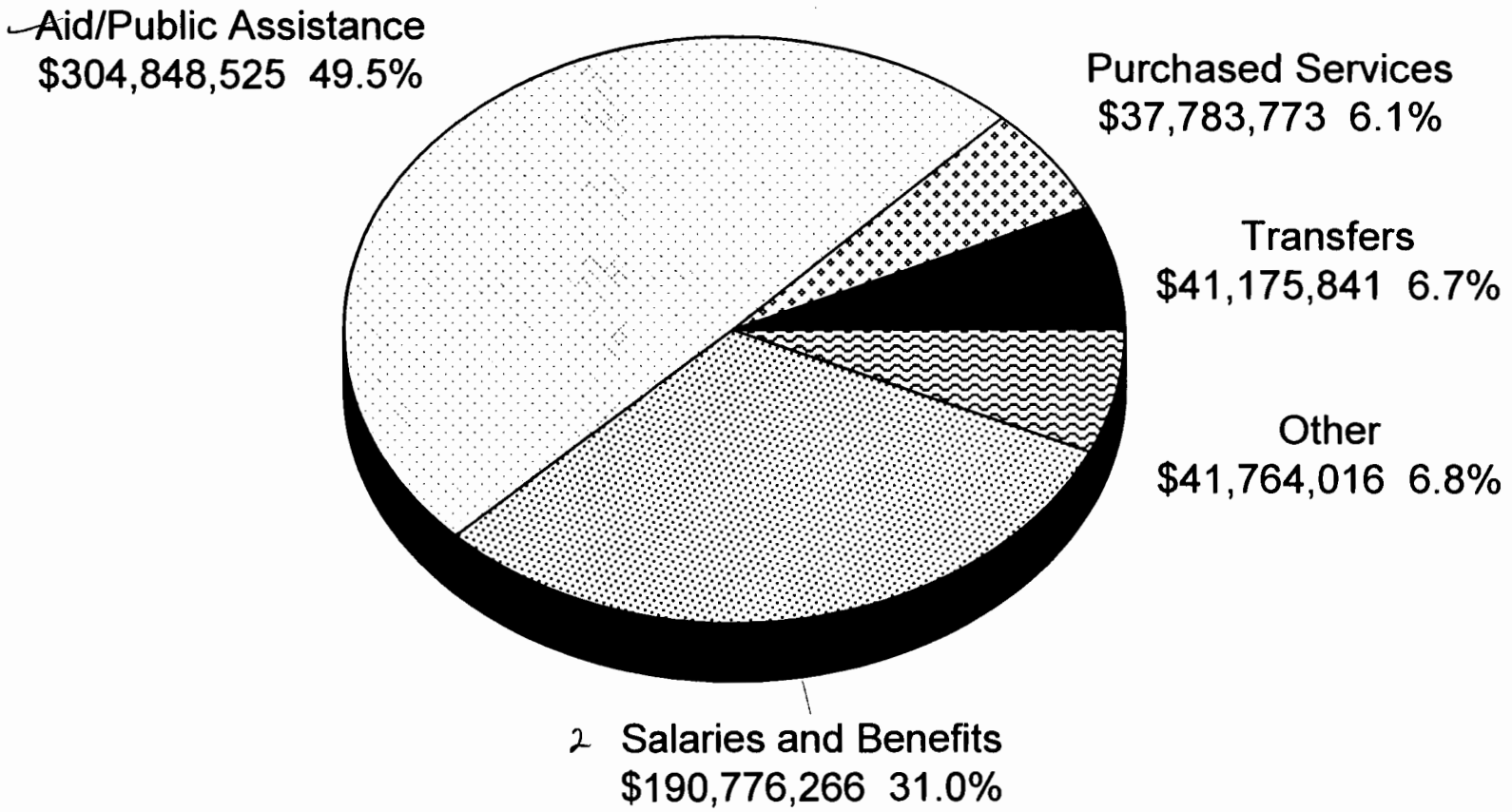


Fiscal Research Division February 1997

EHNR-6

Department of Environment, Health, and Natural Resources

FY 1996-97 (Authorized) Expenditures by Category



DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES
OVERVIEW OF BUDGET ACTIONS 1995-97

DEHNR-7

FUNDING HIGHLIGHTS 1995-97

See *Overview: Fiscal and Budgetary Actions*, pages J-23 through J-58.

CAPITAL IMPROVEMENTS

See *Overview: Fiscal and Budgetary Actions,* pages M-3, M-8 through M-10

REPAIRS AND RENOVATIONS

The Department received $4,107,700 from the 1996-97 Reserve for Repairs and Renovations.

GOVERNOR'S RECOMMENDED REDUCTIONS

See *Summary of Recommendations*, pages 81 through 83.

Salary Reductions/Span of Control Study – The 1995 General Assembly under House Bill 229, Section 10.1 directed the Office of State Budget and Management to conduct an audit of the span of control in state government and submit that study to the 1996 General Assembly. The legislation stemmed from the report of the Government Performance Audit Committee (GPAC) which identified four specific areas of concern in state government including:

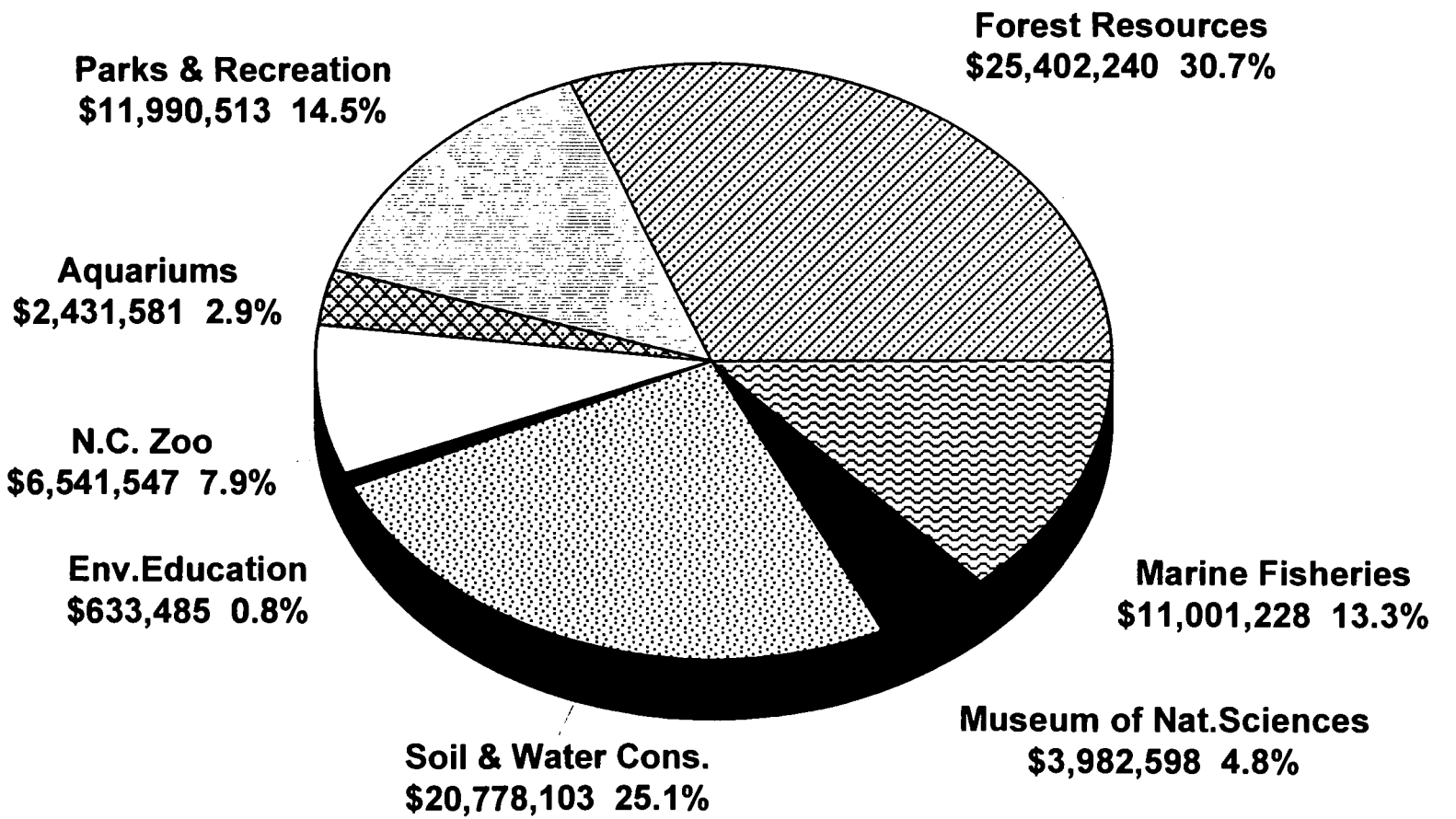
- excessively narrow spans of control
- excessive layers of management
- one-on-one reporting relationships
- numerous units with small numbers of staff

Cabinet agencies were directed to implement internal studies to focus on issues identified in this report and have been given targets for salary reductions to their operating budgets effective July 1, 1997. For the first phase of implementation, DEHNR has been targeted for reductions totaling $2,952,032. Specific details on these reductions will not be provided to the General Assembly until May 15, 1997. reductions - l b spec May 15.

EHNR-8

General Fund Appropriations

1996-97 Authorized Budget

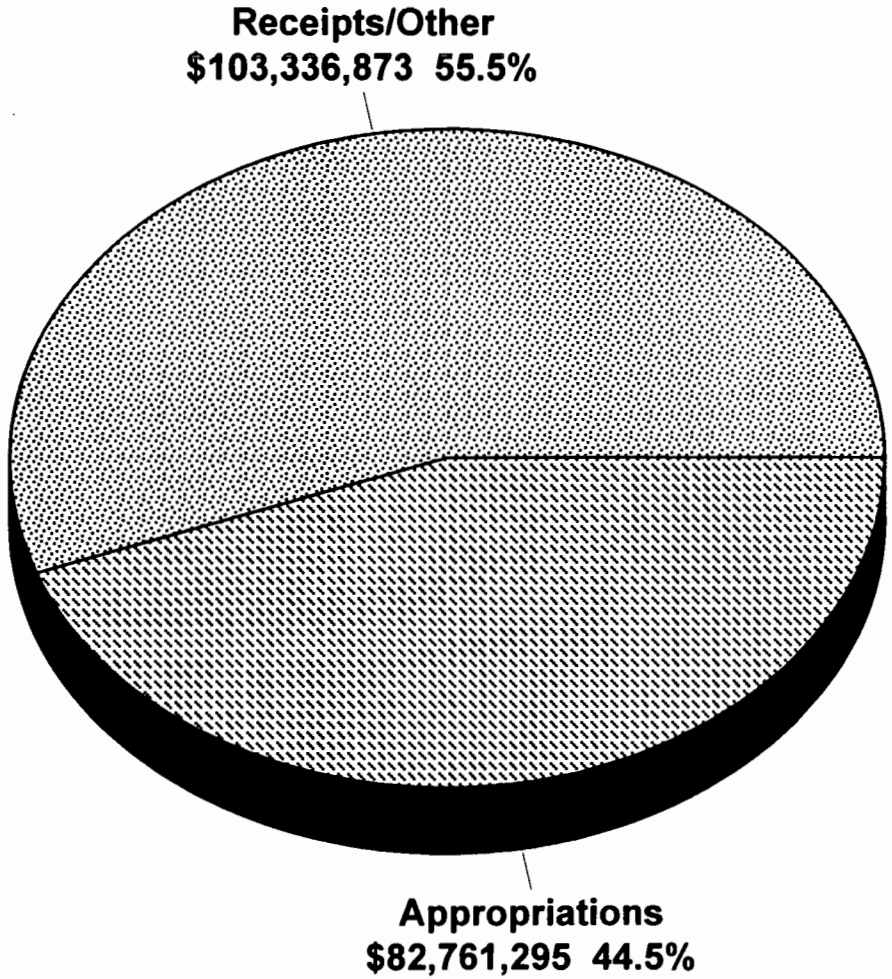


Natural Resources Program By Division

ENVR-9

General Fund Appropriations vs. Receipts

1996-97 Authorized Budget



Natural Resources Programs

Department of Environment, Health, and Natural Resources

Division of Forest Resources							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	41,612,259	42,294,955	39,573,180	41,377,031	4.6%	40,937,887	3.4%
Less Receipts	(15,532,795)	(15,949,634)	(14,170,940)	(14,418,861)	1.7%	(14,411,025)	1.7%
State Appropriations	*26,079,464*	*26,345,321*	*25,402,240*	*26,958,170*	6.1%	*26,526,862*	4.4%
Positions	687.25	679.32	681.25	681.25		681.25	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The Division of Forest Resources has the lead role in managing, protecting and developing the forest resources of the state.

DIVISION ACTIVITIES

Field Operations
Forest Management
B.R.I.D.G.E. Program
Forestry Stewardship Program
Bladen Lakes State Forest
Urban Forestry
Educational State Forests
Tree and Seed Nurseries

- 75 percent of staff

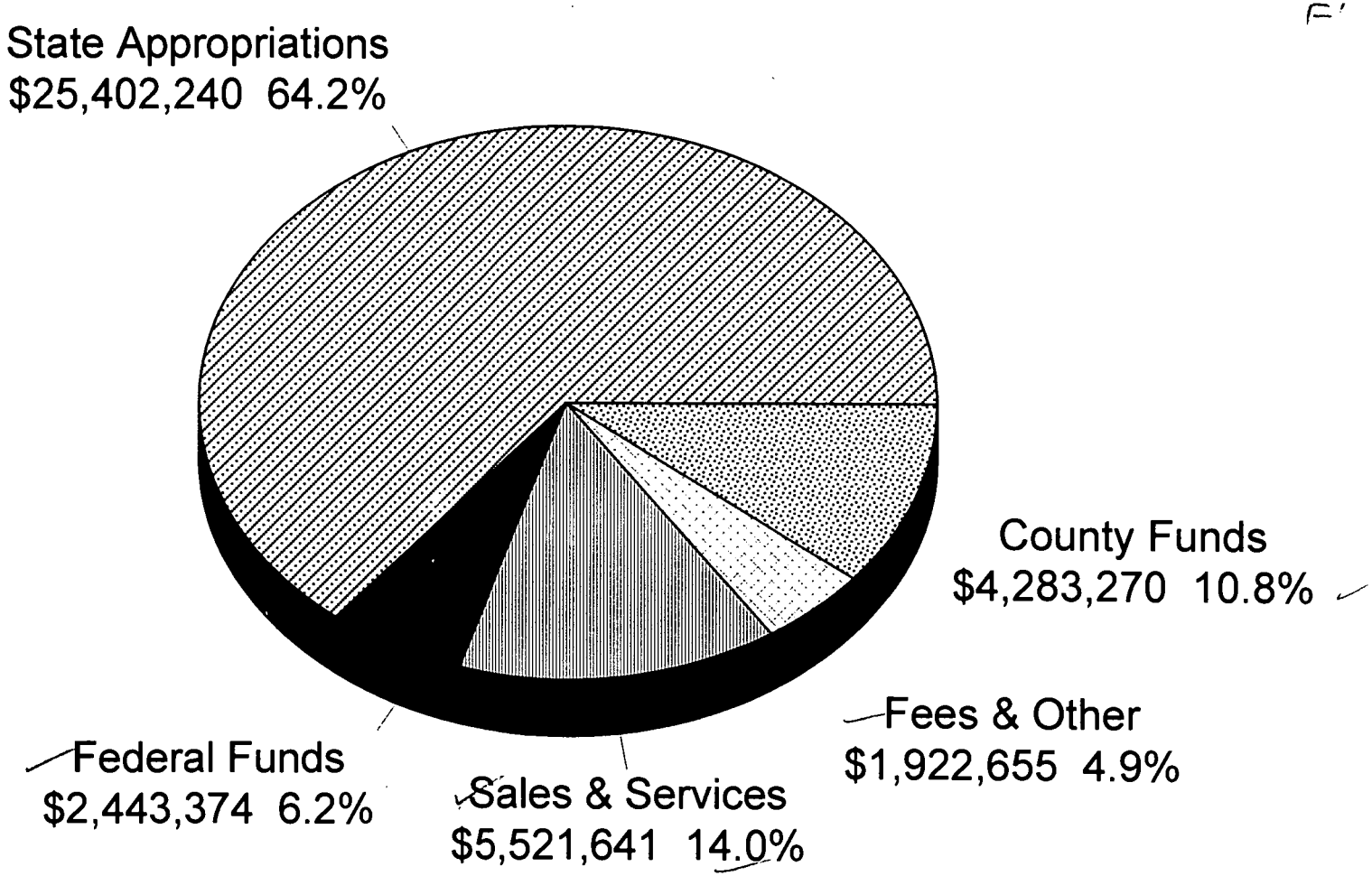
Fiscal Research Division February, 1997

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp Y-20 to Y-35 and Y-196 to Y-198
Performance/Program Analysis, Volume 7a, pp 3-25 to 3-26; 3-29 to 3-30; 5-52 to 5-61; Volume 7b, pp 6- 59 to 6-60; 6-63 to 6-66

Division of Forest Resources

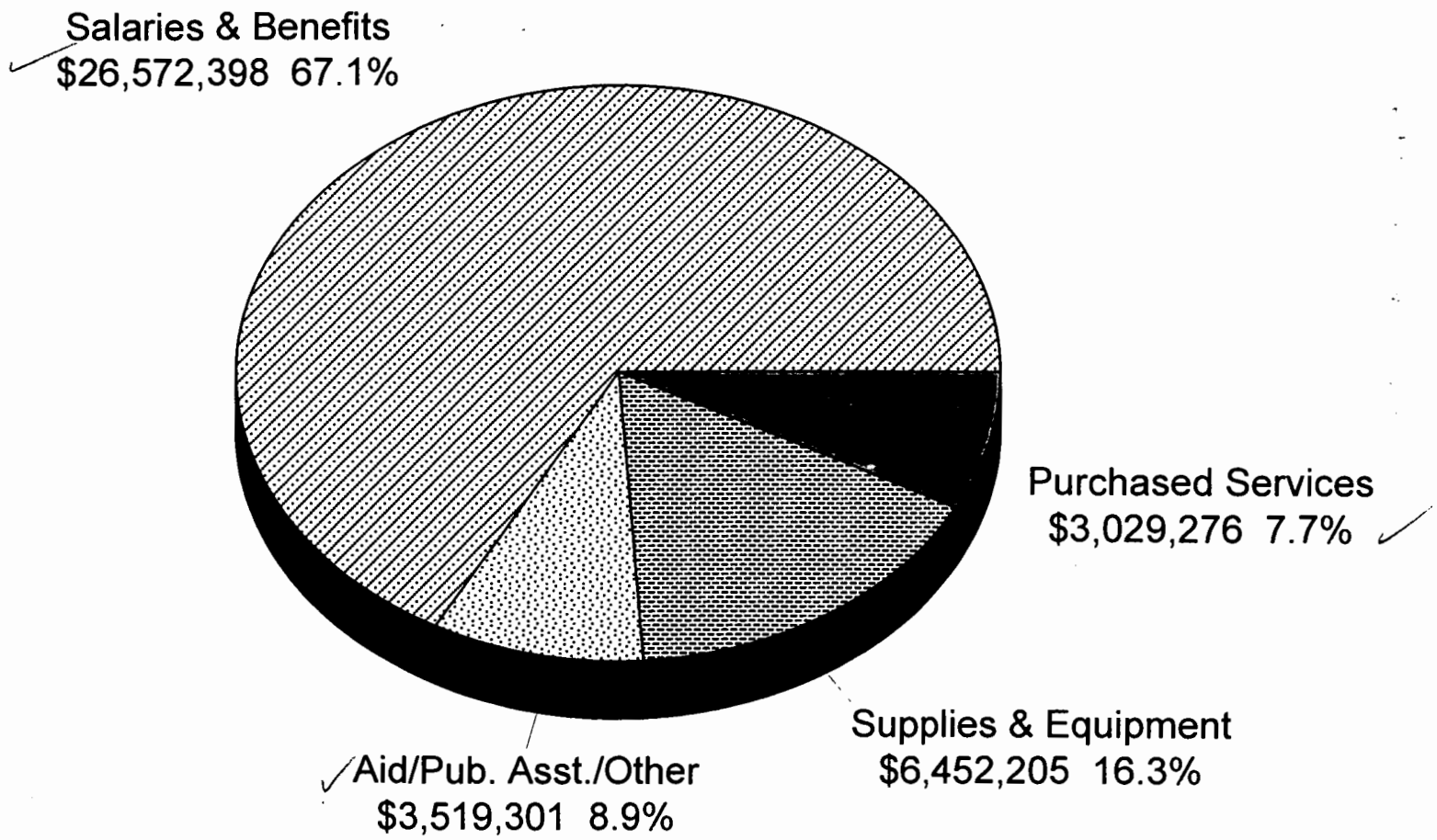
FY 1996-97 (Authorized) Fund Sources



Fiscal Research Division February 1997

Division of Forest Resources

FY 1996-97 (Authorized) Expenditures By Category



Fiscal Research Division February 1997

3300 Educate and train adult offenders

Objective 3: Increase percentage of prison population participating in work programs.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percentage of prison population involved in work programs (comprehensive measure being developed)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Average monthly participation in work release	987	989	1,256	1,200	1,350	*1,400*	*1,500*	*1,600*
Average number assigned to institutional work	7,398	7,560	8,337	8,553	8,978	*9,428*	*10,500*	*11,500*
Average monthly participation in Community Work	n/a	n/a	n/a	n/a	1,984	*2,026*	*2,026*	*2,026*
Average weekly participation in Young Offenders	45	80	80	80	90	*90*	*90*	*90*
Percentage of prisoners aged 18-25 in BRIDGE	10%	10%	10%	10%	10%	grow *12%*	*12%*	*12%*

Current Situation:

Participation in labor programs benefits the individual inmate as well as the state. Emphasis should be placed upon expanding these programs.

Note: *Comprehensive measure to encompass all types of work programs without duplication of counts is under development.*

Funds:

4500 DOC
1310 Custody and Security
1350 Corrective Services
7100 Enterprise Services

4300 DEHNR
1235 Young Offenders

5320 Forest resources

Objective 1: Sustain forest resources for future generations and the forest products industry.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Acres (in millions) in commercial forest land.	n/a	n/a	18.55	18.51	18.48	*18.44*	*18.41*	*18.38*
Performance Measures:								
Number of acres reforested annually on non-industrial private forest land	89,372	100,813	104,862	105,537	112,014	*110,000*	*110,000*	*115,000*
Number of additional acres of forest under management	252,104	327,772	320,086	339,280	312,323	*320,000*	*320,000*	*325,000*
Number of landowners provided on-the-ground assistance in managing their woodlands for maximum benefit	6,605	8,034	7,603	7,205	8,328	*9,000*	*10,000*	*10,000*
Number of forest management plans prepared	4,825	6,123	5,655	5,522	6,091	*5,600*	*5,800*	*5,800*
Acres influenced by Forestry Best Management Practices	57,657	50,449	47,115	45,104	38,161	*50,000*	*50,000*	*50,000*
Number of assists provided to the wood products industry to improve efficiency, encourage value added production, and reduce unused residues	165	170	180	185	141	*200*	*200*	*200*
Number of students receiving forestry education programs. (*Method of counting students has been revised. Students receive up to three programs during each visit and were counted as three programs previously.)	67,672	73,164	102,368	114,493	41,600*	*45,000*	*47,500*	*50,000*
Total attendance at state forests increasing	99,621	120,460	138,421	147,165	154,466	*175,000*	*178,000*	*181,000*

Current Situation:

During 1996, Hurricane Fran and Hurricane Bertha caused extensive damage to forest resources throughout most of Eastern North Carolina. The greatest economic losses occurred in Johnston, Pender, Sampson and Wake counties. The greatest acreages of lost timber occurred in Bladen, Brunswick, Columbus, Moore, Pender, and Sampson counties. Total economic losses are estimated at $1.3 billion. The large amount of unharvested blown down timber will increase the risk of forest fires during the next few years.

Funds:

4300 EHNR
1210 Forestry Field Organization
1240 Forest Resources Central Office

5320 Forest resources

Objective 2: Minimize resources (both structural and timber) lost to wildfire by keeping average fire size to less than five acres.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
✓Average fire size in acres	n/a	n/a	5.22	4.54	3.66	*3.50*	*3.35*	*3.20*
Performance Measures:								
Number of acres burned by wildfires	28,748	18,231	33,000	34,840	16,191	*27,000*	*27,000*	*27,000*
Number of structures threatened by wildfire and saved	n/a	n/a	n/a	n/a	926	*900*	*900*	*900*
Number of schools visited by forestry personnel where programs are provided	n/a	n/a	n/a	n/a	1250	*1260*	*1270*	*1270*
Number of urban fire plans prepared	n/a	n/a	n/a	n/a	40	*45*	*48*	*50*

Current Situation:

Continuing urbanization of forests in North Carolina increases the complexity of fire suppression operations and the potential for loss of life and property. Hurricanes Fran and Bertha, coupled with ice storms, have significantly increased downed timber and material in North Carolina forests thereby increasing fuel loads to a very dangerous level.

Funds:

4300 EHNR
1210 Forestry Field Organization
1240 Forest Resources Central Office

6410 Technical assistance to agricultural, aquacultural and forestry-based commerce and development

Objective 3: Grow more timber than is harvested.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Ratio of the volume of timber grown to the volume of timber harvested	1.08	1.06	1.19	1.18	1.15	*1.12*	*1.09*	*1.05*
Performance Measures:								
Number of acres of forest regeneration receiving state cost share assistance	41,668	40,240	44,457	51,285	67,868	*60,000*	*65,000*	*65,000*
Number of acres reforested using state resources	10,211	13,250	14,200	15,100	15,400	*15,700*	*16,000*	*16,000*
Total tree seedling production (in thousands) by forest tree nurseries	22,771	21,489	25,905	29,377	30,000	*30,250*	*35,000*	*35,000*
Genetically-improved tree seedling production (in thousands) by forest tree nurseries	21,135	19,481	22,906	26,386	27,000	*27,225*	*25,000*	*25,000*
Number acres developed for pine straw production and demonstration at Bladen Lakes Forest	1,604	1,829	1,979	1,600	1,600	*1,800*	*1,700*	*1,800*
Seed harvested from orchards at forest tree nurseries (in pounds)	9,025	9,656	377	9,000	8,500	*500*	*8,000*	*8,000*

Current Situation:

Although, within the agency, it is generally agreed upon that the ratio of the volume of timber grown to the volume of timber harvested in North Carolina is higher than the US average, currently there is no nationally standardized method for tracking this data.

Funds:

4300 EHNR
1250 Forestation
1260 Forest Tree Nurseries
1270 Bladen Lakes State Forest

DIVISION OF FOREST RESOURCES
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Abolish positions	($282,321) R -9.00	($282,321) R -9.00
2) Reduce Forestry Fire Tower Operations	($363,292) R	($363,292) R
3) Reduce Motor Vehicles	($452,760) R	($452,760) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS		
1) Forestry Best Management Practices	$100,000 NR	
2) Forestry Headquarters	$750,000 NR	$750,000 NR
3) Forestry Headquarters Pilot Project		$ 150,000NR

REPAIRS AND RENOVATIONS

The Division received $131,800 from the 1996-97 Reserve for Repairs and Renovations for roof replacements and repairs at forestry headquarters.

Fiscal Research Division February, 1997

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $759,815

Incorporates the Division of Forest Resources' share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $568,554 in state appropriations and $191,261 in receipts.

GOVERNOR'S RECOMMENDED REDUCTIONS	1995-96	1996-97
Increase Forestry Receipts from counties A reduction in appropriations is recommended by making an adjustment to receipts from counties. Currently, counties share in the cost of forestry operations with a match of 25% to 40% depending on the tax base of the county.	($120,000) R	($120,000) R
Reduce Forestry Field Organization A reduction in appropriations is recommended due to an adjustment in the schedule for completion of the statewide radio system.	($200,000) R	($200,000) R

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1) The Governor's recommended continuation budget for forestry field operations includes a net increase of $2,029,960 in FY 1997-98 and $1,705,537 in FY 1998-99 for property, plant and equipment items. The FY 1996-97 (current fiscal year) authorized budget includes $2,355,538 for such purposes. The Committee may wish to have the Division provide an explanation of their expected needs to justify this increase, and whether or not a greater portion could be funded with the Division's current authorized budget for equipment.

Fiscal Research Division February, 1997

LICENSED MOTOR VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

Section 5
Attachment 8

(Due 9/30/96)

Department DEHNR **Division or Institution** Forest Resources **Budget Code** 14300

FUND	ACCOUNT	MAKE, TYPE, AND YEAR MODEL	DATE PURCHASED (MONTH AND YEAR)	ESTIMATED MILEAGE AS OF 6-30-97	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-99 TOTAL COST	1998-99 TRADE-IN VALUE** (IF APPLICABLE)
12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102201	534541	1990 DODGE MECHANIC TRUCK 3/4 TON, 2WD	Nov-90	73,500			20,900	1,600
12102201	534541	1990 DODGE MECHANIC TRUCK 3/4 TON, 2WD	Nov-90	69,000			20,900	1,600
12102201	534541	1989 DODGE VAN 1/2 TON	Oct-89	105,000	18,664	1,000		
12102201	534541	1988 CHEVROLET COMPACT 2WD	Sep-88	49,000			15,046	1,200
12102201	534541	1991 CHEVROLET COMPACT 2WD	Apr-90	71,000			15,046	1,200
12102201	534541	1991 CHEVROLET COMPACT 2WD	Apr-90	69,000			15,046	1,200
12102202	534541	1989 CHEVROLET TRUCK 1/2 TON	Apr-89	52,000			18,568	1,200
12102202	534541	1987 CHEVROLET TRUCK 3/4 TON	Feb-87	105,000	24,570	1,200		
12102202	534541	1992 DODGE VAN 3/4 TON	Mar-92	77,000			20,280	1,200
12102203	534541	1985 DODGE 4X4 3/4 TON	May-85	102,000	24,570	1,400		
12102203	534541	1986 FORD 4X4 3/4 TON	Apr-86	110,000	24,570	1,400		
12102203	534541	1990 FORD 4X4 CAB 1 TON	Jun-90	155,500	26,950	1,400		
12102203	534541	1990 CHEVROLET S-10 4X2	Apr-90	89,500			15,046	1,200
12102203	534541	1990 FORD 4X4 3/4 TON	May-90	87,000			24,570	1,400
12102203	534541	1990 CHEVROLET S-10 4X2	Apr-90	75,000			15,246	1,200
12102203	534541	1992 CHEVROLET VAN 1 TON 4X2 RADIO VAN	Apr-92	75,000			16,302	1,400
12102204	534541	1976 GMC TANDEM TRUCK TRACTOR	Jun-76	**	60,000			
12102204	534541	1976 GMC TANDEM TRUCK TRACTOR	Jun-76	**	60,000			
12102204	534541	1979 BRUIN TANDEM TRUCK TRACTOR	Jun-79	**	60,000			
12102204	534541	1980 FORD 9000 TANDEM TRUCK TRACTOR	Jun-80	**	60,000			
12102204	534541	1982 BRIGADIER TEN WHEELER	Jul-82	**	80,000			
12102204	534541	1979 TANDEM TRUCK	Jun-79	**	60,000			
12102204	534541	1980 TANDEM TRUCK	Jun-80	**	60,000			
12102204	534541	1979 BRUIN TANDEM TRUCK	Jun-79	**	60,000			
12102204	534541	1979 BRUIN TANDEM TRUCK	Jun-79	**			60,000	
12102204	534541	1980 IHC TANDEM TRUCK	Jun-80	**			60,000	
12102204	534541	1980 IHC TANDEM TRUCK	Jun-80	**			60,000	
12102204	534541	1981 IHC TANDEM TRUCK	Jun-81	**			60,000	
12102013*	534541	1990 FORD 4X4 3/4 TON	Oct-90	92,000	24,570	1,400		
12102017*	534541	1990 CHEVROLET 4X4 3/4 TON	Oct-90	92,000	24,570	1,400		

LICENSED MOTOR VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

(Due 9/30/96)

Department DEHNR Division or Institution Forest Resources Budget Code 14300

FUND	ACCOUNT	MAKE, TYPE, AND YEAR MODEL	DATE PURCHASED (MONTH AND YEAR)	ESTIMATED MILEAGE AS OF 6-30-97	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-99 TOTAL COST	1998-99 TRADE-IN VALUE** (IF APPLICABLE)
12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102010	534541	1988 CHEVROLET 4X4 3/4 TON	Aug-88	105,000	24,570	1,400		
12102018*	534541	1989 FORD 4X4 3/4 TON	Apr-89	70,000			24,570	1,400
12102016*	534541	1991 FORD 4X4 3/4 TON	Sep-91	55,000			24,570	1,400
12102011*	534541	1993 FORD 4X4 3/4 TON	Oct-93	85,000			24,570	1,400
12102010	534541	1990 CHEVROLET 4X4 1/2 TON	Oct-90	80,000			18,568	1,200
12102010	534541	1989 FORD 4X4 3/4 TON	May-89	75,000			24,570	1,400
12102010	534541	1989 CHEVROLET 4X4 1/2 TON	Dec-89	75,000			19,800	1,200
12102010	534541	1989 CHEVROLET 4X4 1 TON	Jun-89	70,000			26,950	1,400
12102223*	534541	1984 FORD BRONCO 4X4	Jul-84	142,000	26,280	1,400		
12102013*	534541	1984 FORD BRONCO 4X4	Jul-84	140,000	26,280	1,400		
12102025*	534541	1989 CHEVROLET 4X4 1 TON	Mar-89	100,000	26,950	1,400		
12102026*	534541	1989 CHEVROLET 4X4 1 TON	Mar-89	100,000	26,950	1,400		
12102028*	534541	1989 CHEVROLET 4X4 1 TON	Mar-89	100,000	26,950	1,400		
12102022*	534541	1990 FORD 4X4 3/4 TON	Mar-90	100,000			24,570	1,400
12102026*	534541	1990 FORD 4X4 3/4 TON	Mar-90	100,000			24,570	1,400
12102025*	534541	1991 FORD 4X4 3/4 TON	Mar-91	95,000			24,570	1,400
12102027*	534541	1991 FORD 4X4 3/4 TON	Mar-91	95,000			24,570	1,400
12102020	534541	1990 FORD 4X4 3/4 TON	Mar-90	100,000			24,570	1,400
12102034*	534541	1990 CHEVROLET 4X4 3/4 TON	May-90	131,700	24,570	1,400		
12102032*	534541	1988 CHEVROLET 4X4 3/4 TON	Apr-88	127,616	24,570	1,400		
12102037*	534541	1990 CHEVROLET 4X4 3/4 TON	May-90	123,058	24,570	1,400		
12102031*	534541	1988 CHEVROLET 4X4 3/4 TON	Apr-88	122,222	24,570	1,400		
12102030	534541	1990 CHEVROLET 4X4 3/4 TON	May-90	118,192	24,570	1,400		
12102034*	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	117,346	24,570	1,400		
12102036*	534541	1991 FORD 4X4 3/4 TON	Apr-91	115,440	24,570	1,400		
12102033*	534541	1988 CHEVROLET 4X4 3/4 TON	Apr-88	115,218	24,570	1,400		
12102030	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	111,750	24,570	1,400		
12102035*	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	110,385	24,570	1,400		
12102037*	534541	1991 FORD 4X4 3/4 TON	Apr-91	108,385	24,570	1,400		
12102034*	534541	1991 FORD 4X4 3/4 TON	Apr-91	107,500	24,570	1,400		

LICENSED MOTOR VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

Section 5
Attachment 8

(Due 9/30/96)

Department DEHNR **Division or Institution** Forest Resources **Budget Code** 14300

FUND	ACCOUNT	MAKE, TYPE, AND YEAR MODEL	DATE PURCHASED (MONTH AND YEAR)	ESTIMATED MILEAGE AS OF 6-30-97	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-99 TOTAL COST	1998-99 TRADE-IN VALUE** (IF APPLICABLE)
12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102030	534541	1988 CHEVROLET 4X4 3/4 TON	Apr-88	107,389	24,570	1,400		
12102030	534541	1990 CHEVROLET 4X4 3/4 TON	May-90	105,997	24,570	1,400		
12102030	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	101,343	24,570	1,400		
12102038*	534541	1992 CHEVROLET 4X4 3/4 TON	Apr-92	97,000	24,570	1,400		
12102033*	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	116,437			24,570	1,400
12102031*	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	116,081			24,570	1,400
12102035*	534541	1992 CHEVROLET 4X4 3/4 TON	Apr-92	108,532			24,570	1,400
12102032*	534541	1992 FORD 4X4 3/4 TON	Apr-92	104,489			24,570	1,400
12102038*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	103,750			24,570	1,400
12102043	534541	1989 CHEVROLET 4X4 3/4 TON	Oct-89	113,000	24,570	1,400		
12102047*	534541	1989 CHEVROLET 4X4 3/4 TON	Oct-89	103,000	24,570	1,400		
12102041*	534541	1992 CHEVROLET 4X4 3/4 TON	Sep-92	100,000	24,570	1,400		
12102044*	534541	1991 FORD 4X4 3/4 TON	Sep-91	69,000			24,570	1,400
12102042*	534541	1993 CHEVROLET 4X4 3/4 TON	Oct-93	68,000			24,570	1,400
12102043*	534541	1993 CHEVROLET 4X4 3/4 TON	Oct-93	64,000			24,570	1,400
12102046*	534541	1991 FORD 4X4 3/4 TON	Sep-91	105,000	24,570	1,400		
12102047*	534541	1991 FORD 4X4 3/4 TON	Sep-91	83,000			24,570	1,400
12102040	534541	1989 CHEVROLET 4X4 3/4 TON	Dec-89	100,000	24,570	1,400		
12102040	534541	1991 CHEVROLET 1/2 TON 2WD	Oct-90	75,000			15,046	1,200
12102040	534541	1992 FORD 3/4 TON 2WD	Sep-92	74,000			20,900	1,200
12102051*	534541	1988 CHEVROLET 4X2 3/4 TON	Apr-88	117,000	20,902	1,200		
12102054*	534541	1990 FORD 4X4 1 TON	Apr-90	120,000	26,950	1,400		
12102055*	534541	1988 CHEVROLET 4X2 3/4 TON	Apr-88	115,000	20,900	1,200		
12102056*	534541	1987 CHEVROLET 4X2 3/4 TON	Apr-87	155,000	20,900	1,200		
12102057*	534541	1987 CHEVROLET 4X2 3/4 TON	Apr-87	123,000	20,900	1,200		
12102058*	534541	1988 CHEVROLET 4X2 3/4 TON	Apr-88	138,500	20,900	1,200		
12102057*	534541	1988 CHEVROLET 4X4 3/4 TON	Apr-88	125,000			24,570	1,200
12102058*	534541	1988 CHEVROLET 4X2 3/4 TON	Apr-88	150,000	20,900	1,200		
12102060	534541	1988 CHEVROLET 4X2 MECHANIC	May-88	115,000	26,950	1,600		
12102221	534541	1989 CHEVROLET 4X2	Apr-89	130,000	20,900	1,200		
12102065*	534541	1990 CHEVROLET 4X4	Apr-90	130,000	24,570	1,200		

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LICENSED MOTOR VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

Section 5
Attachment 8

(Due 9/30/96)

Department DEHNR **Division or Institution** Forest Resources **Budget Code** 14300

FUND	ACCOUNT	MAKE, TYPE, AND YEAR MODEL	DATE PURCHASED (MONTH AND YEAR)	ESTIMATED MILEAGE AS OF 6-30-97	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-99 TOTAL COST	1998-99 TRADE-IN VALUE** (IF APPLICABLE)
12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102062*	534541	1991 FORD 4X4	Apr-91	130,000	24,570	1,200		
12102066*	534541	1991 FORD 4X4	Apr-91	135,000	24,570	1,200		
12102061*	534541	1991 FORD 4X4	Jul-91	115,000	24,570	1,200		
12102060	534541	1988 CHEVROLET 4X2 MECHANIC	May-88	130,000	26,950	1,600		
12102062*	534541	1990 CHEVROLET 4X4	Apr-90	120,000	24,570	1,200		
12102063*	534541	1990 CHEVROLET 4X4	May-90	95,000			24,570	1,200
12102064*	534541	1990 CHEVROLET 4X4	Apr-89	110,000	24,570	1,200		
12102065*	534541	1991 FORD 4X4	Apr-91	115,000	24,570	1,200		
12102066*	534541	1990 DODGE 4X4	Jun-90	100,000	24,570	1,200		
12102221	534541	1987 CHEVROLET 4X4	Apr-87	100,000			24,570	1,200
12102063*	534541	1992 CHEVROLET 4X4	Mar-92	95,000			24,570	1,200
12102072*	534541	1991 FORD 2X4 3/4 TON	Apr-91	66,000			24,570	1,200
12102074*	534541	1992 CHEVROLET 4X4 3/4 TON	Feb-92	71,000			24,570	1,400
12102070	534541	1992 FORD RANGER 1/2 TON	Jun-92	70,000			15,046	1,200
12102085*	534541	1988 CHEVROLET 4X4 3/4 TON	Feb-88	165,000	24,570	1,400		
12102080	534541	1988 CHEVROLET 4X4 1 TON	Feb-88	150,000	26,950	1,400		
12102080	534541	1988 CHEVROLET MECHANIC 3/4 TON	Feb-88	115,000	24,570	1,600		
12102080	534541	1987 CHEVROLET 4X4 3/4 TON	Feb-88	125,000	24,570	1,400		
12102222	534541	1988 DODGE 1/2 TON	Feb-88	85,000			26,950	1,200
12102222	534541	1988 DODGE 1/2 TON	Feb-88	85,000			26,950	1,200
12102086*	534541	1989 CHEVROLET 4X4 1 TON	Feb-89	80,000			26,950	1,400
12102080	534541	1989 CHEVROLET 3/4 TON	Feb-89	140,000	20,900	1,200		
12102081*	534541	1990 FORD 4X4 3/4 TON	Feb-90	130,000	24,570	1,400		
12102084*	534541	1990 FORD 4X4 3/4 TON	Feb-90	110,000	24,570	1,400		
12102080	534541	1990 DODGE MECHANIC 3/4 TON	Feb-90	82,000			26,950	1,600
12102080	534541	1990 CHEVROLET 3/4 TON	Feb-90	150,000	20,900	1,200		
12102080	534541	1990 CHEVROLET 4X4 3/4 TON	Feb-90	135,000	24,570	1,400		
12102081*	534541	1991 FORD 4X4 3/4 TON	Feb-91	100,000	24,570	1,400		
12102084*	534541	1991 FORD 4X4 3/4 TON	Feb-91	90,000			24,570	1,400
12102085	534541	1991 FORD 4X4 3/4 TON	Feb-91	150,000	24,570	1,400		
12102083	534541	1992 CHEVROLET 4X4 3/4 TON	Feb-92	115,000	24,570	1,400		
12102080	534541	1992 FORD MECHANIC 3/4 TON	Feb-92	70,000			26,950	1,600

LICENSED MOTOR VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

Section 5
Attachment 8

(Due 9/30/96)

Department DEHNR Division or Institution Forest Resources Budget Code 14300

FUND	ACCOUNT	MAKE, TYPE, AND YEAR MODEL	DATE PURCHASED (MONTH AND YEAR)	ESTIMATED MILEAGE AS OF 6-30-97	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-99 TOTAL COST	1998-99 TRADE-IN VALUE** (IF APPLICABLE)
12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102082*	534541	1993 CHEVROLET 4X4 3/4 TON	Feb-93	77,000			24,570	1,400
12102083*	534541	1994 CHEVROLET 4X4 3/4 TON	Feb-94	75,000			24,570	1,400
12102095*	534541	1986 FORD 4X4 3/4 TON	Dec-86	100,000	24,570	1,400		
12102093*	534541	1988 CHEVROLET 4X4 3/4 TON	Nov-88	100,000	24,570	1,400		
12102097*	534541	1987 CHEVROLET 4X4 3/4 TON	Sep-87	100,000			24,570	1,400
12102090	534541	1989 FORD 4X4 3/4 TON	Jan-90	100,000			24,570	1,400
12102107*	534541	1992 CHEVROLET 4X4 3/4 TON	May-92	102,000	24,570	1,400		
12102109*	534541	1992 FORD 4X4 3/4 TON	May-92	92,000	24,570	1,400		
12102202	534541	1992 DODGE VAN 3/4 TON	Apr-92	77,000			20,900	1,200
12102100	534541	1989 CHEVROLET 3/4 TON	Apr-89	131,000	20,900	1,200		
12102100	534541	1988 CHEVROLET 4X4 3/4 TON	May-88	81,000			24,570	1,400
12102101*	534541	1993 FORD 4X4 3/4 TON	Apr-93	68,000			24,570	1,400
12102103*	534541	1993 FORD 4X4 3/4 TON	Apr-93	77,000			24,570	1,400
12102104*	534541	1993 FORD 4X4 3/4 TON	Apr-93	69,000			24,570	1,400
12102106*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	90,000	24,570	1,400		
12102155*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	74,000			24,570	1,400
12102110	534541	1990 CHEVROLET 2X4 1/2 TON	May-90	125,000	18,568	1,200		
12102110	534541	1990 CHEVROLET 2X4 1/2 TON	May-90	125,000	19,800	1,200		
12102110	534541	1988 CHEVROLET 2X4 3/4 TON	Mar-88	115,000	20,900	1,200		
12102113*	534541	1992 CHEVROLET 4X4 3/4 TON	Apr-92	80,000			24,570	1,400
12102116*	534541	1992 CHEVROLET 4X4 3/4 TON	Apr-92	85,000			24,570	1,400
12102112*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	70,000			24,570	1,400
12102114*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	75,000			24,570	1,400
12102115*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	70,000			24,570	1,400
12102126*	534541	1990 FORD 4X4 3/4 TON	Apr-90	90,000	24,570	1,400		
12102122*	534541	1992 FORD 4X4 3/4 TON	Apr-92	91,000	24,570	1,400		
12102121*	534541	1992 FORD 4X4 3/4 TON	Apr-92	85,000			24,570	1,400
12102122*	534541	1993 FORD 4X4 3/4 TON	Apr-93	80,000	24,570	1,400		
12102120	534541	1989 CHEVROLET 4X4 1 TON	May-90	121,000	26,950	1,400		
12102130	534541	1992 FORD RANGER 2X4	May-92	75,000			15,046	1,200

LICENSED MOTOR VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

(Due 9/30/96)

Department DEHNR **Division or Institution** Forest Resources **Budget Code** 14300

FUND	ACCOUNT	MAKE, TYPE, AND YEAR MODEL	DATE PURCHASED (MONTH AND YEAR)	ESTIMATED MILEAGE AS OF 6-30-97	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-99 TOTAL COST	1998-99 TRADE-IN VALUE** (IF APPLICABLE)
12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102132*	534541	1988 CHEVROLET 4X4 3/4 TON	May-88	175,000	24,570	1,400		
12102132*	534541	1989 CHEVROLET 4X4 3/4 TON	Jun-89	130,000	24,570	1,400		
12102132*	534541	1989 CHEVROLET 4X4 3/4 TON	Jun-89	137,000	24,570	1,400		
12102131*	534541	1993 CHEVROLET 4X4 3/4 TON	Jun-93	130,000	24,570	1,400		
12102133*	534541	1988 CHEVROLET 4X4 3/4 TON	May-88	95,000	24,570	1,400		
12102134*	534541	1987 CHEVROLET 2X4 1/2 TON	Jun-87	155,000	18,568	1,200		
12102134*	534541	1991 CHEVROLET 4X4 3/4 TON	Jun-91	110,000	24,570	1,400		
		Total by Fund/Account			$2,546,572	$114,800	$1,706,756	$86,200
		Less: Motor vehicles included in 1996-97 Authorized Year			$568,578	76,800	$568,578	76,800
		Less: County Receipts*			$518,134		$342,741	
		Net Amount to Worksheet I			$1,459,860	$38,000	$795,437	$9,400

*Represents County Vehicles
** Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

Submit 6 copies on 8 1/2 x 11-inch paper.

OTHER VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

Section
Attachment
(Due 9/30/9

Department DEHNR **Division or Institution** FOREST RESOURCES **Budget Code**

FUND	ACCOUNT	DESCRIPTION (MAKE, TYPE, AND YEAR MODEL)	DATE PURCHASED (MONTH & YEAR) NUMBER	CONDITION*	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-99 TOTAL COST	1998-99 TRADE-IN VALUE** (IF APPLICABLE)
12102204	534542	1953 CESSNA AIRCRAFT L19A N10714	1963	POOR-SEE ATTACHED	200,000			
12102204	534542	1953 CESSNA AIRCRAFT L19 N2FS	1963	POOR-SEE ATTACHED			200,000	
		Total by Fund/Account			$200,000		$200,000	

* Provide information from maintenance records, frequency of repairs, and other pertinent information such as mileage or hours of operation to assist in determining condition.

** Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

Submit 6 copies on 8 1/2 x 11-inch paper.

OTHER VEHICLE PURCHASE SCHEDULE

(For continuation requests only)

DEPARTMENT DEHNR Division or Institution FOREST RESOURCES Budget Code

FUND	ACCOUNT	DESCRIPTION (MAKE, TYPE, AND YEAR MODEL)	DATE PURCHASED (MONTH & YEAR) NUMBER	CONDITION*	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-9 TOTAL COST	1998-9 (I
12102204	534544	FARM TRAILER-UTILITY SHOP MADE	1978	POOR-SEE ATTACHED			12,000	
12102204	534544	1973 LOWBOY TRAILER 35 TON 28' DECK	1973	POOR-SEE ATTACHED	18,000			
12102204	534544	1970 LOWBOY TRAILER 25 TON 26' DECK	1970	POOR-SEE ATTACHED	16,000			
12102204	534544	1974 LOWBOY TRAILER 35 TON 28' DECK	1974	POOR-SEE ATTACHED	18,000			
12102204	534544	1970 LOWBOY TRAILER 25 TON 26' DECK	1970	POOR-SEE ATTACHED	16,000			
12102204	534544	1974 LOWBOY TRAILER 35 TON 28' DECK	1974	POOR-SEE ATTACHED			18,000	
12102204	534544	1973 REID LOWBOY TRAILER 25 TON 26' DECK	1973	POOR-SEE ATTACHED			16,000	
12102204	534544	1975 LOWBOY TRAILER 35 TON 28' DECK	1975	POOR-SEE ATTACHED			18,000	
12102204	534544	1970 LOWBOY TRAILER 35 TON 28' DECK	1970	POOR-SEE ATTACHED			18,000	
12102204	534544	1968 REID LOWBOY TRAILER 35 TON 26' DECK	1968	POOR-SEE ATTACHED			16,000	
		Total by Fund/Account			$68,000		$98,000	

* Provide information from maintenance records, frequency of repairs, and other pertinent information such as mileage or hours of operation to assist in determining condition.

** Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

Submit 6 copies on 8 1/2 x 11-inch paper.

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OTHER VEHICLE PURCHASE SCHEDULE

(For continuation requests only)

Section 5
Attachment 9
(Due 9/30/96)

DEPARTMENT DEHNR | Division or Institution FOREST RESOURCES | Budget Code 14300

FUND	ACCOUNT	DESCRIPTION (MAKE, TYPE, AND YEAR MODEL)	DATE PURCHASED (MONTH & YEAR) NUMBER	CONDITION*	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-99 TOTAL COST	1998-99 TRADE-IN VALUE** (IF APPLICABLE)
12102204	534549	1978 FIAT 8 TRACTOR LGP MED 100HP	1978	POOR-SEE ATTACHED	105,000			
12102204	534549	1978 FIAT 8 TRACTOR 90 HP STANDARD	1978	POOR-SEE ATTACHED	80,000			
12102204	534549	1978 FIAT 8 TRACTOR LGP MED 100HP	1978	POOR-SEE ATTACHED	105,000			
12102204	534549	1978 FIAT 8 TRACTOR 90 HP STANDARD	1978	POOR-SEE ATTACHED	80,000			
12102204	534549	1978 CASE 1150B 120HP HEAVY LPG	1978	POOR-SEE ATTACHED			130,000	
12102204	534549	1979 CASE 1150B 120 HP HEAVY LPG	1979	POOR-SEE ATTACHED			130,000	
12102204	534549	1980 FIAT 8 TRACTOR 90 HP STANDARD	1980	POOR-SEE ATTACHED			80,000	
12102204	534549	1978 CASE 1150B 120HP HEAVY LPG	1978	POOR-SEE ATTACHED			130,000	
12102204	534549	1973 TRACTOR TD15C 120HP HEAVY LPG	1973	POOR-SEE ATTACHED			130,000	
12102204	534549	1972 FORD TRACTOR 3000	1972	POOR-SEE ATTACHED			25,000	
12102204	534549	1974 FORD TRACTOR 5000	1974	POOR-SEE ATTACHED			55,000	
		Total by Fund/Account			370,000		680,000	

* Provide information from maintenance records, frequency of repairs, and other pertinent information such as mileage or hours of operation to assist in determining condition.

** Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

Submit 6 copies on 8 1/2 x 11-inch paper.

2) Hurricane Fran destroyed approximately 8.6 million acres and caused an estimated $1.3 billion in damage to the state's timberland. The destruction caused by the hurricane has left much of the state vulnerable to forest fires this spring. The Department has disclosed the need to reactivate forest fire towers that were closed two years ago due to budget reductions. The Committee may wish to ask the Division to describe efforts underway to combat a potentially hazardous fire season.

3) The 1995 General Assembly appropriated $150,000 for a pilot project for the construction of a forestry headquarters building. The Department subsequently entered into a contract with Lee County for the project. As required, the Department provided an interim report to the Joint Legislative Commission on Governmental Operations, which identified two issues regarding the project. First, Lee County officials indicated the need for an additional $50,000 to implement the project. Second, the County expressed the desire for an exemption from oversight by the State Construction Office and the Department of Insurance as set out in Section 27.18 of House Bill 53 (1996 Budget Bill).

   The Committee may wish to ask the Division to address these issues and options for completing the project.

DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES-- Interim Report on the Pilot Privatization Project for Construction of Forestry Buildings

Section 27.18 of Chapter 18 of the Second 1996 Extra Session

Requested by: Senators Martin of Pitt, Jordan, Kerr, Representatives Mitchell, Weatherly

PILOT PRIVATIZATION PROJECT FOR CONSTRUCTION OF FORESTRY BUILDINGS

Sec. 27.18. Of the funds appropriated in this act to the Department of Environment, Health, and Natural Resources, the sum of one hundred fifty thousand dollars ($150,000) for the 1996-97 fiscal year shall be placed in a reserve within the Department, and the Department shall, as part of a pilot project, enter into a contract with a county to construct a forestry headquarters building in that county. The contract shall provide: that the county may contract with a private for-profit or nonprofit firm for the construction of a building at least 2,300 square feet in size to consist of, at a minimum, a storage unit and an office area and to include a surfaced driveway and parking area and utility services; that the county shall submit the design plans and specifications to the Department of Insurance, the Office of State Construction, and the Secretary of Environment, Health, and Natural Resources for review and approval; that the State shall not lease any State-owned land to the county for the building prior to the Department of Insurance, the Office of State Construction, and the Secretary of Environment, Health, and Natural Resources approving the design plans and specifications; that the Department of Insurance, the Office of State Construction, and the Secretary of Environment, Health, and Natural Resources shall inspect and review the project during construction and at the completion of construction to ensure that the building is suitable for its intended use and to determine whether the building is suitable for acquisition by the State; that the Department shall not reimburse the county from the reserve until the Department of Insurance, the Office of State Construction, and the Secretary of Environment, Health, and Natural Resources determine that the building is suitable for acquisition by the State; that the State shall lease to the county any land the State owns that is needed for siting the building and its appurtenances, and, prior to the Department reimbursing the county from the reserve, the county shall transfer to the State for no additional consideration such property, the building, and its appurtenances; and that, prior to the Department reimbursing the county from the reserve, the county shall transfer to the State for no additional consideration any land the county owns that is needed for siting the building and its appurtenances, the building, and its appurtenances. It is the intent of the General Assembly that the General Assembly shall not appropriate additional funds for this pilot project and that the county in which the forestry headquarters building is to be located shall be responsible for all costs in excess of one hundred fifty thousand dollars ($150,000), including those costs related to the county purchasing any new land necessary for siting the building and its appurtenances and those costs related to constructing and equipping this building and its appurtenances. No later than December 15, 1996, and again no later than April 15, 1997, the Department shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the progress of this

pilot project and shall include in both reports the Department's findings and recommendations on the desirability and feasibility of expanding this project to the construction of forestry buildings in other counties.

Department of Environment, Health, and Natural Resources

North Carolina Zoological Park							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	13,774,512	11,914,927	12,177,845	13,937,088	14.4%	13,994,990	14.9%
Less Receipts	(6,001,963)	(5,553,441)	(5,636,298)	(5,032,866)	-10.7%	(5,032,866)	-10.7%
State Appropriations	*7,772,550*	*6,361,486*	*6,541,547*	*8,904,222*	36.1%	*8,962,124*	37.0%
Positions	289.00	272.00	272.00	272.00		272.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

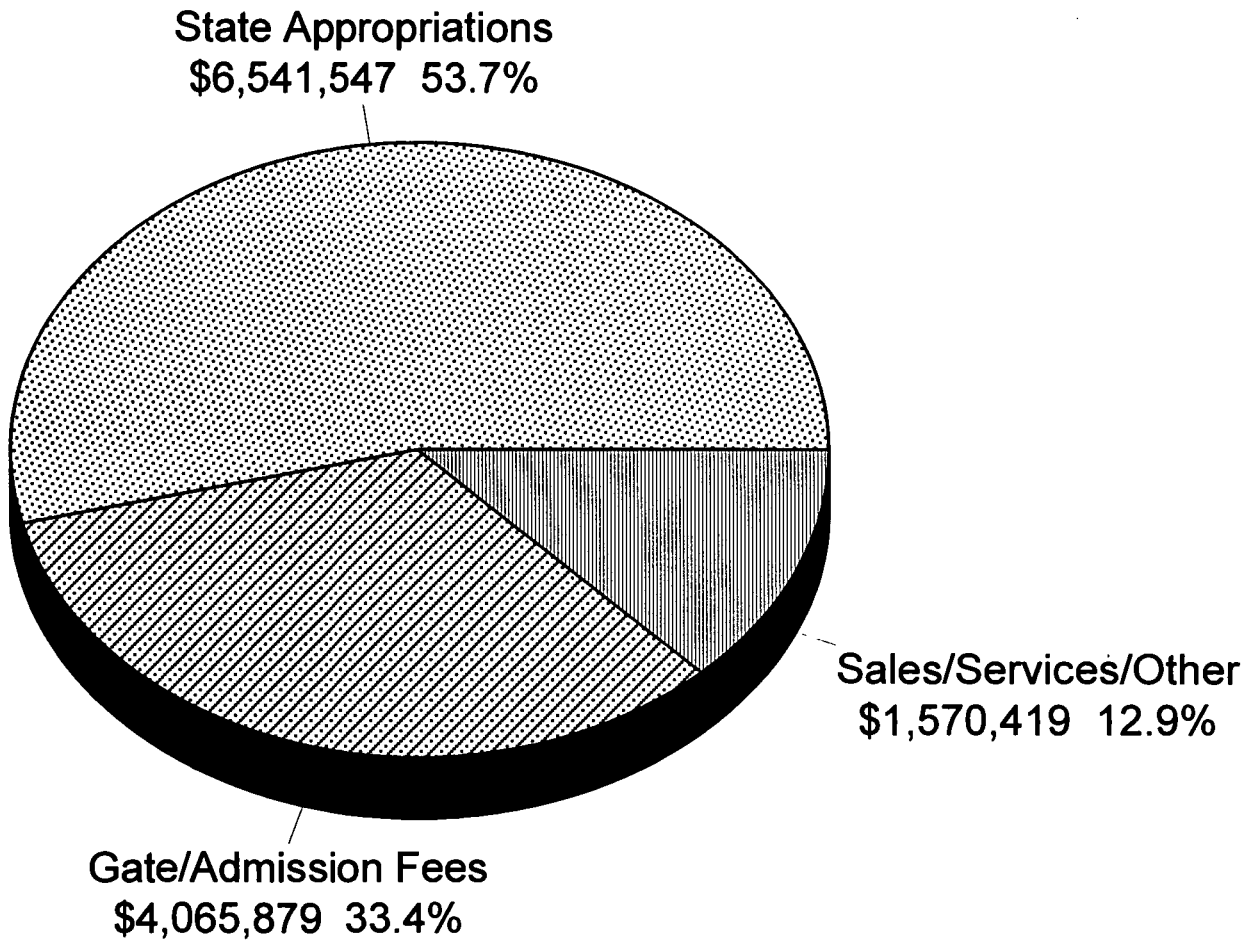
The purpose of the North Carolina Zoo is to develop, maintain and operate a major habitat zoological park which provides a meaningful and accessible recreational and educational outlet for citizens and tourists. Located in Asheboro, the Zoo provides unique educational opportunities for the state school system and the general public, and identifies and makes available to the scientific community research concerning plant and animal life.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp Y-44 through Y-46
Performance/Program Analysis, Volume 7a, pp 5-7 through 5-15

North Carolina Zoological Park

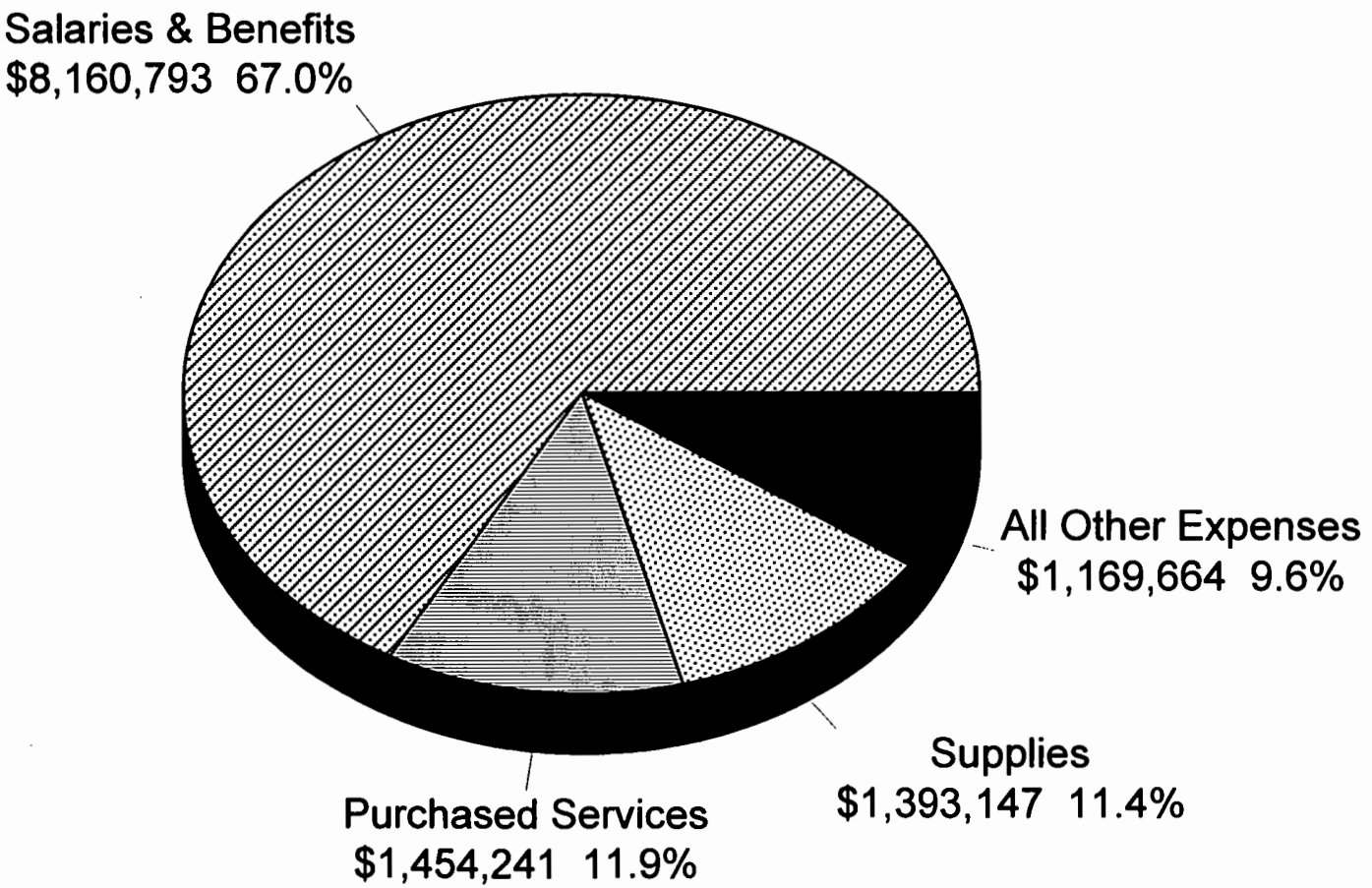
FY 1996-97 (Authorized) Fund Sources



Fiscal Research Division February 1997

North Carolina Zoological Park

FY 1996-97 (Authorized) Expenditures By Category



Fiscal Research Division February 1997

5100 Promote environmental education

Objective 2: Increase environmental awareness and understanding of the general public by increasing participation in structured programs by 15 % by 2002.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of contact hours with participants in structured environmental education programs (without continuing education units (CEU) credits)	n/a	n/a	138,410	117,567	147,206	*137,767*	*145,758*	*148,442*
Performance Measures:								
Total number of programs and outreach programs conducted by the aquariums	4,500	4,575	4,575	4,119	4,119	*4,250*	*4,300*	*4,350*
Number of aquarium program participants	155,000	157,000	160,000	153,667	123,147	*157,250*	*135,000*	*155,000*
Number of participants in Museum of Natural Sciences public progams, classes, workshops, and youth programs	n/a	n/a	n/a	3,684	3,095	*3,176*	*3,150*	*3,860*
Number of participants in classes/programs at the zoo	n/a	n/a	9,897	7,469	9,406	*9,400*	*9,400*	*9,400*
Total number of people attending natural and maritime programs and field trips, seminars and conferences, and classes provided by the Maritime Museum	18,373	18,323	15,771	13,559	13,020	*13,500*	*13,500*	*13,500*
Total number of natural and maritime programs and field trips, seminars and conferences, and classes provided by the Maritime Museum	458	436	465	472	451	*460*	*460*	*460*

Current Situation:

The ability to meet the projected outcome measure will depend on a number of factors including completion of facilities at the Museum of Natural Science and the aquariums as well as the response from the public to publicized programs. It is anticipated that the completion of new facilities will attract more participation in environmental education programs.

Funds:

4300 EHNR
1305 NC Zoo - General Operations
1350 Aquariums - Central Office
1355 NC Aquariums
1360 NC Museum of Natural Sciences

3700 Agriculture
1205 Maritime Museum

5100 Promote environmental education

Objective 4: Increase the general public's environmental awareness by increasing visitor attendance at the zoo, the Museum of Natural Sciences, and the aquariums.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of visitors at the zoo, Museum of Natural Sciences and aquariums.	2,457,151	2,172,793	1,960,567	1,970,136	1,780,264	*1,775,280*	*1,831,563*	*1,877,092*
Performance Measures:								
Number of zoo visitors	573,248	580,178	604,000	934,000	788,043	*780,000*	*750,000*	*750,000*
Number of zoo school group visitors	73,108	79,976	82,000	121,967	123,691	*100,000*	*120,000*	*120,000*
Number of aquarium visitors	1,727,331	1,443,512	1,187,096	849,380	808,626	*808,700*	*891,900*	*934,400*
Number of youth/student visitors to the aquariums	65,000	66,000	67,940	80,768	79,636	*86,000*	*84,000*	*86,000*
Number of Museum of Natural Science visitors	156,572	149,103	169,471	186,756	183,595	*186,654*	*189,714*	*192,774*
Number of Museum of Natural Science school group visitors	73,108	79,976	82,000	121,967	123,691	*100,000*	*120,000*	*120,000*

Current Situation:

The Streamside exhibit at the zoological park opened during FY 1995-96 which completes the North America Continent displays. Construction of the new Museum of Natural Sciences building is expected to be completed in June 1999 and will more than triple the currently available space for exhibits, environmental education programs, and research. Planning is underway to expand all three aquariums to accommodate more exhibits and increased visitation.

Funds:

4300 EHNR
1305 NC Zoo - General Operations
1350 Aquariums - Central Office
1355 NC Aquariums
1360 NC Museum of Natural Sciences

NORTH CAROLINA ZOO
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Adjust underbudgeted receipts	($366,817) R	($333,635) R
2) Fee increase	($1,350,000) R	($1,350,000) R
3) Privatization of Food Services	($108,183) R -10.00	($216,365) R -10.00

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

The North Carolina Zoo received $1,888,600 from the 1996-97 Reserve for Repairs and Renovations account for the following projects:

- advanced planning for Africa upgrade
- safety renovations in elephant habitat
- water circulation/filtration/drainage renovations
- renovations in chimpanzee/lion holding areas
- general renovations in the aviary

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $242,617
Incorporates the Zoo's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $226,603 in state appropriations and $16,014 in receipts.

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1) The Zoo's long range master plan called for the development of 7 continental regions to include Africa, North America, Asia, South America, Australia, Europe and the World of the Seas. "Africa" was completed in 1984 and the last exhibit for "North America" opened in June of 1996.

   The Zoo administration has indicated that the organization should reconsider plans to build the remaining continents and suggests that the Zoo should concentrate on becoming a global leader in environmental education. To that end, the administration has proposed redirecting priorities to the concept of an "Earth Resources Center". Complete with a privately financed hotel and convention area, this "Center" concept would encourage visitors to stay several days at the Zoo and market both the Zoo and surrounding region as a vacation destination.

   The Committee may wish to have the Zoo discuss its future plans for facility development as it relates to the Earth Resource Center concept.

North Carolina Zoological Park
Capital Fund Support

Year Beginning July 1	Totals	Other/Bonds or Local Gov.	Federal Grants	General Assembly Construction	General Assembly Repairs	NC Zoo Society	Note for NC Zoo/Other
1964	18,000	18,000					
1969	250,000			250,000			
1972	2,800,000	1,800,000				1,000,000	Land Gift via Society
1972	2,000,000	2,000,000					Vote of People Bonds/ Only $1.5 m issued
1975	2,000,000			1,000,000		1,000,000	Z. Smith Reynolds Foundation Grant
1976	600,000					600,000	R. J. Reynolds Donation
1977	2,900,000			2,900,000			
1978	1,989,537		339,537	1,650,000			
1979	521,471		521,471				
1980	201,500			201,500			
1981	7,417,100			7,117,100		300,000	Society for Aviary
1982	250,000		250,000				
1983	200,000		200,000				
1985	6,200,000			6,000,000		200,000	Society for North American planning
1986	1,500,000					1,500,000	Society (Commission to North America)
1987	7,500,000			6,000,000		1,500,000	Society (Commission to North America)
1988	4,375,000			3,500,000		875,000	Society (Commission to North America)
1989	(2,500,000)			(2,000,000)		(500,000)	Society (Matching Reversion)
1989	339,236					339,236	Society (Forest Glade Habitat)
1990	7,812,500			6,250,000		1,562,500	Includes Previous Reverted Funds
1990	200,000					200,000	Society (Jaquarundi and Ocelot)
1990	262,000					262,000	Society (Desert Rockwork)
1991	268,000					268,000	Soceity (Construction Supplement)
1991	210,000					210,000	Society (Wart Hog Habitat)
1992	513,264					513,264	Society (Misc NA Supplements)
1992	6,887,800			5,826,000		1,061,800	Society Match
1993	324,300					324,300	Society (Gift Shop Construction)
1993	135,000					135,000	Visitor Services Supplement
1993	82,592					82,592	Ice Cream Parlor Supplement
1993	82,000				82,000		
1993	63,000					63,000	Arctic Fox Supplement SS Mesh

North Car[redacted]oological Park
Capital [redacted]nd Support

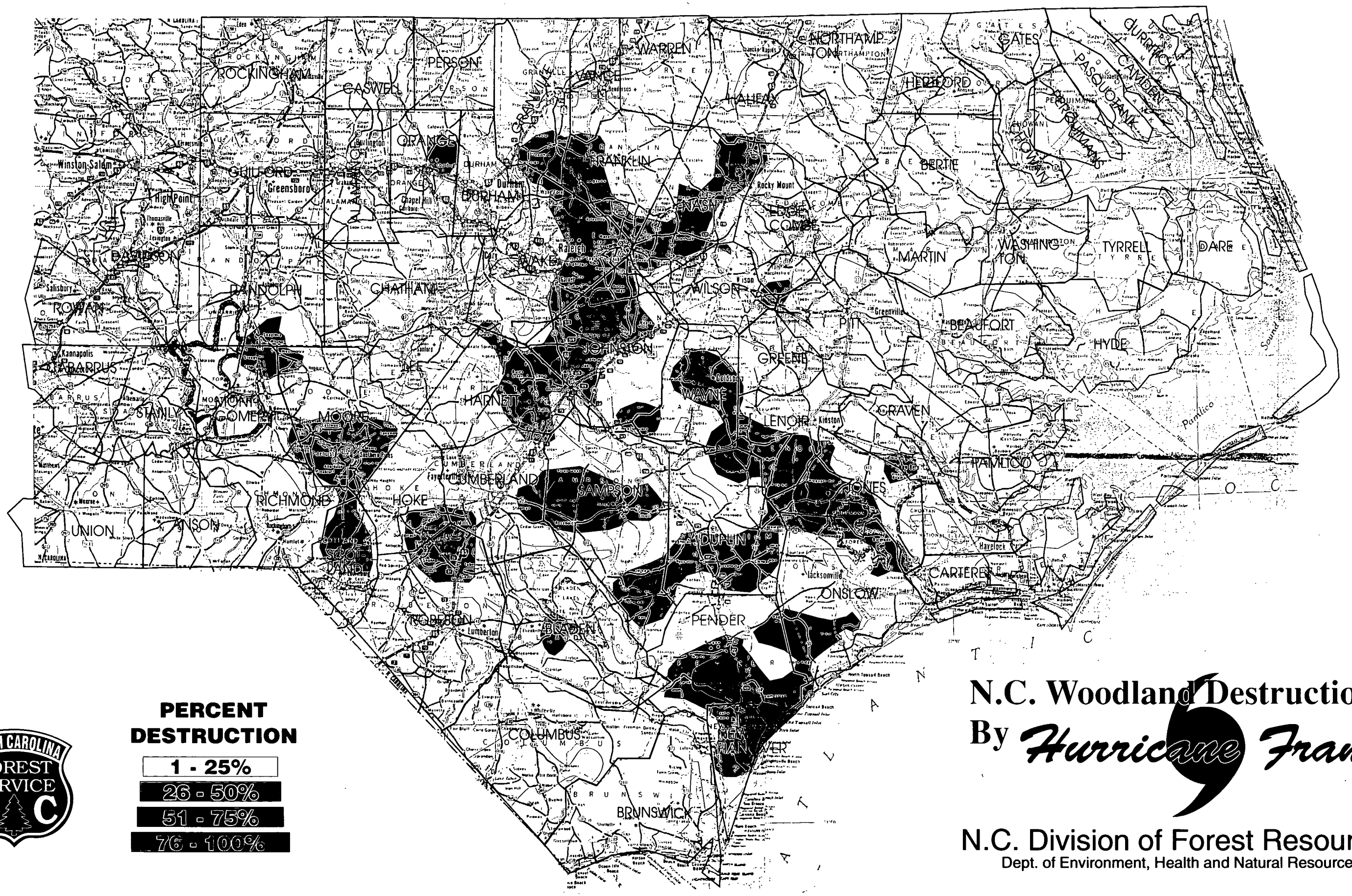
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Year Beginning July 1	Totals	Other/Bonds or Local Gov.	Federal Grants	General Assembly Construction	General Assembly Repairs	NC Zoo Society	Note for NC Zoo/Other
1994	10,000					10,000	TLC Supplement
1994	1,697,662				1,697,662		
1995	1,023,400				948,400	75,000	Wart Hog Containment Renovation
1995	37,500					37,500	Red Wolf Off Exhibit Hold/Breeding
1995	90,000					90,000	Africa Upgrade Master Planning
1996	2,218,600				1,888,600	330,000	Avian Propagation & Aviary Support
1996	180,000					180,000	Chimp Exhibit Renovations

SOURCE: NC ZOO

MILES

0 25 50 75



PERCENT DESTRUCTION

1 - 25%
26 - 50%
51 - 75%
76 - 100%

NORTH CAROLINA FOREST SERVICE NC

N.C. Woodland Destruction By Hurricane Fran

N.C. Division of Forest Resources

Dept. of Environment, Health and Natural Resources

Joint Appropriations Committee on Natural and Economic Resources

February 26, 1997

(Morning Meeting)

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis - Department of Environment, Health, and Natural Resources (DEHNR)

   Continue with the Natural Resources Divisions

   Jennifer Herrera
   Fiscal Research Division

   Mona Moon
   Fiscal Research Division

4. Committee Discussion

5. Instructions to Staff

Joint Appropriations Subcommittee
On
Natural and Economic Resources

Tuesday, February 26, 1997 at 8:30 a.m.

MINUTES

The Joint Appropriations Subcommittee on Natural and Economic Resources met on Tuesday, February 26, 1997 at 8:30 a.m. in Room 423 of the Legislative Office Building. Three Senate members attended the meeting, including the Chair, Senator R.L. "Bob" Martin, who presided. Representatives Mitchell, Baker, Carpenter, Culp, Fox, Hall, Howard Hunter, Owens, Tolson, Weatherly, and Wilkins were present.

Ms. Jennifer Herrera, Fiscal Research Staff, continued with the Division of Forest Resources Budget. This is Attachment A of these minutes. The Division of Forest Resources has the lead role in managing, protecting and developing the forest resources of the state. The Division activities include Field Operations, Forest Management, B.R.I.D.G.E. Program, Forestry Stewardship Program, Bladen Lakes State Forest, Urban Forestry, Educational State Forests, and Tree and Seed Nurseries. Ms. Herrera directed the Committee to page 18 of the handout. She pointed out that the following 10 pages would outline the type of equipment the Department requested.

Representative Mitchell requested information on the County Cooperative Rate Change which was given to the Committee. This is Attachment B of these minutes.

Ms. Mona Moon, Fiscal Research Staff, presented the Division of Marine Fisheries Budget. This is Attachment C of these minutes. The Division activities include Fisheries Management, Resource Enhancement, Marine Fisheries Patrol, Public Education and Awareness, and Commercial Fishing Licenses.

The meeting adjourned at 10:00 a.m.

Carolyn M. Gooden, Committee Clerk

Senator R.L. Martin, Chairman

Department of Environment, Health, and Natural Resources

Division of Forest Resources							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	41,612,259	42,294,955	39,573,180	41,377,031	4.6%	40,937,887	3.4%
Less Receipts	(15,532,795)	(15,949,634)	(14,170,940)	(14,418,861)	1.7%	(14,411,025)	1.7%
State Appropriations	*26,079,464*	*26,345,321*	*25,402,240*	*26,958,170*	6.1%	*26,526,862*	4.4%
Positions	687.25	679.32	681.25	681.25		681.25	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The Division of Forest Resources has the lead role in managing, protecting and developing the forest resources of the state.

DIVISION ACTIVITIES

Field Operations
Forest Management
B.R.I.D.G.E. Program
Forestry Stewardship Program
Bladen Lakes State Forest
Urban Forestry
Educational State Forests
Tree and Seed Nurseries

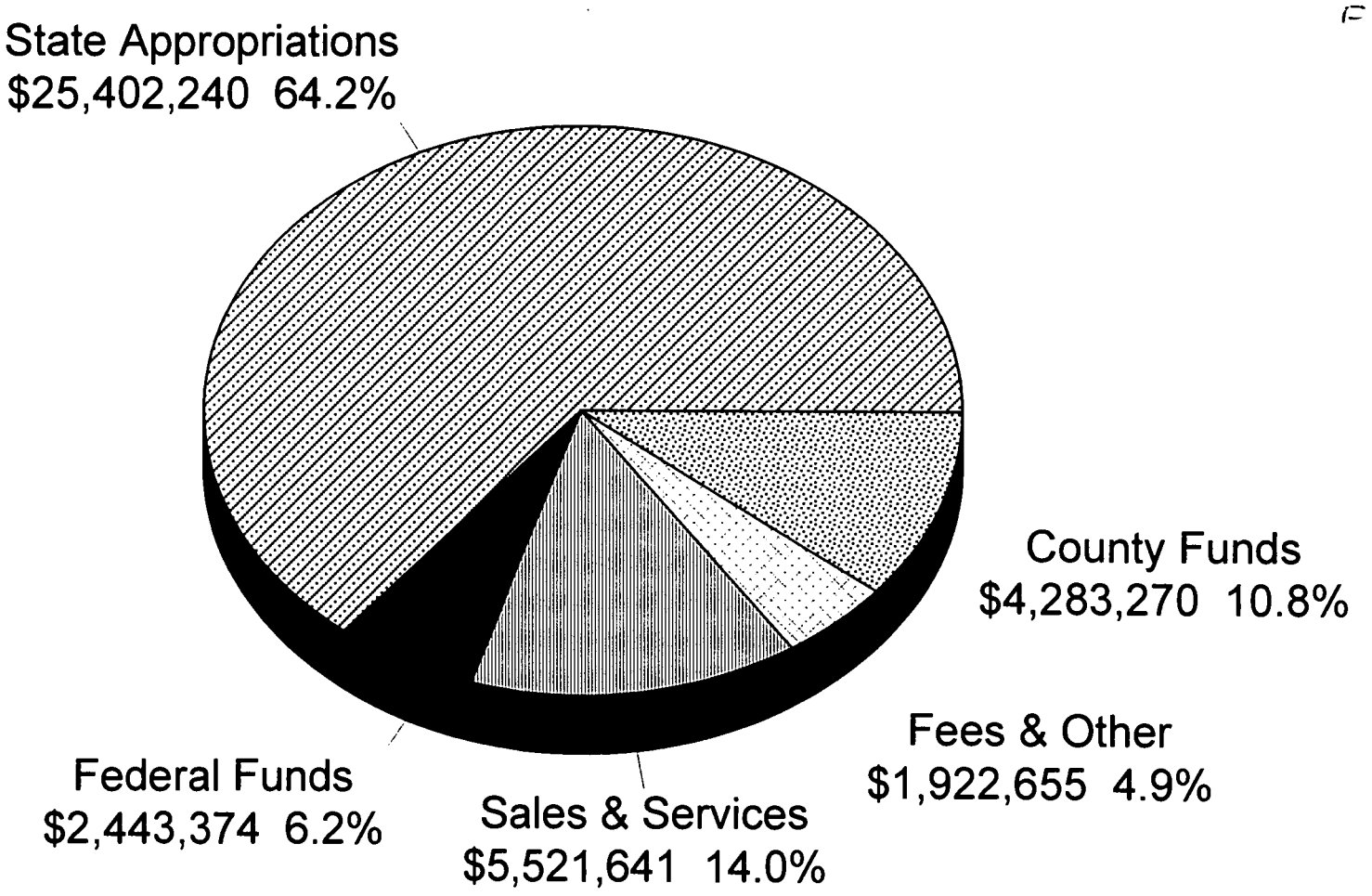
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp Y-20 to Y-35 and Y-196 to Y-198
Performance/Program Analysis, Volume 7a, pp 3-25 to 3-26; 3-29 to 3-30; 5-52 to 5-61; Volume 7b, pp 6- 59 to 6-60; 6-63 to 6-66

Fiscal Research Division February, 1997

Division of Forest Resources

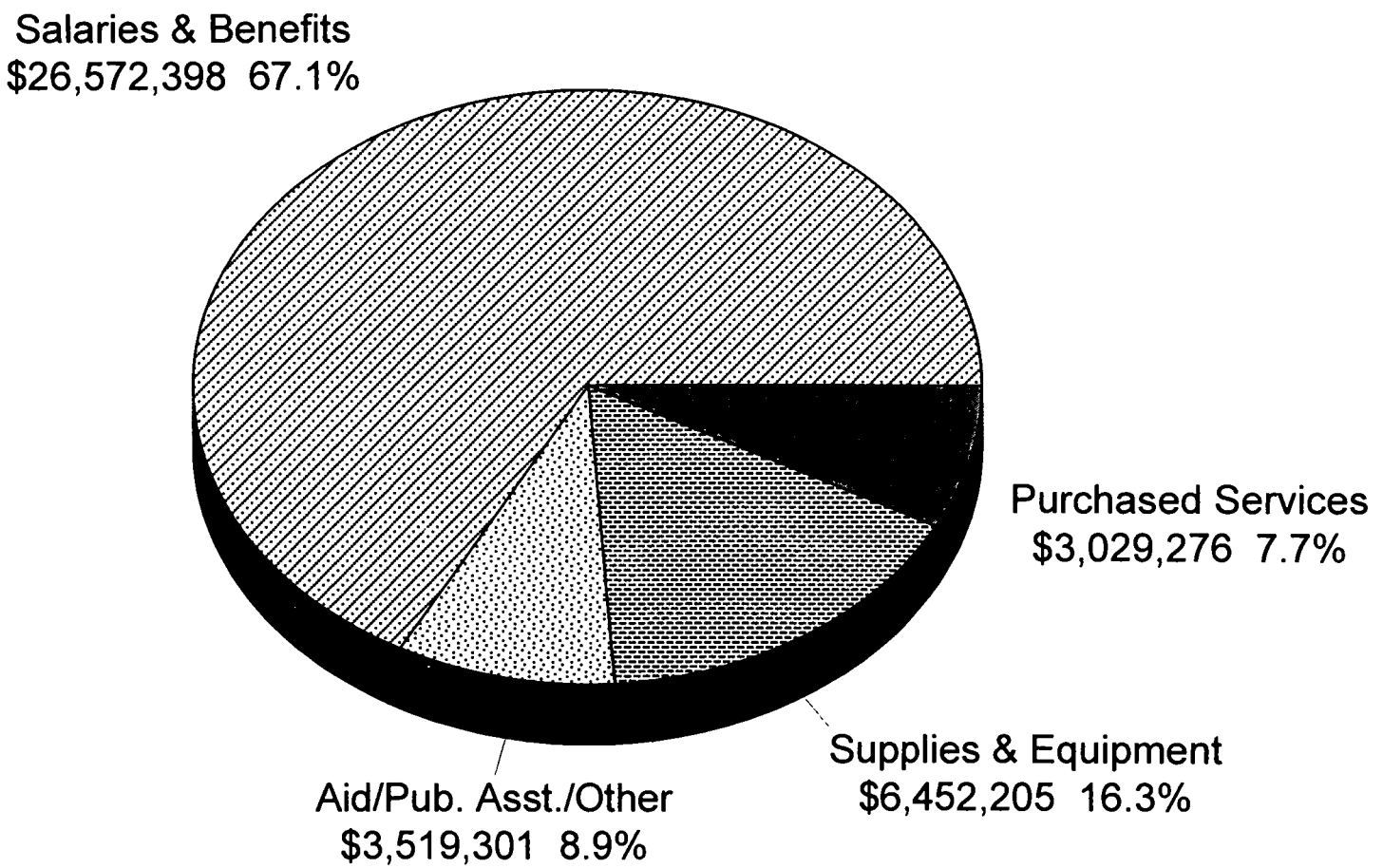
FY 1996-97 (Authorized) Fund Sources



Fiscal Research Division February 1997

Division of Forest Resources

FY 1996-97 (Authorized) Expenditures By Category



Fiscal Research Division February 1997

3300 Educate and train adult offenders

Objective 3: Increase percentage of prison population participating in work programs.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percentage of prison population involved in work programs (comprehensive measure being developed)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Average monthly participation in work release	987	989	1,256	1,200	1,350	*1,400*	*1,500*	*1,600*
Average number assigned to institutional work	7,398	7,560	8,337	8,553	8,978	*9,428*	*10,500*	*11,500*
Average monthly participation in Community Work	n/a	n/a	n/a	n/a	1,984	*2,026*	*2,026*	*2,026*
Average weekly participation in Young Offenders	45	80	80	80	90	*90*	*90*	*90*
Percentage of prisoners aged 18-25 in BRIDGE	10%	10%	10%	10%	10%	*12%*	*12%*	*12%*

Current Situation:

Participation in labor programs benefits the individual inmate as well as the state. Emphasis should be placed upon expanding these programs.

Note: *Comprehensive measure to encompass all types of work programs without duplication of counts is under development.*

Funds:

4500 DOC
1310 Custody and Security
1350 Corrective Services
7100 Enterprise Services

4300 DEHNR
1235 Young Offenders

5320 Forest resources

Objective 1: Sustain forest resources for future generations and the forest products industry.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Acres (in millions) in commercial forest land.	n/a	n/a	18.55	18.51	18.48	*18.44*	*18.41*	*18.38*
Performance Measures:								
Number of acres reforested annually on non-industrial private forest land	89,372	100,813	104,862	105,537	112,014	*110,000*	*110,000*	*115,000*
Number of additional acres of forest under management	252,104	327,772	320,086	339,280	312,323	*320,000*	*320,000*	*325,000*
Number of landowners provided on-the-ground assistance in managing their woodlands for maximum benefit	6,605	8,034	7,603	7,205	8,328	*9,000*	*10,000*	*10,000*
Number of forest management plans prepared	4,825	6,123	5,655	5,522	6,091	*5,600*	*5,800*	*5,800*
Acres influenced by Forestry Best Management Practices	57,657	50,449	47,115	45,104	38,161	*50,000*	*50,000*	*50,000*
Number of assists provided to the wood products industry to improve efficiency, encourage value added production, and reduce unused residues	165	170	180	185	141	*200*	*200*	*200*
Number of students receiving forestry education programs. (*Method of counting students has been revised. Students receive up to three programs during each visit and were counted as three programs previously.)	67,672	73,164	102,368	114,493	41,600*	*45,000*	*47,500*	*50,000*
Total attendance at state forests	99,621	120,460	138,421	147,165	154,466	*175,000*	*178,000*	*181,000*

Current Situation:

During 1996, Hurricane Fran and Hurricane Bertha caused extensive damage to forest resources throughout most of Eastern North Carolina. The greatest economic losses occurred in Johnston, Pender, Sampson and Wake counties. The greatest acreages of lost timber occurred in Bladen, Brunswick, Columbus, Moore, Pender, and Sampson counties. Total economic losses are estimated at $1.3 billion. The large amount of unharvested blown down timber will increase the risk of forest fires during the next few years.

Funds:

4300 EHNR
1210 Forestry Field Organization
1240 Forest Resources Central Office

5320 Forest resources

Objective 2: Minimize resources (both structural and timber) lost to wildfire by keeping average fire size to less than five acres.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Average fire size in acres	n/a	n/a	5.22	4.54	3.66	*3.50*	*3.35*	*3.20*
Performance Measures:								
Number of acres burned by wildfires	28,748	18,231	33,000	34,840	16,191	*27,000*	*27,000*	*27,000*
Number of structures threatened by wildfire and saved	n/a	n/a	n/a	n/a	926	*900*	*900*	*900*
Number of schools visited by forestry personnel where programs are provided	n/a	n/a	n/a	n/a	1250	*1260*	*1270*	*1270*
Number of urban fire plans prepared	n/a	n/a	n/a	n/a	40	*45*	*48*	*50*

Current Situation:

Continuing urbanization of forests in North Carolina increases the complexity of fire suppression operations and the potential for loss of life and property. Hurricanes Fran and Bertha, coupled with ice storms, have significantly increased downed timber and material in North Carolina forests thereby increasing fuel loads to a very dangerous level.

Funds:

4300 EHNR
1210 Forestry Field Organization
1240 Forest Resources Central Office

6410 Technical assistance to agricultural, aquacultural and forestry-based commerce and development

Objective 3: Grow more timber than is harvested.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Ratio of the volume of timber grown to the volume of timber harvested	1.08	1.06	1.19	1.18	1.15	*1.12*	*1.09*	*1.05*
Performance Measures:								
Number of acres of forest regeneration receiving state cost share assistance	41,668	40,240	44,457	51,285	67,868	*60,000*	*65,000*	*65,000*
Number of acres reforested using state resources	10,211	13,250	14,200	15,100	15,400	*15,700*	*16,000*	*16,000*
Total tree seedling production (in thousands) by forest tree nurseries	22,771	21,489	25,905	29,377	30,000	*30,250*	*35,000*	*35,000*
Genetically-improved tree seedling production (in thousands) by forest tree nurseries	21,135	19,481	22,906	26,386	27,000	*27,225*	*25,000*	*25,000*
Number acres developed for pine straw production and demonstration at Bladen Lakes Forest	1,604	1,829	1,979	1,600	1,600	*1,800*	*1,700*	*1,800*
Seed harvested from orchards at forest tree nurseries (in pounds)	9,025	9,656	377	9,000	8,500	*500*	*8,000*	*8,000*

Current Situation:

Although, within the agency, it is generally agreed upon that the ratio of the volume of timber grown to the volume of timber harvested in North Carolina is higher than the US average, currently there is no nationally standardized method for tracking this data.

Funds:

4300 EHNR
1250 Forestation
1260 Forest Tree Nurseries
1270 Bladen Lakes State Forest

DIVISION OF FOREST RESOURCES
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Abolish positions	($282,321) R -9.00	($282,321) R -9.00
2) Reduce Forestry Fire Tower Operations	($363,292) R	($363,292) R
3) Reduce Motor Vehicles	($452,760) R	($452,760) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS		
1) Forestry Best Management Practices	$100,000 NR	
2) Forestry Headquarters	$750,000 NR	$750,000 NR
3) Forestry Headquarters Pilot Project		$ 150,000NR

REPAIRS AND RENOVATIONS

The Division received $131,800 from the 1996-97 Reserve for Repairs and Renovations for roof replacements and repairs at forestry headquarters.

Fiscal Research Division February, 1997

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $759,815

Incorporates the Division of Forest Resources' share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $568,554 in state appropriations and $191,261 in receipts.

GOVERNOR'S RECOMMENDED REDUCTIONS	1995-96	1996-97
♦ Increase Forestry Receipts from counties A reduction in appropriations is recommended by making an adjustment to receipts from counties. Currently, counties share in the cost of forestry operations with a match of 25% to 40% depending on the tax base of the county.	($120,000) R	($120,000) R
♦ Reduce Forestry Field Organization A reduction in appropriations is recommended due to an adjustment in the schedule for completion of the statewide radio system.	($200,000) R	($200,000) R

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1) The Governor's recommended continuation budget for forestry field operations includes a net increase of $2,029,960 in FY 1997-98 and $1,705,537 in FY 1998-99 for property, plant and equipment items. The FY 1996-97 (current fiscal year) authorized budget includes $2,355,538 for such purposes. The Committee may wish to have the Division provide an explanation of their expected needs to justify this increase, and whether or not a greater portion could be funded with the Division's current authorized budget for equipment.

Fiscal Research Division February, 1997

LICENSED MOTOR VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

Section 5
Attachment 8

(Due 9/30/96)

Department DEHNR **Division or Institution** Forest Resources **Budget Code** 14300

FUND	ACCOUNT	MAKE, TYPE, AND YEAR MODEL	DATE PURCHASED (MONTH AND YEAR)	ESTIMATED MILEAGE AS OF 6-30-97	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-99 TOTAL COST	1998-99 TRADE-IN VALUE** (IF APPLICABLE)
12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102201	534541	1990 DODGE MECHANIC TRUCK 3/4 TON, 2WD	Nov-90	73,500			20,900	1,600
12102201	534541	1990 DODGE MECHANIC TRUCK 3/4 TON, 2WD	Nov-90	69,000			20,900	1,600
12102201	534541	1989 DODGE VAN 1/2 TON	Oct-89	105,000	18,664	1,000		
12102201	534541	1988 CHEVROLET COMPACT 2WD	Sep-88	49,000			15,046	1,200
12102201	534541	1991 CHEVROLET COMPACT 2WD	Apr-90	71,000			15,046	1,200
12102201	534541	1991 CHEVROLET COMPACT 2WD	Apr-90	69,000			15,046	1,200
12102202	534541	1989 CHEVROLET TRUCK 1/2 TON	Apr-89	52,000			18,568	1,200
12102202	534541	1987 CHEVROLET TRUCK 3/4 TON	Feb-87	105,000	24,570	1,200		
12102202	534541	1992 DODGE VAN 3/4 TON	Mar-92	77,000			20,280	1,200
12102203	534541	1985 DODGE 4X4 3/4 TON	May-85	102,000	24,570	1,400		
12102203	534541	1986 FORD 4X4 3/4 TON	Apr-86	110,000	24,570	1,400		
12102203	534541	1990 FORD 4X4 CAB 1 TON	Jun-90	155,500	26,950	1,400		
12102203	534541	1990 CHEVROLET S-10 4X2	Apr-90	89,500			15,046	1,200
12102203	534541	1990 FORD 4X4 3/4 TON	May-90	87,000			24,570	1,400
12102203	534541	1990 CHEVROLET S-10 4X2	Apr-90	75,000			15,246	1,200
12102203	534541	1992 CHEVROLET VAN 1 TON 4X2 RADIO VAN	Apr-92	75,000			16,302	1,400
12102204	534541	1976 GMC TANDEM TRUCK TRACTOR	Jun-76	**	60,000			
12102204	534541	1976 GMC TANDEM TRUCK TRACTOR	Jun-76	**	60,000			
12102204	534541	1979 BRUIN TANDEM TRUCK TRACTOR	Jun-79	**	60,000			
12102204	534541	1980 FORD 9000 TANDEM TRUCK TRACTOR	Jun-80	**	60,000			
12102204	534541	1982 BRIGADIER TEN WHEELER	Jul-82	**	80,000			
12102204	534541	1979 TANDEM TRUCK	Jun-79	**	60,000			
12102204	534541	1980 TANDEM TRUCK	Jun-80	**	60,000			
12102204	534541	1979 BRUIN TANDEM TRUCK	Jun-79	**	60,000			
12102204	534541	1979 BRUIN TANDEM TRUCK	Jun-79	**			60,000	
12102204	534541	1980 IHC TANDEM TRUCK	Jun-80	**			60,000	
12102204	534541	1980 IHC TANDEM TRUCK	Jun-80	**			60,000	
12102204	534541	1981 IHC TANDEM TRUCK	Jun-81	**			60,000	
12102013*	534541	1990 FORD 4X4 3/4 TON	Oct-90	92,000	24,570	1,400		
12102017*	534541	1990 CHEVROLET 4X4 3/4 TON	Oct-90	92,000	24,570	1,400		

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12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102010	534541	1988 CHEVROLET 4X4 3/4 TON	Aug-88	105,000	24,570	1,400		
12102018*	534541	1989 FORD 4X4 3/4 TON	Apr-89	70,000			24,570	1,400
12102016*	534541	1991 FORD 4X4 3/4 TON	Sep-91	55,000			24,570	1,400
12102011*	534541	1993 FORD 4X4 3/4 TON	Oct-93	85,000			24,570	1,400
12102010	534541	1990 CHEVROLET 4X4 1/2 TON	Oct-90	80,000			18,568	1,200
12102010	534541	1989 FORD 4X4 3/4 TON	May-89	75,000			24,570	1,400
12102010	534541	1989 CHEVROLET 4X4 1/2 TON	Dec-89	75,000			19,800	1,200
12102010	534541	1989 CHEVROLET 4X4 1 TON	Jun-89	70,000			26,950	1,400
12102223*	534541	1984 FORD BRONCO 4X4	Jul-84	142,000	26,280	1,400		
12102013*	534541	1984 FORD BRONCO 4X4	Jul-84	140,000	26,280	1,400		
12102025*	534541	1989 CHEVROLET 4X4 1 TON	Mar-89	100,000	26,950	1,400		
12102026*	534541	1989 CHEVROLET 4X4 1 TON	Mar-89	100,000	26,950	1,400		
12102028*	534541	1989 CHEVROLET 4X4 1 TON	Mar-89	100,000	26,950	1,400		
12102022*	534541	1990 FORD 4X4 3/4 TON	Mar-90	100,000			24,570	1,400
12102026*	534541	1990 FORD 4X4 3/4 TON	Mar-90	100,000			24,570	1,400
12102025*	534541	1991 FORD 4X4 3/4 TON	Mar-91	95,000			24,570	1,400
12102027*	534541	1991 FORD 4X4 3/4 TON	Mar-91	95,000			24,570	1,400
12102020	534541	1990 FORD 4X4 3/4 TON	Mar-90	100,000			24,570	1,400
12102034*	534541	1990 CHEVROLET 4X4 3/4 TON	May-90	131,700	24,570	1,400		
12102032*	534541	1988 CHEVROLET 4X4 3/4 TON	Apr-88	127,616	24,570	1,400		
12102037*	534541	1990 CHEVROLET 4X4 3/4 TON	May-90	123,058	24,570	1,400		
12102031*	534541	1988 CHEVROLET 4X4 3/4 TON	Apr-88	122,222	24,570	1,400		
12102030	534541	1990 CHEVROLET 4X4 3/4 TON	May-90	118,192	24,570	1,400		
12102034*	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	117,346	24,570	1,400		
12102036*	534541	1991 FORD 4X4 3/4 TON	Apr-91	115,440	24,570	1,400		
12102033*	534541	1988 CHEVROLET 4X4 3/4 TON	Apr-88	115,218	24,570	1,400		
12102030	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	111,750	24,570	1,400		
12102035*	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	110,385	24,570	1,400		
12102037*	534541	1991 FORD 4X4 3/4 TON	Apr-91	108,385	24,570	1,400		
12102034*	534541	1991 FORD 4X4 3/4 TON	Apr-91	107,500	24,570	1,400		

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12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102030	534541	1988 CHEVROLET 4X4 3/4 TON	Apr-88	107,389	24,570	1,400		
12102030	534541	1990 CHEVROLET 4X4 3/4 TON	May-90	105,997	24,570	1,400		
12102030	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	101,343	24,570	1,400		
12102038*	534541	1992 CHEVROLET 4X4 3/4 TON	Apr-92	97,000	24,570	1,400		
12102033*	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	116,437			24,570	1,400
12102031*	534541	1989 CHEVROLET 4X4 3/4 TON	Apr-89	116,081			24,570	1,400
12102035*	534541	1992 CHEVROLET 4X4 3/4 TON	Apr-92	108,532			24,570	1,400
12102032*	534541	1992 FORD 4X4 3/4 TON	Apr-92	104,489			24,570	1,400
12102038*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	103,750			24,570	1,400
12102043	534541	1989 CHEVROLET 4X4 3/4 TON	Oct-89	113,000	24,570	1,400		
12102047*	534541	1989 CHEVROLET 4X4 3/4 TON	Oct-89	103,000	24,570	1,400		
12102041*	534541	1992 CHEVROLET 4X4 3/4 TON	Sep-92	100,000	24,570	1,400		
12102044*	534541	1991 FORD 4X4 3/4 TON	Sep-91	69,000			24,570	1,400
12102042*	534541	1993 CHEVROLET 4X4 3/4 TON	Oct-93	68,000			24,570	1,400
12102043*	534541	1993 CHEVROLET 4X4 3/4 TON	Oct-93	64,000			24,570	1,400
12102046*	534541	1991 FORD 4X4 3/4 TON	Sep-91	105,000	24,570	1,400		
12102047*	534541	1991 FORD 4X4 3/4 TON	Sep-91	83,000			24,570	1,400
12102040	534541	1989 CHEVROLET 4X4 3/4 TON	Dec-89	100,000	24,570	1,400		
12102040	534541	1991 CHEVROLET 1/2 TON 2WD	Oct-90	75,000			15,046	1,200
12102040	534541	1992 FORD 3/4 TON 2WD	Sep-92	74,000			20,900	1,200
12102051*	534541	1988 CHEVROLET 4X2 3/4 TON	Apr-88	117,000	20,902	1,200		
12102054*	534541	1990 FORD 4X4 1 TON	Apr-90	120,000	26,950	1,400		
12102055*	534541	1988 CHEVROLET 4X2 3/4 TON	Apr-88	115,000	20,900	1,200		
12102056*	534541	1987 CHEVROLET 4X2 3/4 TON	Apr-87	155,000	20,900	1,200		
12102057*	534541	1987 CHEVROLET 4X2 3/4 TON	Apr-87	123,000	20,900	1,200		
12102058*	534541	1988 CHEVROLET 4X2 3/4 TON	Apr-88	138,500	20,900	1,200		
12102057*	534541	1988 CHEVROLET 4X4 3/4 TON	Apr-88	125,000			24,570	1,200
12102058*	534541	1988 CHEVROLET 4X2 3/4 TON	Apr-88	150,000	20,900	1,200		
12102060	534541	1988 CHEVROLET 4X2 MECHANIC	May-88	115,000	26,950	1,600		
12102221	534541	1989 CHEVROLET 4X2	Apr-89	130,000	20,900	1,200		
12102065*	534541	1990 CHEVROLET 4X4	Apr-90	130,000	24,570	1,200		

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12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102062*	534541	1991 FORD 4X4	Apr-91	130,000	24,570	1,200		
12102066*	534541	1991 FORD 4X4	Apr-91	135,000	24,570	1,200		
12102061*	534541	1991 FORD 4X4	Jul-91	115,000	24,570	1,200		
12102060	534541	1988 CHEVROLET 4X2 MECHANIC	May-88	130,000	26,950	1,600		
12102062*	534541	1990 CHEVROLET 4X4	Apr-90	120,000	24,570	1,200		
12102063*	534541	1990 CHEVROLET 4X4	May-90	95,000			24,570	1,200
12102064*	534541	1990 CHEVROLET 4X4	Apr-89	110,000	24,570	1,200		
12102065*	534541	1991 FORD 4X4	Apr-91	115,000	24,570	1,200		
12102066*	534541	1990 DODGE 4X4	Jun-90	100,000	24,570	1,200		
12102221	534541	1987 CHEVROLET 4X4	Apr-87	100,000			24,570	1,200
12102063*	534541	1992 CHEVROLET 4X4	Mar-92	95,000			24,570	1,200
12102072*	534541	1991 FORD 2X4 3/4 TON	Apr-91	66,000			24,570	1,200
12102074*	534541	1992 CHEVROLET 4X4 3/4 TON	Feb-92	71,000			24,570	1,400
12102070	534541	1992 FORD RANGER 1/2 TON	Jun-92	70,000			15,046	1,200
12102085*	534541	1988 CHEVROLET 4X4 3/4 TON	Feb-88	165,000	24,570	1,400		
12102080	534541	1988 CHEVROLET 4X4 1 TON	Feb-88	150,000	26,950	1,400		
12102080	534541	1988 CHEVROLET MECHANIC 3/4 TON	Feb-88	115,000	24,570	1,600		
12102080	534541	1987 CHEVROLET 4X4 3/4 TON	Feb-88	125,000	24,570	1,400		
12102222	534541	1988 DODGE 1/2 TON	Feb-88	85,000			26,950	1,200
12102222	534541	1988 DODGE 1/2 TON	Feb-88	85,000			26,950	1,200
12102086*	534541	1989 CHEVROLET 4X4 1 TON	Feb-89	80,000			26,950	1,400
12102080	534541	1989 CHEVROLET 3/4 TON	Feb-89	140,000	20,900	1,200		
12102081*	534541	1990 FORD 4X4 3/4 TON	Feb-90	130,000	24,570	1,400		
12102084*	534541	1990 FORD 4X4 3/4 TON	Feb-90	110,000	24,570	1,400		
12102080	534541	1990 DODGE MECHANIC 3/4 TON	Feb-90	82,000			26,950	1,600
12102080	534541	1990 CHEVROLET 3/4 TON	Feb-90	150,000	20,900	1,200		
12102080	534541	1990 CHEVROLET 4X4 3/4 TON	Feb-90	135,000	24,570	1,400		
12102081*	534541	1991 FORD 4X4 3/4 TON	Feb-91	100,000	24,570	1,400		
12102084*	534541	1991 FORD 4X4 3/4 TON	Feb-91	90,000			24,570	1,400
12102085	534541	1991 FORD 4X4 3/4 TON	Feb-91	150,000	24,570	1,400		
12102083	534541	1992 CHEVROLET 4X4 3/4 TON	Feb-92	115,000	24,570	1,400		
12102080	534541	1992 FORD MECHANIC 3/4 TON	Feb-92	70,000			26,950	1,600

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12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102082*	534541	1993 CHEVROLET 4X4 3/4 TON	Feb-93	77,000			24,570	1,400
12102083*	534541	1994 CHEVROLET 4X4 3/4 TON	Feb-94	75,000			24,570	1,400
12102095*	534541	1986 FORD 4X4 3/4 TON	Dec-86	100,000	24,570	1,400		
12102093*	534541	1988 CHEVROLET 4X4 3/4 TON	Nov-88	100,000	24,570	1,400		
12102097*	534541	1987 CHEVROLET 4X4 3/4 TON	Sep-87	100,000			24,570	1,400
12102090	534541	1989 FORD 4X4 3/4 TON	Jan-90	100,000			24,570	1,400
12102107*	534541	1992 CHEVROLET 4X4 3/4 TON	May-92	102,000	24,570	1,400		
12102109*	534541	1992 FORD 4X4 3/4 TON	May-92	92,000	24,570	1,400		
12102202	534541	1992 DODGE VAN 3/4 TON	Apr-92	77,000			20,900	1,200
12102100	534541	1989 CHEVROLET 3/4 TON	Apr-89	131,000	20,900	1,200		
12102100	534541	1988 CHEVROLET 4X4 3/4 TON	May-88	81,000			24,570	1,400
12102101*	534541	1993 FORD 4X4 3/4 TON	Apr-93	68,000			24,570	1,400
12102103*	534541	1993 FORD 4X4 3/4 TON	Apr-93	77,000			24,570	1,400
12102104*	534541	1993 FORD 4X4 3/4 TON	Apr-93	69,000			24,570	1,400
12102106*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	90,000	24,570	1,400		
12102155*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	74,000			24,570	1,400
12102110	534541	1990 CHEVROLET 2X4 1/2 TON	May-90	125,000	18,568	1,200		
12102110	534541	1990 CHEVROLET 2X4 1/2 TON	May-90	125,000	19,800	1,200		
12102110	534541	1988 CHEVROLET 2X4 3/4 TON	Mar-88	115,000	20,900	1,200		
12102113*	534541	1992 CHEVROLET 4X4 3/4 TON	Apr-92	80,000			24,570	1,400
12102116*	534541	1992 CHEVROLET 4X4 3/4 TON	Apr-92	85,000			24,570	1,400
12102112*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	70,000			24,570	1,400
12102114*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	75,000			24,570	1,400
12102115*	534541	1993 CHEVROLET 4X4 3/4 TON	May-93	70,000			24,570	1,400
12102126*	534541	1990 FORD 4X4 3/4 TON	Apr-90	90,000	24,570	1,400		
12102122*	534541	1992 FORD 4X4 3/4 TON	Apr-92	91,000	24,570	1,400		
12102121*	534541	1992 FORD 4X4 3/4 TON	Apr-92	85,000			24,570	1,400
12102122*	534541	1993 FORD 4X4 3/4 TON	Apr-93	80,000	24,570	1,400		
12102120	534541	1989 CHEVROLET 4X4 1 TON	May-90	121,000	26,950	1,400		
12102130	534541	1992 FORD RANGER 2X4	May-92	75,000			15,046	1,200

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12102201	534541	1986 GMC MECHANIC TRUCK 3/4 TON, 2WD	Dec-86	85,000	20,900	1,600		
12102132*	534541	1988 CHEVROLET 4X4 3/4 TON	May-88	175,000	24,570	1,400		
12102132*	534541	1989 CHEVROLET 4X4 3/4 TON	Jun-89	130,000	24,570	1,400		
12102132*	534541	1989 CHEVROLET 4X4 3/4 TON	Jun-89	137,000	24,570	1,400		
12102131*	534541	1993 CHEVROLET 4X4 3/4 TON	Jun-93	130,000	24,570	1,400		
12102133*	534541	1988 CHEVROLET 4X4 3/4 TON	May-88	95,000	24,570	1,400		
12102134*	534541	1987 CHEVROLET 2X4 1/2 TON	Jun-87	155,000	18,568	1,200		
12102134*	534541	1991 CHEVROLET 4X4 3/4 TON	Jun-91	110,000	24,570	1,400		
		Total by Fund/Account			$2,546,572	$114,800	$1,706,756	$86,200
		Less: Motor vehicles included in 1996-97 Authorized Year			$568,578	76,800	$568,578	76,800
		Less: County Receipts*			$518,134		$342,741	
		Net Amount to Worksheet I			$1,459,860	$38,000	$795,437	$9,400

*Represents County Vehicles
** Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

Submit 6 copies on 8 1/2 x 11-inch paper.

OTHER VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

Section
Attachment
(Due 9/30/9

Department DEHNR **Division or Institution** FOREST RESOURCES **Budget Code**

FUND	ACCOUNT	DESCRIPTION (MAKE, TYPE, AND YEAR MODEL)	DATE PURCHASED (MONTH & YEAR) NUMBER	CONDITION*	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-99 TOTAL COST	1998-99 TRADE-IN VALUE** (IF APPLICABLE)
12102204	534542	1953 CESSNA AIRCRAFT L19A N10714	1963	POOR-SEE ATTACHED	200,000			
12102204	534542	1953 CESSNA AIRCRAFT L19 N2FS	1963	POOR-SEE ATTACHED			200,000	
		Total by Fund/Account			$200,000		$200,000	

* Provide information from maintenance records, frequency of repairs, and other pertinent information such as mileage or hours of operation to assist in determining condition.

** Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

Submit 6 copies on 8 1/2 x 11-inch paper.

OTHER VEHICLE PURCHASE SCHEDULE

(For continuation requests only)

DEPARTMENT DEHNR Division or Institution FOREST RESOURCES Budget Code

FUND	ACCOUNT	DESCRIPTION (MAKE, TYPE, AND YEAR MODEL)	DATE PURCHASED (MONTH & YEAR) NUMBER	CONDITION*	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-9 TOTAL COST	1998-9 (I
12102204	534544	FARM TRAILER-UTILITY SHOP MADE	1978	POOR-SEE ATTACHED			12,000	
12102204	534544	1973 LOWBOY TRAILER 35 TON 28' DECK	1973	POOR-SEE ATTACHED	18,000			
12102204	534544	1970 LOWBOY TRAILER 25 TON 26' DECK	1970	POOR-SEE ATTACHED	16,000			
12102204	534544	1974 LOWBOY TRAILER 35 TON 28' DECK	1974	POOR-SEE ATTACHED	18,000			
12102204	534544	1970 LOWBOY TRAILER 25 TON 26' DECK	1970	POOR-SEE ATTACHED	16,000			
12102204	534544	1974 LOWBOY TRAILER 35 TON 28' DECK	1974	POOR-SEE ATTACHED			18,000	
12102204	534544	1973 REID LOWBOY TRAILER 25 TON 26' DECK	1973	POOR-SEE ATTACHED			16,000	
12102204	534544	1975 LOWBOY TRAILER 35 TON 28' DECK	1975	POOR-SEE ATTACHED			18,000	
12102204	534544	1970 LOWBOY TRAILER 35 TON 28' DECK	1970	POOR-SEE ATTACHED			18,000	
12102204	534544	1968 REID LOWBOY TRAILER 35 TON 26' DECK	1968	POOR-SEE ATTACHED			16,000	
		Total by Fund/Account			$68,000		$98,000	

* Provide information from maintenance records, frequency of repairs, and other pertinent information such as mileage or hours of operation to assist in determining condition.

** Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

Submit 6 copies on 8 1/2 x 11-inch paper.

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OTHER VEHICLE PURCHASE SCHEDULE

(For continuation requests only)

Section 5
Attachment 9
(Due 9/30/96)

DEPARTMENT DEHNR | Division or Institution FOREST RESOURCES | Budget Code 14300

FUND	ACCOUNT	DESCRIPTION (MAKE, TYPE, AND YEAR MODEL)	DATE PURCHASED (MONTH & YEAR) NUMBER	CONDITION*	1997-98 TOTAL COST	1997-98 TRADE-IN VALUE** (IF APPLICABLE)	1998-99 TOTAL COST	1998-99 TRADE-IN VALUE** (IF APPLICABLE)
12102204	534549	1978 FIAT 8 TRACTOR LGP MED 100HP	1978	POOR-SEE ATTACHED	105,000			
12102204	534549	1978 FIAT 8 TRACTOR 90 HP STANDARD	1978	POOR-SEE ATTACHED	80,000			
12102204	534549	1978 FIAT 8 TRACTOR LGP MED 100HP	1978	POOR-SEE ATTACHED	105,000			
12102204	534549	1978 FIAT 8 TRACTOR 90 HP STANDARD	1978	POOR-SEE ATTACHED	80,000			
12102204	534549	1978 CASE 1150B 120HP HEAVY LPG	1978	POOR-SEE ATTACHED			130,000	
12102204	534549	1979 CASE 1150B 120 HP HEAVY LPG	1979	POOR-SEE ATTACHED			130,000	
12102204	534549	1980 FIAT 8 TRACTOR 90 HP STANDARD	1980	POOR-SEE ATTACHED			80,000	
12102204	534549	1978 CASE 1150B 120HP HEAVY LPG	1978	POOR-SEE ATTACHED			130,000	
12102204	534549	1973 TRACTOR TD15C 120HP HEAVY LPG	1973	POOR-SEE ATTACHED			130,000	
12102204	534549	1972 FORD TRACTOR 3000	1972	POOR-SEE ATTACHED			25,000	
12102204	534549	1974 FORD TRACTOR 5000	1974	POOR-SEE ATTACHED			55,000	
		Total by Fund/Account			370,000		680,000	

* Provide information from maintenance records, frequency of repairs, and other pertinent information such as mileage or hours of operation to assist in determining condition.

** Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

Submit 6 copies on 8 1/2 x 11-inch paper.

2) Hurricane Fran destroyed approximately 8.6 million acres and caused an estimated $1.3 billion in damage to the state's timberland. The destruction caused by the hurricane has left much of the state vulnerable to forest fires this spring. The Department has disclosed the need to reactivate forest fire towers that were closed two years ago due to budget reductions. The Committee may wish to ask the Division to describe efforts underway to combat a potentially hazardous fire season.

3) The 1995 General Assembly appropriated $150,000 for a pilot project for the construction of a forestry headquarters building. The Department subsequently entered into a contract with Lee County for the project. As required, the Department provided an interim report to the Joint Legislative Commission on Governmental Operations, which identified two issues regarding the project. First, Lee County officials indicated the need for an additional $50,000 to implement the project. Second, the County expressed the desire for an exemption from oversight by the State Construction Office and the Department of Insurance as set out in Section 27.18 of House Bill 53 (1996 Budget Bill).

   The Committee may wish to ask the Division to address these issues and options for completing the project.

DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES-- Interim Report on the Pilot Privatization Project for Construction of Forestry Buildings

Section 27.18 of Chapter 18 of the Second 1996 Extra Session

Requested by: Senators Martin of Pitt, Jordan, Kerr, Representatives Mitchell, Weatherly

PILOT PRIVATIZATION PROJECT FOR CONSTRUCTION OF FORESTRY BUILDINGS

Sec. 27.18. Of the funds appropriated in this act to the Department of Environment, Health, and Natural Resources, the sum of one hundred fifty thousand dollars ($150,000) for the 1996-97 fiscal year shall be placed in a reserve within the Department, and the Department shall, as part of a pilot project, enter into a contract with a county to construct a forestry headquarters building in that county. The contract shall provide: that the county may contract with a private for-profit or nonprofit firm for the construction of a building at least 2,300 square feet in size to consist of, at a minimum, a storage unit and an office area and to include a surfaced driveway and parking area and utility services; that the county shall submit the design plans and specifications to the Department of Insurance, the Office of State Construction, and the Secretary of Environment, Health, and Natural Resources for review and approval; that the State shall not lease any State-owned land to the county for the building prior to the Department of Insurance, the Office of State Construction, and the Secretary of Environment, Health, and Natural Resources approving the design plans and specifications; that the Department of Insurance, the Office of State Construction, and the Secretary of Environment, Health, and Natural Resources shall inspect and review the project during construction and at the completion of construction to ensure that the building is suitable for its intended use and to determine whether the building is suitable for acquisition by the State; that the Department shall not reimburse the county from the reserve until the Department of Insurance, the Office of State Construction, and the Secretary of Environment, Health, and Natural Resources determine that the building is suitable for acquisition by the State; that the State shall lease to the county any land the State owns that is needed for siting the building and its appurtenances, and, prior to the Department reimbursing the county from the reserve, the county shall transfer to the State for no additional consideration such property, the building, and its appurtenances; and that, prior to the Department reimbursing the county from the reserve, the county shall transfer to the State for no additional consideration any land the county owns that is needed for siting the building and its appurtenances, the building, and its appurtenances. It is the intent of the General Assembly that the General Assembly shall not appropriate additional funds for this pilot project and that the county in which the forestry headquarters building is to be located shall be responsible for all costs in excess of one hundred fifty thousand dollars ($150,000), including those costs related to the county purchasing any new land necessary for siting the building and its appurtenances and those costs related to constructing and equipping this building and its appurtenances. No later than December 15, 1996, and again no later than April 15, 1997, the Department shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the progress of this

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pilot project and shall include in both reports the Department's findings and recommendations on the desirability and feasibility of expanding this project to the construction of forestry buildings in other counties.

SHNR-30

Attachment B

COUNTY COOPERATIVE RATE CHANGE

COUNTY	OLD%	NEW %	ADDITIONAL COUNTY FUND
MADISON	30%	35%	$ 5,490.00
MITCHELL	35%	40%	$ 4,430.00
ALLEGHANY	35%	40%	$ 3,695.00
JONES	30%	35%	$ 6,755.00
PAMLICO	30%	40%	$ 12,132.00
NORTHAMPTON	35%	40%	$ 5,802.00
WARREN	35%	40%	$ 8,862.00
HOKE	35%	40%	$ 5,697.00
BERTIE	35%	40%	$ 7,490.00
CAMDEN	25%	30%	$ 3,910.00
CHOWAN	35%	40%	$ 4,330.00
GATES	30%	35%	$ 4,960.00
HERTFORD	35%	40%	$ 4,747.00
PERQUIMANS	30%	35%	$ 3,590.00
CURRITUCK	35%	40%	$ 4,960.00
CHEROKEE	35%	40%	$ 4,220.00
CLAY	30%	35%	$ 3,060.00
GRAHAM	30%	35%	$ 4,120.00
SWAIN	30%	35%	$ 3,380.00
CASWELL	35%	40%	$ 5,810.00
HYDE	30%	35%	$ 6,330.00
TYRRELL	25%	30%	$ 6,230.00
TOTAL			$120,000.00

Attachment C

Department of Environment, Health, and Natural Resources

Division of Marine Fisheries

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized December	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	11,050,102	13,081,874	13,501,957	13,750,651	1.8%	13,491,202	-0.1%
Less Receipts	(2,322,034)	(2,145,424)	(2,500,729)	(2,496,635)	-0.2%	(2,490,863)	-0.4%
State Appropriations	*8,728,068*	*10,936,450*	*11,001,228*	*11,254,016*	2.3%	*11,000,339*	0.0%
Positions	192.00	202.00	202.00	202.00		202.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

- Fisheries Management
- Resource Enhancement
- Marine Fisheries Patrol
- Public Education and Awareness
- Commercial Fishing Licenses

Cross References For Budget Volumes

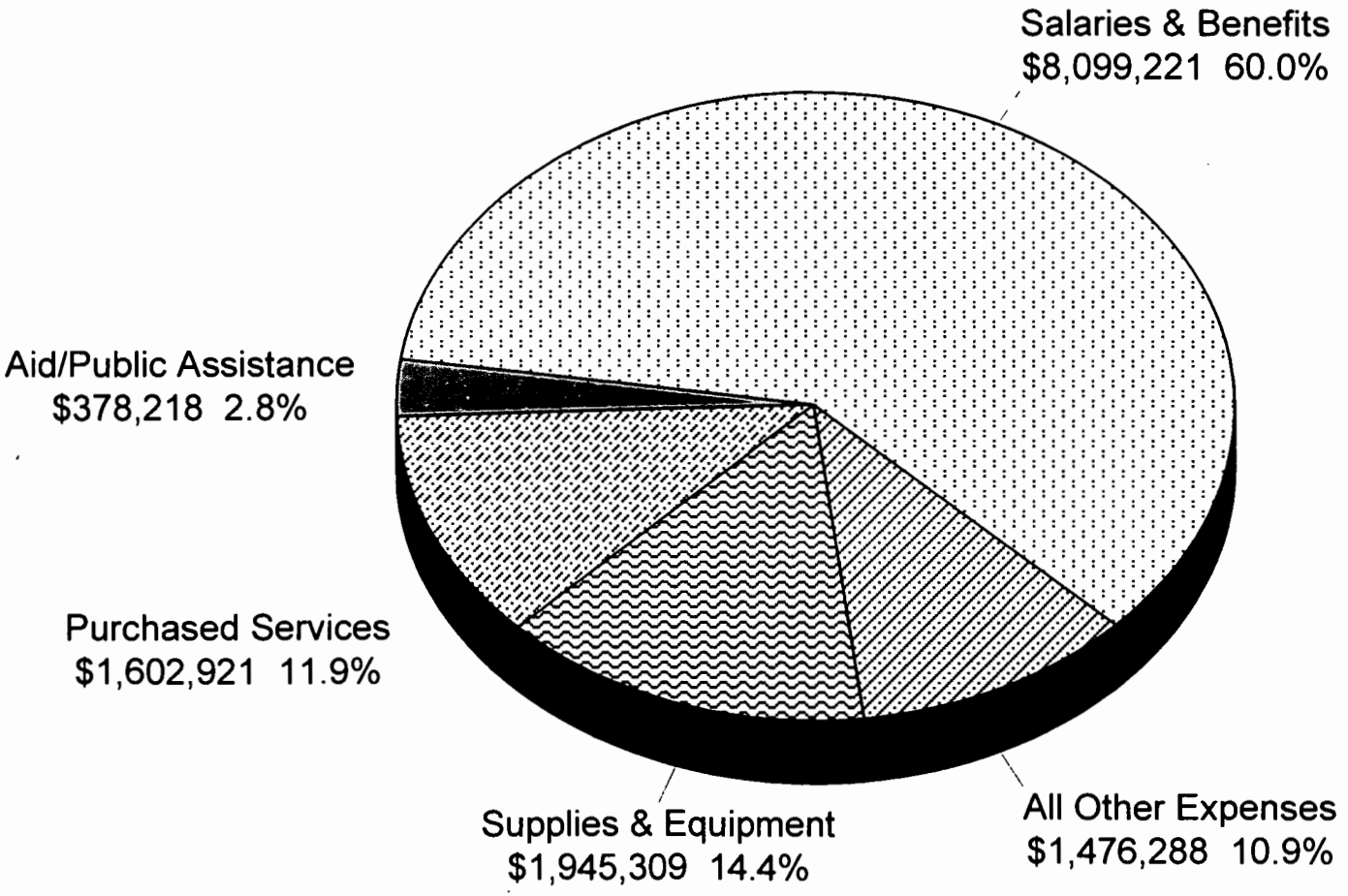
Governor's Budget, Volume 5, pp. Y-48 to Y-55
Performance/Program Analysis, Volume 7A, pp. 5-49 to 5-55

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Division of Marine Fisheries

Expenditures by Category

FY 1996-97 Authorized

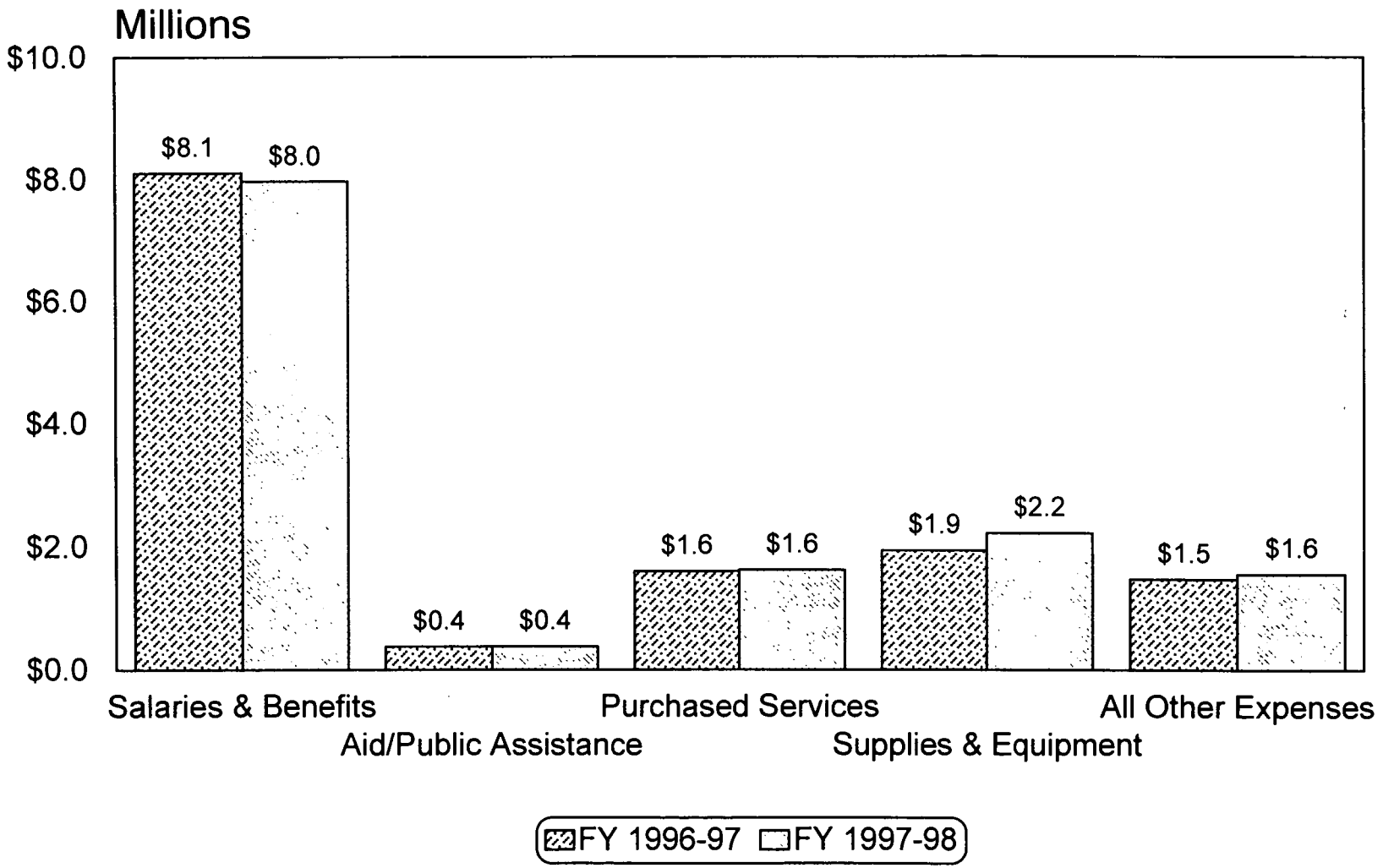


Fiscal Research Division -- February 1997

Division of Marine Fisheries

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



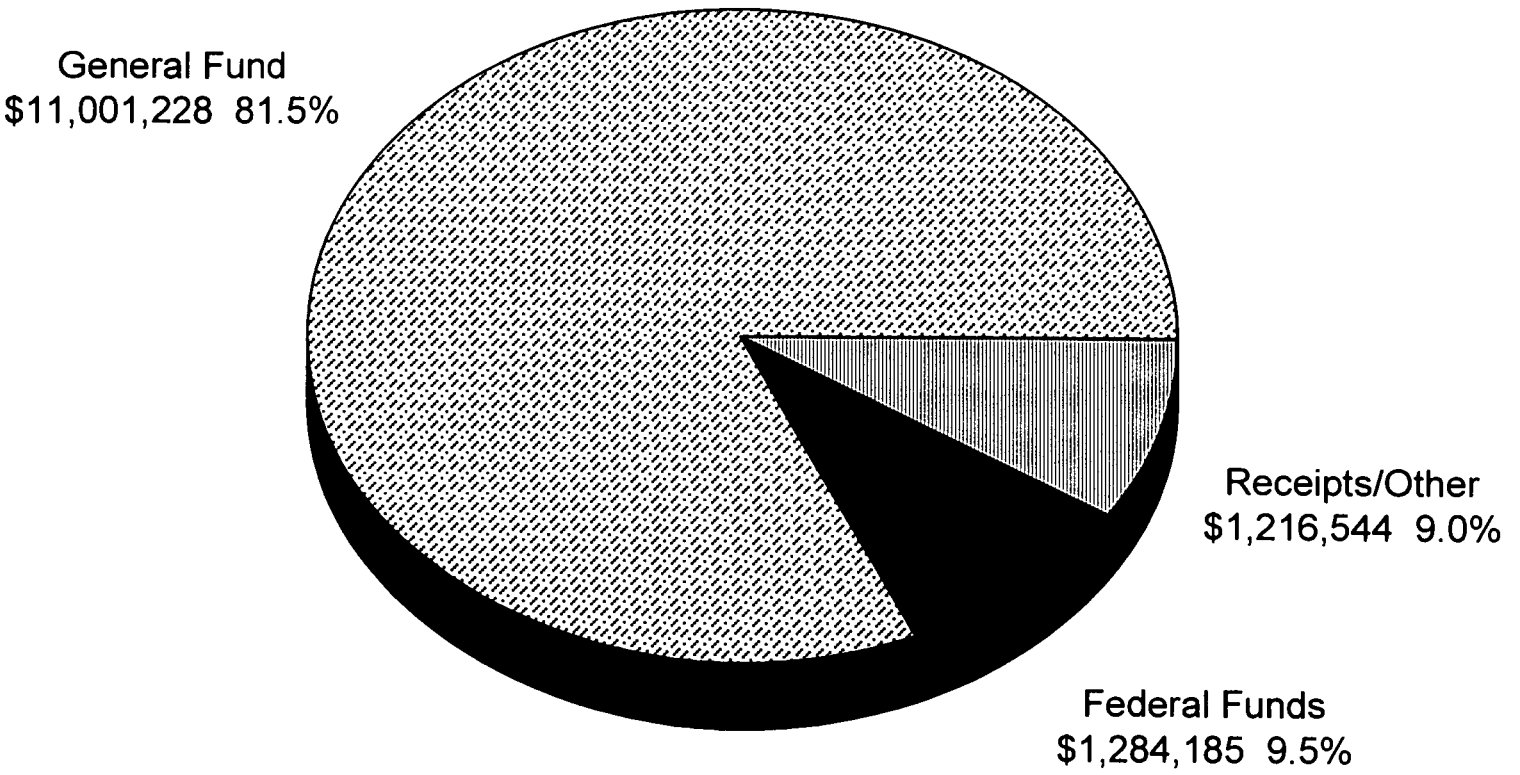
Fiscal Research Division February 1997

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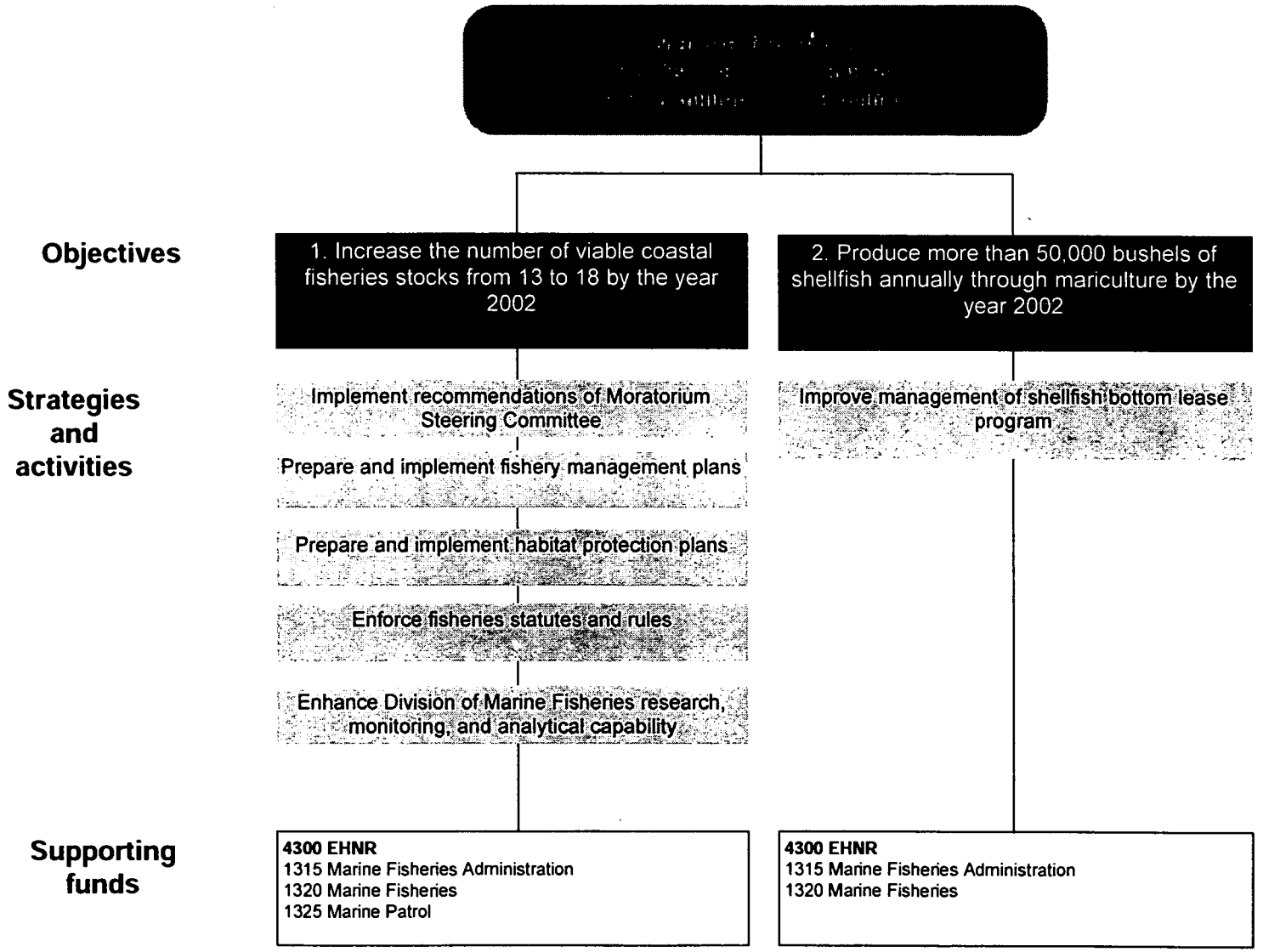
Division of Marine Fisheries

Authorized Sources of Funding

FY 1996-97 Authorized



Fiscal Research Division February 1997


Objectives
1. Increase the number of viable coastal fisheries stocks from 13 to 18 by the year 2002
2. Produce more than 50,000 bushels of shellfish annually through mariculture by the year 2002
Strategies and activities
Implement recommendations of Moratorium Steering Committee
Prepare and implement fishery management plans
Prepare and implement habitat protection plans
Enforce fisheries statutes and rules
Enhance Division of Marine Fisheries research, monitoring, and analytical capability
Improve management of shellfish bottom lease program
Supporting funds
4300 EHNR
1315 Marine Fisheries Administration
1320 Marine Fisheries
1325 Marine Patrol
4300 EHNR
1315 Marine Fisheries Administration
1320 Marine Fisheries

Objective 1: Increase the number of viable coastal fisheries stocks from 13 to 18 by the year 2002.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The number of viable marine fisheries stocks annually	n/a	13	13	13	13	*13*	*14*	*15*
Performance Measures:								
Number of resource samples of shrimp, oysters, bay scallops, and finfish collected and analyzed to gather information on their reproduction, growth, abundance, and disease incidence	11,645	9,881	7,984	6,390	7,050	*7,100*	*7,100*	*7,100*
Number of dealers samples of shrimp, oysters, bay scallops, and finfish collected and analyzed to gather information on their reproduction, growth, abundance, and disease incidence	4,538	7,179	3,565	2,583	3,400	*3,500*	*3,500*	*3,500*
Number of license checks by marine fisheries law enforcement officers	47,068	48,271	48,119	55,753	51,060	*53,406*	*53,406*	*53,406*
Arrest/conviction ratio by marine fisheries law enforcement officers	91%	90%	90%	88%	90%	*90%*	*90%*	*90%*
Number of permits and environmental impact statements evaluated.	2,432	2,874	2,378	2,757	n/a	*2,000*	*2,000*	*2,000*
Number of interjurisdictional programs participated in by the Division of Marine Fisheries	14	14	14	12	16	*16*	*16*	*16*
Number of marine fisheries licenses sold (projections of future license sales are dependent on actions of the 1997 General Assembly concerning the Moratorium Steering Committee recommendations on licenses)	25,508	26,854	41,105	34,457	33,441	*35,000*	*35,000*	*35,000*

Current Situation:

Through improved management strategies, populations of Albemarle-Roanoke striped bass, summer flounder, croaker, and weakfish are all showing marked improvements. Striped bass has improved such that its status will be upgraded to viable in 1997-98.

Funds:

4300 EHNR
1315 Marine Fisheries Administration
1320 Marine Fisheries
1325 Marine Patrol

Objective 2: Produce more than 50,000 bushels of shellfish annually through mariculture by the year 2002.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Bushels of shellfish produced annually through mariculture	27,223	27,902	26,190	13,688	14,040	*20,000*	*25,000*	*30,000*
Performance Measures:								
Number of ownership claims of lands underlying the state's coastal waters which are resolved (cumulative)	5,009	7,458	8,500	9,733	11,808	*12,200*	*13,000*	*13,700*
Number of permits issued to harvest shellfish	498	739	675	664	524	*600*	*600*	*600*
Number of leases to shellfish harvest areas	301	300	325	303	309	*310*	*310*	*310*
Percent of coastline completely mapped to establish productive shellfish bottoms and shellfish density	25%	35%	40%	45%	60%	*70%*	*75%*	*85%*

Current Situation:

Mariculture landings are down due to several factors, including oyster disease, the frequency and magnitude of storm events during the past year which has lowered salinities and increased pollution loads, and controversies with the lease program which has resulted in closing certain shellfishing areas to new leases.

Funds:

4300 EHNR
1315 Marine Fisheries Administration
1320 Marine Fisheries

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DIVISION OF MARINE FISHERIES
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS	FY 1995-96		FY 1996-97	
Blue Ribbon Advisory Council on Oysters	($60,000)	R	($100,000)	R
SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS				
1) Funds for Moratorium Steering Committee and Appeals Panel	$35,000	R	$35,000	R
2) Additional Law Enforcement Positions	$763,892	R	$763,892	R
	$500,000	NR		
	7		7	
3) Replace Law Enforcement Vessel			$300,000	NR

REPAIRS AND RENOVATIONS

$1,463,800 allocated to the Division of Marine Fisheries in FY 1996-97 for the following projects:

- remove and replace existing fire hydrant $ 10,000
- security system – main building 5,800
- Bogue Sound bulkhead replacement 26,100
- South River bulkhead replacement 170,000
- replace ceiling tiles – main building 70,300
- aboveground storage tank $ 56,000
- Morehead City dock facility 800,000
- structural repairs to landing craft 207,200
- lead contaminate removal – landing craft 118,400

These items were questioned by Cochrane & Baker -

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SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $242,150
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $202,253 in state appropriations and $39,897 in receipts.

CONTINUATION BUDGET ITEMS	FY 1997-98	FY 1998-99
1) Increase for 2 positions, operating and maintenance costs for patrol vessel capital improvement appropriation for the 1996-97 fiscal year. (In 1995 the General Assembly appropriated $300,000 for the replacement of a vessel used for enforcement activities.	$97,436	
2) Increase for equipment replacement	$298,000	$124,000

GOVERNOR'S RECOMMENDED REDUCTIONS 1997-99 BIENNIUM

There are no Governor's recommended reductions for the Division of Marine Fisheries.

PROGRAM UPDATE

1. **Fishery Resource Grants** -- The Fishery Resource Grant Program was created in 1994 "to enhance the State's fishery resources through individual grants to test new equipment, research industry trends, perform environmental pilot studies and study other issues affecting fisheries" (Section 27.17, Chapter 769, 1993 Session Laws). During the 1996 Regular Session, the General Assembly re-established the program within the Sea Grant College Program in the University System (Section 2, Chapter 633, 1995 Session Laws). The legislation directed funds appropriated for the program, $1 million, be transferred to the Sea Grant College.

2. **Performance Audit** -- The Division has retained the services of Goald Development Systems to conduct an organizational assessment and provide recommendations and guidance for improving organizational effectiveness and efficiency. Goald Development Systems has submitted an interim report of their findings as well as an implementation timetable to the department. The Joint Legislative Commission on Seafood and Aquaculture reviewed the Goald interim report at its February meeting and expressed concerns regarding the management and operations of the division. In accordance with a vote taken by the Commission on Seafood and Aquaculture, the Co-chairs requested a performance audit be completed by the State Auditor. In their letter to the Auditor, the Co-chairs asked that an interim report be completed by April 15, 1997. The interim report is to include an evaluation of the organizational assessment conducted by Goald Development Systems, as well as a preliminary determination of the division's ability to administer its current responsibilities and implement new programs and responsibilities, such as those recommended by the Fisheries Moratorium Steering Committee.

3. **OSH Violations** -- On February 12, 1997 the division received a Citation and Notification of Penalty from the NC Department of Labor, Division of Occupational Safety and Health (OSH). OSH is proposing penalties totaling $9,275 for several "Serious" violations including:

   - failure to properly maintain the structural integrity and seaworthiness of the research vessel *Rose Bay*
   - operation of a crane by persons untrained in safe operation of the equipment
   - failure to inspect machinery and equipment to ensure safe operating condition
   - operation of equipment at levels exceeding safe capacity
   - operation of a crane with a visible or known defect

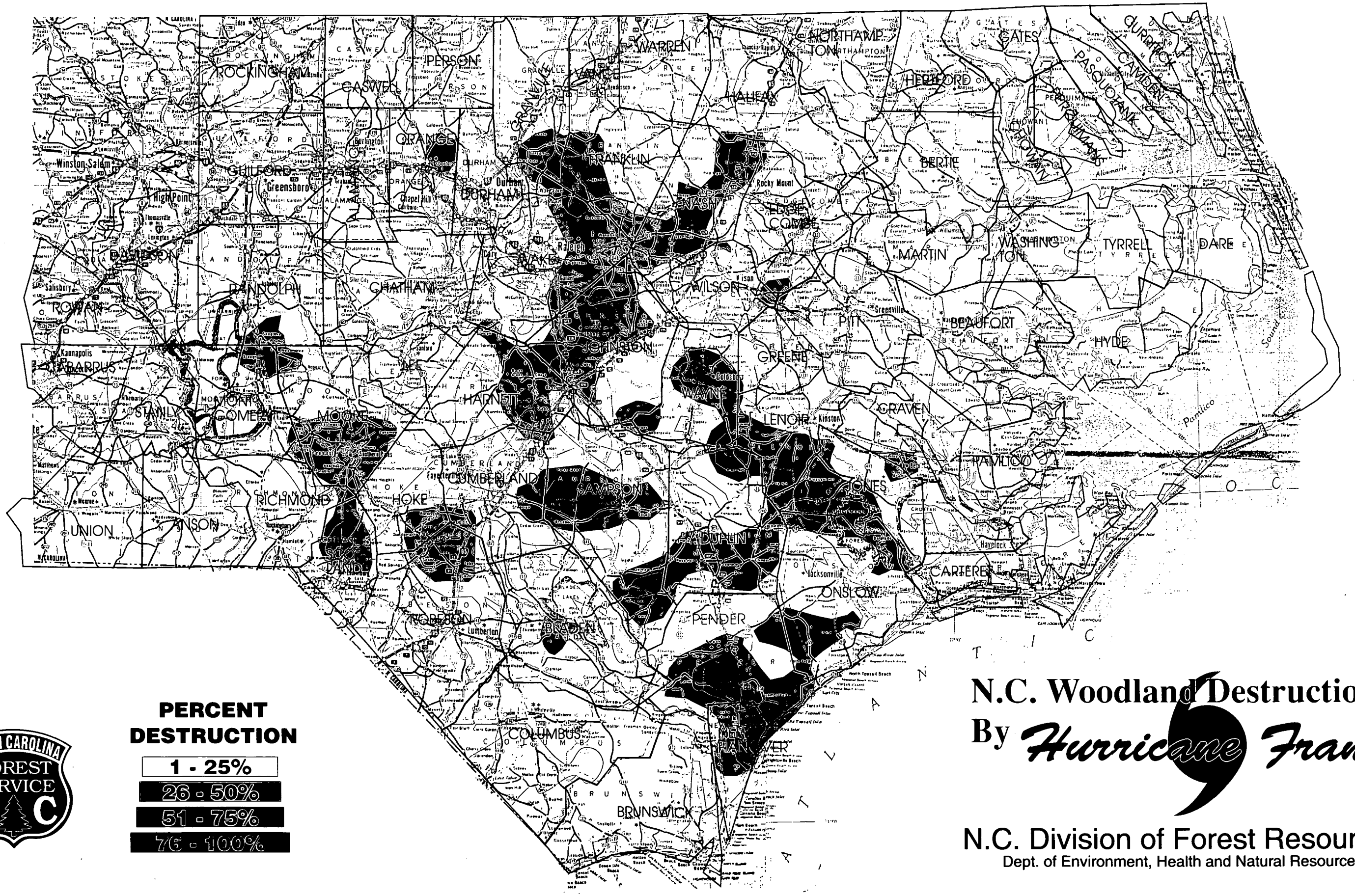
ITEMS FOR POSSIBLE COMMITTEE DISCUSSION	FY 1997-98		FY 1998-99	

In 1995 the General Assembly appropriated $25,000 for travel and related expenses of the Fisheries Moratorium Steering Committee. Given that the Steering Committee submitted its final report to the Joint Legislative Commission on Seafood and Aquaculture in October 1996, the committee may wish to consider eliminating this funding from the Division's continuation budget.

Eliminate funding for Fisheries Moratorium Steering Committee	($25,000)	R	($25,000)	R

MILES

0 25 50 75



PERCENT DESTRUCTION

1 - 25%
26 - 50%
51 - 75%
76 - 100%

NORTH CAROLINA FOREST SERVICE NC

N.C. Woodland Destruction By Hurricane Fran

N.C. Division of Forest Resources

Dept. of Environment, Health and Natural Resources

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 2/26/97

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Peter Daniel	NCDA
Henry M Lancaster II	EHNR
Johnny Gray	OSBM
J.W. Reel	OSBM
Jane Smith	EHNR
Linda McNeil	EHNR
W.B. Jenkins	N.C. Farm Bureau
Louis Daniel	NC DMF (EHNR)
Michael G. Buhl	NC DMF (EHNR)
Michael W. Street	NC DMF (EHNR)
RHETT B. WHITE	NC AQUARIUMS
Mike Brandt	N.C. Farm Bureau
John L Brait	NC Farm Bureau
Marguerite Booth	N.C. Farm Bureau
Vaden Lucas	NC Farm Bureau
Iris Lucas	NC Farm Bureau
Harvey Lilley	NC Farm Bureau
James Bellamy	NC Farm Bureau
Virginia L. Bellamy	N.C. Farm Bureau
Robert Thornton	NC Farm Bureau
Zeno O. Ratcliff Jr	NC. Farm Bureau
Ted Seawell	N.C. Farm Bureau
Betsy Bennett	NC Museum of Natural Sciences
Ray S Boylston	NC State Museum of Natural Sciences
JERRY SCHILL	NC Fisheries ASSOC.
L. ROGERS	EHNR

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Anne Taylor	DEHNR
Robert B Stanton	DEHNR - Parks
Tre McAuley	EHNR - DPR
Cathey Cothle	EHNR - Water Quality
Doug Lewis	EHNR
[illegible]	[illegible]
DAN SMITH	DEHNR FOREST RESOURCES
Dianne Parrish	EHNR Forest Resources
Laura Hartsell	MCIC
Sheila Chavis	State Planning
George Howe	MCNC
Brad Woodhouse	

Joint Appropriations Committee on Natural and Economic Resources

February 26, 1997

(Afternoon Meeting)

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis - Department of Environment, Health, and Natural Resources (DEHNR)

   Continue with the Natural Resources Divisions

   Jennifer Herrera
   Fiscal Research Division

   Mona Moon
   Fiscal Research Division

4. Committee Discussion

5. Instructions to Staff

JOINT APPROPRIATIONS SUBCOMMITTEE ON

NATURAL AND ECONOMIC RESOURCES

WEDNESDAY, FEBRUARY 26, 1997 at 3:30 p.m.

MINUTES

The Joint Appropriations Subcommittee on Natural and Economic and Resources met on Wednesday, February 26, 1997 at 3:00 p.m. in Room 423 of the Legislative Office Building. Three Senate members were present including Senator R.L. "Bob" Martin, Chairman. Representatives Mitchell, Baker, Carpenter, Tolson, and Wilkins were present.

Senator Martin, Chairman, called the meeting to order. Ms. Jennifer Herrera, Fiscal Research Division, continued the analysis of the Department of Environment, Health, and Natural Resources (DEHNR) Budget from the morning meeting. She referred to the handout entitled Division of Parks and Recreation (see Attachment A). The Division of Parks and Recreation is responsible for identifying and protecting high quality examples of the state's natural resources, and for planning, developing and operating a statewide system of park and recreation resources. The division activities include State Parks Operations, Comprehensive Planning, Resource Management, Construction Management, State Trails and Natural Heritage Program.

Representative Baker asked what was the status of the repair to the parks due to Hurricanes Bertha and Fran? There were fourteen parks that were closed and all but two are now open and they expect these to open in the next two weeks. They are in degrees of repair; they have had difficulty in getting debris removed from the trees. They have contracted with a firm to remove the debris and hope to get this done in the next two weeks.

Ms. Jennifer Herrera continued with the analysis of the North Carolina Aquariums. This is Attachment B of these minutes. The North Carolina Aquariums are three state-supported facilities which provide a variety of educational opportunities including aquariums, exhibits, field experiences, lectures, films and school programs. Activities at the Aquariums are designed to create and awareness, understanding, and appreciation of coastal North Carolina's diverse cultural and natural resources. The Aquariums are located in Dare, New Hanover and Carteret counties.

Senator Jenkins asked Mr. Brent White, Director of the Aquarium Division, to comment on the planning activities. He said the actual amount for the expansion projects for the three aquariums is a little over $10 million per aquarium. He said this is not in the Capital Budget for this year, but they will be ready if the General Assembly funds any or

all of this program this year or next year. As far as the private sector, the North Carolina Aquarium Society has committed to raising $3 million in private sector funds to support the expansions.

Ms. Herrera continued with the Museum of Natural Sciences Budget. This is Attachment C of these minutes. The Museum of Natural Sciences maintains the state's collections and disseminates knowledge and conducts research regarding the natural history of North Carolina. The Museum supports "hands on" natural sciences programs statewide for students, teachers, and the general public as well a workshops, interpretive exhibits, publications and media contacts, and biological research and survey work.

Ms. Betsy Bennett, Director of the Museum of Natural Science, said the General Assembly appropriated $32 million for the construction of the new Museum. She said the new staffing positions will get up to 27 positions hired over the 1995-97 biennium in anticipation of the opening of the new museum in 1999. The Museum is three time as big as the old one, therefore, more positions are required.

Ms. Mona Moon, Fiscal Research Division, gave an overview of the budget analysis of the Office of Environmental Education. This is Attachment D of these minutes. The Office of Environmental Education activities include promoting the coordination among state and federal agencies, schools, colleges, citizens groups and the business and industrial community in the dissemination and promotion of environmental and natural resources information, education and stewardship. They also promote water quality education in each of the state's river basins. They serve as a clearinghouse of environmental information and administer the Project Tomorrow grant program for public schools.

Ms. Moon directed the Committee to a handout entitled Report on State Funded Environmental Education Programs. This is Attachment E of these Minutes. This report meets the legislative requirement enacted by the 1995 Session of the General Assembly of North Carolina. This requirement stated that the "Department of Environment, Health, and Natural Resources shall prepare a report identifying all state-funded environmental education programs, activities, and initiatives statewide, including efforts by all State entities as well as efforts by other entities funded by grants-in-aid. In addition, the Department shall include in its report a plan for consolidating some or all of these programs, activities, and initiatives. The Department shall submit this report on or before January 15, 1996, to the Joint Legislative Commission on Governmental Operations."

The meeting adjourned at 5:00 p.m.

Senator R.L. "Bob" Martin, Chairman

Carolyn M. Gooden, Committee Clerk

OPERATING RESERVE

Department of EHNR
1997-99 Operating Reserve
Continuation Budget

Division of Parks and Recreation

JUSTIFICATION FOR FUNDING

Since 1993, numerous new acquisitions and facilities have been authorized by the NC General Assembly to be added to the State Parks System. These projects have been funded by the 1993 State Parks Bond Referendum, and by a 1995 capital appropriation of $10,000,000. In addition, two new parks have been added to the system. These new parks were authorized by the General Assembly, and the acquisitions were funded by the Natural Heritage Trust Fund. Most of these new facilities and acquisitions are expected to be completed within the next biennial budget cycle. Therefore, funding for the operation of these previously authorized projects is requested from the 1997-99 Operating Reserves.

STATE PARKS BOND PROJECTS

Funding is requested for operation of the following projects which were funded by the 1993 State Parks Bond:

Bushy Lake State Natural Area - 1050 acres
Carolina Beach State Park - Visitor center
Cliffs of the Neuse State Park - Office, bathhouse, campground
Crowders Mountain State Park - Visitor center
Crowders Mountain State Park - 292 acres
Duke Power State Park - Community building
Eno River State Park - Picnic area
Fort Fisher State Recreation Area - Visitor contact station
Fort Macon State Park - Fort restoration
Goose Creek State Park - Visitor center/Phase I Environmental education center
Hanging Rock State Park - Visitor center
Hanging Rock State Park - 350 acres
Jockey's Ridge State Park - Visitor center/Concession building
Kerr Lake State Recreation Area - Visitor center/Development
Lake James State Park - Maintenance building
Lake Waccamaw State Park - Visitor center
Lumber River State Park - Office, picnic area, campground at Princess Ann Access
Lumber River State Park - 1500 acres
Merchants Millpond State Park - Picnic area
Medoc Mountain State Park - Office, campground, maintenance buildings
Morrow Mountain State Park - Campground, maintenance area

REPAIRS AND RENOVATIONS

The Division received no allocation from the 1996-97 Reserve for Repairs and Renovations.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $339,948
Incorporates the Division's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $295,612 in state appropriations and $22,257 in receipts.

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

Since 1993, the General Assembly has authorized a number of capital improvements, new acquisitions and facilities to be added to the State Parks System. The Governor's recommended continuation budget for state parks field operations includes an increase of $3,556,231 in FY 1997-98 and $2,595,989 in FY 1998-99 for a reserve to fund the operations of these projects.

Given the fact that the parks system now has a dedicated source of revenue (Parks and Recreation Trust Fund) for land acquisition and facility development, the Committee may wish to ask the Division to discuss its master plan for park development and plans for funding future operating and staffing needs.

DIVISION OF PARKS AND RECREATION
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Reduce Positions	($216,332) R -4.00	($216,332) R -4.00
2) Eliminate Reserve for Capital Projects	($1,000,000) R	($1,000,000) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	
1) State Parks System - funds for land acquisition, construction, repair and renovations	$10,000,000 NR
2) Adopt-a-Trails Program	$100,000 R

NOTE – In 1995, the General Assembly passed House Bill 718 which credited 75% of the deed stamp tax to the Parks and Recreation Trust Fund for repairs, renovations and improvements to facilities in state parks and recreation areas. Allocations are made to the Trust Fund according to the following schedule: 65% to the state parks system for capital projects, repairs and renovations of park facilities, and land acquisition; 30% for matching funds to local units for local parks; and 5% for the Public Beach and Coastal Waterfront Access Program.

5210 State parks

Objective 2: Respond to all requests for technical assistance on parks, recreation and trail issues received from local governments, private industry and non-profit corporations.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of requests for park, recreation and trail assistance received	n/a	n/a	1,522	2,073	1,389	*1,100*	*2,000*	*2,000*
Performance Measures:								
Number of workshops conducted	n/a	n/a	12	14	13	*10*	*16*	*16*
Number of participants in workshops	n/a	n/a	898	1,126	745	*600*	*1,200*	*1,200*
Number of Parks and Recreation Trust Fund applications received	n/a	n/a	0	49	0	*50*	*70*	*70*
Number of Parks and Recreation Trust Fund grants awarded	n/a	n/a	0	5	0	*20*	*20*	*20*

Current Situation:

The General Assembly appropriated $10 million to the State Parks system in FY 1995-96. The Parks and Recreation Trust Fund will be funded by a percentage of the state's share of the excise tax on deed transfers in FY 1996-97 and subsequent years.

Funds:

4300 EHNR
1275 State Parks - Administration
1280 State Parks - Field Operations
1290 Reservoir Operations
1295 Recreation - Planning and Assessment

5210 State parks

Objective 1: Provide facilities and programs to meet an anticipated 25% increase in parks visitations by 2000 while maintaining the integrity of the park systems resources.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent increase in state park programs annually	1.7	6.0	8.4	1.8	5.6	*-10.0*	*15.0*	*6.0*
Performance Measures:								
Number of units in state parks system	53	53	54	54	56	*56*	*56*	*56*
Number of units with permanent staff	29	29	30	30	30	*32*	*32*	*32*
Percent of planned FTEs funded	80	78	58	72	66	*62*	*62*	*57*
Number of teachers trained in environmental education	0	336	3	139	860	*645*	*645*	*800*
Attendance at interpretation and environmental education programs	169,210	157,634	195,034	230,469	210,623	*192,000*	*192,000*	*210,000*
Attendance at state parks (in millions)	6.759	7.773	7.584	7.572	8.182	*8.125*	*8.750*	*9.500*
Attendance at state reservoirs (in millions)	2.790	3.348	2.628	3.699	3.726	*4.750*	*5.250*	*5.750*
Number of units with natural resource management plans (cumulative)	0	0	0	0	0	*2*	*3*	*4*

Current Situation:

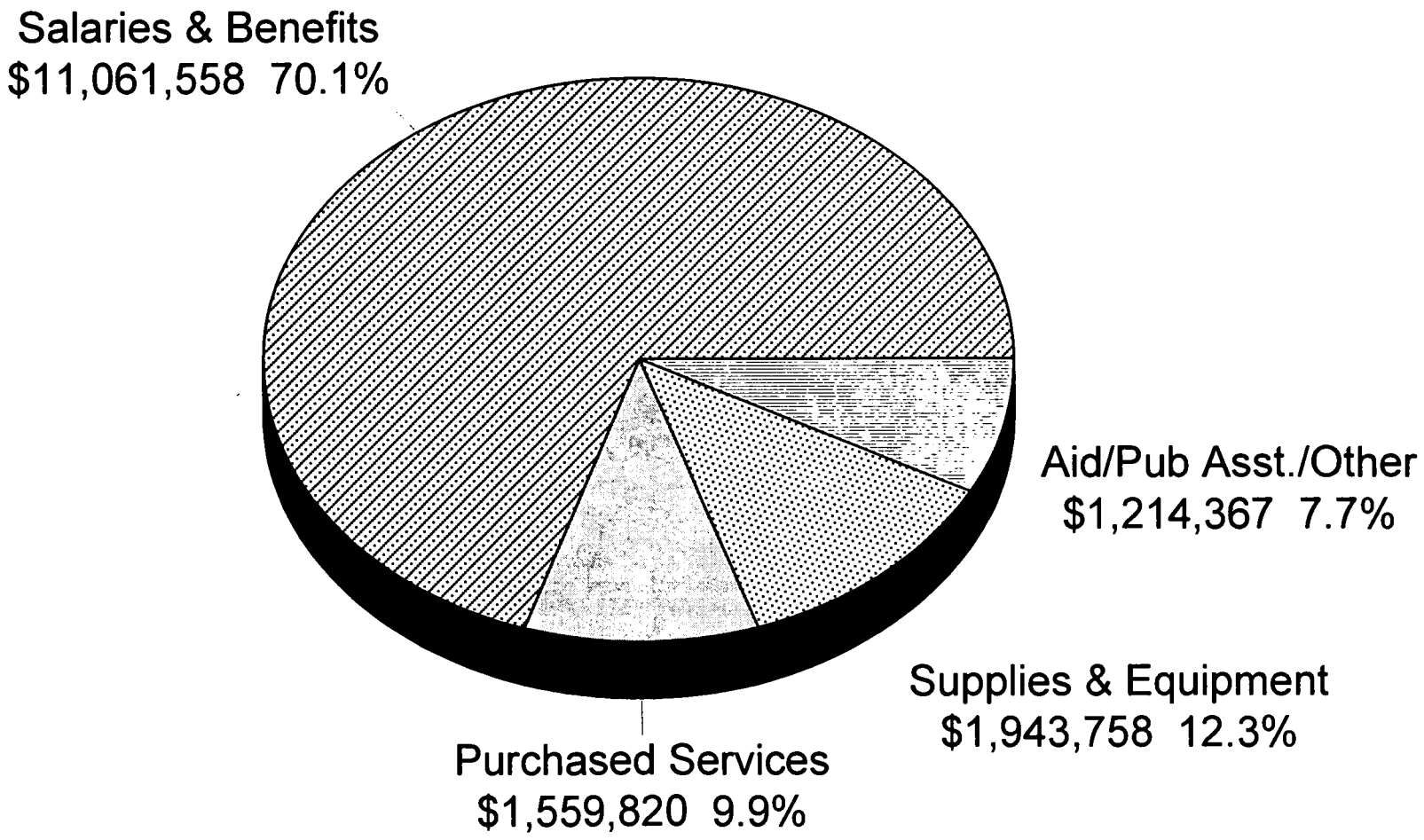
An evaluation of a recommended full staffing plan is underway to help project current and future staffing needs to deliver effective programs. The staffing plan is based on the average number of visits per full time equivalent (FTE) field staff position for similar park systems. (Source: Annual Information Exchange for the National Association of State Parks Directors.) The percentage of planned FTEs will vary each year reflecting changes in visitation and staffing levels in North Carolina and similar state park systems.

Funds:

4300 EHNR
1275 State Parks - Administration
1280 State Parks - Field Operations
1290 Reservoir Operations
1295 Recreation - Planning and Assessment

Division of Parks and Recreation

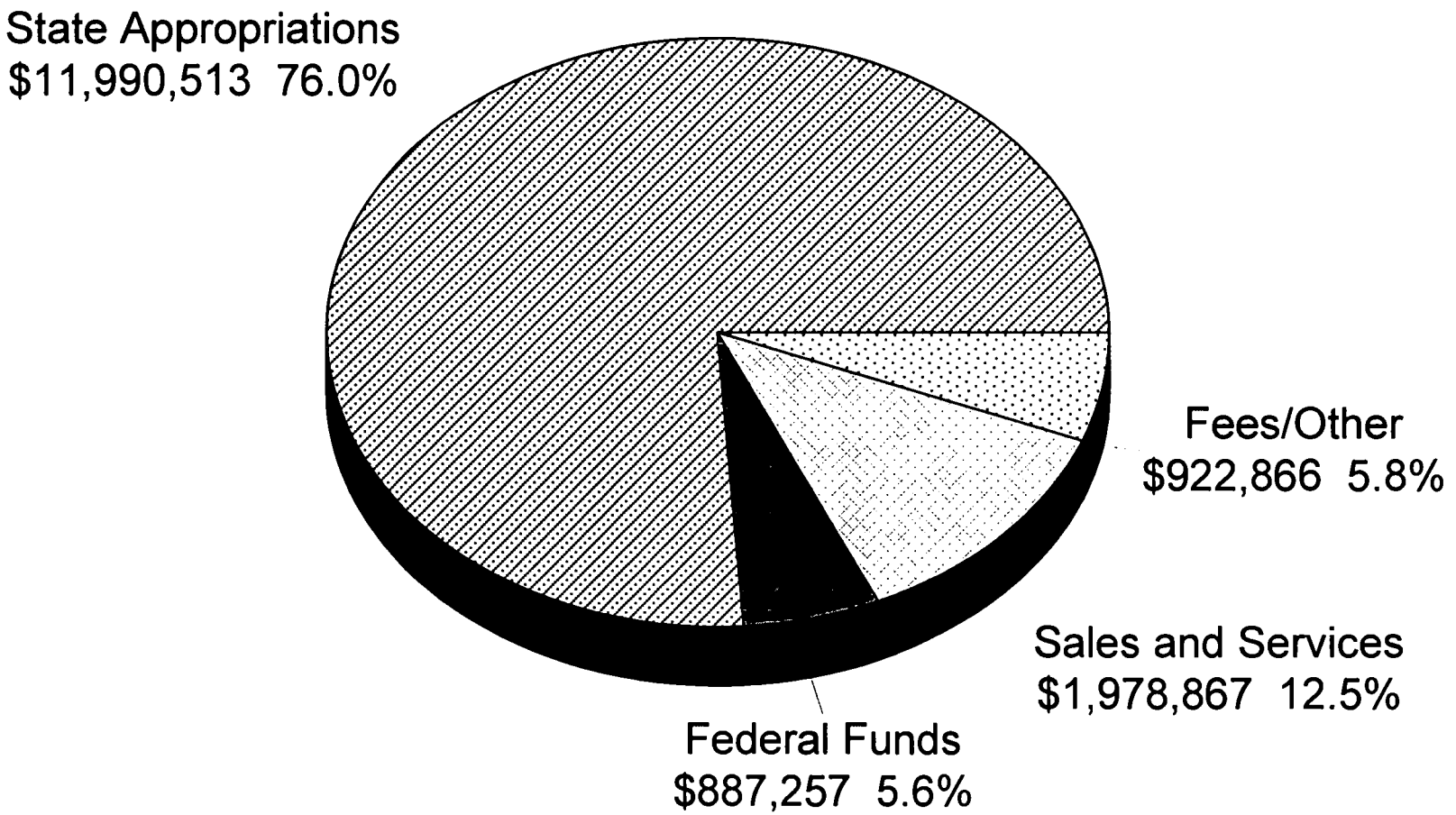
1996-97 (Authorized) Expenditures By Category



Fiscal Research Division February 1997

Division of Parks and Recreation

FY 1996-97 (Authorized) Fund Sources



Fiscal Research Division February 1997

Department of Environment, Health, and Natural Resources

Division of Parks and Recreation							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (Month)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	14,604,855	14,707,239	15,779,503	19,781,057	25.4%	18,833,178	19.4%
Less Receipts	(3,216,135)	(3,444,655)	(3,788,990)	(3,727,748)	-1.6%	(3,727,537)	-1.6%
State Appropriations	*11,388,721*	*11,262,584*	*11,990,513*	*16,053,309*	33.9%	*15,105,641*	26.0%
Positions	296.50	305.50	306.50	306.50		306.50	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The Division of Parks and Recreation is responsible for identifying and protecting high quality examples of the state's natural resources, and for planning, developing and operating a statewide system of park and recreation resources.

DIVISION ACTIVITIES

- State Parks Operations
- Comprehensive Planning
- Resource Management
- Construction Management
- State Trails
- Natural Heritage Program

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp Y-35 to Y-43
Performance/Program Analysis, Volume 7a, pp 5-17 to 5-25

Mount Jefferson State Natural Area - Picnic area, trail development
Mount Mitchell State Park - Museum renovations, handicap access, utilities
Mount Mitchell State Park - 350 acres
New River State Park - Site #3 development
Pettigrew State Park - West End Access development
Raven Rock State Park - Maintenance area
South Mountains State Park - Horse cam,p/Picnic area
Stone Mountain State Park - Picnic area
Stone Mountain State Park - 426 acres
William B. Umstead State Park - Visitor center

OTHER

Funding is also requested for the operation of the following projects, with funding sources as indicated:

Falls Lake State Recreation Area - 1050 acres, trail	(Transfer from WRC)
Occoneechee Mountain State Natural Area - 150 acres	(New park, authorized 1994)
Run Hill State Natural Area - 130 acres	(New park, authorized 1995)
Singletary Lake State Park - Group camp	(1995 Capital Appropriation)
Weymouth Woods State Natural Area - 97 acres	(Natural Heritage Trust Fund)

Department of Environment, Health, and Natural Resources

North Carolina Aquariums							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	3,602,777	3,655,451	4,137,083	4,191,624	1.3%	4,192,484	1.3%
Less Receipts	(1,584,412)	(1,475,654)	(1,705,502)	(1,706,202)	0.0%	(1,706,202)	0.0%
State Appropriations	*2,018,365*	*2,179,797*	*2,431,581*	*2,485,422*	2.2%	*2,486,282*	2.2%
Positions	49.50	49.50	49.50	49.50		49.50	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The North Carolina Aquariums are three state-supported facilities which provide a variety of educational opportunities including aquariums, exhibits, field experiences, lectures, films and school programs. Activities at the Aquariums are designed to create an awareness, understanding, and appreciation of coastal North Carolina's diverse cultural and natural resources.

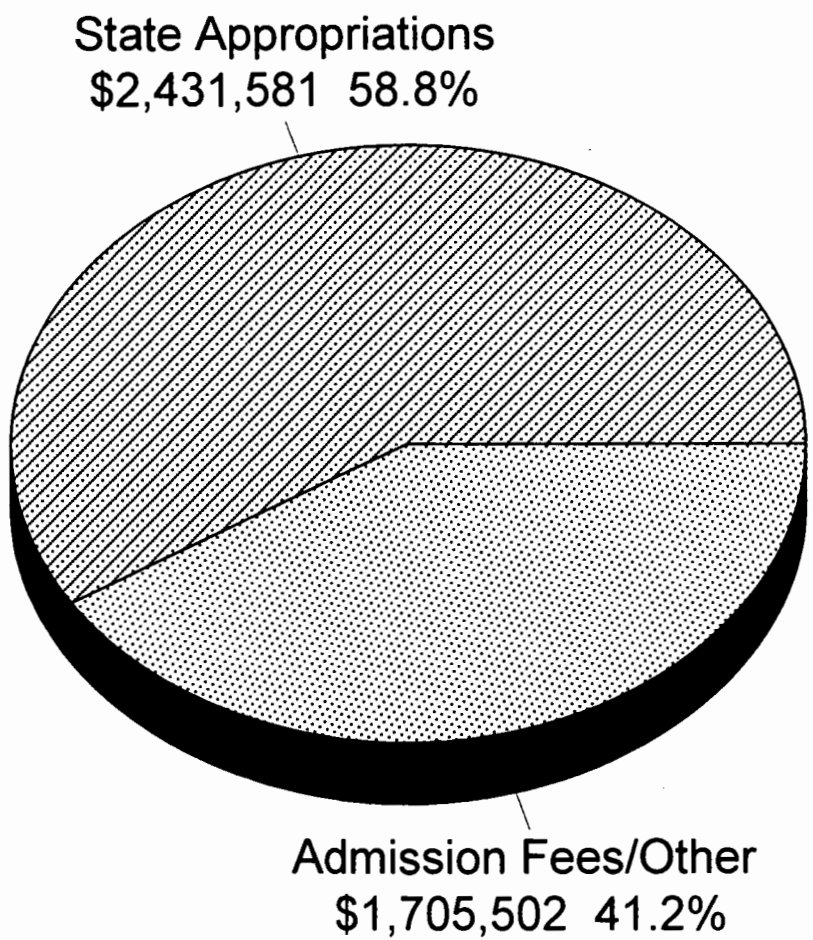
The Aquariums are located in Dare, New Hanover and Carteret counties.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp Y-55 to Y-58; Y-230 to Y-233
Performance/Program Analysis, Volume 7a, pp 5-7 to 5-15

North Carolina Aquariums

FY 1996-97 (Authorized) Fund Sources

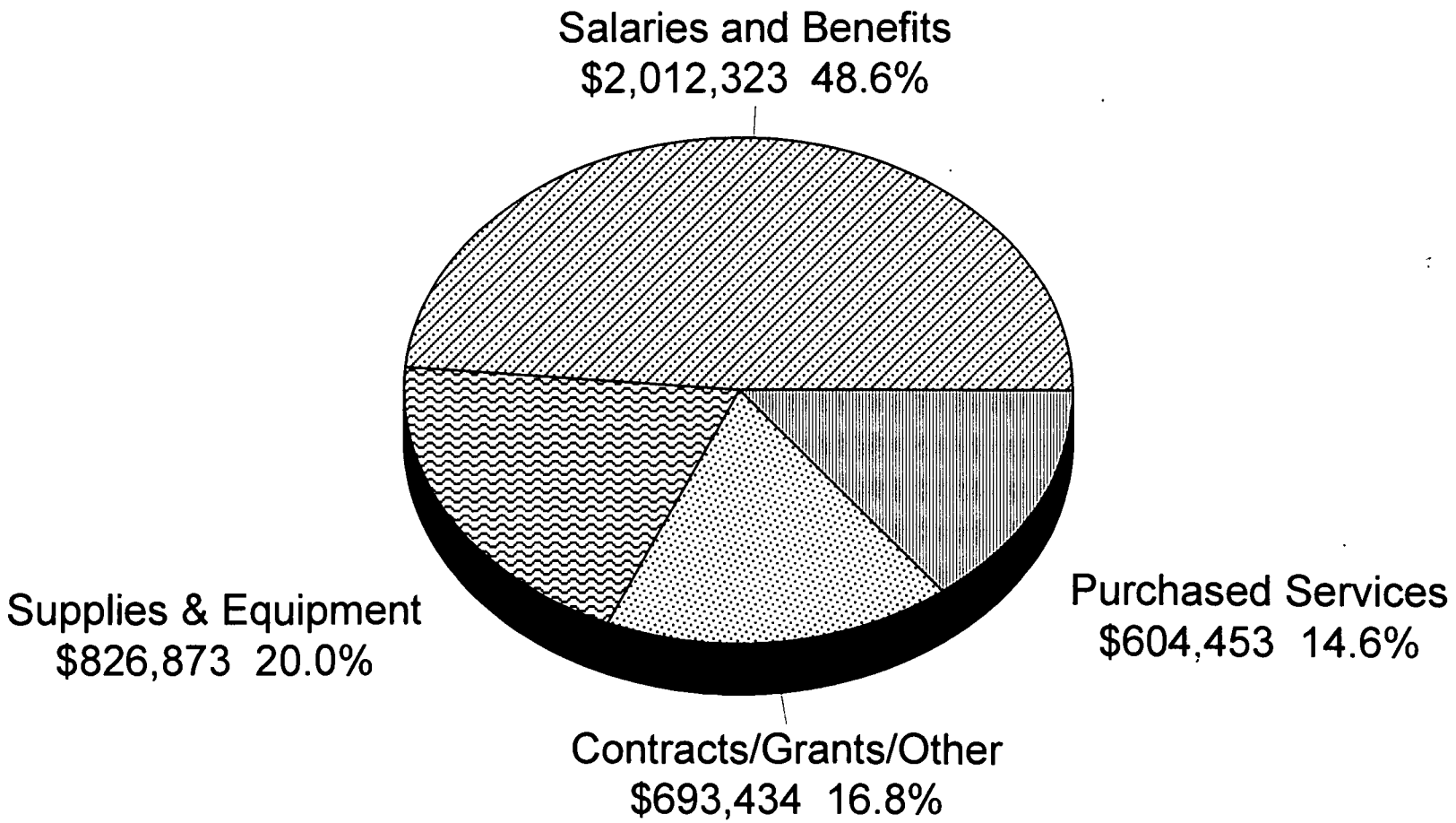


Fiscal Research Division February 1997

EHNR-4

North Carolina Aquariums

FY 1996-97 (Authorized) Expenditures By Category



Fiscal Research Division February 1997

5100 Promote environmental education

Objective 2: Increase environmental awareness and understanding of the general public by increasing participation in structured programs by 15 % by 2002.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of contact hours with participants in structured environmental education programs (without continuing education units (CEU) credits)	n/a	n/a	138,410	117,567	147,206	*137,767*	*145,758*	*148,442*
Performance Measures:								
Total number of programs and outreach programs conducted by the aquariums	4,500	4,575	4,575	4,119	4,119	*4,250*	*4,300*	*4,350*
Number of aquarium program participants	155,000	157,000	160,000	153,667	123,147	*157,250*	*135,000*	*155,000*
Number of participants in Museum of Natural Sciences public progams, classes, workshops, and youth programs	n/a	n/a	n/a	3,684	3,095	*3,176*	*3,150*	*3,860*
Number of participants in classes/programs at the zoo	n/a	n/a	9,897	7,469	9,406	*9,400*	*9,400*	*9,400*
Total number of people attending natural and maritime programs and field trips, seminars and conferences, and classes provided by the Maritime Museum	18,373	18,323	15,771	13,559	13,020	*13,500*	*13,500*	*13,500*
Total number of natural and maritime programs and field trips, seminars and conferences, and classes provided by the Maritime Museum	458	436	465	472	451	*460*	*460*	*460*

Current Situation:

The ability to meet the projected outcome measure will depend on a number of factors including completion of facilities at the Museum of Natural Science and the aquariums as well as the response from the public to publicized programs. It is anticipated that the completion of new facilities will attract more participation in environmental education programs.

Funds:

4300 EHNR
1305 NC Zoo - General Operations
1350 Aquariums - Central Office
1355 NC Aquariums
1360 NC Museum of Natural Sciences

3700 Agriculture
1205 Maritime Museum

5100 Promote environmental education

Objective 4: Increase the general public's environmental awareness by increasing visitor attendance at the zoo, the Museum of Natural Sciences, and the aquariums.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of visitors at the zoo, Museum of Natural Sciences and aquariums.	2,457,151	2,172,793	1,960,567	1,970,136	1,780,264	*1,775,280*	*1,831,563*	*1,877,092*
Performance Measures:								
Number of zoo visitors	573,248	580,178	604,000	934,000	788,043	*780,000*	*750,000*	*750,000*
Number of zoo school group visitors	73,108	79,976	82,000	121,967	123,691	*100,000*	*120,000*	*120,000*
Number of aquarium visitors	1,727,331	1,443,512	1,187,096	849,380	808,626	*808,700*	*891,900*	*934,400*
Number of youth/student visitors to the aquariums	65,000	66,000	67,940	80,768	79,636	*86,000*	*84,000*	*86,000*
Number of Museum of Natural Science visitors	156,572	149,103	169,471	186,756	183,595	*186,654*	*189,714*	*192,774*
Number of Museum of Natural Science school group visitors	73,108	79,976	82,000	121,967	123,691	*100,000*	*120,000*	*120,000*

Current Situation:

The Streamside exhibit at the zoological park opened during FY 1995-96 which completes the North America Continent displays. Construction of the new Museum of Natural Sciences building is expected to be completed in June 1999 and will more than triple the currently available space for exhibits, environmental education programs, and research. Planning is underway to expand all three aquariums to accommodate more exhibits and increased visitation.

Funds:

4300 EHNR
1305 NC Zoo - General Operations
1350 Aquariums - Central Office
1355 NC Aquariums
1360 NC Museum of Natural Sciences

NORTH CAROLINA AQUARIUMS
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
Reduce General Fund Support for maintenance	($200,000) R	($200,000) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS		
Capital Improvements - Planning	$300,000 NR	$1,000,000 NR

REPAIRS AND RENOVATIONS

The North Carolina Aquariums received $186,800 from the 1996-97 Reserve for Repairs and Renovations account.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $48,711
Incorporates the Aquarium's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $48,711 in state appropriations.

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

Planning for the renovation and expansion of the three aquariums began in early 1994 with the intent to provide improved larger facilities with more focused interpretive exhibits.

Since 1993, the General Assembly has appropriated $2.3 million for planning and expansion at the three Aquariums. It is estimated to require a total of $30 million ($10 million for each aquarium) in state appropriations to complete the project. The Committee may wish to ask the Department to comment on planning activities thus far and on the involvement of the private sector in fundraising activities.

Department of Environment, Health, and Natural Resources

Museum of Natural Sciences							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (December)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	2,877,323	2,953,289	4,863,866	5,702,671	17.2%	6,720,712	38.2%
Less Receipts	(386,593)	(535,183)	(881,168)	(844,676)	-4.1%	(841,676)	-4.5%
State Appropriations	*2,490,730*	*2,418,106*	*3,982,698*	*4,857,995*	22.0%	*5,879,036*	47.6%
Positions	40.00	52.00	67.00	67.00		67.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The Museum of Natural Sciences maintains the state's collections and disseminates knowledge and conducts research regarding the natural history of North Carolina. The Museum supports "hands on" natural sciences programs statewide for students, teachers, and the general public as well as workshops, interpretive exhibits, publications and media contacts, and biological research and survey work.

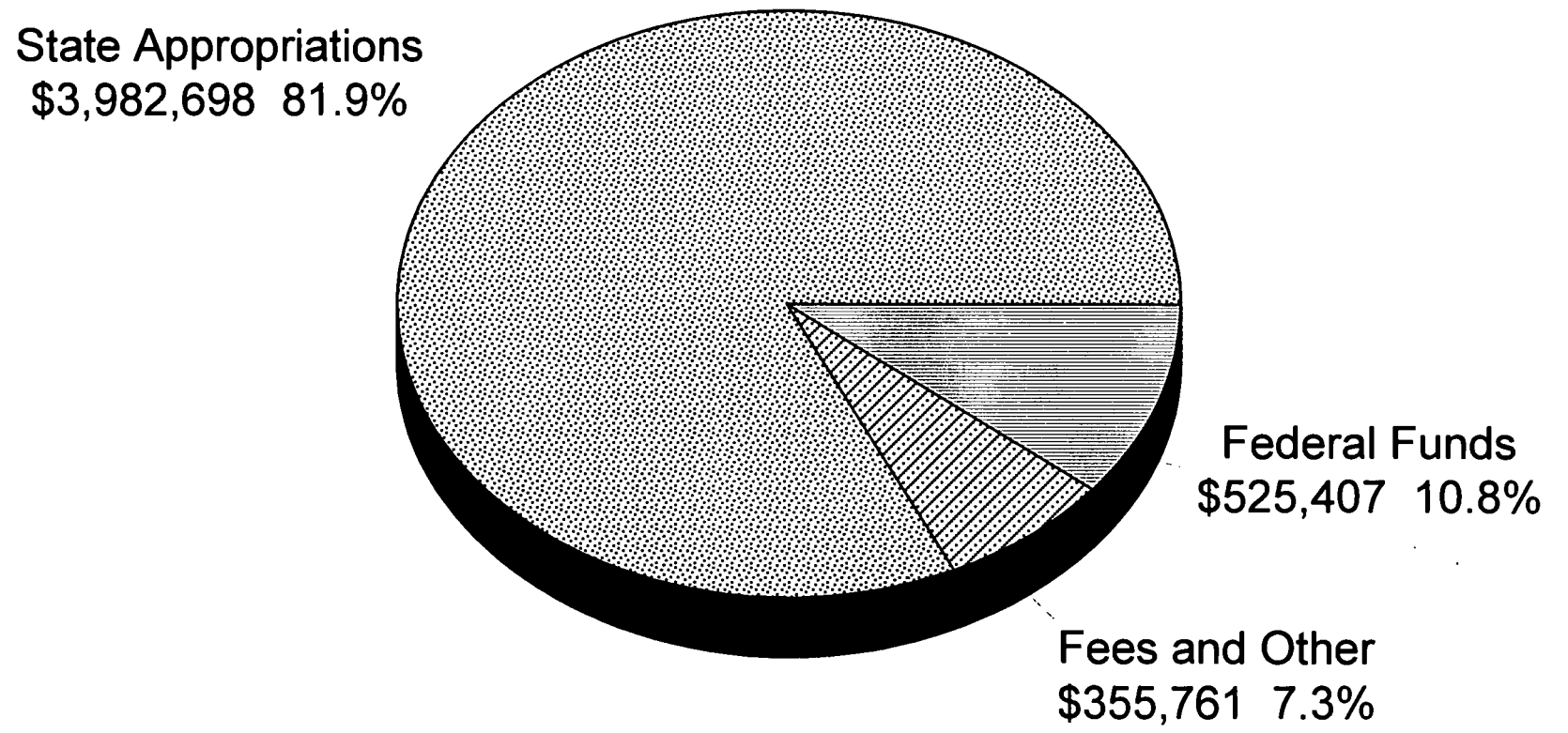
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp Y-59 to Y-62; Y-210 to Y-219
Performance/Program Analysis, Volume 7a, pp 5-7 to 5-15

EHNR-57

Museum of Natural Sciences

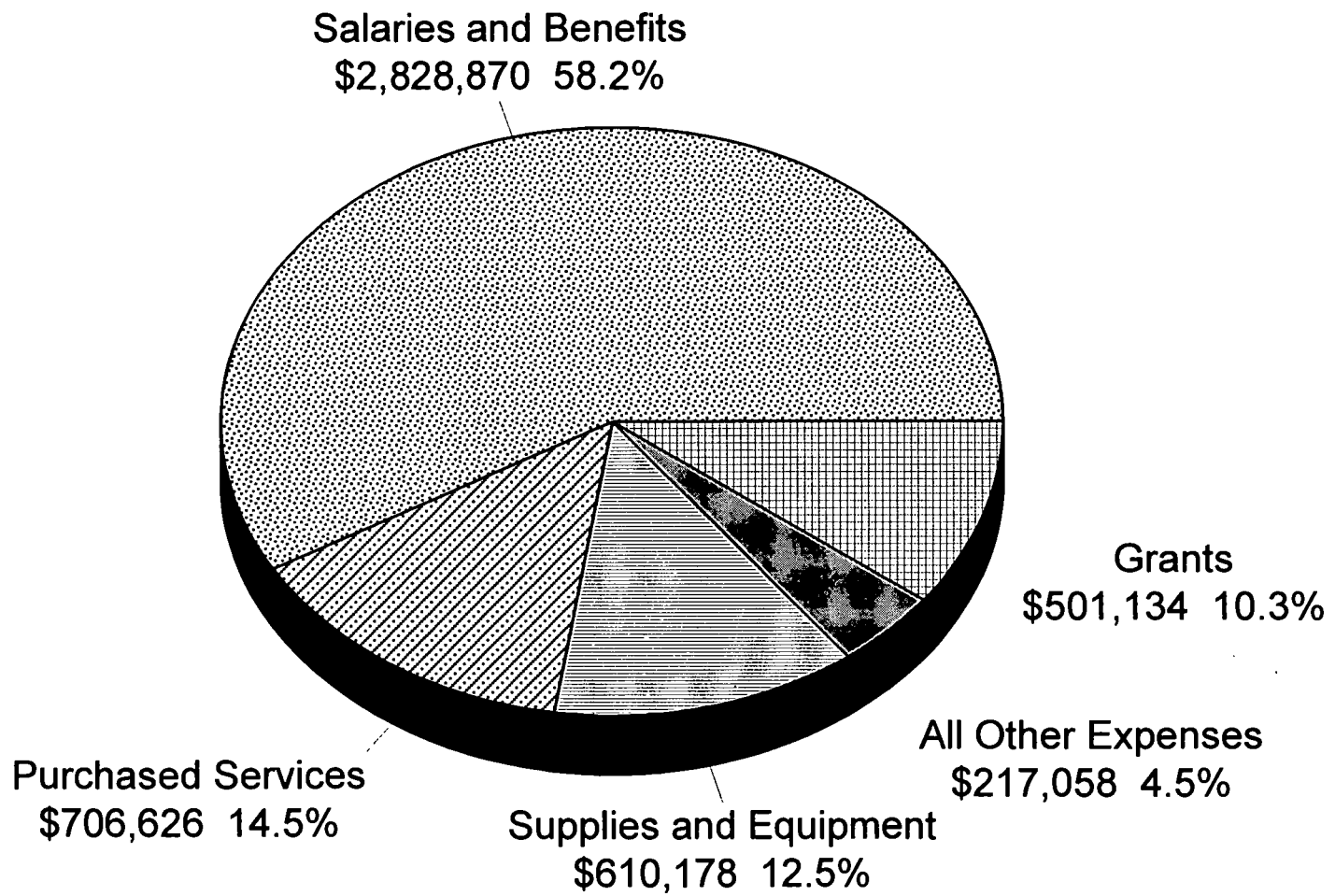
1996-97 (Authorized) Fund Sources



Fiscal Research Division February 1997

Museum of Natural Sciences

1996-97 (Authorized) Expenditures By Category



Fiscal Research Division February 1997

5100 Promote environmental education

Objective 2: Increase environmental awareness and understanding of the general public by increasing participation in structured programs by 15 % by 2002.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of contact hours with participants in structured environmental education programs (without continuing education units (CEU) credits)	n/a	n/a	138,410	117,567	147,206	*137,767*	*145,758*	*148,442*
Performance Measures:								
Total number of programs and outreach programs conducted by the aquariums	4,500	4,575	4,575	4,119	4,119	*4,250*	*4,300*	*4,350*
Number of aquarium program participants	155,000	157,000	160,000	153,667	123,147	*157,250*	*135,000*	*155,000*
Number of participants in Museum of Natural Sciences public progams, classes, workshops, and youth programs	n/a	n/a	n/a	3,684	3,095	*3,176*	*3,150*	*3,860*
Number of participants in classes/programs at the zoo	n/a	n/a	9,897	7,469	9,406	*9,400*	*9,400*	*9,400*
Total number of people attending natural and maritime programs and field trips, seminars and conferences, and classes provided by the Maritime Museum	18,373	18,323	15,771	13,559	13,020	*13,500*	*13,500*	*13,500*
Total number of natural and maritime programs and field trips, seminars and conferences, and classes provided by the Maritime Museum	458	436	465	472	451	*460*	*460*	*460*

Current Situation:

The ability to meet the projected outcome measure will depend on a number of factors including completion of facilities at the Museum of Natural Science and the aquariums as well as the response from the public to publicized programs. It is anticipated that the completion of new facilities will attract more participation in environmental education programs.

Funds:

4300 EHNR
1305 NC Zoo - General Operations
1350 Aquariums - Central Office
1355 NC Aquariums
1360 NC Museum of Natural Sciences

3700 Agriculture
1205 Maritime Museum

5100 Promote environmental education

Objective 3: Increase the general public's awareness of North Carolina's environmental education programs, resources, and facilities 10% from 1996 to 2002.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of information requests from the general public	n/a	n/a	26,039	19,951	19,716	*20,153*	*20,354*	*20,551*
Performance Measures:								
Number of media items about Museum of Natural Science activities (excluding public service announcements)	n/a	n/a	29	298	349	*320*	*300*	*450*
Number of responses to public information requests relating to natural history (*adapted to include phone requests as well as written)	215	210	198	1,285	1,562	*1,614**	*1,666**	*1,718**
Number of environmental education publications to educators and the general public	n/a	n/a	5,000	15,000	37,407	*38,100*	*38,950*	*39,850*
Number of visits to the North Carolina Environmental Education World Wide Web Internet site (http://www.ehnr.state.nc.us/EHNR/ee)	n/a	n/a	n/a	n/a	2,259	*2,300*	*2,350*	*2,400*

Current Situation:

Funds:

4300 EHNR
1120 Environmental Education
1305 NC Zoo - General Operations
1350 Aquariums - Central Office
1355 NC Aquariums
1360 NC Museum of Natural Sciences

5100 Promote environmental education

Objective 4: Increase the general public's environmental awareness by increasing visitor attendance at the zoo, the Museum of Natural Sciences, and the aquariums.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of visitors at the zoo, Museum of Natural Sciences and aquariums.	2,457,151	2,172,793	1,960,567	1,970,136	1,780,264	*1,775,280*	*1,831,563*	*1,877,092*
Performance Measures:								
Number of zoo visitors	573,248	580,178	604,000	934,000	788,043	*780,000*	*750,000*	*750,000*
Number of zoo school group visitors	73,108	79,976	82,000	121,967	123,691	*100,000*	*120,000*	*120,000*
Number of aquarium visitors	1,727,331	1,443,512	1,187,096	849,380	808,626	*808,700*	*891,900*	*934,400*
Number of youth/student visitors to the aquariums	65,000	66,000	67,940	80,768	79,636	*86,000*	*84,000*	*86,000*
Number of Museum of Natural Science visitors	156,572	149,103	169,471	186,756	183,595	*186,654*	*189,714*	*192,774*
Number of Museum of Natural Science school group visitors	73,108	79,976	82,000	121,967	123,691	*100,000*	*120,000*	*120,000*

Current Situation:

The Streamside exhibit at the zoological park opened during FY 1995-96 which completes the North America Continent displays. Construction of the new Museum of Natural Sciences building is expected to be completed in June 1999 and will more than triple the currently available space for exhibits, environmental education programs, and research. Planning is underway to expand all three aquariums to accommodate more exhibits and increased visitation.

Funds:

4300 EHNR
1305 NC Zoo - General Operations
1350 Aquariums - Central Office
1355 NC Aquariums
1360 NC Museum of Natural Sciences

EHNR-62

MUSEUM OF NATURAL SCIENCES
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Reduce Grassroots Science Program	($400,000) R	($400,000) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS		
1) Planning and Design	400,000 NR	500,000 NR

REPAIRS AND RENOVATIONS

The Museum received no allocations from the 1996-97 Reserve for Repairs and Renovations account.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $79,852
Incorporates the Museum's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $76,203 in state appropriations and $3,649 in receipts.

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1. The Committee may recall that the Governor's 1995-97 budget recommendation for the Museum included reserves totaling $618,389 in FY 1995-96 and $1,787,815 in FY 1996-97. The Museum added 12 positions in the first year of the biennium and 15 in the second year. These reserves were related to the 1994 capital appropriation for the new museum. For the 1997-99 biennium, the Governor's recommended budget again includes reserves of $926,431 in FY 1997-98 and $1,943,480 in FY 1998-99. It is anticipated that over the course of the 1997-99 biennium, an additional 36 positions will be added to the museum's current staff of 67.

   The Committee may wish to ask the Department to discuss (1) the anticipated total staffing needs for the new museum, (2) the duties and activities of the 27 positions hired over the 1995-97 biennium in anticipation of the opening of the new museum in 1999, and (3) activity profiles of the new positions expected over the upcoming biennium.

2. Grassroots Science Program -- Currently, museums in 10 cities each receive $50,000 for the Grassroots Science program (Asheville divides its funds between 2 museums). The Department and participating museums have expressed an interest in changing the allocation of state funds to include consideration of the museums' operating budgets. The Committee may wish to have the Department comment on this proposal and consider having a special provision drafted to change the allocation formula.

Requested by: Representatives Mitchell, Weatherly, Senator Martin of Pitt

GRASSROOTS SCIENCE PROGRAM

Sec. 26.10. Of the funds appropriated in this act to the Department of Environment, Health, and Natural Resources for the Grassroots Science Program, the sum of five hundred thousand dollars ($500,000) for fiscal year 1995-96 and the sum of five hundred thousand dollars ($500,000) for fiscal year 1996-97 are allocated as grants-in-aid for each fiscal year as follows:

Catawba Science Center	$50,000
Discovery Place	$50,000
Imagination Station	$50,000
North Carolina Museum of Life and Science	$50,000
Rocky Mount Children's Museum	$50,000
Schiele Museum of Natural History	$50,000
Sci Works Science Center and Environmental Park of Forsyth County	$50,000
Natural Science Center of Greensboro	$50,000
Western North Carolina Nature Center	$15,000
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$35,000
Cape Fear Museum	$50,000

1995 Continuation Budget Bill

House Bill 229

EVR-64

Handout D-

EHNR-65

Department of Environment, Health, and Natural Resources

Office of Environmental Education							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized December	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	598,094	554,391	650,565	616,944	-5.2%	617,474	-5.1%
Less Receipts	(112,769)	(58,210)	(17,080)	(17,080)	0.0%	(17,080)	0.0%
State Appropriations	*485,325*	*496,181*	*633,485*	*599,864*	-5.3%	*600,394*	-5.2%
Positions	10.00	8.00	10.00	10.00		10.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

PROGRAMS AND ACTIVITIES

- Promotes coordination among state and federal agencies, schools, colleges, citizens groups and the business and industrial community in the dissemination and promotion of environmental and natural resources information, education and stewardship.
- Promotes water quality education in each of the state's river basins.
- Serves as a clearinghouse of environmental information.
- Administers the Project Tomorrow grant program for public schools.

Cross References For Budget Volumes

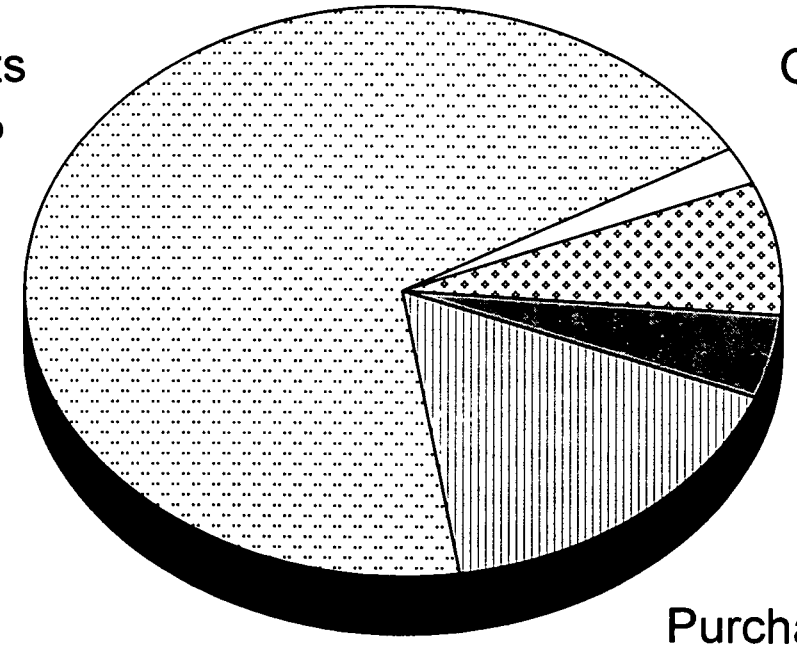
Governor's Budget, Volume 5, pp. Y-13 to Y-16
Performance/Program Analysis, Volume 7A, pp. 5-7 to 5-15

EHNR-66

Office of Environmental Education

Expenditures by Category

FY 1996-97 December Authorized



Salaries & Benefits
$449,002 69.0%

Other Expenses
$13,966 2.1%

Supplies & Equipment
$48,202 7.4%

Aid/Public Assistance
$30,308 4.7%

Purchased Services
$109,087 16.8%

Fiscal Research Division -- February 1997

Objective 3: Increase the general public's awareness of North Carolina's environmental education programs, resources, and facilities 10% from 1996 to 2002.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of information requests from the general public	n/a	n/a	26,039	19,951	19,716	*20,153*	*20,354*	*20,551*
Performance Measures:								
Number of media items about Museum of Natural Science activities (excluding public service announcements)	n/a	n/a	29	298	349	*320*	*300*	*450*
Number of responses to public information requests relating to natural history (*adapted to include phone requests as well as written)	215	210	198	1,285	1,562	*1,614**	*1,666**	*1,718**
Number of environmental education publications to educators and the general public	n/a	n/a	5,000	15,000	37,407	*38,100*	*38,950*	*39,850*
Number of visits to the North Carolina Environmental Education World Wide Web Internet site (http://www.ehnr.state.nc.us/EHNR/ee)	n/a	n/a	n/a	n/a	2,259	*2,300*	*2,350*	*2,400*

Current Situation:

Funds:

4300 EHNR
1120 Environmental Education
1305 NC Zoo - General Operations
1350 Aquariums - Central Office
1355 NC Aquariums
1360 NC Museum of Natural Sciences

OFFICE OF ENVIRONMENTAL EDUCATION
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97	
Eliminate 2 administrative support positions	($62,733)	($62,733)	
Computer Support Technician II	-2	-2	
Administrative Assistant I			

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

Water Quality and River Basin Education Programs			
Funds to develop and implement water quality environmental		$144,250	R
education programs for each of the state's 17 river basins.		$20,394	NR
		3	

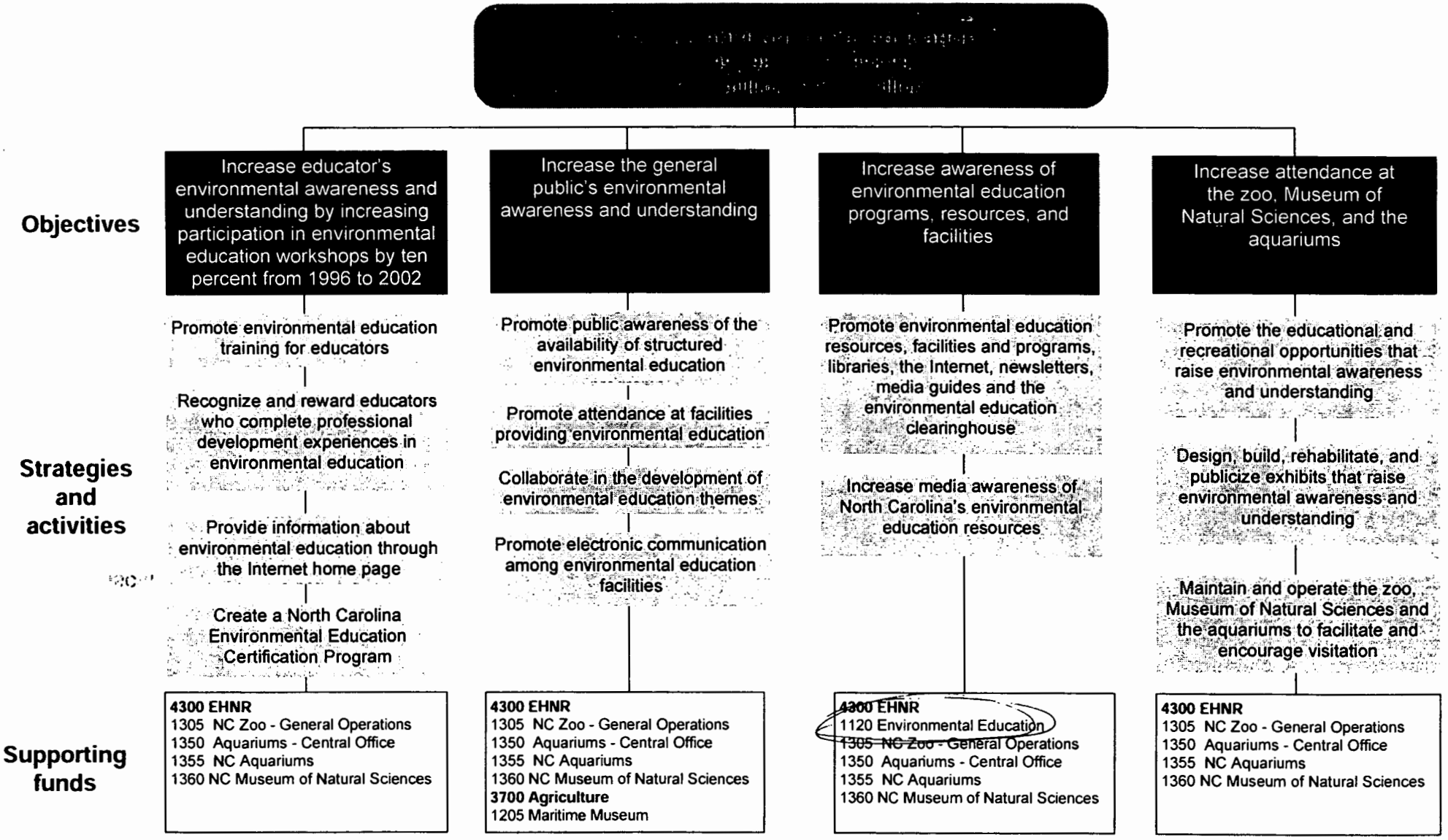
REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Office of Environmental Education in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $13,317
Incorporates the Office's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with a state general fund appropriation.

5100 Promote environmental education



5100 Promote environmental education

1996-97 Authorized Expenditures

	Number of Positions	Total Requirements	Total Receipts	Total Appropriation	Percent of Total Requirements
Funds reviewed by Natural and Economic Resources Appropriations Subcommittee:					
3700 AGRICULTURE					
1205 NC MARITIME MUSEUM	17.25	820,459.00	3,700.00	816,759.00	3.77
4300 EHNR					
1120 ENVIRONMENTAL EDUCATION	10.00	637,248.00	17,080.00	620,168.00	2.93
1305 NC ZOO-GENERAL OPERATION	272.00	11,965,743.00	5,620,284.00	6,345,459.00	54.93
1350 AQUARIUMS - CENTRAL OFF.	4.00	236,599.00	0.00	236,599.00	1.09
1355 AQUARIUMS	41.00	2,215,496.00	69,225.00	2,146,271.00	10.17
1360 MUSEUM OF NATURAL SCIENC	67.00	3,998,136.00	573,625.00	3,424,511.00	18.36
2460 GERWIN/RESEARCH	0.00	11,250.00	11,250.00	0.00	0.05
2461 PUBLICATIONS	0.00	7,915.00	7,915.00	0.00	0.04
2462 SCHOOL SCIENCE FAIRS	0.00	400.00	300.00	0.00	0.00
2463 PUBLIC PROGRAMS	0.00	91,311.00	91,311.00	0.00	0.42
2464 OTHER EXTENSION ACTIVITI	0.00	16,583.00	16,583.00	0.00	0.08
2465 FISH ATLAS	0.00	4,500.00	4,500.00	0.00	0.02
2466 SPECIAL EVENTS	0.00	4,000.00	4,000.00	0.00	0.02
2467 JUNIOR CURATORS	0.00	9,000.00	9,000.00	0.00	0.04
2468 BELIZE FUND	0.00	54,385.00	54,385.00	0.00	0.25
2469 NATIONAL WILDLIFE	0.00	1,000.00	1,000.00	0.00	0.00
2470 SCHOOL PROGRAMS	0.00	55,314.00	55,314.00	0.00	0.25
2471 SLOTH FUND	0.00	200.00	200.00	0.00	0.00
2472 GRASSROOTS	0.00	15,895.00	15,895.00	0.00	0.07
2850 AQUAR-SPEC ACTV-ROANOKE	0.50	11,759.00	11,759.00	0.00	0.05

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1996-97 Authorized Expenditures

5100 - *Continued*	Number of Positions	Total Requirements	Total Receipts	Total Appropriation	Percent of Total Requirements
2855 AQUAR-SPEC ACTV-FT FISHR	0.50	15,684.00	15,684.00	0.00	0.07
2860 AQUAR-SPEC ACTIV-PINE KN	0.50	21,834.00	21,834.00	0.00	0.10
2865 N.C.AQUARIUMS(RRE)	3.00	1,587,000.00	1,587,000.00	0.00	7.29
TOTAL FOR 5100 FUNDS	415.75	$ 21,781,711.00	$ 8,191,844.00	$ 13,589,767.00	100.00

GOVERNOR'S RECOMMENDED REDUCTIONS 1997-99 BIENNIUM

There are no Governor's recommended reductions for the Office of Environmental Education.

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

Section 26 of Chapter 324 of the 1995 Session Laws (i.e. the 1995 Continuation Budget Bill) reads as follows:

"Sec. 26 The Department of Environment, Health, and Natural Resources shall prepare a report identifying all State-funded environmental education programs, activities, and initiatives statewide, including efforts by all State entities as well as efforts by other entities funded by grants-in-aid. In addition, the Department shall include in its report a plan for consolidating some or all of these programs, activities, and initiatives. The Department shall submit this report on or before January 15, 1996, to the Joint Legislative Commission on Governmental Operations."

This special provision was requested by the NER Appropriations Committees in 1995 following discussions of various environmental education programs within the department. Section 3 of the report identifies state funded environmental education programs. The report also discusses the distinctions between environmental education, technical assistance, technical training and environmental information. The committee may wish to have the department comment on the report as well as the findings and recommendations.

Handout E

REPORT ON STATE FUNDED ENVIRONMENTAL EDUCATION PROGRAMS

1. Purpose

This report meets the following legislative requirement enacted by the 1995 Session of the General Assembly of North Carolina:

> [DEHNR Study State-Funded Environmental Education. Section 26.] The Department of Environment, Health, and Natural Resources shall prepare a report identifying all state-funded environmental education programs, activities, and initiatives statewide, including efforts by all State entitles as well as efforts by other entities funded by grants-in-aid. In addition, the Department shall include in its report a plan for consolidating some or all of these programs, activities, and initiatives. The Department shall submit this report on or before January 15, 1996, to the Joint Legislative Commission on Governmental Operations."

To prepare this report, the Secretary of the Department of Environment, Health, and Natural Resources (DEHNR) requested each member of the Cabinet and Council of State to identify state-funded environmental education programs within their organization. Agencies were requested to refer to the definition of environmental education as set forth in the *North Carolina Environmental Education Plan* in preparing their reports.

The majority of agencies submitted programs that are more accurately described as technical assistance and technical training programs. It became clear that more descriptive terminology when referring to non-regulatory environmental programs would help minimize confusion about these various programs. (See Definitions in Appendix 1) These other programs such as technical training, technical assistance, information, grants and research, are identified and listed in appendices to this report.

2. Introduction

Environmental laws regulating use of the state's natural resources are often so narrowly defined and enforced as to have the effect of preventing a comprehensive approach to managing natural systems. The foundation of environmental education is the interconnectedness of these natural systems and the impact of human behavior on them.

By better balancing the state's emphasis on regulation with an equal emphasis on environmental education, increased public understanding will result in more informed decision making. The need for increased regulation is thus minimized.

A child's education is the responsibility of the entire community - not just the school and the teacher. Government facilities and government employees are a part of that community.

Employees in state government have knowledge, expertise and information about environmental matters. To presume that they should not share that knowledge, expertise and information with North Carolina teachers, students, and the general public would be a travesty.

State government manages and maintains lands and facilities in the public trust through public funding. These resources must become an integral part of the educational community's resources and tools used to teach our children as well as adult populations.

3. State Funded Environmental Education Programs

State agencies with environmental education programs as defined in the *North Carolina Environmental Education Plan* include DEHNR, Department of Agriculture, and constituent institutions of the University of North Carolina.

The State has an infrastructure of publicly funded educational resources and facilities through its parks, estuarine reserves, educational state forests, the Pisgah Environmental Education Center, the Aquariums, the Zoo and the Museum of Natural Sciences. To complement these structural resources, there are trained and experienced professionals whose responsibilities are the management of the state's natural and environmental resources in the public trust. These resources must be an integral part of the educational community's resources and tools used to teach our children and educate adults.

Under national and state legislation, management of the state's natural and environmental resources is administered through laws addressing each unique and individual resource, i.e., the forest, surface water, groundwater, air, soil, wildlife. In some cases, state laws address specific activities such as mining, dams, solid waste, hazardous waste, or land disturbing activities. These individual and specific laws are relegated to divisions within DEHNR for implementation, i.e. the Division of Forest Resources, the Division of Environmental Management (Water Quality Section, Groundwater Section, Air Quality Section), Wildlife Resources Commission, Division of Land Resources, Division of Solid Waste Management, and so on.

Each law, and thus, each division, serves some very specific constituencies or clients, while also maintaining responsibility for serving the general public interest. For instance, the Division of Forest Resources is responsible for management of the state's forest resources, and thus loggers and timber companies and spin-off industries such as the furniture industry are very specific constituents for this division and its laws and regulations. The Division of Environmental Management regulates those who discharge into the water, groundwater and air and thus, any individual, business or industry discharging into these resources are a clear constituent or "customer" of this division. However, the general public, the citizens of the state,

and the viability of the resource itself, are also clear "constituents" or "customers" of these divisions and the laws they implement and thus, divisions are also fully responsible to the public at large.

This latter responsibility, managing natural and environmental resources in the general public interest for all citizens of the state, is carried out by these respective divisions in many ways. One way is to encourage the public to use, enjoy, and understand these natural systems through structured environmental education programs. Access to these resources is often through government agencies and employees sharing their expertise, talent, skills, facilities and materials with the state's teachers, university and college faculty and students, and the general public. Environmental education expands knowledge of natural systems and their interconnectedness through sound science-based environmental principles and concepts, and does not bias this knowledge with policy or issue advocacy. With knowledge of these resources and the natural systems within which they function, public and private decisions affecting them will be more informed. The effectiveness of regulations and technical assistance programs are enhanced through understanding of natural systems.

The educational programs carried out by these divisions focus on the resource for which they have legislative responsibilities, but emphasizes that resource's place in a natural system. For example, Project Learning Tree is a nationwide K-12 curriculum provided for teachers through workshops conducted by the Division of Forest Resources and many others including the North Carolina Forestry Association. Project WILD is also a nationwide K-12 curriculum provided for teachers and focuses on wildlife. It is conducted through the Wildlife Resources Commission's Environmental Education Learning Experiences (EELEs) train teachers about the unique resources of each state park and are conducted by the Division of State Parks and Recreation. Most of the division programs include K-12 activities with teacher training, manuals and materials provided by the division. All of the above program activities are correlated to Department of Public Instruction required teaching objectives, K-12 for Science, Math, Language Arts, and Social Studies.

Other environmental education programs may be less formal, such as the poster, speech and essay contests conducted statewide by the Division of Soil and Water Conservation, the Division of Environmental Health, and the Division of Land Resources. Or the educational programs may be one-time, or stand-alone children's programs or family hikes conducted by naturalists. For a comprehensive and detailed description, the *Teacher's Guide to Environmental Education Programs and Resources* describes every environmental education program conducted within DEHNR and includes other environmental education programs and facilities public and private statewide.

Because environmental education is based upon natural systems and the interconnectedness of all things, the professionals involved in educational programs clearly understand the value of the whole. The individual programs may emphasize specific resources but they are taught as the interconnected parts of the greater natural systems. The general public interest has a broader

perspective than the narrower commercial or regulatory interest, and the public interest is likely to focus on the natural systems, such as a river basin or wetlands, rather than the respective parts.

The N.C. General Assembly established the Office of Environmental Education to see that environmental education programs are coordinated and readily accessible to the public. The legislation established a central clearinghouse of environmental education information. It mandates coordination of environmental education programs through a statewide comprehensive plan, a computerized database of existing education materials and programs, through environmental education centers, and by assisting the Department of Public Instruction in integrating environmental education into course curricula rather than creating new courses. It calls for grants and award programs in schools and communities.

The General Assembly recognized that the value of programs are minimal if the customers, including the general public, cannot find and use them with ease. In carrying out its legislative mandates, the Office of Environmental Education does not conduct environmental education programs but rather coordinates existing resources for public access. The Office of Environmental Education promotes sharing of resources and effective public access in many ways. The office:

- facilitates regular meetings of the professionals within the divisions of DEHNR who conduct environmental education programs.
- publishes a catalog of environmental education programs
- correlates environmental education activities with science, math, social studies, and language arts DPI required courses of study
- facilitates the development and implementation of a statewide comprehensive environmental education plan
- identified and facilitates communication among over 120 environmental education centers statewide
- encourages partnerships among environmental education programs, the various state and federal agencies, citizens groups, and business and industry
- coordinates teacher training institutes involving multiple programs in one setting
- facilitates public access to adult environmental education resources such as the Neuse River Basin environmental education programs and resources.

Following is a list, by Cabinet or Council of State Agency, of state funded environmental education programs:

3.1 Department of Environment, Health, and Natural Resources

The Department surveyed the programs meeting the definition of environmental education found in the North Carolina Environmental Education Plan to identify funding and employee resources expended in State Fiscal Year 1995. The programs identified in the *Teacher's Guide to Environmental Education* are those surveyed. The following chart reflects the results:

	% of Departmental Appropriation	% of Departmental Other Funds	% of Department's Total
Budget	1.14%	.076%	.353%
Employees	2.378%	.907%	1.963%

The Department's total budget, including state appropriation and all other funds, is approximately $925,000,000. The total full time equivalent positions in all budget codes is approximately 4,480. The amount expended by DEHNR for environmental education programs in state fiscal year was approximately $3.27 million and the number of full time equivalent (FTE) positions providing environmental education programs was 88. The Department expends a very small percentage of its total resources on these environmental education programs - less than 1/2 of one per cent of funds and less than 2% of personnel resources are expended for these programs. (See Budget Sheet in Appendix 2)

The Office of Environmental Education

The Office of Environmental Education is a Clearinghouse for access to the Department's environmental education resources. In addition, through regular meetings of the Environmental Education Advisory Council, a body made up of environmental educators both internal and external to DEHNR, the Office promotes coordination of environmental education activities in the Department and in the State.

The Office of Environmental Education in its clearinghouse role:

- Serves as guardian and implements objectives of *The North Carolina Environmental Education Plan* which was developed over an 18 month process of statewide public input and presented to the Governor in April of 1995.

- Publishes *The Teacher's Guide to Environmental Education Programs in North Carolina*. The publication is available free of charge upon request. To date over 35,000 have been provided to teachers and educators.

- Maintains the North Carolina Environmental Education Clearinghouse and a World Wide Web Home Page for Environmental Education. The Clearinghouse address is ddubay@cgia.state.nc.us World Wide Web home page URL address is http://www.ehnr.state.nc.us/EHNR/ee

- Publishes the *Guide to Environmental Education Centers in North Carolina* which describes 120 EE centers in the State and is available free of charge. The Office facilitates communication among EE Centers in the State.

- In partnership with DEHNR and Wildlife Resources Commission educators and with the Department of Public Instruction provides teachers K-12 with a correlation of all environmental education activities to the required courses of study for science, math, social studies, and language arts. The disks are available free of charge in DOS or Macintosh format and require MicroSoft Works software.

- Administers grants to schools K-12 to enhance their environmental education library collections under the Project Tomorrow Grant Program. There were 25 $1,000 grants awarded in 1995, and 35 will be awarded in 1996.

- Coordinates environmental education partnerships with business and industry in North Carolina. In the past year two formal partnerships have been formed with North Carolina businesses.

- Coordinates the Neuse River Basin Environmental Education Strategy including publication of the *Citizens Guide to the Neuse River Basin Environmental Education Programs and Resources* and the *Neuse River Basin Supplement to the Teacher's Guide to Environmental Education Programs and Resources.*

- Maintains the environmental education materials collection in the DEHNR library to assist state government employees in providing quality educational experiences to students when they visit classrooms

The Office of Environmental Education does not conduct environmental education programs, rather it is responsible for coordination among existing programs for ease of public access and efficiency of program resources.

DEHNR's environmental education programs are implemented through its divisions. Each program is fully described in the *Teacher's Guide to Environmental Education Programs and Resources.*

Division of Coastal Management

Through the National Estuarine Research System, which includes Currituck Banks, Rachel Carson, Masonboro Island, and Zeke's Island, the Division of Coastal Management is responsible for preserving representative estuarine sites for research and education on the natural and human processes that affect the coast. The Division of Coastal Management has an Education Specialist in Beaufort who performs a variety of environmental educational activities. Currently, there are general public and school programs at the Rachel Carson Component in Beaufort and at the Zeke's Island Component near Wilmington.

Environmental Education Programs:

Field Trips of the North Carolina National Estuarine Research Reserve
North Carolina National Estuarine Research Reserve Classroom Programs
Project Estuary and Sound Ideas Workshop

Division of Environmental Management

The Albemarle-Pamlico Estuarine Study, a jointly sponsored program by the North Carolina Department of Environment, Health, and Natural Resources and the U.S. Environmental Protection Agency, is one of 22 National Estuary Programs. The Study seeks to protect local, state, and national interests in maintaining the ecological integrity of the Albemarle and Pamlico estuaries through long-term planning and management. Important components of the Estuary Program include water quality, fisheries resources, land and water habitats, and the interaction of humans with the resources in the area.

Environmental Education Programs:

Albemarle-Pamlico Estuarine Study Resources

Division of Forest Resources

Through the Educational State Forest System, the Division exhibits a proactive role in environmental education. The Division maintains six educational state forests in North Carolina: Holmes, Tuttle, and Rendezvous Mountain Educational State Forests located in the mountain region; Clemmons and Jordan Lake Educational State Forests in the Piedmont region; and Turnbull Creek Educational State Forest in the coastal plain. Since its creation in 1973, the purpose of the Educational State Forest System has been to help people understand the value of forest resources for recreation, timber production, wildlife habitat, soil and water conservation, and aesthetics. The educational forests maintain two approaches to environmental education: self-guided interpretive trails and formal education classes.

Environmental Education Programs:

Educational State Forest Programs
Investigating Your Environment
Project Learning Tree
Talking Rock Trail
Talking Tree Trail
Tree Trunks

Division of Land Resources

The Division of Land Resources employs an Education Coordinator who assists in the planning and implementation of educational projects, printed materials, audio visuals, training and information workshops, and exhibits for the North Carolina Geological Survey (NCGS) and Geodetic Survey, the North Carolina Mining Program, and the North Carolina Dam Safety Program.

Upon request, and time permitting, the North Carolina Geological Survey staff makes presentations to individuals classrooms and to small groups of students. In addition, the North Carolina Geologic Survey sponsors a small monetary grants program for graduate students in the geophysical disciplines. The Survey is a major participant in and donator of materials to the North Carolina Science Teachers annual meeting.

The North Carolina Sedimentation Pollution Control Program has an Education Specialist who provides information on sedimentation issues to the general public through service announcements and mailers. The Sedimentation Program also creates environmental education programs aimed at educating public school children through curriculum development and practical experience.

The North Carolina Mining Commission helps sponsor the University of North Carolina Mathematics and Science Education Network's Workshops for K-12 teachers at the Network's 10 education centers by contributing $10,000 annually. Additionally, the Commission also helps sponsor the annual Outstanding Earth Science Teacher Award competition conducted by the Education and Industry Committee for Earth Science in North Carolina by contributing $700.

Environmental Education Programs:

Outreach - Division of Land Resources
Rock Kits
Sedimentation Erosion Control Essay Contest
Talking Rock Trail

Division of Parks and Recreation

The North Carolina State Parks System exists for the enjoyment, education, health, and inspiration of North Carolina's citizens and visitors. The educational purpose of the state parks system is to encourage people to conserve and protect representative examples of the natural beauty, ecological features, and recreational resources of statewide significance. The Division of Parks and Recreation maintains 33 state parks with trained educators and naturalists on staff, allowing a multitude of hands-on environmental education opportunities to occur. The primary emphasis of environmental education within the Parks System is the development of Environmental Education Learning Experiences (EELE) for each state park and experiential programs for all park visitors. Each EELE contains pre-visit activities, on-site activities and post-visit activities for park visitor groups.

Environmental Education Programs:

Environmental Education Learning Experiences (EELEs)
Outreach Programs
Parks and Recreation Area Education Programs

Division of Soil and Water Conservation

The Division, in partnership with the North Carolina Association of Soil and Water Conservation Districts, the 94 local Conservation Districts, and the USDA Natural Resources Conservation Service, sponsors contests, awards programs, field events, and teacher recertification workshops related to natural resource conservation. The partnership's environmental education program annually reaches an estimated 250,000 children statewide.

Environmental Education Programs:

Envirothon
Soil and Water Conservation Awards Program
Soil and Water Essay Contest
Soil and Water Conservation Field Days
Soil and Water Poster Contest
Soil and Water Conservation Public Speaking Contest
Soil and Water Conservation Teacher Scholarships

Division of Water Resources

The Division conducts programs for river basin management, water supply, water conservation, navigation, stream clearance, flood control, beach protection, aquatic weed control, hydroelectric power, and recreational uses of water. Having been named the Project WET! state coordinator, the Division is developing hands-on activities on water issues. In addition to the

development of Project WET activities, key environmental education programs within the Division include the highly effective Stream Watch Program and community outreach.

Environmental Education Programs:

Project WET (Water Education for Teachers)
Stream Watch

North Carolina Aquariums

The Mission of the three state aquariums along the North Carolina coast is to increase the public's awareness, understanding, and appreciation of North Carolina's aquatic resources and environment. The aquariums are located at Pine Knoll Shores near Morehead City, on Roanoke Island near Manteo, and at Fort Fisher near Wilmington. Many educational opportunities are available at each of the aquariums including exhibits, field experiences, lectures, films, and school programs.

Environmental Education Programs:

Fort Fisher
Education Programs
Outreach Programs
School Field Trips

Pine Knoll Shores
Auditorium and Classroom Programs
Natural History Studies
Outreach Programs
School Field Trips

Roanoke Island
Education Programs
An Hour at the Aquarium
Outreach Programs
School Field Trips

Teacher Training - All Aquariums

North Carolina State Museum of Natural Sciences

The purpose of the North Carolina State Museum of Natural Sciences is to enhance the public's understanding and appreciation of the natural environment in ways that emphasize the bio-diversity of North Carolina and the southeastern United States as it relates to the natural

world. Environmental Education of the general public, educators, and students is accomplished through workshops, outreach programs, exhibit hall presentations, and special programs.

Environmental Education Programs:

Classroom Videos
Curiosity Classes
Discovery Fun
Discovery Room
Girls' Science Club
Junior Curators
North Carolina Habitat Watch
Outreach Programs
Resource Boxes
Saturday Story Time
Sunday at Three
Teacher Treks - Extended Explorations
Teacher Treks - One Day Explorations
Teacher Treks - Tropical Ecology Adventure
Using the Outdoors to Teach Experiential Science (UTOTES)
Wake County School Visitation
Wake's Wild Ones

North Carolina Zoological Park

The North Carolina Zoological Park uses its more than 950 animals and 15, 000 plants to give visitors a sense of appreciation and awe for the world around them. Currently covering 500 acres. the Zoo helps visitors better understand ecological systems and translate such understanding into environmentally sound actions. Through its natural habitats for African and North American species, the Zoo fulfills its missions in the areas of conservation, education, recreation, and research. Environmental education is available to the general public, educators, and students. Services include: workshops, tours, special events, hands-on instructional material, and interaction on Zoo grounds.

Environmental Education Programs:

Educational Experience
Girl Scout Patch
Smart Carts
Summer Zoo Adventures for Kids
Summer Zoo Adventures for Teachers
Zoo Concepts
Zoofari Bags and Discovery Boxes

North Carolina Wildlife Resources Commission

The mission of the North Carolina Wildlife Resources Commission's Division of Conservation Education is to plan, develop, produce, and deliver programs and products which impart knowledge and understanding relative to the interrelationships that connect all parts of the environment. The Division then helps the public transform this knowledge and understanding, through the development of appropriate skills and attitudes, into effective actions to conserve the

environment. Because of the public's love for and interest in wildlife, this particular resource provides the natural motivation to further broaden environmental goals. Division programs are organized into four areas: N. C. WILD, N. C. CATCH, *Wildlife in North Carolina* magazine, and The WILD Store.

Environmental Education Programs:

North Carolina CATCH (Caring for Aquatics through Conservation Habits)
North Carolina WILD (Wildlife in Learning Design)
North Carolina WILD Notebook
North Carolina WILD Store
WILD Education Sites
Wildlife in North Carolina Magazine
Pisgah Environmental Education Center

3.1(A) Partnership for the Sounds

The Partnership will be comprised of four environmental education centers, Lake Mattamuskeet Lodge in New Holland, the N. C. Estuarium in Washington, the Center for the Sounds in Columbia and the Roanoke River Center in Windsor. The environmental education programs and facilities of the Partnership for the Sounds are administered by a Board of Directors and a full time Executive Director and staff.

3.2 North Carolina Department of Agriculture

North Carolina Maritime Museum

3.3 University of North Carolina

Examples of recent state-funded contracts to the constituent institutions of UNC involving environmental education are listed below.

NCA&T
Cooperative Extension
Environmental Education for Disadvantaged communities. Source NCSU

ECU
Science and Mathematics Education Center
The Down East Project in Earth and Environmental Science Source NCMSEN
Earth Science Workshop 1994 Source NCMSEN

NCSU
Forestry Extension
North Carolina Forest Stewardship Program Source DEHNR

UNC Wilmington
Biological Sciences

Operations Grant for the North Carolina Estuarine Research Reserve Program	Source DEHNR, DCM
National Estuarine Research Reserve Workshop	Source DEHNR, DCM
Fiscal Year 1995 Educational Grant for the Estuarine Reserve Program	Source DEHNR, DCM
Educational Development Grant to the N. C. Estuarine Reserve Program, Fiscal Year 1993	Source DEHNR, DCM

Appalachian State University
Geography and Planning

Environmental Education Institute for Kindergarten-3 Teachers	Source NCMSEN

The University System cited Sea Grant, Cooperative Extension Service at NCSU, the UNC Chapel Hill Environmental Resource Program, and the UNC-CH Institute for Environmental Studies as "organizations of particular importance to environmental education," and provided detail on the Mission and Goals of North Carolina Sea Grant College Programs. (See Appendix 3) A few details on the Cooperative Extension and Sea Grant Programs are provided in the following paragraphs to illustrate their focus on environmental issues and education.

UNC Sea Grant College

The National Sea Grant College Program is a unique program that joins university expertise with regional and federal interests to address relevant coastal and marine issues. This is based on the overall mission Congress envisioned in 1966 (PL 94-461) that "an intense involvement on the part of the Federal Government in continuing partnership with state and local governments, private industry, universities, organizations and individuals concerned with or affected by ocean and coastal resources." The current strategy is incorporated in a draft "1995-2005 Strategic Plan" released by the National Sea Grant College Program.

North Carolina Sea Grant, in a network of Sea Grant programs nationwide, has as its primary goal the informed management and sustainable use of our coastal and marine resources. The North Carolina Sea Grant College focuses on (research and advisory services in) six program areas:

Coastal Studies
Estuarine Studies
Fisheries
Aquaculture
Seafood Technology

Education, both formal and non-formal at all levels, graduate training and specialized demonstration of wiser resource uses through the sixth program area:

Investing in Human Capital

UNC Environmental Resource Program

The mission of the Environmental Resource Program (ERP), located on the campus at UNC-Chapel Hill, is to promote environmental stewardship and public health among the people of North Carolina through education, applied research, and community service. The ERP acts to link economic viability, equity, environmental quality and public health in order to promote responsible behavior in individuals and institutions, It establishes goals and objectives in several areas including community education, teacher training, and collaborative decision-making.

NCSU Cooperative Extension

Cooperative Extension implements national, state and local initiatives under four year planning cycles, the latest cycle ending in 1995. Environmental Stewardship was one of the major state level programs, and sustainable agriculture, water quality, and waste management were three of the national program topics which are especially relevant to environmental education. County extension agents have the flexibility and the responsibility to meet the needs of their individual county. Agents may choose to participate in training sessions designed as facilitator training to help teachers and other volunteers in the delivery of educational curricula, and agents also work directly with youth.

Mystery of the Cast off Caper	Grades 5-8 Activities
River's Edge	Grades 5-8 Activities
"Bug Out" and "More Bug Out"	Grades 6-8 Activities
"Branching Out"	Grades 6-8 Activities
Soil and Water in North Carolina	K - Adult Activities
Blue Sky Below my Feet	K - Adult Activities

These and other programs are used by county agents where constituents have chosen to participate in environmental education activities, and they are also employed as a part of the 4-H camp experiences.

UNC Degree Programs and Centers

In addition to grants and contracts, the UNC General Administration also submitted a listing of degree programs indicating those relating to aspects of environmental education (See Appendix 4) and a list of UNC Centers indicating those with missions relevant to aspects of environmental education (See Appendix 5). Programs which may be technical training, technical assistance, or environmental information are listed in appendices under those respective titles.

3.5 Community College System

Environmental Science Technology (Pamlico, Rockingham, and Wake Technical Community Colleges)

The Environmental Science Technology curriculum provides a broad background in environmentally oriented courses including air, water and soil pollution analysis and control. Emphasis is placed on the interrelationship of environmental problems, the overall effect of these problems, and proposed solutions to these problems.

In addition to the Environmental Science Technology programs, Community Colleges responded to the survey with information about technical training programs and these are set forth in the appendix for Technical Training Programs. (See Appendix 6)

4. Technical Assistance and Technical Training Programs

Several agencies responding to the Secretary of DEHNR's request for information about state funded environmental education programs provided information about environmental technical training, technical assistance, or information programs. These programs are listed in attached appendices under those titles. Under the definition of environmental education in the *North Carolina Environmental Education Plan*, technical assistance and technical training are considered tools for adult education and can be excellent resources for environmental education, but do not stand alone as environmental education. For purposes of this report, those programs are defined as follows and programs within these definitions submitted for this report are listed in the appendices.

Technical Assistance: Programs provided by government or university professionals to transfer technical information to users, usually private individuals and non-public organizations, for best management practices in areas such as forestry, agriculture and waste reduction practices. (See Appendix 7)

Technical Training: Programs provided through government or university professionals to train other practicing professionals in a given field in the latest and best technical methodologies. As cited previously (Appendix 6), the UNC institutions also provide a wide variety of technical training and assistance programs related to the environment through degree programs and the activities of institutes and centers. (See Appendix 4)

Environmental Information: Brochures, pamphlets, publications, press releases, slide shows, videos, speakers, providing information about environmental rules, regulations, issues, programs. (See Appendix 8)

Several respondents, in addition to the university system, submitted environmental research projects. These are listed in the appendix entitled Research, Grants, Contracts. (See Appendix 9)

4.1 Agencies Without State-Funded Environmental Education Programs

The following agencies responded to the survey indicating that they do not conduct environmental education programs:

- North Carolina Department of Cultural Resources
- North Carolina Department of the Treasurer
- North Carolina Office of the State Auditor
- North Carolina Department of Correction
- North Carolina Department of Justice

5. Evaluations of Environmental Education Programs in North Carolina

Surveys and evaluations from several sources provide measures of teacher demand for environmental education and the availability and quality of existing programs

5.1 Survey Results from 1995 Office of Environmental Education and International Paper Partnership.

As part of an environmental education partnership between the Office of Environmental Education and International Paper, in November of 1995, all 4th and 5th grade teachers in North Carolina received an offer for a free environmental education kit, and a questionnaire seeking input about awareness of, involvement in, and perceived usefulness of environmental education programs. (See Appendix 10) (NOTE: As a result of this offer, educators have ordered over 6,000 environmental education kits which were delivered by International Paper to 53 Environmental Education Centers across the state for teachers to pick up in February 1996.)

- **Teacher interest in environmental education:**

  A total of 762 teachers returned completed questionnaires to the Office of Environmental Education. The environmental education training experience or interest in particular environmental education professional development indicated through this survey is set forth in the following table:

Environmental Education Training Experience or Interest

Total Interested	EE Program	% Trained	Average Hours of Training	% Desiring Training
68%	Project WILD	37%	10.3	31%
47%	Aquatic WILD	16%	8.2	30%
54%	PLT	12%	11.6	42%
46%	Project Estuary	4%	10.5	42%
42%	EELEs	4%	9.6	38%
24%	UTOTES	6%	14.8	18%

Sixty-eight per cent of respondents indicated they had either undertaken in-service professional training or expressed an interest in training under Project WILD, the environmental education program offered by the Wildlife Resources Commission. Forty seven per cent of respondents indicated they had existing in-service training or an interest in training under Aquatic WILD. Only 4% of respondents had taken an average of 10.5 hours of training in Project Estuary and Sound Ideas offered by the staff of the National Estuarine Reserve in the Division of Coastal Management, which indicates a clear reflection of Project Estuary's and Sound Ideas' regional and site-specific nature and small staff, but 42% expressed an interest in taking those programs.

Comments and suggestions by those responding clearly indicate that many 4th and 5th grade teachers were not aware of the availability of Project Estuary/Sound Ideas, the State Park EELEs (Environmental Education Learning Experiences) and UTOTES (Using the Outdoors to Teach Experiential Science)

- **Classroom benefits:**

The 762 responding teachers indicated they have reached 114,799 children with environmental education activities as a result of their professional development experiences, or an average of 291 children per teacher.

- **Other environmental education programs:**

The questionnaire asked for the titles of other environmental education workshops (besides Project WILD, Aquatic WILD, Project Learning Tree, the State Parks - EELEs, Project Estuary/Sound Ideas, UTOTES) which provide a teacher's manual with instructional activities and which are approved by the North Carolina Department of Public Instruction for

a minimum of one teacher renewal credit. Some of the programs listed by respondents were *Ag in the Classroom* offered by Farm Bureau, *Big Sweep* workshop, *Nature Guest* through the National Wildlife Federation, *River's Edge* and *Cast Off Caper* offered by Cooperative Extension, *Energy and the Environment* offered by Duke Power Company, *Project CATCH* offered by the Wildlife Resources Commission, *Sci-Link* at NCSU, "*Developing an Environmental Report Card*" from UNC, and EPA's "*Air Quality*" workshop.

- **Professional development:**

Survey respondents indicated that their professional development needs include a desire for a minimum of 25.9 hours of environmental education professional development per year. Forty-six per cent, or 347 of the 4th and 5th grade teachers indicated they have not been able to obtain the amount of professional development they wanted in environmental education, while 27%, or 208 indicated they had been able to obtain the amount of environmental education training they needed.

- **Teachers' limiting factors:**

The limiting factors teachers listed as preventing them from obtaining the number of hours of environmental education professional development they desired included the lack of availability of environmental education in-service training workshops in their area, and not being aware of environmental education workshops that were available, time to take workshops, and funding to take workshops or pay for substitutes during workshops. Even where the workshops and materials are free teachers have travel and lodging, baby-sitting and/or substitute teachers expenses.

- **Access to information about available programs:**

Only 125, or sixteen per cent of the 762 respondents had received a copy of the *Teacher's Guide to Environmental Education Programs and Resources*. Ninety-three per cent of those with a *Teacher's Guide* found it to be a useful resource (eight did not respond and only one teacher indicated it was not useful). An additional 515 teachers, or 81% of those without a *Teacher's Guide*, indicated they would like to have a copy of that publication which describes a number of environmental education programs available to teachers in catalogue fashion.

- **Teachers' comments:**

Teachers wrote out often detailed individual comments and suggestions, which overall were positive and enthusiastic in their evaluation of environmental education. A sample of the comments include: "I'm glad this gives the students an opportunity to get involved especially during these critical times affecting the environment;" "Environmental Education Programs should be made a part of the curriculum;" "I appreciate your efforts to

improve the education of our students;" "I think more teachers in our areas would participate in environmental education training if we were made aware of available workshops;" "The programs I have been involved with so far have been excellent! Keep it up;" "So many great ideas for classroom use;" "My students are very interested in the environment and improving it;" "I think environmental education is a very important subject to each to our future generations;" "All North Carolina school systems should receive;" "Thank you for this wonderful opportunity."

- **Scope of International Paper survey**

The survey was conducted with 4th and 5th grade teachers only. Environmental education programs are available K-12. Further evaluation K-12, would be very valuable to environmental education program managers.

(NOTE) Environmental education activities have been correlated to the Department of Public Instruction required teaching objectives for Science, Math, Social Studies and Language Arts, K-12. This exercise has been conducted by staff of agencies responsible for each environmental education program through an ongoing collaborative effort coordinated by the Office of Environmental Education.

5.2 Evaluation by attendees at the 1994 Environmental Education Conference.

Over 700 environmental professionals, educators, business, government and non-government organizations attended the December 1994 Environmental Education Conference in Research Triangle Park. One hundred and thirty nine teachers filled out evaluation forms.

- Fifty-eight per cent of respondents indicated the benefits to them from attending the conference were "excellent", and 30% indicated the benefits were "good" for a combined "excellent to good" rating of 88%. The conference atmosphere and attitude were "excellent" according to 65%, and for 31%, "good". Fully 94% rated the conference as an "excellent to good" way to communicate and share information.

When asked what percentage of the environmental education conference information was new information, respondents indicated that 50% of the conference information was new information. Recommendations for improved communications included 55% suggesting an environmental education newsletter, 47% suggesting regional conferences, and 46% asking for a toll free telephone hotline. (See Appendix 11)

5.3 Evaluation by elementary teachers of environmental education programs at the DPI-sponsored professional development program in the summer of 1994.

Approximately 300 elementary teachers each received two one-hour introductory samples of DEHNR environmental education programs sponsored by the NC Museum of Natural Sciences,

Zoo, Aquariums, Project WILD and Aquatic WILD by the Wildlife Resources Commission, Project Learning Tree by Forest Resources, Envirothon and poster, speech, essay contests by Soil and Water, Project Estuary and Sound Ideas by Coastal Management, and Environmental Education Learning Experiences (EELEs) by Parks and Recreation. Five questions were asked on the teacher's evaluation forms:

1. How can the variety of DEHNR programs and resources benefit teachers and students at your school?
2. Which programs or resources do you anticipate using to enhance your classroom teaching?
3. What did you like best/least about the sessions you attended?
4. What are your greatest environmental education needs?

The responses were overwhelmingly positive. It was clear from evaluations of this first cooperative presentation to a large group of teachers by a variety of environmental education programs that North Carolina teachers placed a very high value and strong demand on this "product". From their enthusiastic response it was also clear that teachers were not aware of the environmental education resources available to them. "Where have you been!?" was an oft heard exclamation. Teachers liked the issue-free, hands-on, experiential activities correlated to required social studies, science, math and language arts curriculum objectives. Teachers needed and appreciated the professional development with accompanying manuals, and they complimented the focus on North Carolina - "our own back yard".

The teachers responses and comments produced the following overall set of recommendations:

A. More environmental education workshops are needed for teachers.
B. DEHNR environmental education programs meet the new teaching requirements of the revised science curriculum.
C. DEHNR's correlation of available environmental education programs and resources with the required objectives of the new science curriculum is an important aid to teachers.
D. DEHNR's environmental education programs and activities need to be made more available to teachers across North Carolina.
E. DEHNR's environmental educators are valued by teachers for the hands-on, experiential approach of their programs.
F. DEHNR's environmental education programs must be advertised more widely to teachers across the state.

The evaluations are in narrative form and thus complete reproduction here would be lengthy and costly. The evaluation is available upon request from the Office of Environmental Education.

6. Findings And Recommendations

The *North Carolina Environmental Education Plan* was developed over an eighteen month period with extensive public input from over 1,300 individuals, businesses, industry, government, and organizations. The Plan has fourteen objectives and actions to carry out those objectives. The Findings and Recommendations contained in this report are outside the realm of the *North Carolina Environmental Education Plan*, but should be considered within the context of that document.

6.1 Terminology Used to Describe Non-Regulatory Environmental Programs Is Confusing.

A survey of all state-funded environmental education programs revealed that the term "environmental education" is commonly used to refer to a broad spectrum of programs all with some environmental component: technical assistance, technical training, research, academic courses, as well as formal and non-formal environmental education.

The definition of "environmental education" found in *The North Carolina Environmental Education Plan* was provided in requesting input on all state funded environmental education programs for purposes of this report, and is the definition intended when referring to "environmental education" throughout this report. Consensus on that definition was achieved over an eighteen month process with the input of 1300 individuals and was published in the *North Carolina Environmental Education Plan* in April, 1995.

Generic use of the term "environmental education" to refer to environmental technical assistance, technical training, environmental research, and courses and degree programs in environmental subject areas is confusing. However, it may not be realistic to anticipate a change in this common usage in the near future.

Recommendation:

Agencies and program managers should use descriptive terminology when referring to environmental education, technical assistance, technical training, environmental information, and research.

6.2 Environmental Education Programs Are Well Coordinated in North Carolina.

The General Assembly requires by statute a clearinghouse of environmental education programs to provide coordination, efficient use of existing resources, and ease of public access. The Office of Environmental Education - does not conduct environmental education programs - but instead serves as a North Carolina Environmental Education Clearinghouse and as one central focal point for coordination among existing environmental education programs. Recent studies have reinforced the value of coordination of services in order to deliver maximum public benefit.

Based on responses for input into this Legislative Report received from state government agencies, the university system and the community colleges, North Carolina's environmental education programs (including those that are both state and privately-funded) appear to be well identified and catalogued in publications and related services of the Environmental Education Clearinghouse. There were three additional environmental education programs which were identified through the survey conducted for preparation of this report and they will be incorporated into the North Carolina Environmental Education Clearinghouse information. Publications and programs that serve to coordinate North Carolina's environmental education resources include:

- *Teacher's Guide to Environmental Education Programs*
- *Guide to Environmental Education Centers in North Carolina*
- *North Carolina Environmental Education Plan*
- *Environmental Education Advisory Council*
- *Correlation Guide to Environmental Education Programs in North Carolina*
- Environmental Education Clearinghouse, World Wide Web-North Carolina Environmental Education Home Page, and 1-800 number.
- Statewide Environmental Education Conference
- Environmental Education Teacher Training Institutes (which offer a wide selection of environmental education programs at the same time at the same location.)

Statewide environmental education planning and coordination takes place through the comprehensive *North Carolina Environmental Education Plan* .

Recommendation:

- The development of an Environmental Education Certification program has been underway for close to two years. This program should be supported as a means to ensure that the highest standards for training and experience in environmental education are maintained for the benefit of North Carolina school children.

6.3 The Demand for Environmental Education Programs Is Not Being Met.

Based on these written evaluations of environmental education programs from teacher in-service training institutes, evaluation of the most recent statewide environmental education conference, a statewide survey of 4th and 5th grade teachers, and program manager personal observations, the following conclusions are reached:

1. curriculum-based environmental education programs are extremely popular and address teachers' needs for team teaching with hands-on, experiential, science-based programs correlated to Department of Public Instruction's required teaching objectives for science, math, language arts and social studies K-12,
2. existing environmental education programs in North Carolina are highly rated and generally are available free of charge,

3. the most important environmental education needs identified by teachers are:

   a. access (knowing what environmental education in-service training exists and when and where they are to be presented),
   b. funds to pay travel expenses and substitute teachers for professional development, and
   c. funds for student environmental education experiences through field-trips off-campus to environmental education centers and other educational facilities and resources.
   d. pre-service environmental education training.

Environmental education programs are approved by the Department of Public Instruction (DPI) for continuing education units. DEHNR and DPI collaborate on professional training institutes, seminars, and conferences. Appropriate environmental education programs are correlated to DPI's required objectives for science, math, language arts and social studies.

Recommendation:

Identify and develop funding sources for grants to schools for environmental education resource programs and field trips.

6.4 Adult Environmental Education Programs

Adult environmental education objectives set forth in the *North Carolina Environmental Education Plan* target the media, technical and community colleges, higher education, and Environmental Education Centers as sources for adult environmental education programs and resources.

Programs at North Carolina's Environmental Education Centers offer environmental education programs for families and adults. The media; newspapers and television also play a role in adult education. There is a great variety of technical assistance and technical training programs in North Carolina which are excellent environmental education tools and resources. These programs alone do not constitute environmental education for adults.

While the Office of Environmental Education to date had not yet focused attention on adult education because of staff limitations, adult education is a legislative mandate of the office to:

Encourage coordination between the various State and federal agencies, citizen's groups and the business and industrial community, in the dissemination of environmental information and education.

At the request of the Senate Select Committee on Fish Kills and River Water Quality, however, the staff has had the opportunity to identify and coordinate existing environmental education resources for adults in the Neuse River Basin.

The experience has revealed that sufficient programs and resources exist and the development of additional programs is not needed to begin adult education efforts. There is however, a clear need for programs and resources to be coordinated for the most efficient distribution of programs. The exercise has also revealed that "packaging" and marketing and distributing environmental education programs and resources so that those who want them know where to find them, is the challenge. Identification of resources also revealed that there are in existence many well established agencies with networks for delivering environmental education programs for adults: public libraries, community centers, Soil and Water Conservation District Offices, Cooperative Extension Offices, Community Colleges, and Environmental Education Centers.

The opportunity to focus existing resources around a common theme for greatest public education depends upon the ability and desire of these various agencies to collaborate and cooperate in program delivery.

The experience of the Office of Environmental Education in coordinating a Neuse River Basin Environmental Education Strategy for Adults has been that agencies and organizations are willing and anxious to contribute their resources to a well defined campaign that has the support and endorsement of the state's leadership.

Recommendation:

The Neuse River Basin Environmental Education Strategy should be conducted as a pilot for a statewide river basin educational strategy. Additionally, emerging environmental issues needing adult education should be defined regularly, and statewide educational programs designed to meet those needs. Adequate staff must be dedicated to achieving this recommendation.

6.5 North Carolina-Specific Environmental Education Programs and Resources for Students and Adults

North Carolina is a state of unique natural resource diversity with an infrastructure of professional environmental education programs, facilities, and staff knowledgeable about the state's natural resources. There is not a need to develop new programs, but there is a clear need to coordinate and market the programs that do exist, and make them available to those who want and need them.

The state's natural resources are widely promoted outside of North Carolina as tourism and industrial recruitment amenities. North Carolina's diverse natural resources and environmental education programs should be better marketed internally to promote knowledge, awareness and skills that result in a better understanding, constructive action, and sound decision making.

In addition, North Carolina private and public agencies have a wealth of (North Carolina specific) research-quality environmental data describing the state's complex environment using

geographic information systems (GIS) software. As a part of the Neuse River Basin Environmental Education Strategy, efforts are underway to make this data available to teachers and students as an educational tool for the classroom via CD-ROM. As a part of the adult education strategy, this data should also be made available to public libraries in the river basin.

Recommendation:

North Carolina should promote and market its environmental education programs and facilities to capture the North Carolina public's imagination and appreciation. It should make North Carolina specific research quality data available to students, teachers and the general public.

6.6 Statistics and Measures for Environmental Education Programs.

Statistics and measures for individual environmental education programs are available on a program by program basis. However, there is not a uniform or statistically valid system to allow a comprehensive review (measures) of environmental education programs in North Carolina. Environmental education program managers have information about numbers of visitors, participants in programs, and other measures of effectiveness. The difficulty of measuring the effectiveness of education in general is well known, and measuring non-formal education programs is an even greater challenge. However, the dearth of statistically valid environmental education measures is apparent.

Recommendation:

Environmental education program managers should collaborate on the development of uniform statistics which can be used to provide measures of environmental education in North Carolina.

6.7 Consolidation of Environmental Education Programs.

The legislative requirement for this report calls for "a plan to consolidate some or all of these programs activities and initiatives". Environmental education program evaluations do not indicate that there is any duplication of environmental education programs and instead suggest an appreciation of the diversity of environmental education professionals and facilities available. However, there have been discussions among program managers relating to coastal and marine educational programs that suggest a need to strengthen the state's emphasis on coastal/marine ecology programs. Several agencies have responsibilities in this area, including: NC Sea Grant College, DEHNR Division of Coastal Management, Duke Marine Lab, the Maritime Museum, DEHNR Division of Marine Fisheries, and others.

Beyond this observation, the environmental education programs available to students and adults in North Carolina are supported by trained professionals and unique facilities such as state parks, educational state forests, aquariums, the zoo, the Museum of Natural Sciences, and by their diversity offer students and adults a variety of experiences. Nothing in the development of

this report has indicated duplication or competition among the environmental education programs that would support a recommendation of consolidation.

Recommendation:

Agencies, public and private, interested in marine ecology and coastal ecology should evaluate program resources for marine ecology and recommend environmental education program needs, and how they can best be met. Goals and objectives should be devised.

There are several areas where the public will be better served if programs are more closely coordinated. Public access to government resources and services is the underlying need in such coordination. In addition to the opportunity for marine ecology programs to build upon their existing programs as set forth herein, both access to environmental data by students and the general public, a common source of funding to allow teachers and students to make better use of available environmental education resources and facilities, and uniform statistical measures of environmental education program effectiveness should be pursued.

6.8 Information about University and Community College Courses, Training, Research and Grants Is Readily Accessible.

A central point of university information for ease of public access to academic courses, grants, contracts, and university centers or institutes which have an environmental aspect to them is available through the UNC General Administration. This central access to information made it convenient to identify the three additional environmental education programs for Clearinghouse purposes and for inclusion in this report. The Cooperative Extension Service at NCSU is a good contact point for information on technical assistance or training programs available to the public involving environmental issues from that network.

Technical training for environmental professionals was also easily discernible and is centrally accessed through North Carolina Community Colleges and the University System and those submitted are contained in the appendices to this report. However, this should not be considered a complete listing since technical training is not a focus of this report.

6. 9 Ease of Public Access to Information about Technical Assistance Programs Is Not Clear.

By request, the Office of Environmental Education is in the process of identifying educational programs and resources available to adult populations to help clean up and protect the Neuse River. A remarkable number of programs and resources have been identified and have been catalogued for publication in the *Citizens Guide to Neuse River Basin Environmental Education Programs and Resources.* Programs for adult audiences are primarily technical assistance programs offered by governmental and non-governmental organizations, business and

industry, universities and community colleges. A significant number of technical assistance programs are available through the Cooperative Extension Service. This exercise, however, has suggested that there are opportunities for greater public access to environmental technical assistance programs. The primary need for coordination does not stem from any indication of duplication of services, but rather the general public's ability to know what programs are available to them and how to find and take full advantage of what is available.

The role of environmental education is to raise public awareness about natural systems that support life and the economic viability of the state. Technical assistance programs help those who understand the need for better stewardship of our natural resources use the bast practices available to them in their daily lives.

Technical assistance programs appear to be widely available for a variety of audiences from a number of organizations and agencies, but there does not appear to be one central clearinghouse or point of access to information about available technical assistance programs which have an environmental aspect to them.

While it is established by this report that the great majority of environmental education programs actively coordinate through regularly scheduled events, meetings, and formal, structured communication; the extent of coordination among technical assistance programs for the general public is not determined here, nor was this a purpose of the report.

Recommendation:

Affected agencies may wish to examine the ease of general public access to available technical assistance programs by potential program audiences and users.

NER — 2/26/97

Name of Committee — 3 PM — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

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Robert Skinner	DEHNR - Parks
Henry M Lancaster III	DEHNR
Jane Smith	DEHNR
Angela McNeil	DEHNR
K. Rogers	DEHNR
Doug Lewis	EHNR
Denise DeBary	DEHNR
Judy Page	DEHNR
Susan Whitehead	DEHNR
Ron Elkins	Good Neighbor Assoc.

NER — 2/26/97

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Anne Taylor	Coast Col DEHNR
Drew Wilson	The Virginian-Pilot
Rhett White	NC AQUARIUMS
Roger Schecter	DEHNR - Coastal Management
Cathey Cottle	EHNR - Water Quality
Johnny Gray	OSBM
Betsy Bennett	Museum of Natural Sciences
Ray S Boyles	" " "
Laura Hartsell	MCIC
David Simmons	Zeb Alley PA
Patricia A. Yancey	L-L PP
Tom Markham	Daily Record

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/26/17

Name of Committee Date

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NAME	FIRM OR AGENCY AND ADDRESS
Peter Daniel	NCDA

Minutes

House Appropriations Sub-Committee on

Natural and Economic Resources

February, 27, 1997 - 8:30 a.m.

The House Appropriations Sub-Committee on Natural and Economic Resources met jointly with the Senate Appropriations Sub-Committee on Natural and Economic Resources on Thursday, February 27, 1997 at 8:30 a.m. in Room 423 of the Legislative Office Building. Representative James Carpenter, House Co-Chair, called the meeting to order at 8:35 a.m. Members present were Representative Carpenter, Mitchell, Baker, Culp, Fox, Hall, Hunter, Tolson, and Weatherly, and Senators Martin, Jenkins, Shaw, Horton, and Weinstein.

After introductions, Mona Moon of the Fiscal Research Staff continued the Budget Analysis for the Department of Environment, Health, and Natural Resources with an overview of the Partnership for the Sounds program and suggested budget for 1997 (see attachments). Jackie Ward, the Executive Director of the Partnership for the Sounds addressed questions raised by the committee. Rep. Mitchell inquired about the status of the construction of the Lake Mattamuskett Lodge. Ms. Ward explained that while the lodge was not yet complete, due to some construction problems with the boiler and bathroom facilities, the lodge was already in operation with 56 events held there and over 200,000 visitors touring the facility in the past year. Rep. Culp inquired if lodging was possible there, to which Ms. Ward replied that rough accommodations were available. Rep. Owen inquired if prison help could be used in finishing the project, and also what the ownership of the facility was. Ms. Ward explained that the facility was owned by the Dept. of the Interior of the United States, and so prison help had not been used in this particular project, but had been in others. Rep. Baker asked about the Scenic Overlook on Highway 94, and Ms. Ward commented on this project briefly, explaining that the ultimate goal of this project was to achieve a height of 30 feet with the overlook in order to provide a better overall view of the area. Rep. Hall then returned to the subject of the Lake Mattamuskett Lodge, asking about the fees generated by the lodge. Ms. Ward explained that fees were charged for events held at the lodge, and used for general upkeep, but fees were not charged for tours. She also explained that the receipts for these fees were detailed in the Partnership's Annual Report, to be released on March 1, 1997. Rep. Hall inquired if the funds requested were in addition to these receipts, and Ms. Ward explained that there was no capital money requested, only continuation funds. Ms. Moon further explained that this information was not included in the handouts because the Partnership for the Sounds was not a state agency. Rep. Mitchell then asked about the status of the NC Estuarium. Ms. Ward gave a brief overview of the project and its purpose, then reported on the construction progress of this exhibit and the potential opening date of Fall 1997. Rep. Owens commented that this was an important project because of the positive impact of travel and tourism in the area. Rep. Baker inquired if

one esturaium was enough for the state or whether there would be future requests for another. Ms. Ward explained that it was unlikely that another would be needed, but that the current project would further round out the Aquarium system in North Carolina and lead the way in the US as the first museum devoted solely to estuaries. The possibility of a tour of these various projects was briefly discussed.

Ms. Moon then presented an overview of the proposed budget for the Division of Soil and Water Conservation (see attachments). During this presentation, Sen. Horton inquired about the meaning of "designated uses" in Objective 1 of the Performance measures for the Division (see attachment ENHR - 75). Ms. Moon explained that the phrase was used to classify water supplies as to their use in order to determine the level of regulation to apply to the body of water. Sen. Horton then inquired further about the figures showing a drop in inspections and a rise in employment of inspectors. Both Ms. Moon and Dewey Botts, Division Director of Soil and Water Conservation, collaborated in response to this question. Ms. Moon explained that the figure of eighteen new inspectors reflected four positions for administration and fourteen new inspectors for operations reviews of the animal waste management systems created by Senate Bill 1217. The figures shown in the chart reflected inspections in a number of different program areas, both Soil and Water Conservation and others. As Mr. Botts explained, inspections were actually increasing in the Soil and Water Division, although overall for other programs in the department had decreased. Another question arose in the overview concerning Item 3 of the list of selected expansion and/or capital improvements (See attachment ENHR -76). Sen. Shaw and Rep. Hall raised questions concerning the inclusion of the Cape Fear River and Basin in the Agriculture Cost Share BMP Funds. Mr. Botts explained that the Cape Fear area was included in the state funding as well as receiving federal funding. In response to Rep. Hall's question concerning the allocation of state and federal funds, Mr. Botts explained that both were contributing to the effort and that a new federal initiative was expected to be announced on March 10 to provide more funding, but assured the committee that the funding provided by the state was also being used towards the 0.200 initiative. Sen. Martin inquired as to the state wide cost of the Cost Share funds. Mr. Botts replied that the recurring fund was 8.4 million a year and an additional 7.5 million was allocated in the previous year for animal waste control. Mr. Botts furthered explained that the program was a state wide one and still necessary, as they had to turn down over two-thirds of their requests, due to lack of Cost Share funds. Sen. Martin then inquired how this was affecting the basins, to which Mr. Botts replied that the division was about 2 million dollars short in funds to assist all requests. Sen. Martin highlighted the fact that the Neuse River area had been designated as an immediate emergency. Mr. Botts also explained that a five-year federal assistance program would be announced on Monday, March 10th to assist with the Neuse River Basin. Sen. Martin then inquired about the necessity of technical assistance overtime. Mr. Botts explained that this overtime was actually more cost efficient than hiring new employees, because of the time and cost of training and this overtime would continue until the completion of the 0.200 initiative. Rep. Weatherly asked if the percentage of cost-share indicated in items 3 and 4 was standard for all farms, and what that percentage was. Mr. Botts explained that the percentage was shared seventy-five percent by the state

and twenty-five percent by the operator. Rep. Carpenter inquired if this was on a volunteer basis, to which Mr. Botts responded that while it was in most cases, it was not in the 0.200 initiative. Animal operators have five years to be in compliance with this regulation, which went into effect on January 1st of this year. The cost of compiling with this initiative is higher than many farmers can afford and can not be passed onto the consumer, therefore necessitating state support. Other cost-share practices are voluntary however. Rep. Mitchell inquired if any dairies had been bought out, as had been discussed at an earlier date. Mr. Botts replied that it had not, primarily because of the social aspects of the situation and the difficulty in selecting which businesses to buy out and the variety of circumstances to consider. Rep Weatherly asked if the 0.200 regulations were those that were so severe that they required extreme fencing measures of farmers. Mr. Botts replied that this was so, and Rep. Mitchell provided an example of this from his community. Rep. Culp asked if their were any figures on how many dairies had been forced out of business due to the severity of these regulations. Mr. Botts said that by the end of December it was projected that 250 dairies out of 700 would have closed, including 100 by March. Rep. Culp asked if the 0.200 regulations meant absolutely no discharge in the stream, and Mr. Botts explained that they had been able to get some flexibility in the measure. Rep. Carpenter then inquired if it would be simpler to have the federal government to change the threshold numbers of animals on a farm, rather than the percent discharge in the 0.200 regulations, reducing the number of dairies affected. Mr. Botts replied that the federal government was however actually moving in the other direction and making the threshold lower, instead. Rep. Carpenter asked what could be done to change those figures, and Mr. Botts replied that the current approach to the 0.200 regulations and the funding which had been provided had improved the situation and that attempting to change the threshold could lead to a large reactionary movement from the EPA and within the state. Rep. Carpenter commented that the loss of so many small businesses could also cause a reaction. Rep. Baker then asked about the consistency with which county soil and water divisions carried out federal responsibilities, and the amount of control at the state level over this. Mr. Botts replied that the state division only had control by statute over state funded programs such as the Cost Share program. Rep. Baker then asked what recourse was there if the enforcement were being carried out differently in neighboring counties. Mr. Botts recommended going to the next level, and contacting the agency at the state or federal level in control of the program. Sen. Horton then asked what evidence there was that the waters were getting cleaner with the enactment of these new regulations. Mr. Botts responded that there was not enough information currently available to accurately say, and that various natural events such as the hurricanes had delayed their efforts, but that they were gathering data and hoped to be able to report this information soon. Sen. Horton then inquired when this information might be available, to which Mr. Botts replied that a report given before a General Assembly Committee contained some information that he could provide the committee members with concerning sedimentation levels, and that by the end of the year the isotopic studies and federal FOLKS computer system should be able to provide a more complete answer. Sen. Shaw then asked about the dilemma of displacement of the small farmer, referring to the earlier discussion of possible buyouts of dairy farms. Mr. Botts explained that these buyouts were not as focused on small family

farms as on larger operations, and there was a half million dollar fund specifically for the small family farmer allocated by the General Assembly which had been depleted. Mr. Botts commented that the federal government was taking the lead of addressing the issue of small family farms. Mr. Botts explained after further questioning that the issue of buyouts was not focused on small family farms, and the proposed buyout program did not look at size, referring to the example of the Florida program. Rep. Weatherly asked how soon the report on how much sedimentation was kept out of the streams could be given to the committee and Mr. Botts said the report could be provided no later than Monday. Rep. Weatherly also inquired as to the cost-effectiveness of these programs to clean up these streams. Mr. Botts explained that the economics of the Cost Share program were studied by the Research Triangle Park Institute in a report done in 1995. Mr. Botts also suggested that through these programs, sediment was being better controlled than in areas where they were not being practiced. Rep. Weatherly also commented on various practices of the Department of Transportation and whether there was a way to determine if this was a contributing factor. Rep. Culp inquired of Rep. Mitchell if constituents in his district were taking advantage of these programs, which Rep. Mitchell replied that they were, but were still paying high costs for the regulations they had to meet. He also commented that farmers were instituting numerous best management practices to try to preserve the soil in various ways. Mr. Botts commented that many of these programs were being embraced, but that some farmers were trying to wait till the end of the five-year period to comply, although the Division encouraged them not to. Sen. Horton then commented that the information on the effectiveness of these programs was needed, but also commented that while it did not appear that the programs were significantly decreasing the problem, they did appear however to be holding the status quo, despite the growth in population . Rep. Baker then asked if a person had to be engaged in farming to receive the agricultural cost-shares funding. Mr. Botts replied that it applied to both crops and animal operations.

Ms. Moon continued with the overview of the Division of Soil and Water Conservation. Upon completion, Rep, Mitchell asked for Mr. Botts to explain the Division's request to retain eight positions which had been added to assist with compliance of the 0.200 program. Mr. Botts explained that as BMP were increased on the land, the Division lacked the technical support in the field, which these positions could be shifted to. In addition, the decentralization of the federal government was shifting the burden of enforcement to the state level, while increasing regulations that had to be enforced, placing an additional need for more personnel in the division. Various members of the committee commented on this situation of federal regulations without funding support. Sen. Shaw then asked about watershed planning, but due to lack of time staff began presentation of the next department.

Jennifer Herrera presented an overview of the Wildlife Resources Commission (see attachments). Due to the lack of time, questions about the Beaver Management Assistance Program could not be fully answered and Director Fullwood of the Wildlife Resources Commission was asked to return to speak to the committee at the following meeting.

Rep. Carpenter then adjourned the meeting at 9:45 a.m., after a consensus was reached by the members to meet on Monday, March 3, 1997 at 3:00 p.m. in Room 432 of the Legislative Office Building.

Respectfully submitted,

Representative Jim Carpenter
House Co-Chair

Kara McCraw
Committee Clerk

Joint Appropriations Committee on
Natural and Economic Resources

February 27, 1997

(Morning)

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

Department of Environment, Health, and Natural Resources (DEHNR)

Partnership for the Sounds
Mona Moon
Fiscal Research Division

Soil & Water Division
Mona Moon
Fiscal Research Division

Wildlife Commission
Jennifer Herrera
Fiscal Research Division

Housing Finance Agency

Jennifer Herrera
Fiscal Research Division

4. Committee Discussion

Monday Meeting

5. Instructions to Staff

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 2/27/97

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Rustin	Hunton & Williams
Dave Herlong	State Planning
	BBC
Johnny Gray	OSBM
Sue Wootten	OSBM
Peter Daniel	NCDA
	NCDA
JW Reel	OSBM
Jessica Miles	NC Public Water Supply Section
Doug Lewis	EHNR
Linda McNeil	EHNR
Rhonda Raney	NCACDC
Jane Smith	EHNR
C. Danny Best	EHNR
Henry M Lancaster	EHNR
BOB SPIVEY	P/S
BOB KUCAB	NC HOUSING FINANCE AGENCY
Charles Fullwood	NC Wildlife
Cecil Edgar	NC WRC
Dick Hamilton	NC WRC
David Simmons	Zels Alley, PA
Laura Hartsell	MCIC
Becky Brown	Labor
K ROGERS	EHNR
John Dorman	OSPL
Andy Ellen	NC Farm Bureau
	"

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Leanne Winner	E&HS
Jean M Kilbride	Moore & Van Allen
Rob Schofield	NCJCDC
George Hause	MCNC

Department of Environment, Health, and Natural Resources

Division of Soil and Water Conservation

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized December	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	9,275,195	8,680,056	12,582,621	12,717,979	1.1%	12,730,308	1.2%
Less Receipts	(193,728)	(321,101)	(653,427)	(652,484)	-0.1%	(654,024)	0.1%
Fund Balance +/-	1,284,335	2,754,912	8,848,909				
State Appropriations	*10,365,802*	*11,113,867*	*20,778,103*	*12,065,495*	-41.9%	*12,076,284*	-41.9%
Positions	35.00	43.50	61.50	61.50		61.50	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

- Agriculture Cost Share Program
- District Programs
- Soil Survey Program
- Watershed Planning

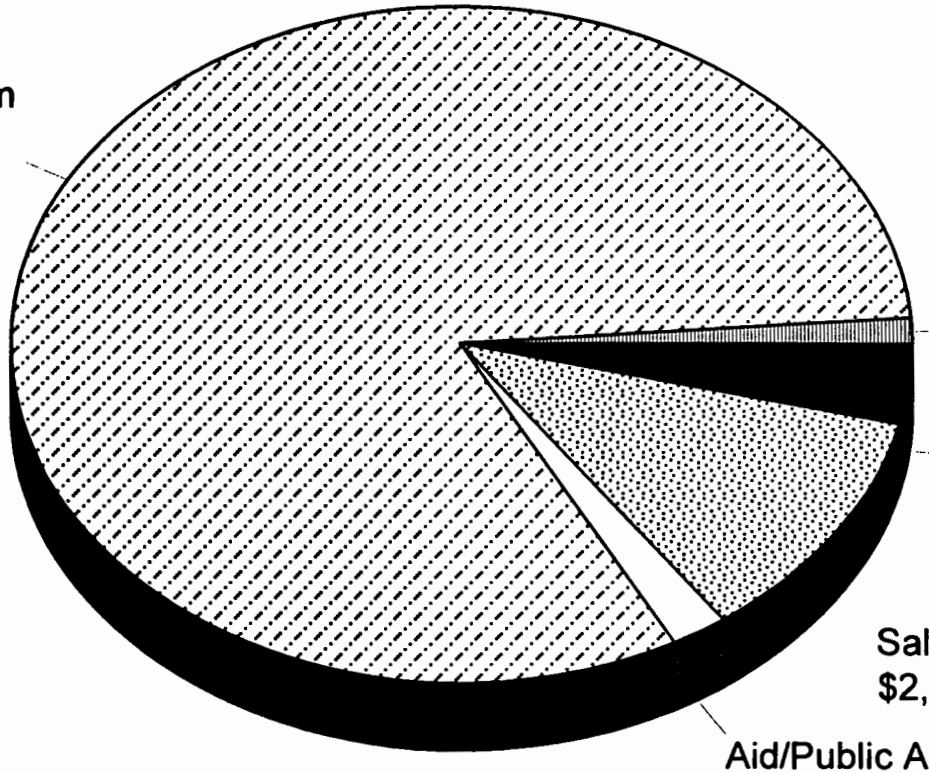
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Y-46 to Y-47, Y-220 to Y-221, Y-234 to Y-236
Performance/Program Analysis, Volume 7A, pp. 5-107 to 5-114

Division of Soil and Water Conservation

Total Budget by Category

FY 1996-97 December Authorized



Program Note: Reflects total funds appropriated for this program. Unexpended funds do not revert at the end of the fiscal year, accounting for an increase in the fund balance.

Fiscal Research Division -- February 1997

Objective 1: Increase waters meeting their designated uses by 20% from 1992-93 to 2002-03.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of rivers and streams meeting use support	65%	65%	67%	71%	73%	*74%*	*75%*	*76%*
Performance Measures:								
Number of compliance inspections of both major and minor dischargers conducted	1,500	1,429	1,341	1,308	1,223	*1,341*	*1,200*	*1,200*
Number of sedimentation site inspections conducted	9,455	10,845	12,223	12,432	11,180	*12,250*	*12,000*	*12,000*
Number of acres on which Best Management Practices are implemented as a result of the NC Agriculture Cost Share Program to prevent delivery of nutrients, sediment, animal wastes, pesticide, etc. into public waters	145,735	125,864	104,444	133,983	115,337	*145,000*	*140,000*	*130,000*
Number of operations reviews of animal waste management systems conducted by the Division of Soil and Water Conservation	n/a	n/a	n/a	n/a	n/a	*2,000*	*2,500*	*3,000*
Number of intensive surface water quality surveys of lakes, rivers, and streams	7	7	7	3	7	*7*	*10*	*10*
Number of ambient network surface water monitoring sites	350	350	350	376	370	*370*	*370*	*370*
Number of surface water analyses performed	95,837	113,892	105,496	102,997	120,000	*130,000*	*135,000*	*135,000*
Number of municipal wastewater facility projects initiating operation as a result of State Revolving Fund assistance	2	7	8	5	7	*12*	*12*	*12*

Current Situation:

Implementation of inspections of animal operations is underway. Inspections are being made and necessary staff are being hired to carry out this program.

Funds:

4300 EHNR
1310 Soil and Water Conservation
1610 Albemarle/Pamlico Estuarine Study
1635 DEM Lab Services
1680 Construction Grants
1685 State Revolving Fund

4300 EHNR
1690 Water Quality Control
1695 Water Quality Permit Fee
1705 Wat. Qual. Albemar./Pamlico Sounds
1710 Water Quality-EPA Grant
1720 Nonpoint Source-Water Quality

4300 EHNR
1725 Wetlands Program Development
1740 Land Quality
2341 Water Permits
2510 Cost Share Program

4300 EHNR
2620 Land Environmental Controls
2735 Sedimentation Fees
2905 Tar-Pamlico Reduction Local
2910 Pitt Cty BMP's Implementation

DIVISION OF SOIL AND WATER CONSERVATION
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS – None

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	FY 1995-96	FY 1996-97
1) Animal Waste Compliance Technical Assistance	$427,510 R 8	$427,510 R 8
2) Agriculture Cost Share BMP Funds -- Small, family farms	$500,000 NR	
3) Agriculture Cost Share BMP Funds – Basins other than the Neuse		$5,750,000 NR
4) Agriculture Cost Share BMP Funds – Neuse River Basin		$1,750,000 NR
5) Statewide Technical Assistance for Animal Operations		$1,167,500 NR
6) Agriculture Cost Share Program – County Reimbursement Technical Assistance Funds		$200,000 R
7) Animal Waste Compliance – Operations Reviews		$704,473 R 14

REPAIRS AND RENOVATIONS

$24,300 allocated to the Division in FY 1996-97 for office space renovations.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $68,645
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $65,694 in state appropriations and $2,951 in receipts.

GOVERNOR'S RECOMMENDED REDUCTIONS 1997-99 BIENNIUM

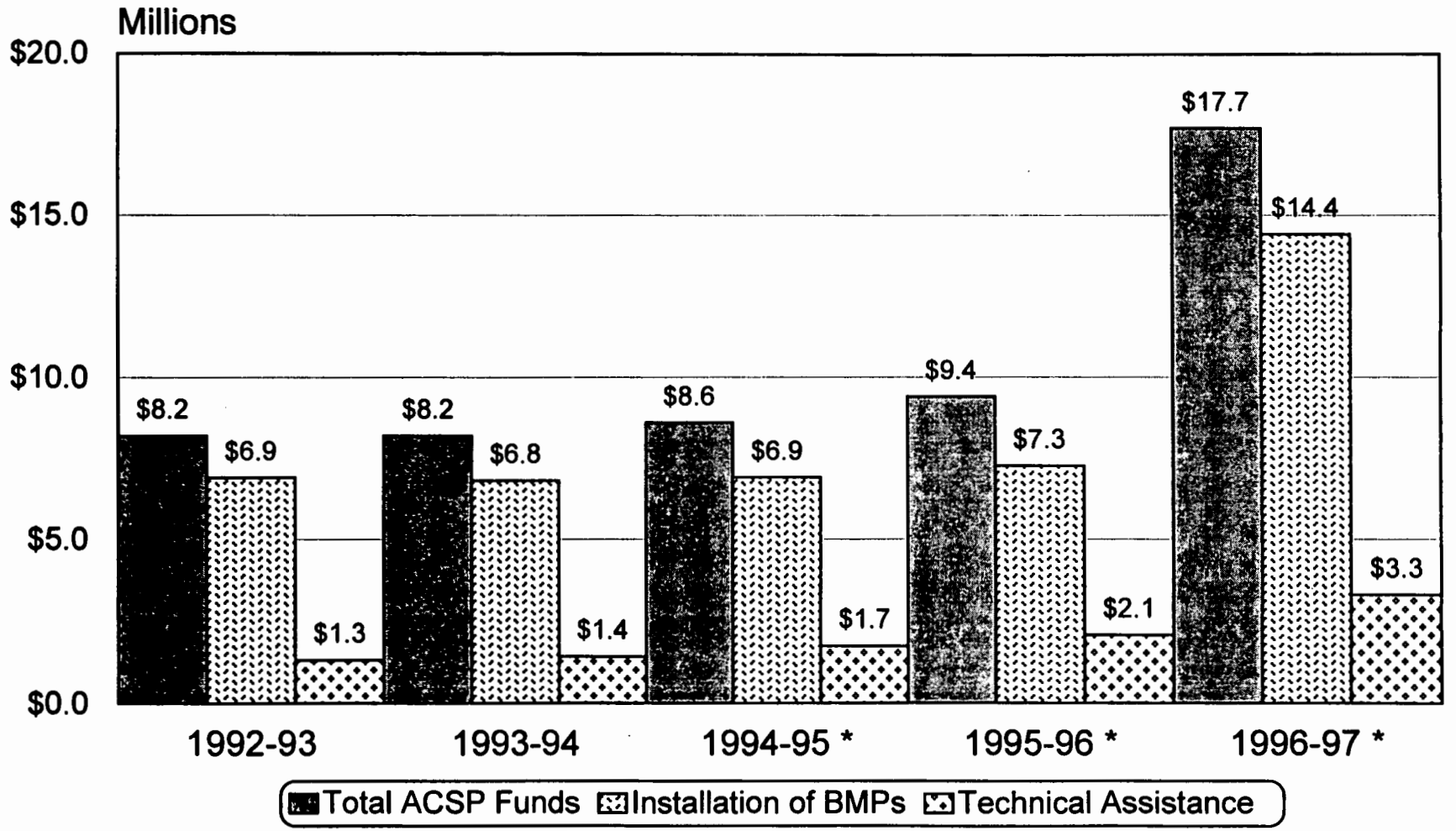
There are no Governor's recommended reductions for the Division of Soil and Water Conservation.

Division of Soil and Water Conservation

EHNR-78

Agriculture Cost Share Program

5-Year Funding History



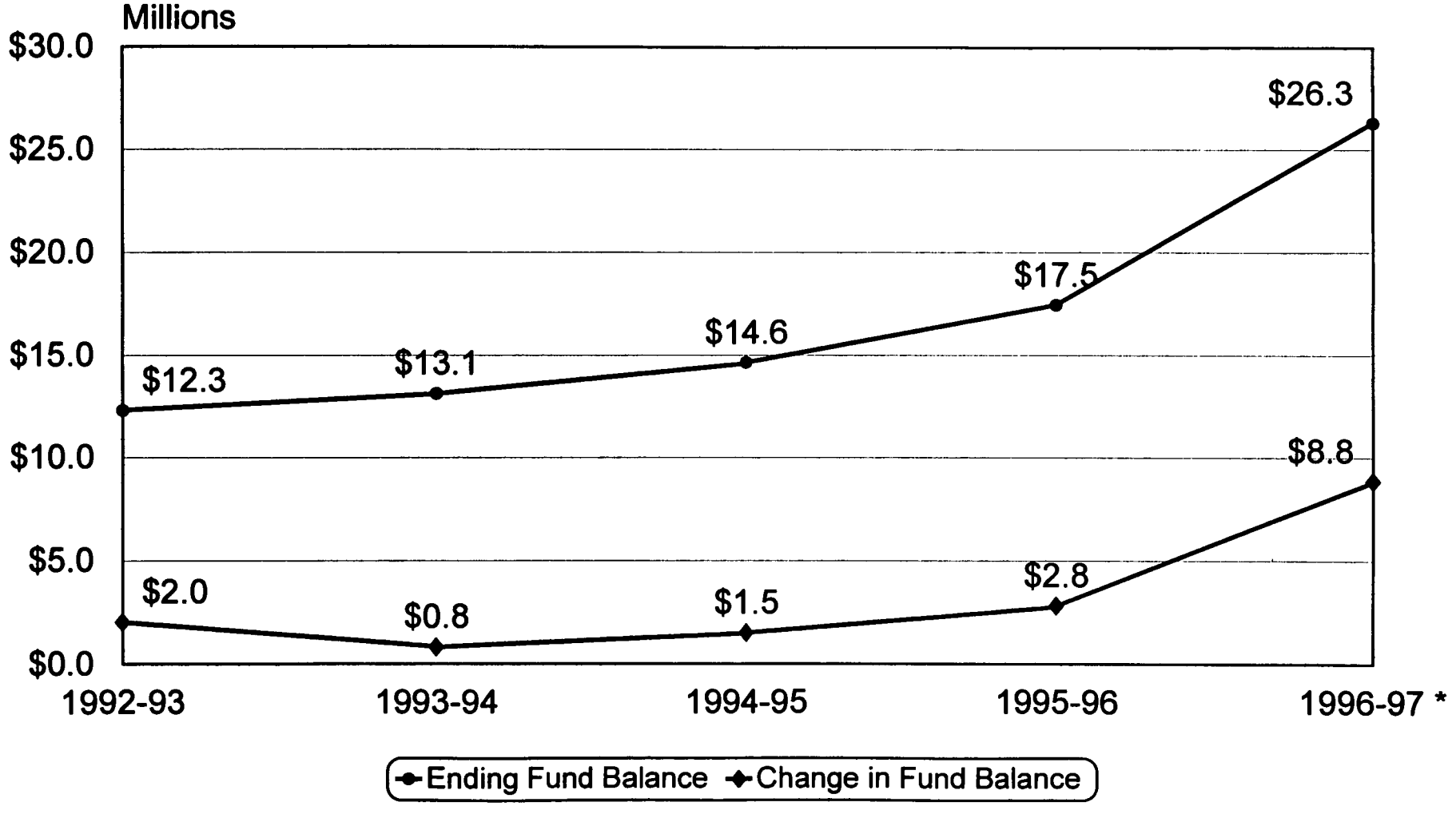
* *Includes positions and support to assist animal operators.*

Fiscal Research Division -- February 1997

EHNR-79

Division of Soil and Water Conservation

Agriculture Cost Share Program Cash Balances



Fiscal Research Division -- February 1997

* Estimated

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1. Agriculture Cost Share Program

The Nonpoint Source Pollution Control Program (i.e. the Agriculture Cost Share Program) provides financial incentives and technical assistance to farmers to encourage the installation of best management practices (BMPs) to protect water quality by controlling agricultural nonpoint source pollution. Under the program, the state cost shares with landowners up to 75% of the installation costs for BMPs, up to a maximum of $75,000 per year. The continuation budget includes a total of $8.2 million for this program ($6.9 million for BMPs and $1.3 million for technical assistance).

In accordance with G.S. 143-215.74(6)(d) funds appropriated for the Agriculture Cost Share Program do not revert, but remain available for the purposes of the program until expended. As a result of this requirement, the ending cash balances of the Agriculture Cost Share special funds are growing. The committee may wish to have the division explain the allocation of funds and timing of actual expenditures, as well as discuss how the level of continuing appropriations might be adjusted to more accurately reflect required annual expenditures.

2. Funds to Assist Operators with Animal Waste Management Certification Requirements

The General Assembly appropriated $180,000 for the 1994-95 fiscal year to establish 3 positions and $427,510 for the 1995-96 fiscal year to establish an additional 8 positions to assist agriculture operations in obtaining approved animal waste management plans. The state's "0.200" non-discharge regulations for animal operations require operations to have certified plans by December 1997. Given that the deadline for compliance with these regulations will pass during the upcoming 1997-98 fiscal year, the committee may wish to consider reducing or eliminating the funding for this assistance.

The division does not expect all operations to be in compliance by December 1997. Further the division has disclosed a desire to retain these positions and realign the job duties as the need for assistance with animal waste management systems is reduced. The committee may wish to have the division comment on the anticipated duties and job functions of these positions after December 1997.

Wildlife Resources Commission

Overview

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized (January)	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	34,517,008	37,477,573	40,258,316	31,574,672	-21.6%	31,510,428	-21.7%
Less Receipts	(34,623,633)	(37,401,089)	(33,504,259)	(31,396,927)	-6.3%	(31,332,683)	-6.5%
Cash Balance +/-	106,625	(76,484)	(6,754,057)	(177,745)		(177,745)	
Positions	483.50	496.00	496.00	496.00		496.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The mission of the North Carolina Wildlife Resources Commission is to protect, develop, conserve and regulate the wildlife resources of the state and to administer the laws relating to these resources and to safe boating.

The primary source of receipts for the Commission is from the sale of hunting and fishing licenses. The Commission also receives funds from the General Fund and Highway Fund through the state sales tax and motor fuels tax. For FY 1995-96, the combined amount totaled approximately $7.5 million.

Division Activities include Administrative Services, Law Enforcement, Wildlife Management, Boating and Inland Fisheries, and Conservation Education.

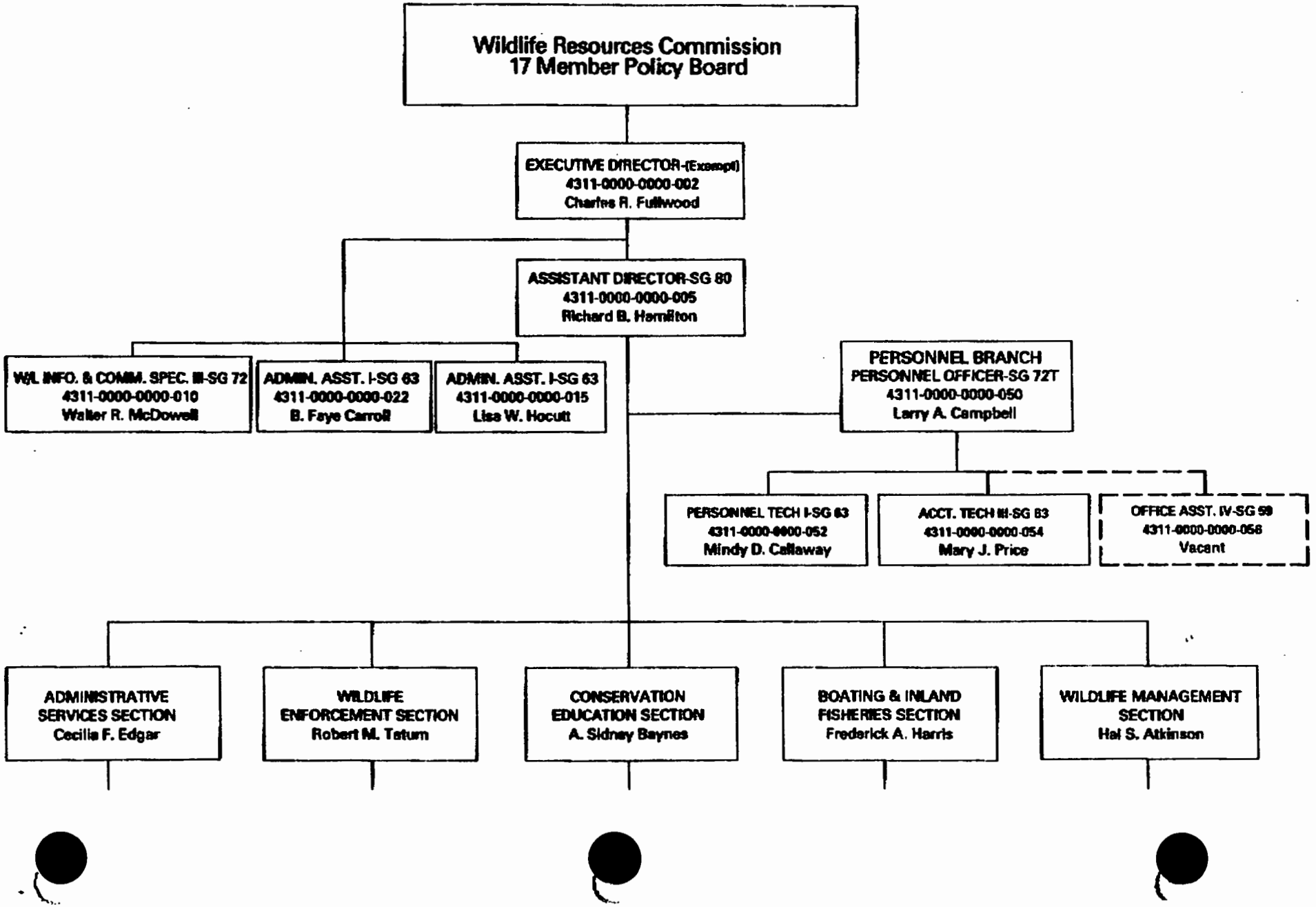
Cross References For Budget Volumes

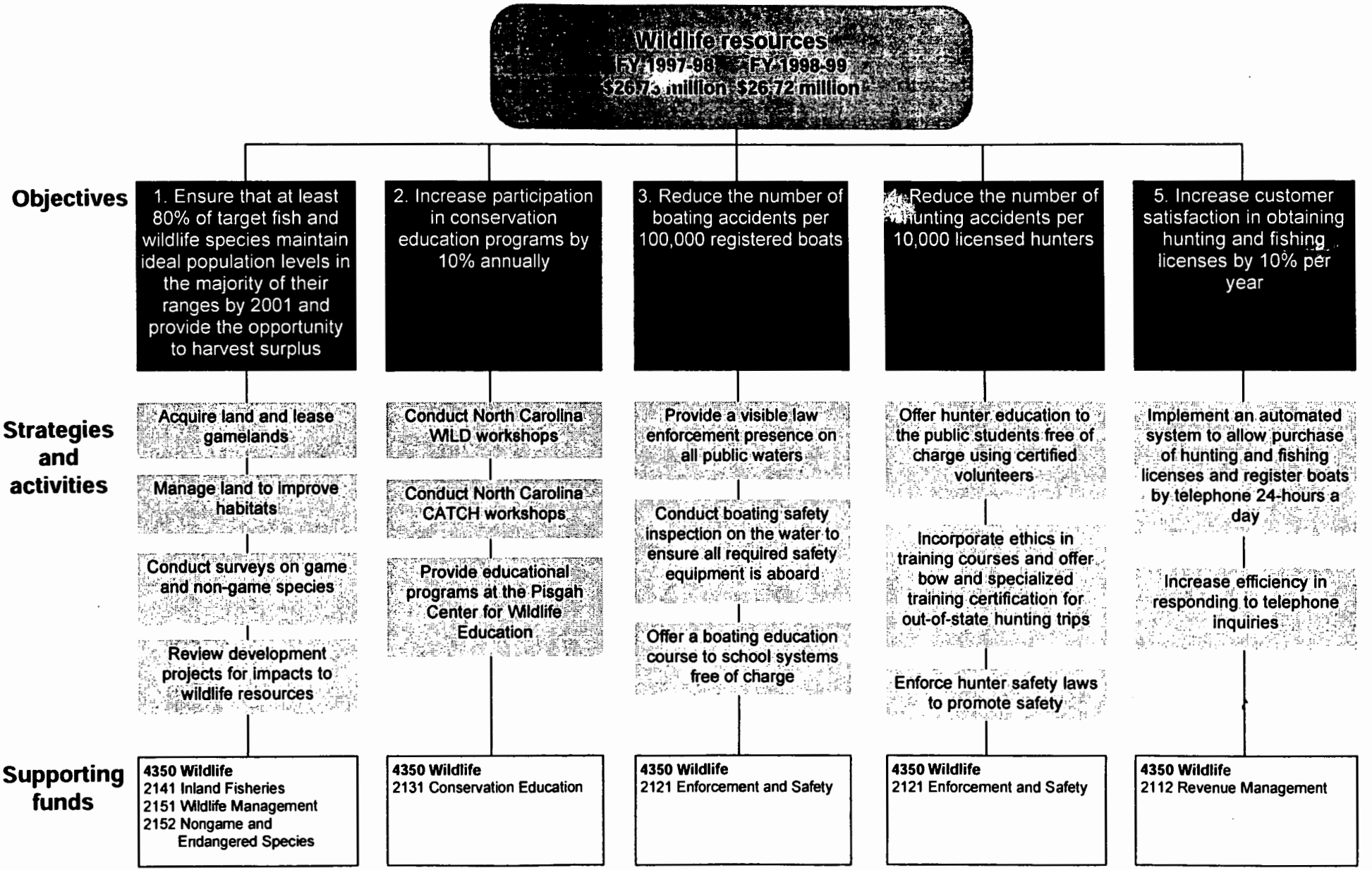
Governor's Budget, Volume 5, ppY-240 through Y-273
Performance/Program Analysis, Volume 7a, pp 5-27 through 5-35; Volume 7b, pp 8-111 through 8-117

Charles R Fullwood
(Director's Signature)
2-3-97
(Date)

EHNR-93
As Of February 1, 1997

NORTH CAROLINA WILDLIFE RESOURCES COMMISSION




Wildlife resources
FY 1997-98
$26.75 million
FY 1998-99
$26.72 million
Objectives
1. Ensure that at least 80% of target fish and wildlife species maintain ideal population levels in the majority of their ranges by 2001 and provide the opportunity to harvest surplus
2. Increase participation in conservation education programs by 10% annually
3. Reduce the number of boating accidents per 100,000 registered boats
4. Reduce the number of hunting accidents per 10,000 licensed hunters
5. Increase customer satisfaction in obtaining hunting and fishing licenses by 10% per year
Strategies and activities
Acquire land and lease gamelands
Manage land to improve habitats
Conduct surveys on game and non-game species
Review development projects for impacts to wildlife resources
Conduct North Carolina WILD workshops
Conduct North Carolina CATCH workshops
Provide educational programs at the Pisgah Center for Wildlife Education
Provide a visible law enforcement presence on all public waters
Conduct boating safety inspection on the water to ensure all required safety equipment is aboard
Offer a boating education course to school systems free of charge
Offer hunter education to the public students free of charge using certified volunteers
Incorporate ethics in training courses and offer bow and specialized training certification for out-of-state hunting trips
Enforce hunter safety laws to promote safety
Implement an automated system to allow purchase of hunting and fishing licenses and register boats by telephone 24-hours a day
Increase efficiency in responding to telephone inquiries
Supporting funds
4350 Wildlife
2141 Inland Fisheries
2151 Wildlife Management
2152 Nongame and Endangered Species
4350 Wildlife
2131 Conservation Education
4350 Wildlife
2121 Enforcement and Safety
4350 Wildlife
2121 Enforcement and Safety
4350 Wildlife
2112 Revenue Management

Objective 1: Ensure that at least 80% of target fish and wildlife species (16) are maintained at ideal population levels in the majority of their ranges by 2001 and provide the opportunity to harvest surplus fish and wildlife resources.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The percentage of fish and wildlife species exhibiting ideal population levels	n/a	n/a	52.6%	57.9%	63.2%	*76.8%*	*79.5%*	*82.1%*
Performance Measures:								
Number of contacts with landowners regarding proper management of fisheries resources	787	601	553	563	572	*575*	*575*	*575*
Number of landowners provided assistance to help them maintain natural areas which support wildlife	1,400	1,400	730	1,650	1,100	*1,200*	*1,300*	*1,400*
Total number of research studies on waterfowl, game animals and birds, and wildlife disease	36	36	25	25	25	*25*	*25*	*26*
Number of environmental assessments and permit applications reviewed for land development projects which have the potential to adversely affect fish and wildlife habitat	350	350	261	229	250	*250*	*300*	*300*
Number of nongame wildlife assistance contacts	1,000	1,000	500	500	500	*750*	*750*	*1,000*
Number of development project recommendations provided to protect aquatic resources	1,434	2,012	2,088	2,177	1,900	*2,000*	*2,100*	*2,100*
Millions of acres of gamelands which serve as habitat for wildlife and access for public hunting	1.8	1.8	1.7	1.7	1.7	*1.8*	*1.8*	*1.9*

Current Situation:

Funds:

4350 Wildlife
2141 Inland Fisheries
2151 Wildlife Management
2152 Nongame and Endangered Species

Objective 2: Increase participation in conservation education programs by 10% annually.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The percentage increase in people attending conservation education programs	n/a	n/a	-62%	-28%	29%	*10%*	*10%*	*10%*
Performance Measures:								
Circulation of "Wildlife in North Carolina"	na	66,000	67,419	65,245	62,055	*60,000*	*60,000*	*60,000*
Number of basic WILD workshops held	N/A	134	160	153	98	*90*	*90*	*90*
Number of basic CATCH workshops held	na	3	39	30	17	*20*	*20*	*20*
Number of CATCH clinics held	N/A	122	16	1	11	*5*	*5*	*5*
"NC WILD Notebook" circulation	N/A	16,000	4,500	4,000	4,000	*4,000*	*4,000*	*4,000*
Number of new wildlife education program networking opportunities	N/A	249	430	446	1,950	*1,900*	*1,900*	*1,900*

Current Situation:

Funds:

4350 Wildlife
2131 Conservation Education

Objective 3: Reduce the number of boating accidents per 100,000 registered boats.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of boating accidents per 100,000 registered boats			60.87	66.06	85.40	*82.00*	*80.00*	*78.00*
Performance Measures:								
Number of boats inspected by wildlife service agents	94,475	92,198	82,339	78,880	87,941	*88,000*	*87,000*	*87,000*
Number of boating fatalities	26	21	30	21	27	*29*	*30*	*32*
Number of fatalities per 100,000 boats	9.30	7.40	10.20	6.73	8.48	*8.5*	*8.45*	*8.25*
Number of students attending boating safety courses	49,508	40,236	44,645	36,467	33,942	*25,000*	*22,000*	*20,000*
Number of boating injuries	110	69	78	70	80	*85*	*90*	*95*

Current Situation:

Funds:

4350 Wildlife
2121 Enforcement and Safety

EHR 12-.98

Objective 4: Reduce the number of hunting accidents per 10,000 licensed hunters.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The number of hunting accidents per 10,000 licensed hunters	n/a	n/a	.70	1.41	1.33	*1.25*	*1.15*	*1.0*
Performance Measures:								
Number of students certified after a minimum of ten hours of hunting safety instruction	29,365	22,120	22,504	18,891	15,478	*15,000*	*14,500*	*14,000*
Number of hunters/trappers checked by wildlife service officers	93,649	75,230	60,580	62,394	74,522	*74,000*	*73,000*	*72,000*
Number of reported hunting accidents	42	32	25	52	49	*45*	*40*	*39*
Number of reported hunting injuries	38	27	24	47	42	*40*	*38*	*36*
Number of hunting fatalities	5	5	1	5	7	*6*	*5*	*5*

Current Situation:

Funds:

4350 Wildlife
2121 Enforcement and Safety

Objective 5: To increase customer satisfaction in obtaining hunting and fishing licenses by 10% per year.

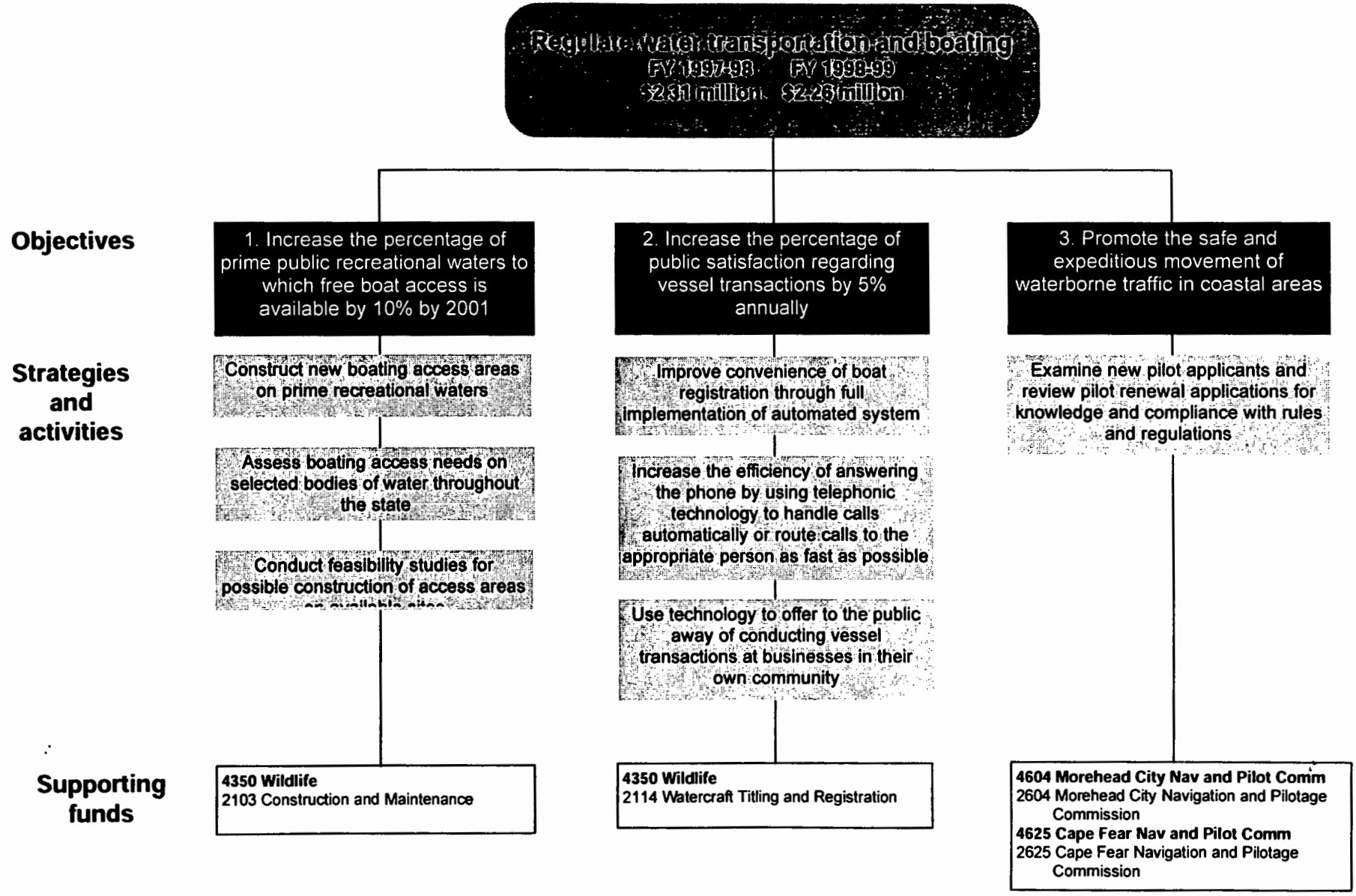
Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent increase in customer satisfaction in obtaining hunting and fishing licenses	n/a	n/a	n/a	n/a	n/a	*n/a*	*5%*	*5%*
Performance Measures:								
Number of wildlife license agents	988	949	952	918	871	*900*	*910*	*920*
Number of calendars sold	19,000	18,877	18,567	21,894	20,814	*21,200*	*21,600*	*22,000*
Total number of Wildlife licenses sold (by license year)	671,038	679,265	698,507	699,712	717,359	*731,700*	*746,300*	*761,267*
Revenue from license sales (in millions)	$12.98	$13.42	$14.00	$14.10	$14.50	*$14.80*	*$15.00*	*$15.30*
Number of subscriptions sold	35,151	34,821	36,852	30,706	30,579	*31,000*	*31,800*	*32,000*
Number of waterfowl stamps sold	22,085	23,802	26,992	22,102	24,022	*24,000*	*24,000*	*24,000*

Current Situation:

A new automated system is being implemented to allow 24-hour acquisition of hunting and fishing licenses as well as register boats by touch-tone telephone.

Funds:

4350 Wildlife
2112 Revenue Management


Regulate water transportation and boating
FY 1997-98 $2.31 million
FY 1998-99 $2.26 million
Objectives
1. Increase the percentage of prime public recreational waters to which free boat access is available by 10% by 2001
2. Increase the percentage of public satisfaction regarding vessel transactions by 5% annually
3. Promote the safe and expeditious movement of waterborne traffic in coastal areas
Strategies and activities
Construct new boating access areas on prime recreational waters
Assess boating access needs on selected bodies of water throughout the state
Conduct feasibility studies for possible construction of access areas
Improve convenience of boat registration through full implementation of automated system
Increase the efficiency of answering the phone by using telephonic technology to handle calls automatically or route calls to the appropriate person as fast as possible
Use technology to offer to the public away of conducting vessel transactions at businesses in their own community
Examine new pilot applicants and review pilot renewal applications for knowledge and compliance with rules and regulations
Supporting funds
4350 Wildlife
2103 Construction and Maintenance
4350 Wildlife
2114 Watercraft Titling and Registration
4604 Morehead City Nav and Pilot Comm
2604 Morehead City Navigation and Pilotage Commission
4625 Cape Fear Nav and Pilot Comm
2625 Cape Fear Navigation and Pilotage Commission

8800 Regulate water transportation and boating

Objective 1: Increase the percentage of prime public recreational waters to which free boat access is available by 10% by 2001.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The percent increase of prime public recreational waters to which free boat access is available	n/a	n/a	n/a	n/a	n/a	*being developed*		
Performance Measures:								
Number of boating access areas maintained	164	168	172	168	170	*172*	*174*	*176*
Number of boating access areas constructed	0	1	3	2	2	*2*	*2*	*2*
Number of bouys replaced	147	327	276	312	168	*150*	*150*	*150*
Number of new marker bouys installed	46	86	37	42	31	*35*	*20*	*15*

Current Situation:

Funds:

4350 Wildlife
2103 Construction and Maintenance

Objective 2: Increase the percentage of public satisfaction regarding vessel transactions by 5% annually.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percentage of positive response from customers in periodic surveys	n/a	n/a	n/a	n/a	n/a	*n/a*	*5%*	*5%*
Performance Measures:								
Boating titles issued	4,828	5,581	5,400	6,971	13,500	*16,700*	*29,160*	*52,400*
Number of boats titled (cumulative)	13,825	19,407	27,680	35,225	39,928	*56,000*	*85,200*	*138,000*
Number of registrations renewed by agents	26,176	24,742	24,150	17,852	15,551	*16,000*	*100,000*	*125,000*
Total number of boats registered	280,759	294,058	300,000	305,000	311,000	*335,300*	*386,200*	*445,000*
Revenue from boat registrations (in millions)	$1.35	$1.37	$1.90	$1.8	$2.8	*$3.0*	*$3.5*	*$3.9*
Boat title fees collected	$104,660	$194,811	$161,200	$161,350	$270,000	*$243,000*	*$437,000*	*$944,800*

Current Situation:

Funds:

4350 Wildlife
2114 Watercraft Titling and Registration

EHNR-4103

WILDLIFE RESOURCES COMMISSION
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Beaver Control Program - Eliminate recurring appropriation for beaver control. Program will be funded with non-recurring appropriation.		($150,000) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS		
1) Beaver Pilot Program - Funds beaver control pilot program and expands project from 18 to 27 counties.	$372,690 NR	
2) Beaver Control Program - Continues Beaver Control Program with non-recurring funds and expands coverage from 27 to 36 counties.		$450,000 NR

REPAIRS AND RENOVATIONS

None

GOVERNOR'S RECOMMENDED REDUCTIONS

None

EH 2-104

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1) Since 1992, the General Assembly has appropriated funds to the Wildlife Resources Commission for the Beaver Management Assistance Program (BMAP). The number of eligible counties has risen from 4 in 1992 to 36 in 1996. The Committee may wish to ask the Commission to provide an update on the program's activities and the feasibility of continuing the program with Wildlife Fund moneys under the Wildlife Management Program, rather than general fund appropriations.

2) Operating support for the Wildlife Resources Commission comes principally from receipts generated by the sale of hunting and fishing licenses. With regards to legislative salary increases, other state agencies are required to provide this salary increase for federal and receipt supported positions with receipts/other funds collected within the agency. The Wildlife Commission is an example of an exception where legislative salary increases for receipt supported positions (i.e. Wildlife Fund) have, in the past, been supported with general fund sales and use tax revenues. (In accordance with G.S. 105-164.44B, a portion of the proceeds from the sales and use tax on fishing and hunting supplies and equipment is already transferred to the Wildlife Fund quarterly). The Committee may wish to have the Commission explain how this transfer works, and comment on the rationale behind continuing this practice.

Partnership for the Sounds							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
State Appropriations	*3,067,250*	*867,250*	*1,167,250*	*367,250*	-68.5%	*367,250*	-68.5%

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

PROGRAMS AND ACTIVITIES

The Partnership for the Sounds is a nonprofit organization operated to promote ecotourism, environmental education and cultural history, as influenced by natural history in the Albemarle-Pamlico region of the state.

- Displays and exhibits at specific destinations
- Outreach programs
- Teacher Education
- Publication repository and research support
- Curriculum and activity development

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Y-188 to Y-190
Performance/Program Analysis – Not Applicable

PARTNERSHIP FOR THE SOUNDS
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS

None

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	FY 1995-96	FY 1996-97
Additional Funds for Capital Development Projects	$500,000 NR	$800,000 NR
Columbia Cultural Resources Center	$200,000	$250,000
Lake Mattamuskeet Lodge Renovations	$125,000	$170,000
NC Estuarium Film and Gift Shop	$50,000	$225,000
Roanoke River Visitor's Center	$125,000	$125,000
Highway 94 Scenic Overlook		$30,000

PROGRAM NOTE

The Partnership's offices are located in theTyrrell County Visitors Center in Columbia. The Department of Transportation is responsible for maintenance of the grounds and facilities, however, the Partnership administers operation of the Visitors Center. DOT provides PfS with $75,000 to cover the operating costs.

GOVERNOR'S RECOMMENDED REDUCTIONS 1997-99 BIENNIUM

None

Total State Appropriations for Facilities Development	
NC Estuarium (Beaufort Co.)	2,675,000
Walter B. Jones Center for the Sounds (Tyrrell Co.)	300,000
Lake Mattamuskeet Lodge (Hyde Co.)	595,000
Roanoke River Vistor's Center (Bertie Co.)	550,000
Columbia Theater Cultural Resource Center (Tyrrell Co.)	200,000
Scenic Overlook on Highway 94 (Tyrrell Co.)	30,000
Masterplan Development	150,000
Reserve	36,000
Total	**$4,536,000**

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The Committee may wish to have the Partnership provide a status report on their capital and facilities development projects.

Joint Appropriations Committee on
Natural and Economic Resources

March 3, 1997

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

Department of Environment, Health, and Natural Resources (DEHNR)

Finish Wildlife Commission
Jennifer Herrera
Fiscal Research Division

Housing Finance Agency
Jennifer Herrera
Fiscal Research Division

Non-State Entities
MCNC
Mark Trogdon
Fiscal Research Division

NC Biotechnology Center
Mark Trogdon
Fiscal Research Division

Rural Economic Development Center
Jennifer Herrera
Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

Joint Appropriations Subcommittee
On
Natural and Economic Resources

Monday, March 3, 1997 at 3:00 p.m.

Minutes

The Joint Appropriations Subcommittee on Natural and Economic Resources met on Monday, March 3, 1997 at 3:00 p.m. in Room 423 of the Legislative Office Building. Five Senate members attended the meeting, including Senator Tommy Jenkins, who presided. Ten House members were present. They were as follows: Representative Mitchell, Representative Baker, Representative Carpenter, Representative Culp, Representative Fox, Representative Hall, Representative Owens, Representative Tolson, Representative Weatherly, and Representative Wilkins.

Senator Jenkins recognized Ms. Jennifer Herrera of the Fiscal Research Division to complete the budget analysis of the Wildlife Resources Commission. (Attachment A-1). Ms. Herrera then called on Mr. Charles Fullwood, Executive Director of the Wildlife Resources Commission to update the committee on the Beaver Program (Attachment A-2). Ms. Herrera then explained that since 1992, the General Assembly has appropriated funds to the Wildlife Resources Commission for the Beaver Management Assistance Program and that the Committee may wish to ask the Commission to provide an update on the program's activities and the feasibility of continuing the program with Wildlife fund monies under the Wildlife Management Program, rather than general fund appropriations.

The next handout by Ms. Herrera was an Overview of the North Carolina Housing Finance Agency (Attachment B). She explained that the Housing Finance Agency was created by the General Assembly in the early 70's to increase the supply of affordable housing for the state's low and moderate income citizens. The Governor's recommended continuation budget again included $2.3 million for this purpose. In addition, the General Assembly provided $3.5 million in the current fiscal year (1996-97) to support the Housing Trust Fund.

Senator Jenkins then asked Mr. Robert Kucab, Executive Director for the Housing Finance Agency to address the Committee. Mr. Kucab thanked the Committee for it's support of the Housing Agency and the good working relationship with the General Assembly. He reported that over the past six months the agency had done particularly well and the best that they had done in the last twelve years.

Senator Jenkins called on Mr. Frank Hart, President of MCNC to explain and review the budget recommendations for MCNC. (Attachment C). MCNC is a not-for-profit technology based corporation specializing in research, development, and manufacturing of microelectronic devices for wide ranging business applications. The organization is also the primary contractor for supercomputing and information network services to the UNC System as well as other state based colleges, government researchers, and private industries. The proposed recommendations for the 1997-99 biennium was to reduce state appropriated support to comply with the General Assembly's plan for MCNC to become self-supporting by 1999. It was also stated that the committee may wish to have MCNC provide an update of its self-support plan submitted to the General Assembly in April 1996.

Senator Jenkins called on Dr. Charles Hamner, President of the Biotechnology Center to review and explain their budget. (See Attachment D) The North Carolina Biotechnology Center is a state funded not-for-profit organization specializing in biotechnology development. The Center provides grants to academic researchers for developing potential biotechnology applications, loans to biotech based companies that are either creating a start-up venture or relocating to the state, and educational resources and support to community colleges, high schools, and the state's historically minority universities. Dr. Hamner went on to explain that the center no longer provides grants. The current budget is 12,041,867. There have been forty-one companies that have received loans from the Biotechnology Center, and about twelve of those companies are now inactive. At this time Senator Cochrane was recognized and wanted to know what was meant by the term inactive. Dr. Hamner explained that the companies were no longer viable ventures. The total grants of the funds that were awarded them were about $856,424, or about 17% of the five million appropriated by the General Assembly. He stated he would have to defer to the Center on whether those funds were recouped. Senator Jenkins then recognized Charles Gilger, who explained that the Center tried to recoup funds by selling off the equipment and other things purchased by the companies that received loans and went out of business. Dr. Hamner pointed out that there was a $350,000 reduction in operating funds of the Biotechnology Center, and a one time $1 million expansion of the Economic Development Investment Funds, and for the current biennium there were no recommended changes in the Continuation Budget in the Governor's recommendations. Dr. Hamner then stated that the committee may wish to have the Biotechnology Center's management discuss their current priorities and provide an estimate of the job growth in the state's biotechnology sector by urban and rural areas.

Senator Jenkins recognized Representative Mitchell who asked Dr. Hamner to give the committee his priorities and an overview of the job outlook. Dr. Hamner explained that in order to grow you need to have three things in place: (1) An inventive arm, which we do through our universities with our science and technology development group. (2) A business development are, which we do through a business and technology group and at the same time this new industry is being created you have to : (3) Create a secure work force and we do that with our educational training. He then stated that they should grow from about 9,000 employees today to about 25,000 to 30,000 employees in ten years.

The next handout entitled Rural Economic Development (Attachment E) was explained by Jennifer Herrera of the Fiscal Research Division. The purpose of the Rural Economic Development Center is to improve economic conditions, support increased entrepreneural development, and make more and better jobs available in rural areas with a special focus on low-income residents. The handout showed no recommended changes in the continuation budget by the Governor.

The meeting adjourned at 5:30 p.m.

Carolyn M. Gooden, Committee Clerk

Senator R.L. Martin, Chairman

Handout A

EHNR-92

Wildlife Resources Commission

Overview							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	34,517,008	37,477,573	40,258,316	31,574,672	-21.6%	31,510,428	-21.7%
Less Receipts	(34,623,633)	(37,401,089)	(33,504,259)	(31,396,927)	-6.3%	(31,332,683)	-6.5%
Cash Balance +/-	106,625	(76,484)	(6,754,057)	(177,745)		(177,745)	
Positions	483.50	496.00	496.00	496.00		496.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The mission of the North Carolina Wildlife Resources Commission is to protect, develop, conserve and regulate the wildlife resources of the state and to administer the laws relating to these resources and to safe boating.

The primary source of receipts for the Commission is from the sale of hunting and fishing licenses. The Commission also receives funds from the General Fund and Highway Fund through the state sales tax and motor fuels tax. For FY 1995-96, the combined amount totaled approximately $7.5 million.

Division Activities include Administrative Services, Law Enforcement, Wildlife Management, Boating and Inland Fisheries, and Conservation Education.

Cross References For Budget Volumes

Governor's Budget, Volume 5, ppY-240 through Y-273
Performance/Program Analysis, Volume 7a, pp 5-27 through 5-35; Volume 7b, pp 8-111 through 8-117

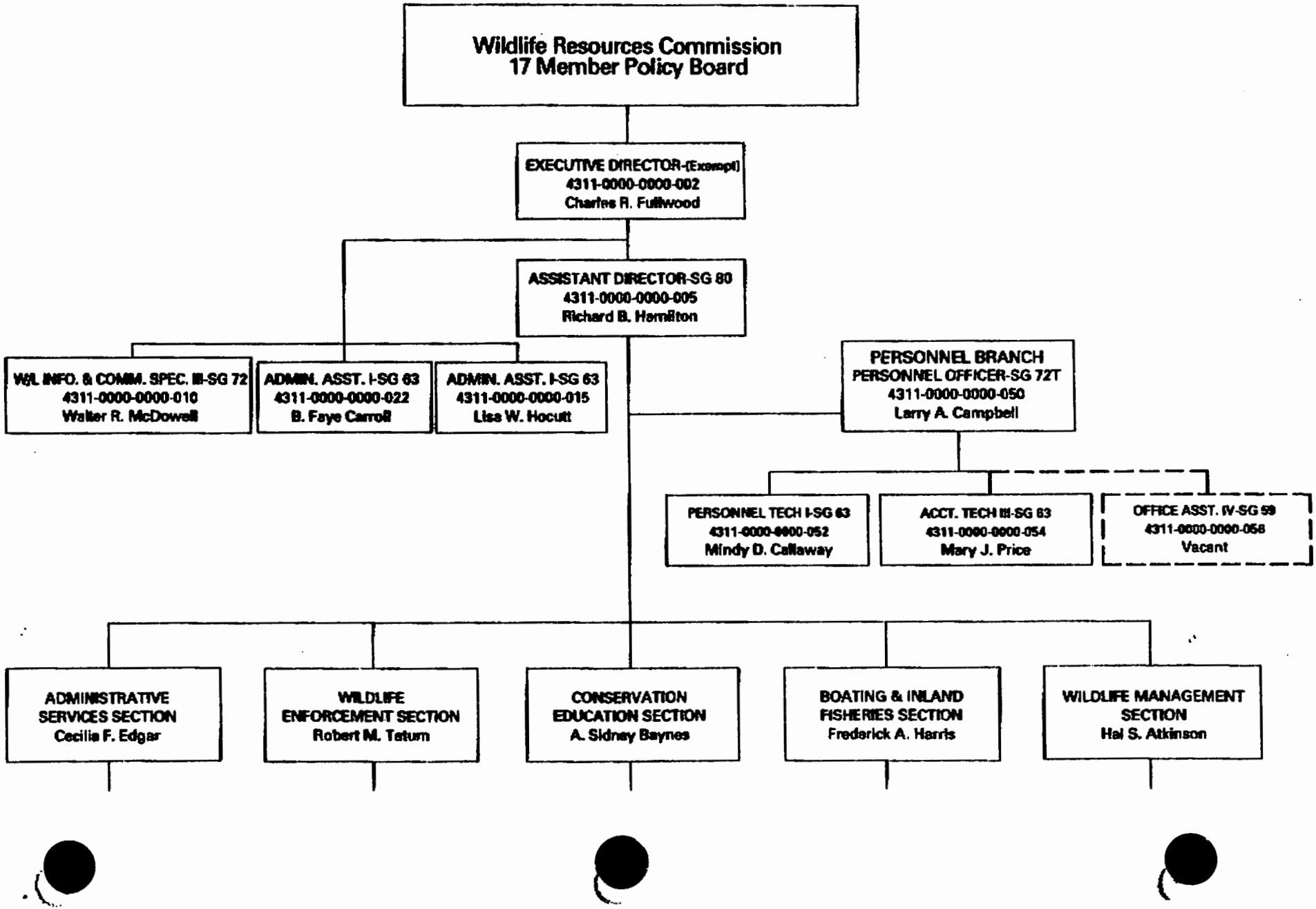
Fiscal Research Division Feburary 1997

Charles R Fullwood
(Director's Signature)
2-3-97
(Date)

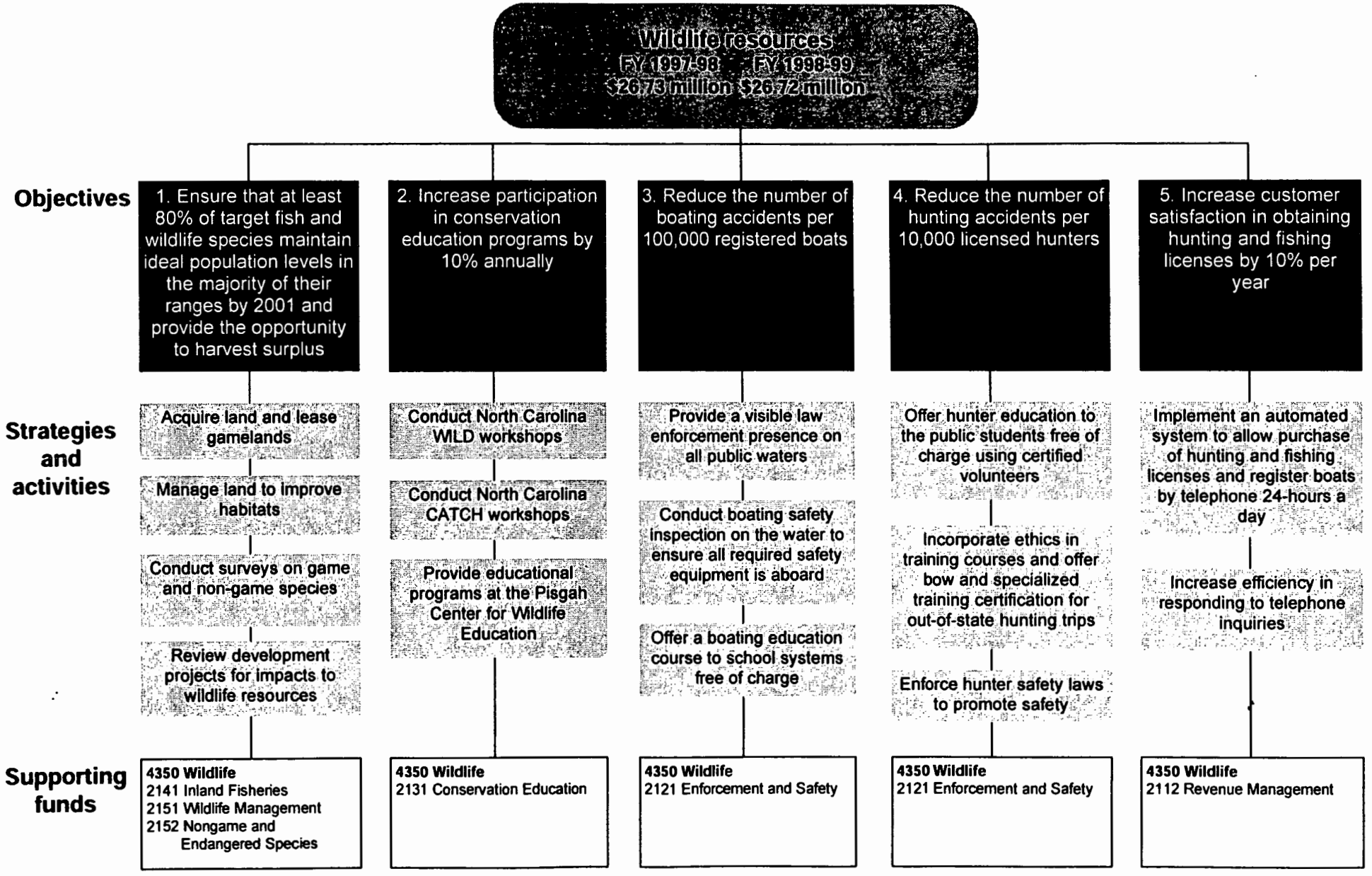
EHNR-93

NORTH CAROLINA WILDLIFE RESOURCES COMMISSION

As Of February 1, 1997



EHNR '94


Wildlife resources
FY 1997-98 $26.73 million
FY 1998-99 $26.72 million
Objectives
1. Ensure that at least 80% of target fish and wildlife species maintain ideal population levels in the majority of their ranges by 2001 and provide the opportunity to harvest surplus
2. Increase participation in conservation education programs by 10% annually
3. Reduce the number of boating accidents per 100,000 registered boats
4. Reduce the number of hunting accidents per 10,000 licensed hunters
5. Increase customer satisfaction in obtaining hunting and fishing licenses by 10% per year
Strategies and activities
Acquire land and lease gamelands
Manage land to improve habitats
Conduct surveys on game and non-game species
Review development projects for impacts to wildlife resources
Conduct North Carolina WILD workshops
Conduct North Carolina CATCH workshops
Provide educational programs at the Pisgah Center for Wildlife Education
Provide a visible law enforcement presence on all public waters
Conduct boating safety inspection on the water to ensure all required safety equipment is aboard
Offer a boating education course to school systems free of charge
Offer hunter education to the public students free of charge using certified volunteers
Incorporate ethics in training courses and offer bow and specialized training certification for out-of-state hunting trips
Enforce hunter safety laws to promote safety
Implement an automated system to allow purchase of hunting and fishing licenses and register boats by telephone 24-hours a day
Increase efficiency in responding to telephone inquiries
Supporting funds
4350 Wildlife
2141 Inland Fisheries
2151 Wildlife Management
2152 Nongame and Endangered Species
4350 Wildlife
2131 Conservation Education
4350 Wildlife
2121 Enforcement and Safety
4350 Wildlife
2121 Enforcement and Safety
4350 Wildlife
2112 Revenue Management

Objective 1: Ensure that at least 80% of target fish and wildlife species (16) are maintained at ideal population levels in the majority of their ranges by 2001 and provide the opportunity to harvest surplus fish and wildlife resources.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The percentage of fish and wildlife species exhibiting ideal population levels	n/a	n/a	52.6%	57.9%	63.2%	*76.8%*	*79.5%*	*82.1%*
Performance Measures:								
Number of contacts with landowners regarding proper management of fisheries resources	787	601	553	563	572	*575*	*575*	*575*
Number of landowners provided assistance to help them maintain natural areas which support wildlife	1,400	1,400	730	1,650	1,100	*1,200*	*1,300*	*1,400*
Total number of research studies on waterfowl, game animals and birds, and wildlife disease	36	36	25	25	25	*25*	*25*	*26*
Number of environmental assessments and permit applications reviewed for land development projects which have the potential to adversely affect fish and wildlife habitat	350	350	261	229	250	*250*	*300*	*300*
Number of nongame wildlife assistance contacts	1,000	1,000	500	500	500	*750*	*750*	*1,000*
Number of development project recommendations provided to protect aquatic resources	1,434	2,012	2,088	2,177	1,900	*2,000*	*2,100*	*2,100*
Millions of acres of gamelands which serve as habitat for wildlife and access for public hunting	1.8	1.8	1.7	1.7	1.7	*1.8*	*1.8*	*1.9*

Current Situation:

Funds:

4350 Wildlife
2141 Inland Fisheries
2151 Wildlife Management
2152 Nongame and Endangered Species

Objective 2: Increase participation in conservation education programs by 10% annually.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The percentage increase in people attending conservation education programs	n/a	n/a	-62%	-28%	29%	*10%*	*10%*	*10%*
Performance Measures:								
Circulation of "Wildlife in North Carolina"	na	66,000	67,419	65,245	62,055	*60,000*	*60,000*	*60,000*
Number of basic WILD workshops held	N/A	134	160	153	98	*90*	*90*	*90*
Number of basic CATCH workshops held	na	3	39	30	17	*20*	*20*	*20*
Number of CATCH clinics held	N/A	122	16	1	11	*5*	*5*	*5*
"NC WILD Notebook" circulation	N/A	16,000	4,500	4,000	4,000	*4,000*	*4,000*	*4,000*
Number of new wildlife education program networking opportunities	N/A	249	430	446	1,950	*1,900*	*1,900*	*1,900*

Current Situation:

Funds:

4350 Wildlife
2131 Conservation Education

Objective 3: Reduce the number of boating accidents per 100,000 registered boats.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of boating accidents per 100,000 registered boats			60.87	66.06	85.40	*82.00*	*80.00*	*78.00*
Performance Measures:								
Number of boats inspected by wildlife service agents	94,475	92,198	82,339	78,880	87,941	*88,000*	*87,000*	*87,000*
Number of boating fatalities	26	21	30	21	27	*29*	*30*	*32*
Number of fatalities per 100,000 boats	9.30	7.40	10.20	6.73	8.48	*8.5*	*8.45*	*8.25*
Number of students attending boating safety courses	49,508	40,236	44,645	36,467	33,942	*25,000*	*22,000*	*20,000*
Number of boating injuries	110	69	78	70	80	*85*	*90*	*95*

Current Situation:

Funds:

4350 Wildlife
2121 Enforcement and Safety

Objective 4: Reduce the number of hunting accidents per 10,000 licensed hunters.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The number of hunting accidents per 10,000 licensed hunters	n/a	n/a	.70	1.41	1.33	*1.25*	*1.15*	*1.0*
Performance Measures:								
Number of students certified after a minimum of ten hours of hunting safety instruction	29,365	22,120	22,504	18,891	15,478	*15,000*	*14,500*	*14,000*
Number of hunters/trappers checked by wildlife service officers	93,649	75,230	60,580	62,394	74,522	*74,000*	*73,000*	*72,000*
Number of reported hunting accidents	42	32	25	52	49	*45*	*40*	*39*
Number of reported hunting injuries	38	27	24	47	42	*40*	*38*	*36*
Number of hunting fatalities	5	5	1	5	7	*6*	*5*	*5*

Current Situation:

Funds:

4350 Wildlife
2121 Enforcement and Safety

Objective 5: To increase customer satisfaction in obtaining hunting and fishing licenses by 10% per year.

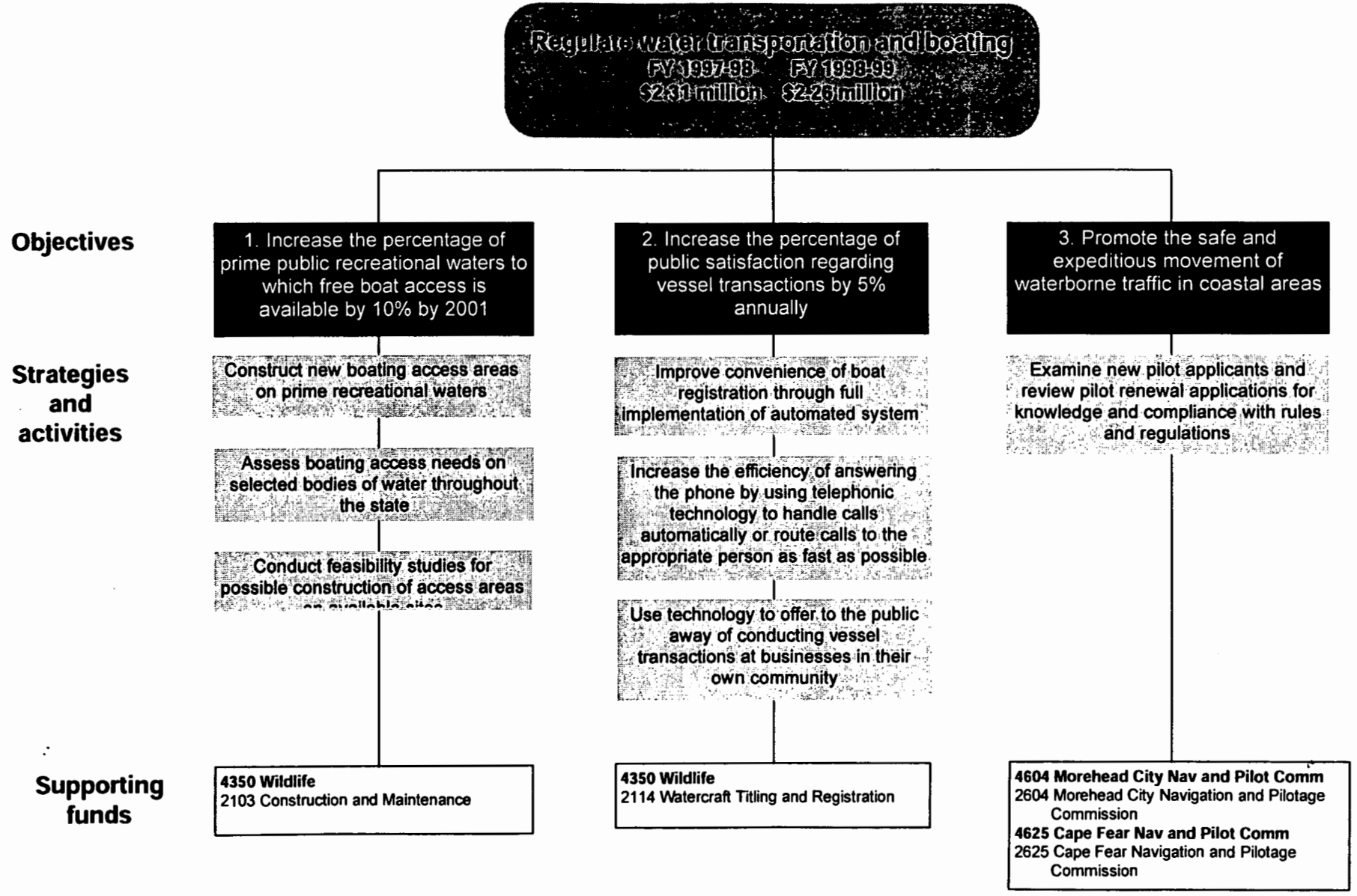
Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent increase in customer satisfaction in obtaining hunting and fishing licenses	n/a	n/a	n/a	n/a	n/a	*n/a*	*5%*	*5%*
Performance Measures:								
Number of wildlife license agents	988	949	952	918	871	*900*	*910*	*920*
Number of calendars sold	19,000	18,877	18,567	21,894	20,814	*21,200*	*21,600*	*22,000*
Total number of Wildlife licenses sold (by license year)	671,038	679,265	698,507	699,712	717,359	*731,700*	*746,300*	*761,267*
Revenue from license sales (in millions)	$12.98	$13.42	$14.00	$14.10	$14.50	*$14.80*	*$15.00*	*$15.30*
Number of subscriptions sold	35,151	34,821	36,852	30,706	30,579	*31,000*	*31,800*	*32,000*
Number of waterfowl stamps sold	22,085	23,802	26,992	22,102	24,022	*24,000*	*24,000*	*24,000*

Current Situation:

A new automated system is being implemented to allow 24-hour acquisition of hunting and fishing licenses as well as register boats by touch-tone telephone.

Funds:

4350 Wildlife
2112 Revenue Management


Regulate water transportation and boating
FY 1997-98 FY 1998-99
$2.31 million $2.26 million
Objectives
1. Increase the percentage of prime public recreational waters to which free boat access is available by 10% by 2001
2. Increase the percentage of public satisfaction regarding vessel transactions by 5% annually
3. Promote the safe and expeditious movement of waterborne traffic in coastal areas
Strategies and activities
Construct new boating access areas on prime recreational waters
Assess boating access needs on selected bodies of water throughout the state
Conduct feasibility studies for possible construction of access areas
Improve convenience of boat registration through full implementation of automated system
Increase the efficiency of answering the phone by using telephonic technology to handle calls automatically or route calls to the appropriate person as fast as possible
Use technology to offer to the public away of conducting vessel transactions at businesses in their own community
Examine new pilot applicants and review pilot renewal applications for knowledge and compliance with rules and regulations
Supporting funds
4350 Wildlife
2103 Construction and Maintenance
4350 Wildlife
2114 Watercraft Titling and Registration
4604 Morehead City Nav and Pilot Comm
2604 Morehead City Navigation and Pilotage Commission
4625 Cape Fear Nav and Pilot Comm
2625 Cape Fear Navigation and Pilotage Commission

Objective 1: Increase the percentage of prime public recreational waters to which free boat access is available by 10% by 2001.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The percent increase of prime public recreational waters to which free boat access is available	n/a	n/a	n/a	n/a	n/a	*being developed*		
Performance Measures:								
Number of boating access areas maintained	164	168	172	168	170	*172*	*174*	*176*
Number of boating access areas constructed	0	1	3	2	2	*2*	*2*	*2*
Number of bouys replaced	147	327	276	312	168	*150*	*150*	*150*
Number of new marker bouys installed	46	86	37	42	31	*35*	*20*	*15*

Current Situation:

Funds:

4350 Wildlife
2103 Construction and Maintenance

Objective 2: Increase the percentage of public satisfaction regarding vessel transactions by 5% annually.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percentage of positive response from customers in periodic surveys	n/a	n/a	n/a	n/a	n/a	*n/a*	*5%*	*5%*
Performance Measures:								
Boating titles issued	4,828	5,581	5,400	6,971	13,500	*16,700*	*29,160*	*52,400*
Number of boats titled (cumulative)	13,825	19,407	27,680	35,225	39,928	*56,000*	*85,200*	*138,000*
Number of registrations renewed by agents	26,176	24,742	24,150	17,852	15,551	*16,000*	*100,000*	*125,000*
Total number of boats registered	280,759	294,058	300,000	305,000	311,000	*335,300*	*386,200*	*445,000*
Revenue from boat registrations (in millions)	$1.35	$1.37	$1.90	$1.8	$2.8	*$3.0*	*$3.5*	*$3.9*
Boat title fees collected	$104,660	$194,811	$161,200	$161,350	$270,000	*$243,000*	*$437,000*	*$944,800*

Current Situation:

Funds:

4350 Wildlife
2114 Watercraft Titling and Registration

EHNR-103

WILDLIFE RESOURCES COMMISSION
OVERVIEW OF BUDGET ACTIONS 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Beaver Control Program - Eliminate recurring appropriation for beaver control. Program will be funded with non-recurring appropriation.		($150,000) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS		
1) Beaver Pilot Program - Funds beaver control pilot program and expands project from 18 to 27 counties.	$372,690 NR	
2) Beaver Control Program - Continues Beaver Control Program with non-recurring funds and expands coverage from 27 to 36 counties.		$450,000 NR

REPAIRS AND RENOVATIONS

None

GOVERNOR'S RECOMMENDED REDUCTIONS

None

Fiscal Research Division Feburary 1997

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1) Since 1992, the General Assembly has appropriated funds to the Wildlife Resources Commission for the Beaver Management Assistance Program (BMAP). The number of eligible counties has risen from 4 in 1992 to 36 in 1996. The Committee may wish to ask the Commission to provide an update on the program's activities and the feasibility of continuing the program with Wildlife Fund moneys under the Wildlife Management Program, rather than general fund appropriations.

2) Operating support for the Wildlife Resources Commission comes principally from receipts generated by the sale of hunting and fishing licenses. With regards to legislative salary increases, other state agencies are required to provide this salary increase for federal and receipt supported positions with receipts/other funds collected within the agency. The Wildlife Commission is an example of an exception where legislative salary increases for receipt supported positions (i.e. Wildlife Fund) have, in the past, been supported with general fund sales and use tax revenues. (In accordance with G.S. 105-164.44B, a portion of the proceeds from the sales and use tax on fishing and hunting supplies and equipment is already transferred to the Wildlife Fund quarterly). The Committee may wish to have the Commission explain how this transfer works, and comment on the rationale behind continuing this practice.

Handout A-(2)

North Carolina Beaver Management Assistance Program
March 3, 1997

Beaver populations have expanded and increased across North Carolina, the value of beaver pelts has remained low. Beavers in North Carolina are responsible for millions of dollars in damage annually to roadways, agricultural and timber lands, landscape plantings, sewer systems, and other personal property. As a result of this increase in property damage, legislation was passed in 1991 which liberalized methods for harvesting beavers.

The Beaver Damage Assistance Program was created and funded for FY92/93 $50,000 to include 4 counties by the passage of Section 69 of Chapter 1044 of the 1991 Session Laws. This law was amended to continue to fund the program for 6 counties in FY93/94 $146,000, 8 counties in FY94/95 $150,000, 27 counties in FY95/96 $372,690, and 36 counties in FY96/97 $450,000.

The 1991 legislation also established the Beaver Damage Control Advisory Board and charged it with development of a program to control beaver damage on private and public lands and act in an advisory capacity to the Wildlife Resources Commission. The Advisory Board consists of 9 members representing the Executive Director of the Wildlife Resources Commission, The Commissioner of Agriculture, the Division of Forest Resources, the Soil and Water Conservation Division, the Cooperative Extension Service, the Secretary of Transportation, the State Director of the U.S. Department of Agriculture, Animal Damage Control Wildlife Services, the President of the NC Farm Bureau Federation, Inc., and the President of the NC Forestry Association. The Wildlife Resources Commission representative serves as chair for the Advisory Board.

The current program is authorized to conduct activities in 36 counties. Twenty-seven (27) of these counties have elected to participate in the program. Beaver damage control activities are being conducted on public highway rights-of-ways in 6 of the nonparticipating counties. No work is being done in 3 nonparticipating counties due to low levels of beaver damage.

The legislation which authorizes and partially funds the program allows the Wildlife Resources Commission to implement the program by entering a cooperative agreement with the Animal Damage Control Division of the Animal and Plant Health Inspection Service, U. S. Department of Agriculture to accomplish the program. This agency is the primary delivery agency for beaver damage control services.

Requests for assistance are generally handled on a first-come, first-served basis. Top priority goes to state and county roads or bridges being damaged by beaver activity followed by individual landholders. Landowner associations are next in priority followed by cities, towns, corporate landowners and other state lands. All requests for assistance receive a response, but the start of direct control activities may vary. Requests received for beaver damage control training usually receive higher priority than requests for direct control assistance.

Demand for program services has increased annually since 1992. The number of participating counties has risen from 4 to 27 and will likely increase as more counties with beaver damage problems are made eligible to participate. Beaver problems have been solved at over 2000 sites in the participating counties and over 150 individuals have attended intensive beaver damage control training sessions. Requests for assistance from property owners have increased as information about the program has been distributed through local media and cooperative extension offices. In counties where the program has been in place for more than 2 years, the backlog of requests are beginning to level off or decrease due to successful program activities.

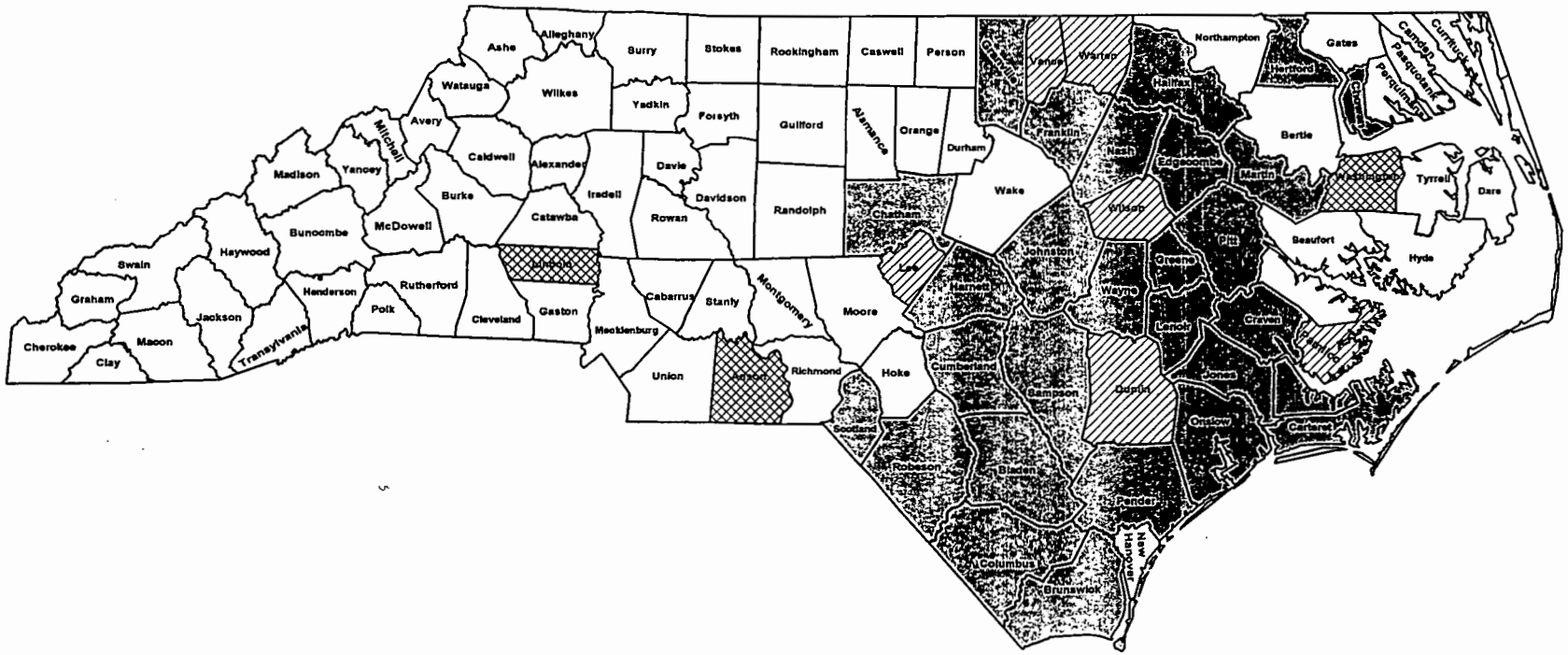
Minimum estimates for private landowner and DOT savings as a result of beaver control activities were calculated for each year of the program from FY93/94 through FY95/96. These estimates indicate that $3.41 is saved by landowners and DOT combined for every dollar of program costs.

FY97 BEAVER DAMAGE CONTROL ASSISTANCE PROGRAM

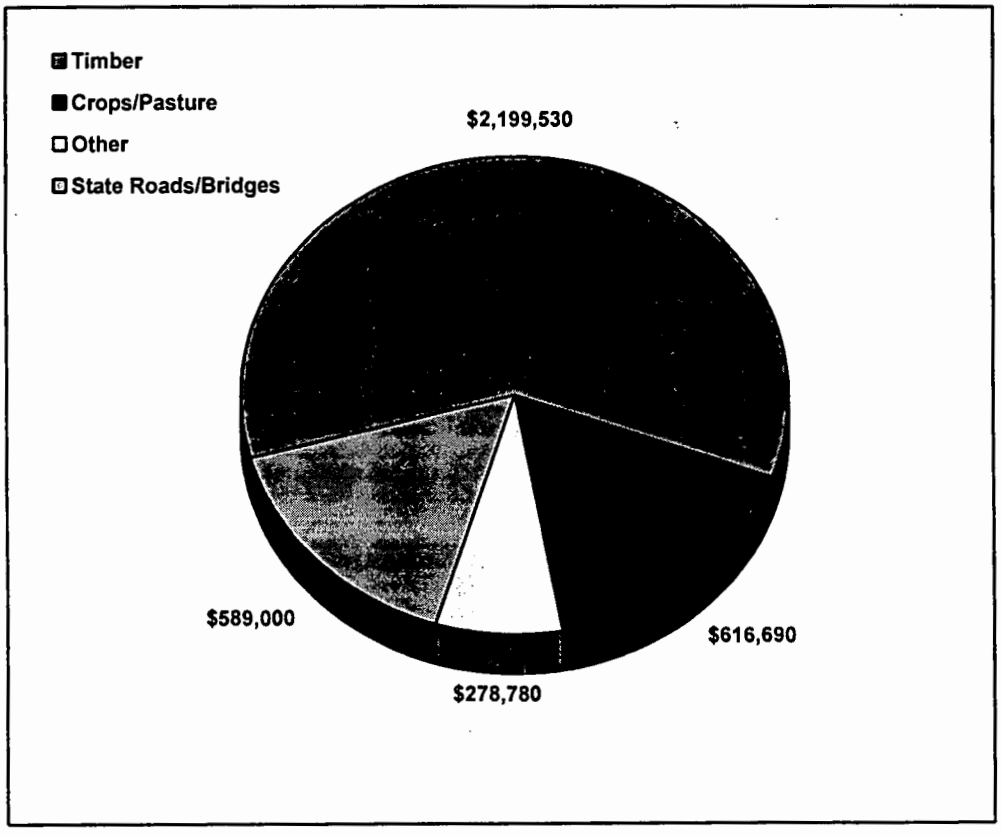
Participating County

DOT work only

Non-participating County



NC Beaver Damage Assistance Program
Resources Saved from Beaver Damage
FY93/94 - FY95/96



Minimum Estimate of Total Resources Saved = $3,684,000

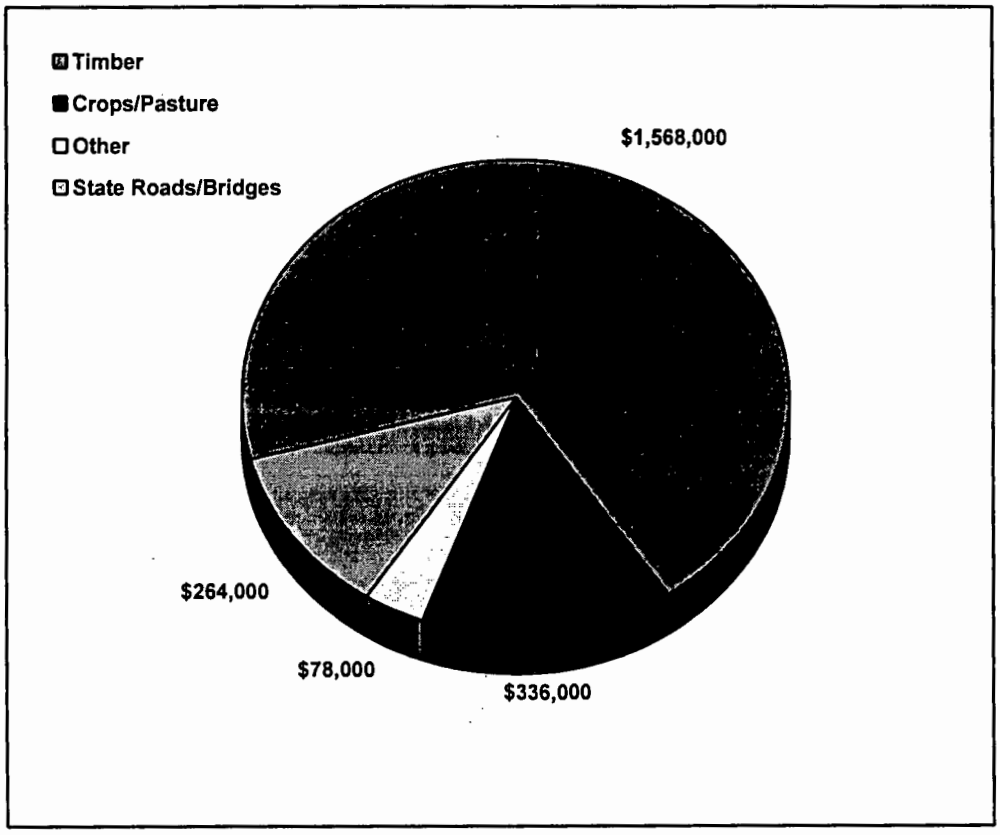
Total Program Costs = $1,078,967 (FY 93 -FY 95)

$3.41 Saved for Every $1.00 Spent

Total Legislative Appropriation = $668,690 (FY 93 - FY 95)

$5.51 Saved for Every $1.00 Appropriated

NC Beaver Damage Assistance Program
Resources Saved from Beaver Damage
FY95/96



Minimum Estimate of Total Resources Saved = $2,246,000

Total Program Costs = $578,009

$3.89 Saved for Every $1.00 Spent

Total Legislative Appropriation = $372,690

$6.03 Saved for Every $1.00 Appropriated

1996-97 $450,000

Handout B

HFA - 1

Overview of the
North Carolina Housing Finance Agency
February 27, 1997

INTRODUCTION

The North Carolina Housing Finance Agency (NC HFA) is a self-supporting public agency created by the General Assembly in 1973 to increase the supply of affordable housing for the state's low- and moderate-income citizens. The Agency provides both financing and technical assistance for the development and purchase of affordable housing. Funding for Agency programs and operations comes from program fees, earnings from tax-exempt bond sales, federal funds, and the Housing Trust Fund. A 13-member Board of Directors sets policy for the Agency. A separate 13-member Housing Partnership Board sets policy for the North Carolina Housing Trust Fund.

General Fund appropriations have been used to match federal HOME program funds to finance new affordable housing units and to rehabilitate existing units for low- and moderate-income households. The Governor's recommended continuation budget again includes $2.3 million for this purpose. In addition, the General Assembly provided $3.5 million in the current fiscal year (1996-97) to support the Housing Trust Fund. The principle uses of the Housing Trust Fund are:

(1) loans to first-time home buyers
(2) loans to developers of affordable rental housing in rural areas
(3) grants to elderly home owners for urgent home repairs
(4) loans to non-profit sponsors of housing for persons with special needs (e.g. mentally ill, homeless, developmentally disabled).

Both HOME and Housing Trust Fund state appropriations are directly invested in "bricks and mortar"; none of the funds are used for staff or operating costs.

PROGRAM ACTIVITIES

See attached

GOVERNOR'S RECOMMENDED REDUCTIONS

None

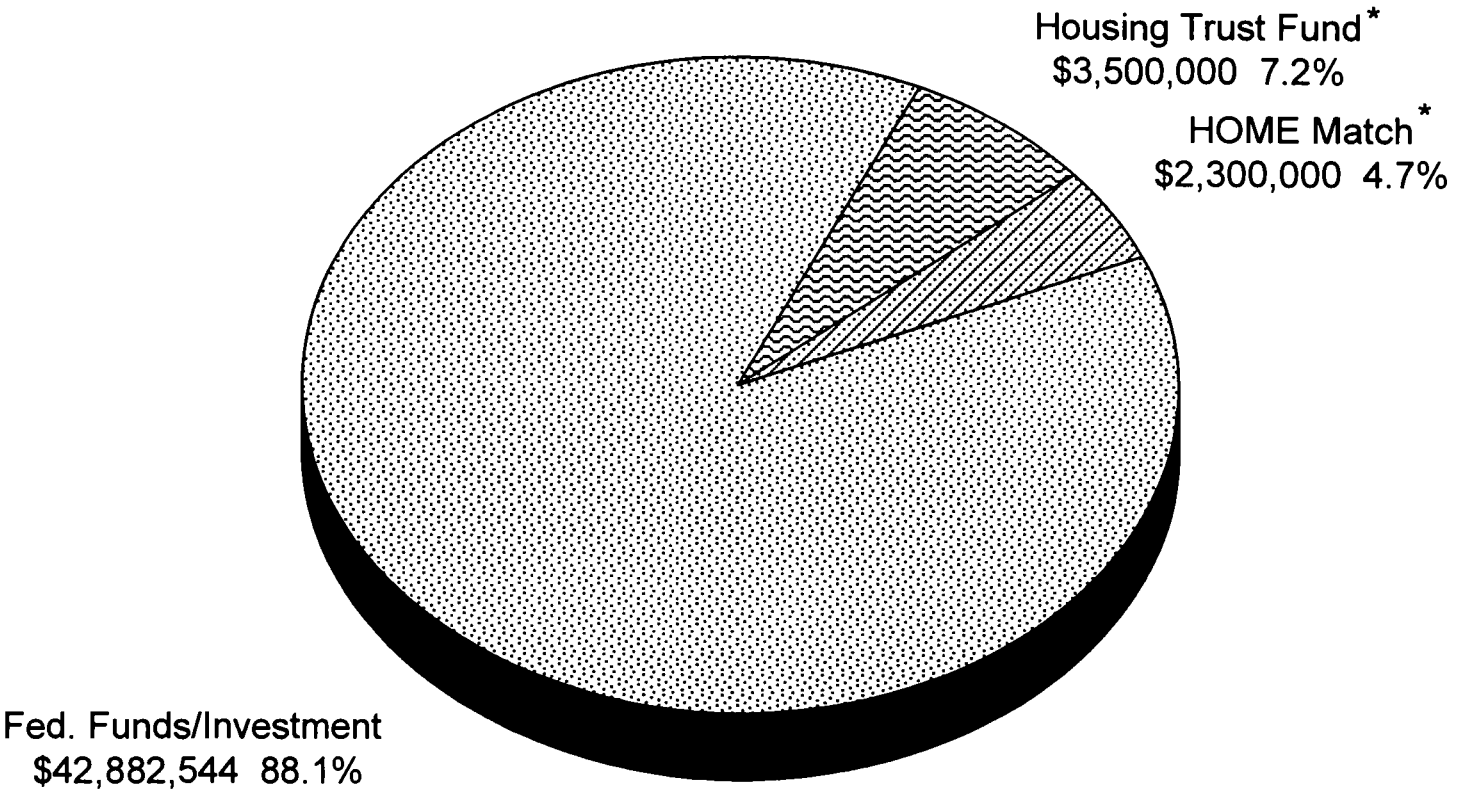
CROSS REFERENCES FOR BUDGET VOLUMES

Governor's Budget -- Volume 2, pp J-32 to J-40
Performance/Program Analysis – Volume 7a, pp 2-184; 2-188 to 2-191

HFA-2

Housing Finance Agency

1996-97 Total Authorized Budget



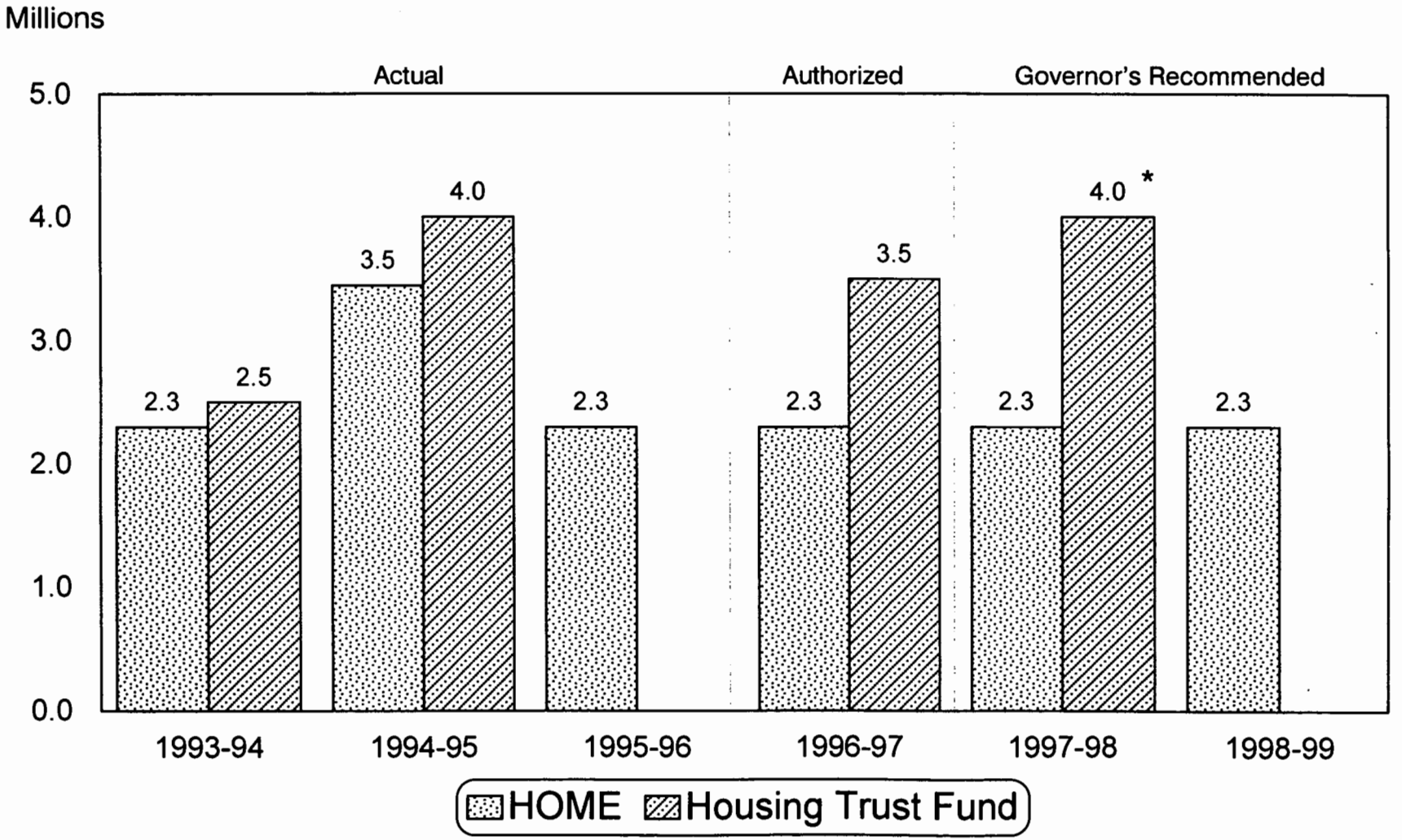
Fiscal Research Division February 1997

** General Fund Appropriations*

HFA-3

Housing Finance Agency

Summary of State Appropriations 1993-1999



Fiscal Research Division February 1997

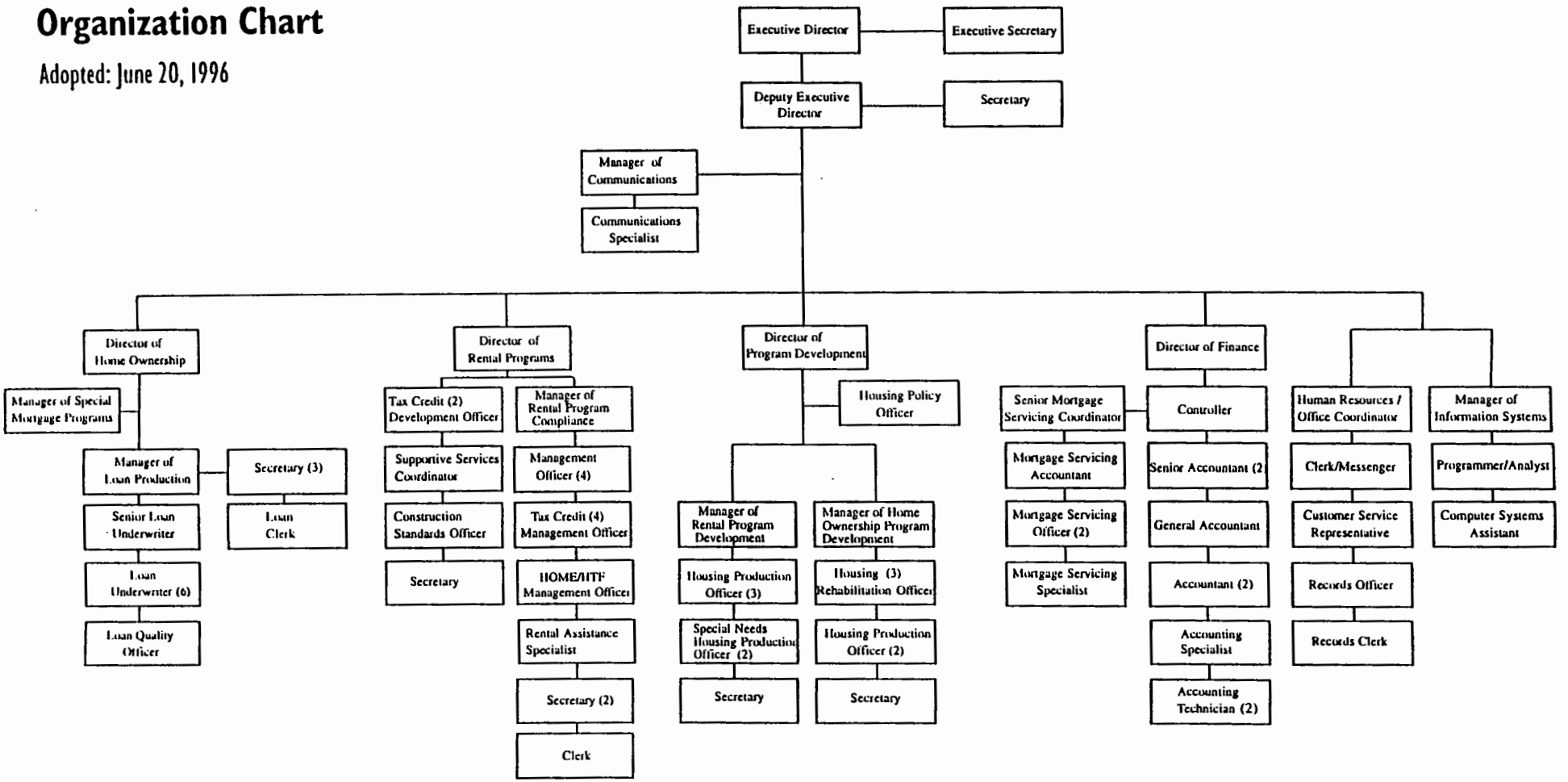
**Governor's Recommended Expansion*

Exhibit B

HFA-4

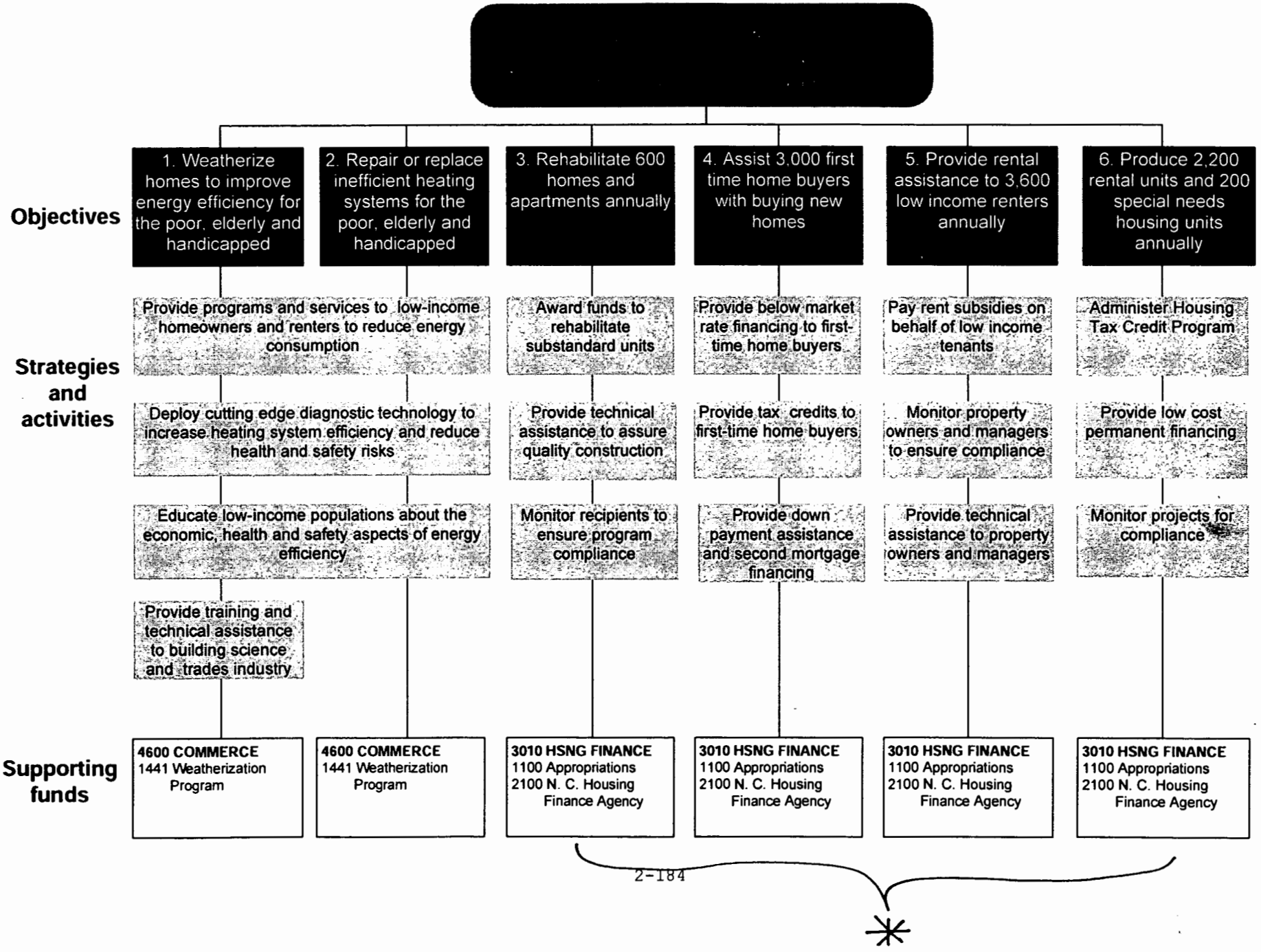
N. C. Housing Finance Agency
Organization Chart

Adopted: June 20, 1996



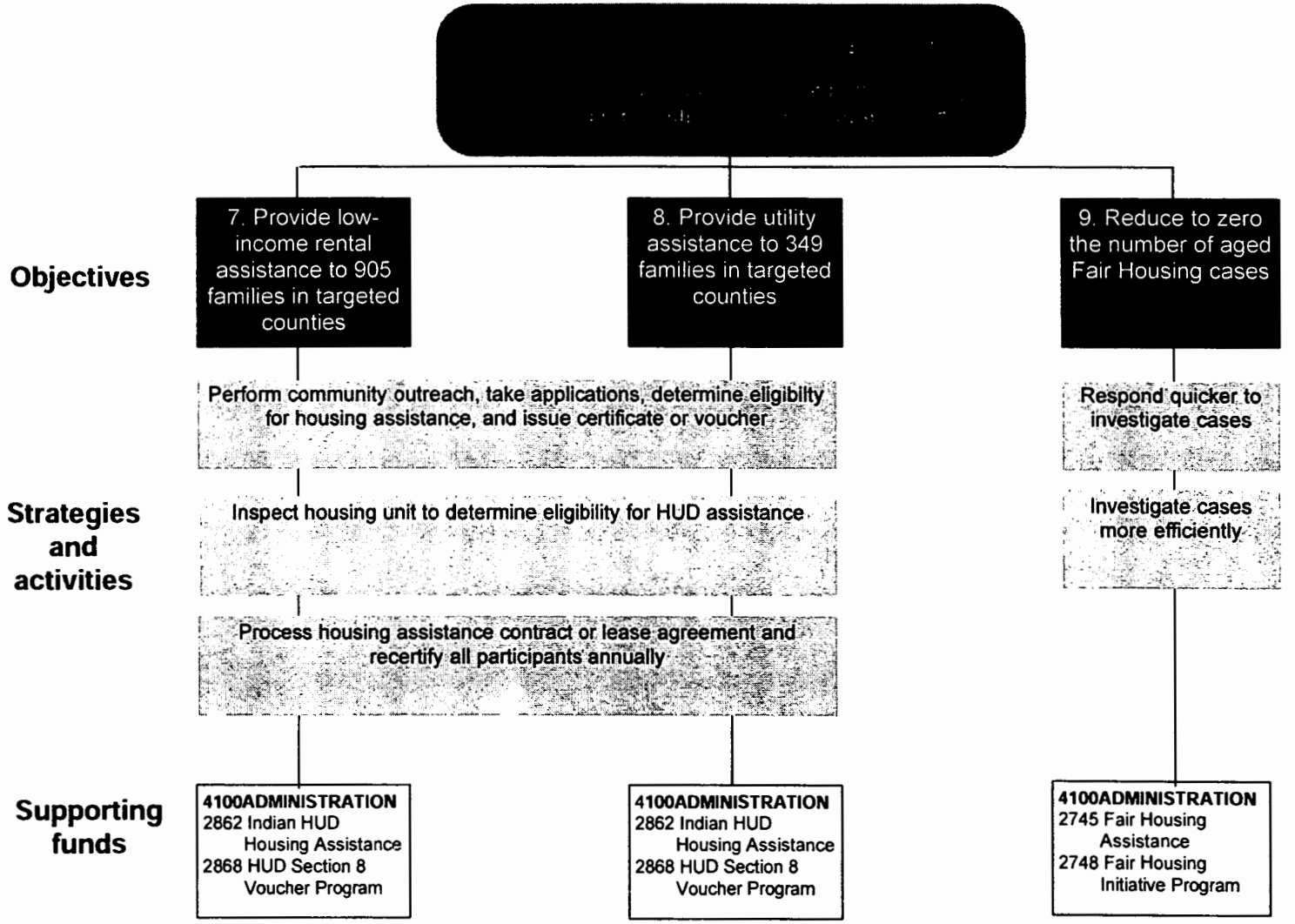
Total Positions: 80

2800 Provide housing assistance



2800 Provide housing assistance

HFA-6



1100 Housing Finance Agency - Appropriations | **P/PB 2800 Provide Housing Assistance**

PURPOSE : The General Assembly provides continuing matching support for the federal HOME program. The federal HOME program matching funds are used to finance new affordable housing units and to rehabilitate existing units for low-and moderate-income households. The General Assembly also provided funded in the current year for support of the Housing Trust Fund. The Housing Trust Fund is used to make loans for the production of affordable housing for low and very low-income households including persons with special needs particularly in rural areas.

PROGRAM INFORMATION :

This is one of 6 funds that contribute to program number 2800, Housing Assistance The total 1996-97 certified budget for P/PB 2800 is $63,814,263 of which this fund is $5,800,000, or 9.09% of the total. A programmatic presentation which groups all funds that contribute to specific program levels throughout state government according to similar outcomes, objectives, and outcome measures may be found in Volume 7.
Following is a complete list of departmental accounting funds which contribute to P/PB 2800.

HSNG FINANCE	1100 HFA-APPROPRIATION	9.09%	ADMINISTRATION	2862 INDIAN HUD HOUSING ASST	5.35%
HSNG FINANCE	2100 NCHFA	66.76%	ADMINISTRATION	2868 HUD SECT. 8 VOUCHER PROG	1.22%
ADMINISTRATION	2745 FAIR HOUSING ASSISTANCE	.22%	COMMERCE	1441 WEATHERIZATION PROGRAM	17.36%

Objectives :

- Rehabilitate an average of 600 homes and apartments annually through awards under the Housing Trust Fund and HOME programs and the Community Block Grant
- Provide low cost financing and tax credits to an annual average of 2,500 first time home buyers per year.
- Provide rental assistance to an annual average of 3,600 low income renters per year.
- Produce an annual average of 2,200 affordable rental units and 200 special needs housing units using HOME Program funds, the Housing Trust Fund and federal tax credits.

Outcome Measures :

	1993-94 Actual	1994-95 Actual	1995-96 Actual	1996-97 Estimated	1997-98 Expected	1998-99 Expected
- Number of home owners assisted.	369	517	602	600	600	600
- Number of home buyers assisted.	1,022	2,698	2,929	2,500	2,500	2,500
- Number of renters assisted.	3,688	3,688	3,625	3,625	3,625	3,625
- Number of affordable rental and special needs housing units produced	3,353	2,535	2,478	2,400	2,400	2,400

2100 NC Housing Finance Agency | **P/PB 2800 Provide Housing Assistance**

PURPOSE : The North Carolina Housi ng Finance Agency is a self-supporting public agency created by the General Assembly to increase the supply of housing for low and moderate-income North Carolinians. The agency provides financing and technical assistance for the development of purchase of affordable housing. Programs include: (1) Rent subsidies (between 30% of the tenant's income and fair market rent) for lower income renters through federal Section 8. (2) Production and rehabilitation of housing units for low and moderate-income households. The agency awards funds to local governments and nonprofit organizations to rehabilitate substandard single family homes and to build homes for first time buyers. The agency also awards funds to nonprofit organizations and nonprofit developers to build new rental housing units. (3) Permanent Housing for Handicapped Homeless Program grants to eligible nonprofit to develop and operate supportive housing for homeless persons with disabilities. (4) HOPE 3 funding to nonprofit organizations and local governments for the acquisition and rehabilitation of government owned single-family homes which are sold to low- and moderate-income first-time home buyers. (5) Intermediary Technical Assistance Grant (ITAG) technical assistance grants to residents groups community-based nonprofits interested in acquiring privately owned, federally assisted rental properties. (6) Housing Opportunities for Persons with AIDS (HOPWA) Redevelopment Loan Funds to eligible nonprofits to cover the redevelopment cost associated with producing supportive rental housing for persons with AIDS. (7) Special purpose grant funds provide second mortgage loans to first-time home buyers through the NC HFA Rural Home Ownership Program. (8) Innovative Homeless Program grants to eligible nonprofit to fund support services for homeless persons.

PROGRAM INFORMATION

This is one of 6 funds that contribute to program number 2800, Housing Assistance The total 1996-97 certified budget for P/PB 2800 is $63,814,263 of which this fund is $42,602,439, or 66.76% of the total. A programmatic presentation which groups all funds that contribute to specific program levels throughout state government according to similar outcomes, objectives, and outcome measures may be found in Volume 7.
Following is a complete list of departmental accounting funds which contribute to P/PB 2800.

HSNG FINANCE	1100 HFA-APPROPRIATION	9.09%	ADMINISTRATION	2862 INDIAN HUD HOUSING ASST	5.35%
HSNG FINANCE	2100 NCHFA	66.76%	ADMINISTRATION	2868 HUD SECT. 8 VOUCHER PROG	1.22%
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- Produce an annual average of 2,200 affordable rental units and 200 special needs housing units using HOME Program funds, the Housing Trust Fund and federal tax credits.

HFA-9

Outcome Measures :

	1993-94 Actual	1994-95 Actual	1995-96 Actual	1996-97 Estimated	1997-98 Expected	1998-99 Expected
- Number of home owners assisted.	369	517	602	600	600	600
- Number of home buyers assisted.	1,022	2,698	2,929	2,500	2,500	2,500
- Number of renters assisted.	3,688	3,688	3,625	3,625	3,625	3,625
- Number of affordable rental and special needs housing units produced.	3,353	2,535	2,478	2,400	2,400	2,400

Other Performance Measures :

- N.C. Housing Trust Fund: funding for Urgent Repair Program (in millions).	N/A	$1.25	$1.00	$1.00	$1.00	$1.00
- N.C. Housing Trust Fund: funding for Urgent Repair Program number of households served.	N/A	234	350	350	350	350
- N.C. Housing Trust Fund: funding for Special Needs Housing Program (in millions).	$.16	$.97	$1.56	$2.00	$2.00	$2.00
- N.C. Housing Trust Fund funding for Special Needs Housing Program: number of units created.	24	177	176	226	226	226
- N.C. Housing Trust Fund funding for Rental Production Program (in millions).	$.177	$1.0	N/A	$1.5	$1.0	$1.0
- N.C. Housing Trust Fund funding for Rental Production Program: number of rental units financed. (*Trust Fund provided gap financing for HOME Rental Projects, no additional units produced.)	0*	0*	N/A	85	57	57
- North Carolina Housing Finance Agency HOME Program Match: funding for Single-Family Rehabilitation Program (in millions).	$2.3	$5.75	$2.3	$2.3	$2.3	$2.3
- North Carolina Housing Finance Agency Single Family Mortgage Loan Program (MRB): value of mortgage financing provided (in millions).	$20.8	$86.7	$89.2	$82.4	$82.4	$82.4
- North Carolina Housing Finance Agency HOME Program Match Funding for Single-Family Rehabilitation Program: number of home owners assisted.	142	283	115	115	115	115
- North Carolina Housing Finance Agency Single Family Mortgage Loan Program (MRB): number of first-time home buyers assisted.	349	1,369	1,357	1,230	1,230	1,230
- North Carolina Housing Finance Agency Mortgage Credit Certificate Program: mortgage financing leveraged (in millions).	$31.1	$63.1	$90.5	$76.8	$76.8	$76.8
- North Carolina Housing Finance Agency Mortgage Credit Certificate Program: number of first-time home buyers assisted.	570	1,100	1,442	1,025	1,025	1,025
- North Carolina Housing Finance Agency Housing Tax Credit Program: number of rental units produced (calendar year 93-94 = 1994).	3,329	2,358	2,302	2,253	2,253	2,253

23010 North Carolina Housing Finance Agency - Special Fund

HFA-10

	1993-94 Actual	1994-95 Actual	1995-96 Actual	1996-97 Estimated	1997-98 Expected	1998-99 Expected
- North Carolina Housing Finance Agency Housing Tax Credit Program: number of credits allocated to projects (in millions) (calendar year 93-94 = 1994).	$12.6	$9.8	$9.0	$8.9	$8.9	$8.9
- North Carolina Housing Finance Agency Housing Tax Credit Program: value of housing produced (in millions) (calendar year 93-94 = 1994).	$175.3	$126.9	$117.5	$115.1	$115.1	$115.1
- North Carolina Housing Finance Agency Rental Assistance: amount of assistance provided (in millions).	$0.21	$0.22	$0.19	$0.19	$0.19	$0.19
- North Carolina Housing Finance Agency Rental Assistance: number of households assisted.	243	243	180	180	180	180
- North Carolina Housing Finance Agency Section 8 Rental Assistance: amount of rental assistance provided (in millions).	$17.4	$17.3	$17.5	$17.5	$17.5	$17.5
- North Carolina Housing Finance Agency Section 8 Rental Assistance: number of low income renters assisted.	3,445	3,445	3,445	3,445	3,445	3,445
- North Carolina Housing Finance Agency HOME: funding for Single-Family Rehabilitation Program (in millions) (*Single-Rehabilitation Program was funded with state HOME match funds in 1994-95.)	$3.7	*	$2.7	$2.7	$2.7	$2.7
- North Carolina Housing Finance Agency HOME Single-Family Rehabilitation Program: units rehabilitated (*Single-Rehabilitation Program was funded with state HOME match funds in 1994-95.)	227	*	135	135	135	135
- North Carolina Housing Finance Agency HOME: funding for Rental Production Program (in millions) (*Rental Production Program Awards funding for 1996-97 will be made over the 1996-98 period).	$9.3	$9.5	$5.3	$1.5*	$6.5	$6.5
- North Carolina Housing Finance Agency HOME Rental Production Program: number of rental units financed.	458	550	395	104	484	484
- North Carolina Housing Finance Agency HOME Home Ownership Production Program: funding for down payment and subordinate mortgage assistance to first-time home buyers (in millions).	$1.0	$0.9	$0.8	$1.5	$1.5	$1.5
- North Carolina Housing Finance Agency HOME Home Ownership Production Program funding: number of first-time home buyers assisted.	103	74	53	105	105	105
- North Carolina Housing Finance Agency HOME Home Buyer Assistance Program: downpayment and subordinated mortgage assistance to first-time home buyers (in millions).(*see next measure)	*	$0.7	$0.5	$1.0	$1.0	$1.0
- North Carolina Housing Finance Agency HOME Home Buyer Assistance Program: number of first-time home buyers assisted. (*Combined with Home Ownership Production in 1993-94)	*	145	77	140	140	140

HFA-11

North Carolina Housing Finance Agency
Summary of Programs

Home Ownership Programs

The Home Ownership Mortgage Loan Program offers mortgages to first-time home buyers with low and moderate incomes at an interest rate below conventional rates. It is funded by tax-exempt bond sales. Funding cycles are normally spring and fall. Contact a home ownership loan underwriter at (919) 781-6115.

The Mortgage Credit Certificate (MCC) Program provides an alternative to the Home Ownership Mortgage Loan Program. MCCs reduce the federal income tax liability which home buyers pay and leave them more disposable income to qualify for a market-rate mortgage. The program is funded by the conversion of tax-exempt bond authority. Funds are available throughout the year until exhausted. Contact a home ownership loan underwriter at (919) 781-6115.

The Emerging Opportunities Fund helps nonprofit organizations and local governments build capacity as developers of affordable housing for low-income households. Developments of one to four homes can receive set-asides of low-interest permanent financing, down payment/closing cost assistance, and/or second mortgages. Contact Willie Dixon at (919) 571-4757.

The Self-Help Housing Fund offers no-interest loans to assist housing organizations which operate owner-built housing programs. The fund uses corporate donations and matching money from agency earnings. Funds are available throughout the year until exhausted. Contact Willie Dixon at (919) 781-6115.

The Catalyst Home Ownership Program encourages nonprofit organizations to develop new single family homes by providing loans and grants from agency interest earnings for market studies, appraisals, architectural services, engineering work and land options. Funds are available throughout the year until exhausted. Contact Willie Dixon or Sharon Drewyor at (919) 781-6115.

Rental Programs

The Low-Income Housing Tax Credit Program encourages owners to produce rental housing for low-income households by allowing a 10-year federal tax credit which is calculated on the project's qualified basis. The program is overseen by the N.C. Federal Tax Reform Allocation Committee and is administered by the agency under agreement with the Committee. Funding cycles run through February 28, April 30, June 30 and September 15. Contact Jim Quinn at (919) 571-4808.

The Catalyst Rental Program encourages nonprofit organizations to build rental housing for low-income households by providing loans from agency interest earnings for market studies, land options, architectural services, engineering work and environmental reviews. Funding is open but limited by availability. Contact Jim Quinn at (919) 571-4808.

The Housing LINC Loan Fund, operated under agreement with the N.C. Division of Aging and funded by the Kate B. Reynolds Foundation, is a revolving loan fund to pay predevelopment costs for assisted-living projects for the elderly. Funding is limited by availability. Contact Jim Quinn at (919) 571-4808.

The AIDS Predevelopment Loan Fund, operated under agreement with the N.C. AIDS Care Branch and funded under the federal HOPWA Program, is a revolving loan fund to pay predevelopment costs for housing with supportive services that is available for persons with AIDS. Contact Jim Quinn at (919) 571-4808.

The Assisted Independent Living Program uses funds from a Robert Wood Johnson Foundation grant to pay the staff cost of coordinating the availability of community-based services for the elderly living in subsidized rental housing projects. Funding is limited by availability. Contact Mary Reca Todd at (919) 571-4768.

The Multifamily Unsubsidized Loan Program provides mortgage financing at an interest rate below conventional rates, so that developers can build rental housing at less cost and offer tenants lower rents. Contact Jim Quinn at (919) 571-4808.

The Federal and Agency Rental Assistance Programs provide monthly rent subsidies to assist very low-income tenants in occupying projects that would not be affordable otherwise. Restricted by fund availability. Contact Jim Quinn at (919) 571-4808.

The N.C. Elderly Housing Rights and Consumer Protection Program provides information for consumers on housing rights and protection issues. Develops materials and trains advocates and service providers. Funded by a U.S. Administration on Aging grant. Contact Mary Reca Todd at (919) 571-4768.

Special Assistance Programs

Two funding sources are used for special assistance programs: the Housing Trust Fund and the HOME Investment Partnerships Program.

The Housing Trust Fund was created by the General Assembly to increase the supply of affordable housing for very low-, low- and moderate-income households. It is used for both rental housing and home ownership programs adopted by the 13-member N.C. Housing Partnership.

The HOME Program provides federal funds for developing affordable housing for very low-, low- and moderate-income households. Funds may be used for both rental housing and home ownership.

The following programs are funded by the Housing Trust Fund and the HOME Program:

The Rental Production Program provides loans of up to $1 million per project for the production of rental housing for households below 60% of median income. Contact Ellen Groh at (919) 420-7903 or Stephanie Barnes-Simms at (919) 571-4913.

The Special Needs Housing Program provides loans of up to $250,000 per project for the production or rehabilitation of emergency, transitional and permanent housing for households below 50% of median income with special needs. Contact Joanna Brownstein at (919) 571-4779 or Andrea Schmidt at (919) 571-4919.

The Home Ownership Production Program provides construction loan subsidies and deferred second mortgage loans of up to $20,000 per unit for the purchase of newly constructed or rehabilitated homes. Assistance targeted to home buyers below 80% of median income. Contact Bill Bunting at (919) 571-4915.

The Home Buyer Assistance Program provides deferred second mortgage loans of up to $20,000 per unit for the purchase of existing housing. Assistance targeted to home buyers below 80% of median income. Contact Bill Bunting at (919) 571-4915.

The Single Family Rehabilitation Program provides grants of up to $300,000 to local and regional governments and nonprofit organizations to rehabilitate single-family owner-occupied homes, primarily in distressed counties. Assistance targeted to home owners below 50% of median income. Contact Bob Dunham at (919) 571-4778.

The CHDO Predevelopment Loans provide loans of up to $20,000 for predevelopment activities for nonprofit organizations interested in developing rental and home ownership projects eligible for HOME funding. Available throughout the year. Contact Ellen Groh at (919) 420-7903.

Policy and Research

The Consolidated Plan is a housing and community development plan required by HUD which provides details about the state's needs and housing conditions, sets out a strategy to meet needs, identifies resources available, and establishes a one- and five-year investment plan for resources. Contact Joanna Brownstein at (919) 571-4779.

The Housing Coordination and Policy Council was established by the General Assembly as a 15-member advisory group from various state agencies and departments. It advises the Governor and the General Assembly concerning state housing policy and improved program coordination. Contact Bill Dowse at (919) 571-4774.

The North Carolina Housing Partnership was established by the General Assembly to set policy for the use of the use of the North Carolina Housing Trust Fund. The Housing Partnership is comprised of 18 members. Contact Bill Dowse at (919) 571-4774.

The Housing Resource Manual provides a listing and description of organizations in the state that have been identified by the agency as housing service providers. Contact Joanna Brownstein at (919) 571-4779.

The Home Equity Conversion Loan Program statute in North Carolina requires the agency to approve the training standards for individuals providing counseling to elderly home owners who are applying for reverse mortgages. Contact Mary Reca Todd at (919) 571-4768.

The Housing N.C. Awards recognize home ownership and rental projects built in North Carolina that are judged by an expert panel to be outstanding examples of affordable housing. Contact Margaret Matrone at (919) 571-4804.

General

The agency maintains a close working relationship with the following organizations to improve affordable housing development opportunities:

The Community Investment Corporation of North Carolina, a statewide for-profit corporation which provides debt financing for low-income rental projects. Contact Roger Earnhardt at 781-7979.

The North Carolina Affordable Housing Equity Corporation, a statewide nonprofit corporation which provides tax credit syndications to nonprofit sponsors of low-income rental projects. Contact David Peet at 420-0063.

HFA-14

PRODUCTION REPORT

	FY 1996	Six Months 7/1/96 - 12/31/96
Single Family Mortgage Loan Program		
Number of loans	1,345	1,293
Average family income	$29,500	$30,057
Counties reached	64	61
Mortgage Credit Certificate Program		
Number of certificates	1,327	661
Average family income	$29,015	$29,158
Counties reached	45	35
Multifamily Subsidized Program		
Amount of rent subsidies	$17.57 million	$8.65 million
Number of units	3,445	3,445
Counties reached	48	48
Housing Credit Program*		
Amount of tax credits allocated	$9.3 million	$8.98 million
Estimated equity provided	$46.5 million	$44.9 million
Number of units	2,247	2,046
Maximum income	60% local median	60% local median
Counties reached	24	32
Agency Rental Assistance		
Amount of rent subsidies	$187,949	$92,049
Number of units	180	180
Counties reached	11	11
Catalyst, LINC and HOPWA Programs		
Amount awarded	$95,000	$3,000
Number of units	130	34
Counties reached	2	1
Housing Trust Fund Programs		
Amount awarded	$3.85 million	$1.8 million
Number of units	463	347
Counties reached	36	38
HOME Program		
Amount awarded	$13.06 million	$4.5 million
Number of units	1,156	576
Counties reached	67	41

*Formerly, "Low Income Housing Tax Credit Program"

NOTE: In order to lower the income targeting, some units receive funding from more than one source. For that reason, the units shown in this listing should not be totaled.

SOURCE: HOUSING FINANCE AGENCY

Handout C

NP-1

MCNC							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	40,095,504	38,624,398	40,281,753	41,000,000	1.8%	42,000,000	4.3%
Less Receipts	(20,515,504)	(19,859,398)	(34,516,753)	(36,500,000)	5.7%	(39,500,000)	14.4%
State Appropriations	*19,580,000*	*18,765,000*	*5,765,000*	*4,500,000*	-21.9%	*2,500,000*	-56.6%
Positions	288.00	261.00	274.00	274.00		274.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

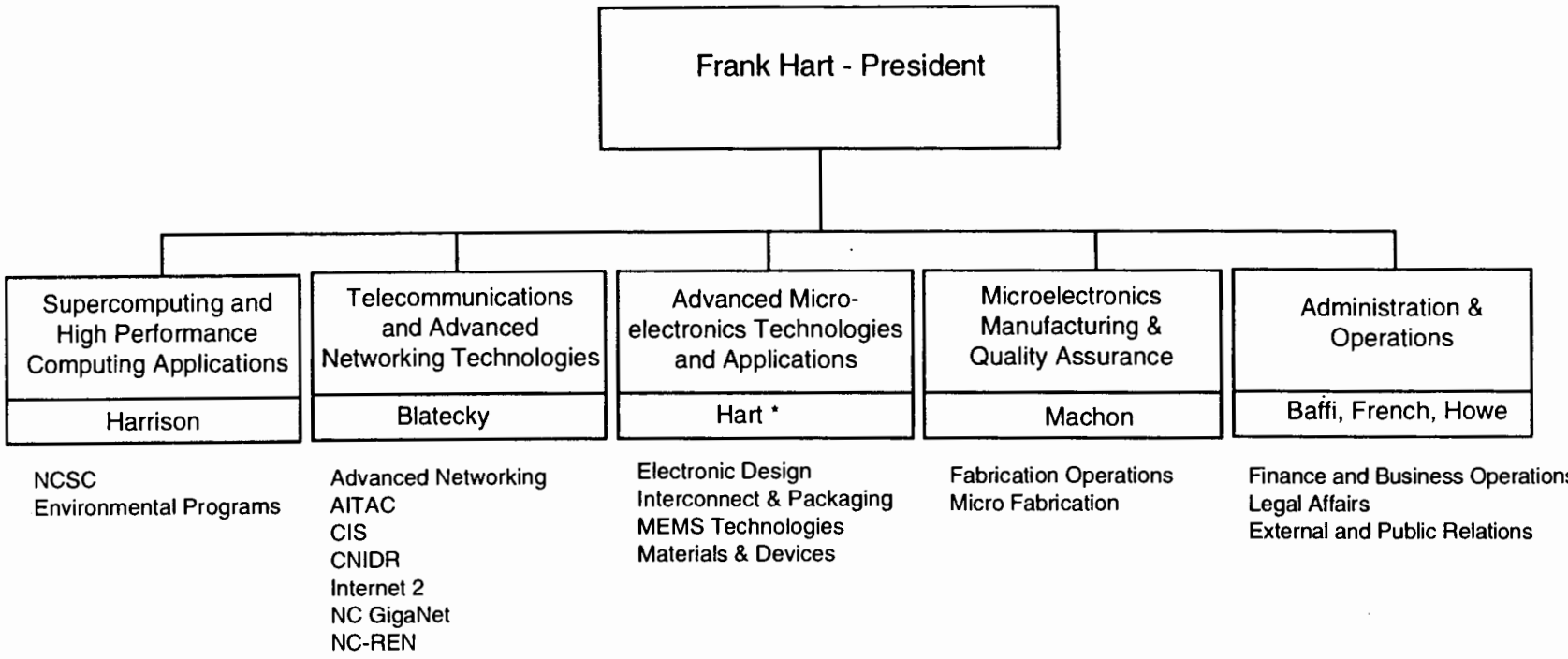
ACTIVITIES

MCNC is a not-for-profit technology based corporation specializing in research, development, and manufacturing of microelectronic devices for wide ranging business applications. The organization is also the primary contractor for supercomputing and information network services to the UNC System as well as other state based colleges, government researchers, and private industries.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. X-115 thru X-117
Performance/Program Analysis, Volume 7B, pp. 6-67 to 6-77

NP-2


Frank Hart - President
Supercomputing and High Performance Computing Applications
Harrison
NCSC
Environmental Programs
Telecommunications and Advanced Networking Technologies
Blatecky
Advanced Networking
AITAC
CIS
CNIDR
Internet 2
NC GigaNet
NC-REN
Advanced Micro-electronics Technologies and Applications
Hart *
Electronic Design
Interconnect & Packaging
MEMS Technologies
Materials & Devices
Microelectronics Manufacturing & Quality Assurance
Machon
Fabrication Operations
Micro Fabrication
Administration & Operations
Baffi, French, Howe
Finance and Business Operations
Legal Affairs
External and Public Relations

* Interim

MCNC
OVERVIEW OF BUDGET ACTIONS

Section 25.10 of Chapter 324 of the 1995 Session Laws (i.e. the 1995 Continuation Budget Bill) reads as follows:

MCNC PLAN FOR SELF-SUPPORT

Sec. 25.10. MCNC shall develop a plan for carrying out its statutory, contractual, and other duties, responsibilities, and purposes without financial support from the State through General Fund or other appropriations. The plan shall provide for MCNC to be totally self-supporting by July 1, 1999. MCNC shall submit the plan to the Joint Legislative Commission on Governmental Operations not later than April 1, 1996. The plan shall indicate, at a minimum, the following:

(1) Financial support received from State appropriations for each of the last six years;

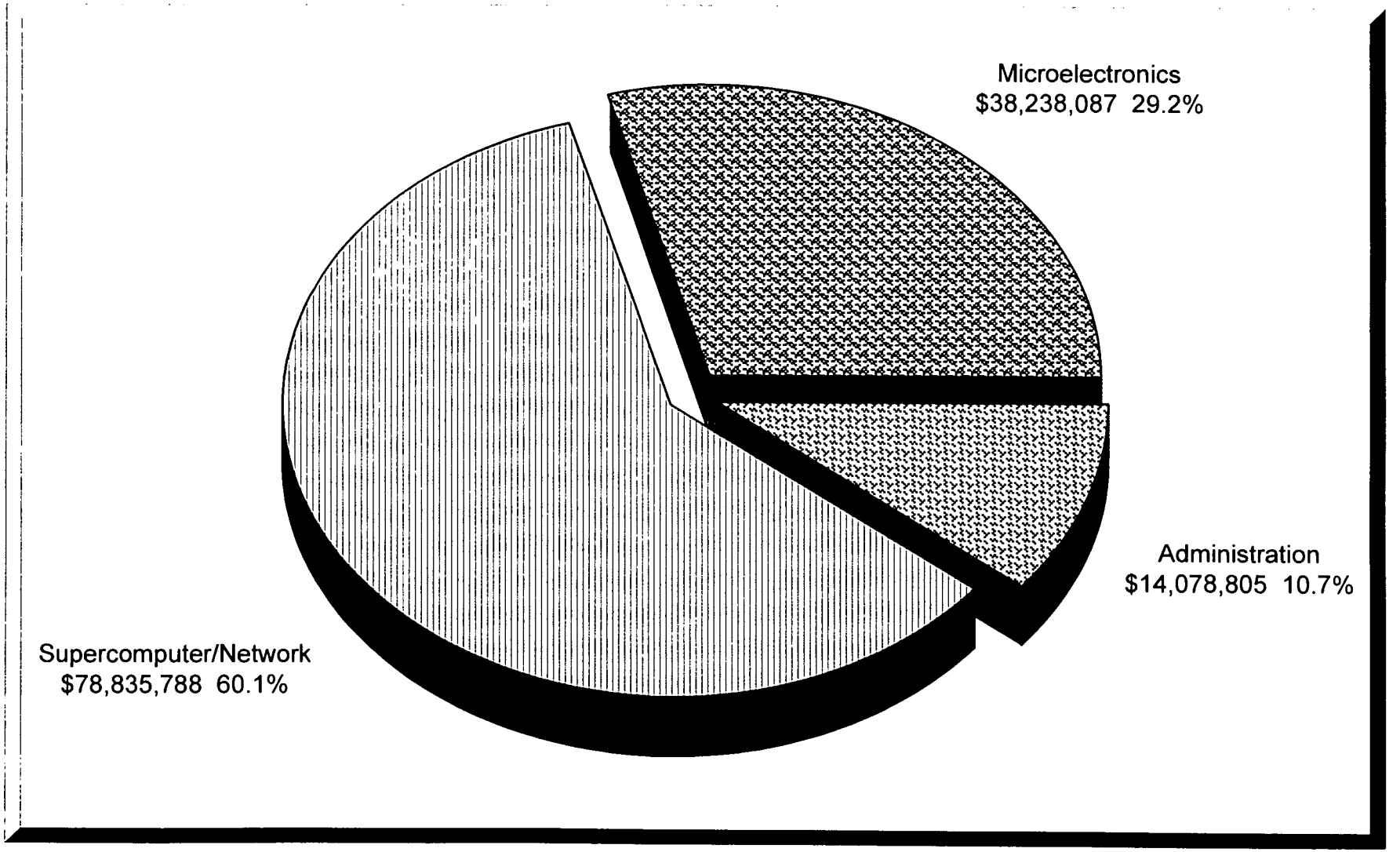
(2) Activities and purposes for which State appropriated funds were used over the last six years;

(3) Funds that will be needed to continue operations over each of the fiscal years commencing July 1, 1995; and

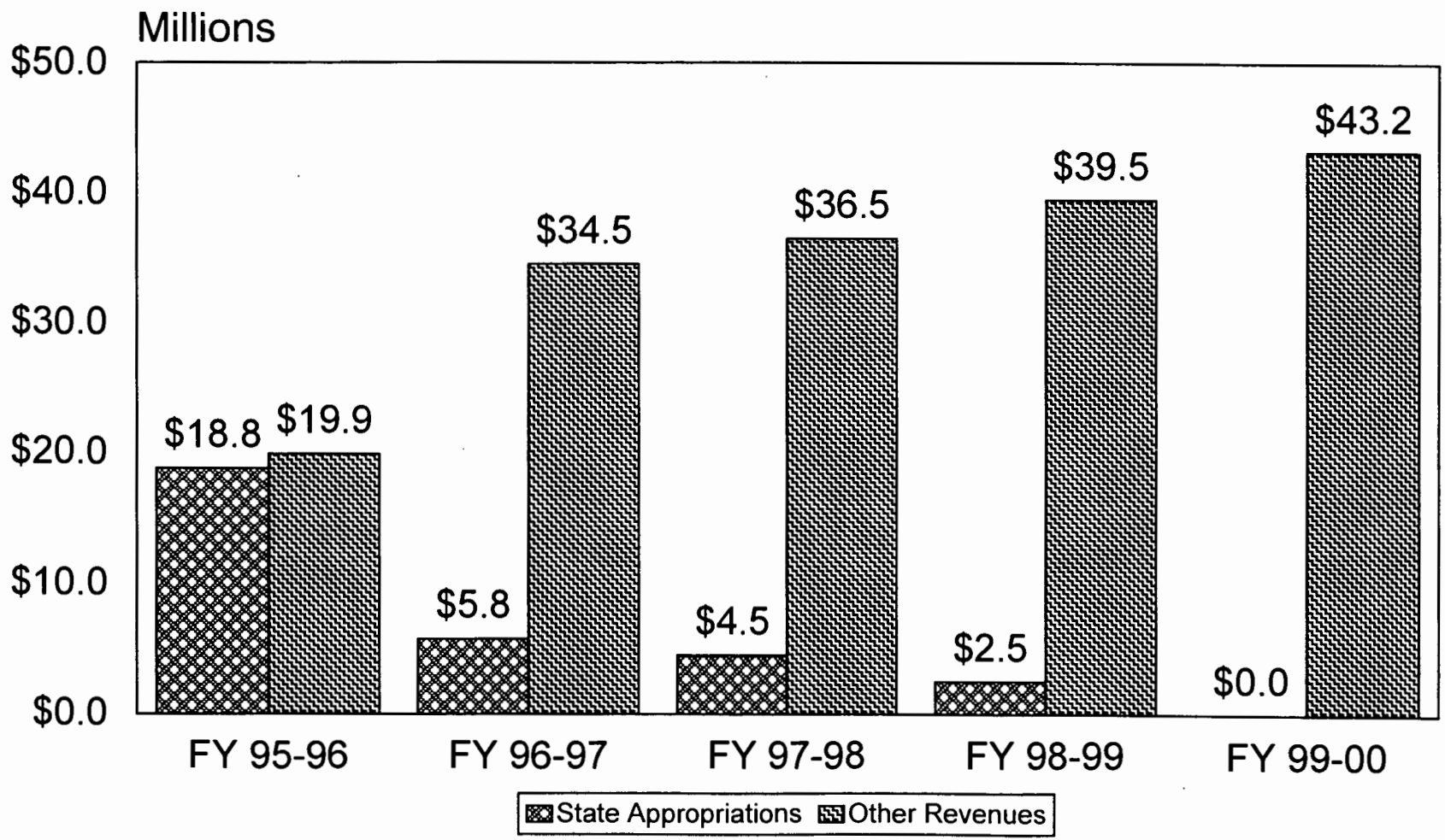
(4) Public and private sources and amounts of anticipated revenue for each fiscal year commencing July 1, 1995 through June 30, 2001.

MCNC

Cumulative State Funded Expenditures by Purpose
FY 1990-91 to FY 1995-96



MCNC
Actual & Projected Revenues
FY 1995-96 to FY 1999-00



MCNC – Actual & Projected Revenue Sources FY 1995-96 to FY 1999-00

REVENUE SOURCE	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00
	Actual	Projected	Projected	Projected	Projected
State Appropriations	18,765,000	5,765,000	4,500,000	2,500,000	0
Other Revenues					
UNC Board of Governors	0	13,000,000	13,000,000	13,000,000	13,000,000
Private/Federal Revenues	19,859,398	21,516,753	23,500,000	26,500,000	30,200,000
TOTAL REVENUES	38,624,398	40,281,753	41,000,000	42,000,000	43,200,000

Proposed Recommendations for the 1997-99 Biennium

Continuation Budget Items

	FY 1997-98	FY 1998-99
Reduce state appropriated support to comply with the General Assembly's plan for MCNC to become self-supporting by 1999.	(1,265,000)	(3,265,000)

ITEM FOR POSSIBLE COMMITTEE DISCUSSION

The committee may wish to have MCNC provide an update of its self-support plan submitted to the General Assembly in April 1996.

Handout D.

NP-8

Biotechnology Center							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	10,421,201	9,844,372	12,041,867	11,041,867	-8.3%	11,041,867	-8.3%
Less Receipts	(1,416,388)	(2,179,976)	(3,377,471)	(3,377,471)	0.0%	(3,377,471)	0.0%
State Appropriations	*9,004,813*	*7,664,396*	*8,664,396*	*7,664,396*	-11.5%	*7,664,396*	-11.5%
Positions	45.50	45.75	44.75	44.75		44.75	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

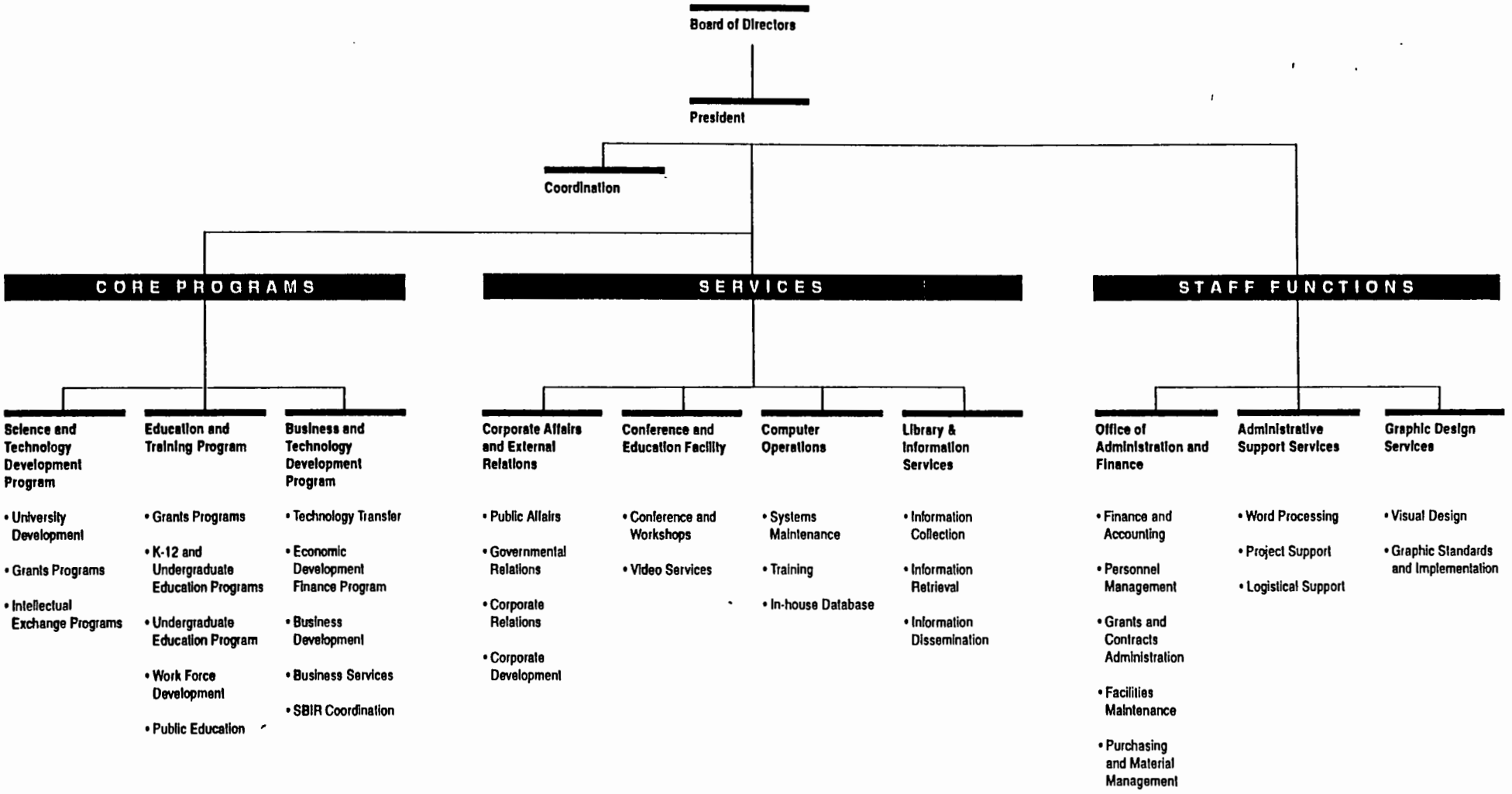
The North Carolina Biotechnology Center is a state funded not-for-profit organization specializing in biotechnology development. The Center provides grants to academic researchers for developing potential biotechnology applications, loans to biotech based companies that are either creating a start-up venture or relocating to the state, and educational resources and support to community colleges, high schools, and the state's historically minority universities.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. X-120 thru X-125
Performance/Program Analysis, Volume 7B, pp. 6-69, 6-70

North Carolina Biotechnology Center: Program Structure and Task Areas

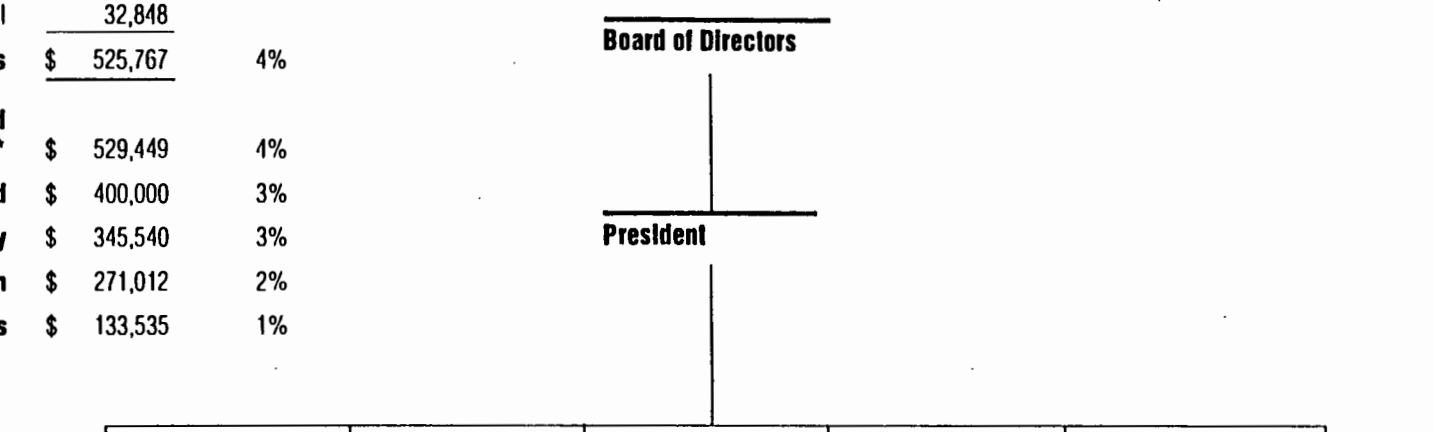
NP-9



North Carolina Biotechnology Center
Planned Expenditures of Funds 1996-1997

NP-10

Board and President		
General and Administrative	$ 131,597	
Program Management	361,322	
Operating Expenses	492,919	
Board of Directors Meetings	14,000	
Staff Travel	18,848	
Subtotal	32,848	
Total Expenses/Programs	$ 525,767	4%
Corporate Affairs and External Relations**	$ 529,449	4%
Plant Fund	$ 400,000	3%
Conference/Education Facility	$ 345,540	3%
Small Business Administration	$ 271,012	2%
Other Programs	$ 133,535	1%



	Business and Technology Development Program	Science and Technology Development Program	Education and Training Program	HBCU / Pembroke State Initiative	Support Services*	Office of Administration & Finance	
General and Administrative	$ 108,677	$ 79,726	$ 85,209	$ 22,262	$ 226,456	$ 225,140	
Program Management	342,873	255,984	308,676	93,466	632,080	554,022	
Operating Expenses	451,550	335,710	393,885	115,728	858,536	779,162	
University Grants	----	2,593,324	295,050	998,314	----	----	
Economic Development Finance Program	1,345,000	----	----	----	----	----	
Bioprocessing Facility	443,342	----	----	----	----	----	
Economic Development Investment Fund	985,663	----	----	----	----	----	
Other Support	225,450	15,850	----	----	----	----	
Grants, Etc.	2,999,455	2,609,174	295,050	998,314	-0-	-0-	TOTAL BUDGET
Total Expenses/Programs	$ 3,451,005	$ 2,944,884	$ 688,935	$ 1,114,042	$ 858,536	$ 779,162	$ 12,041,867
% Of Total Budget	29%	25%	6%	9%	7%	7%	100%

* Includes Computer Operations, Library and Administrative Support Services **Includes Graphic Design Services

8/96

NP-11

Financial Assistance Received by North Carolina Biotechnology Companies

Company and Location	Main Activity	Biotechnology Center Awards	Other Funding Sources (in millions)			
		58 Awards to 41 Companies	Other Non-federal Agencies	Federal Programs SBIR, STTR	Angel, Private & Venture Capital & Corporate Equity	Public Stock Offerings
Publicly traded companies						
Cardiovascular Diagnostics Inc., Raleigh	Human Diagnostics	4 for $305,000 G, L	$0.10 (NC TDA)	$2.34	$7.83	$17.50 (IPO)
(previously Biotherm Inc.)						
EDITEK Inc., Burlington	Human Diagnostics	1 for 125,021 L		0.47	0.08	11.56
(previously Environmental Diagnostics Inc.)						
Embrex Inc., RTP	Animal Agriculture	3 for 221,192 G		0.23	15.80	16.70 (IPO)
						10.80
EnSys Inc., RTP	Testing/Analytical	2 for 147,870 G, L			14.21	18.00 (IPO)
Company & technology acquisitions						
MYCOsearch Inc., Durham	Plant Agriculture	1 for 26,751 G				5.00
(acquired by Oncogene Science Inc., April 1996)						
Probiologics International Inc., RTP	Animal Agriculture	1 for 160,392 L		0.05		
(sold assets to Biogaia Biologics, Raleigh.)						
Sphinx Pharmaceuticals Corp., Durham	Therapeutics	2 for 403,418 G, L	0.31 (NC TDA)	0.20	15.91	75.00 (IPO)
(purchased by Eli Lilly & Co., Sept. 1994, for $76.1 million)						
Private companies						
3D Ultrasound Inc., Durham	Human Diagnostics	1 for 50,000 L	0.10 (NC TDA)	1.45	3.36	
American Agricultural Services Inc., Lucama	Plant Agriculture	1 for 116,295 G	0.03 (NC TDA)			
AndCare Inc., RTP	Human Diagnostics	5 for 151,096 G, L	0.15 (NC TDA)	6.17		
(previously Enzyme Tech. Research Group Inc.)						
BioTraces Inc., RTP	Testing/Analytical	1 for 199,433 L				
Boron Biologicals Inc., Raleigh	Specialty Chemicals	5 for 318,123 G, L	0.02 (NC TDA)	3.57		
Burlington Research Inc., Burlington	Testing/Analytical	1 for 57,400 L				
Carogen Inc., Chapel Hill	Therapeutics	1 for 228,976 L	0.10 (NC TDA)			
Dynamac Corp., RTP	Human Diagnostics	1 for 19,371 G				
Elcatech Inc., Winston-Salem	Human Diagnostics	2 for 198,480 G, L	0.05 (NC TDA)	2.09		
Encelle Inc., Greenville	Xenotransplantation	1 for 190,000 L			3.93	
EnSolve Biosystems Inc., Raleigh	Waste Treatment	1 for 108,700 L			0.08	
ESE Biosciences Inc., Raleigh	Waste Treatment	1 for 65,000 G				
Flexcell Corp., Hillsborough	Biotech. Equipment	1 for 97,312 L	0.10 (Ben Franklin Grant)			
GeneTec Inc., Durham	Biotech. Equipment	1 for 79,767 G		0.55		
Hybrizyme Corp., RTP	Testing/Analytical	1 for 50,000 L				
Link Technology Inc., RTP	Therapeutics	1 for 125,000 L				
Maize Genetic Resources Inc., Benson	Plant Agriculture	1 for 39,000 G				
Optiko Inc., Durham	Therapeutics	1 for 239,283 L			0.30	
Protein Delivery Inc., Durham	Drug Delivery	1 for 175,736 L			7.15	
The Synertech Group Inc., RTP	Venture Financing	1 for 14,000 G				
Touch Scientific Inc., Raleigh	Human Diagnostics	1 for 23,375 L				
Trimeris Inc., Durham	Therapeutics	1 for 250,000 L		0.10	16.97	
Inactive companies						
Biosponge Aquaculture Products Co., Beaufort	Marine Biotechnology	2 for 90,000 G				
Biosystems Technologies Inc., Durham	Plant Agriculture	1 for 44,861 L		0.22		
Biotechnology Research Assoc. Inc., Cary	Waste Treatment	1 for 21,800 G				
Carolina Agro-Tech Corp., Henderson	Plant Agriculture	1 for 38,140 G	0.05 (NC TDA)	0.19		
Forte Diagnostics Inc., Hillsborough	Human Diagnostics	1 for 24,000 L				
Haskill and Roer, Poplar Branch	Marine Biotechnology	1 for 49,000 G				
Incon Corp., Youngsville	Marine Biotechnology	1 for 23,670 G				
Macronex Inc., Morrisville	Therapeutics	1 for 249,875 L		0.23	10.24	
Mariculture Inc., Wrightsville Beach	Marine Biotechnology	1 for 173,833 G	0.25 (NC TDA)	0.10		
PathoGenx Biologics Corp., Raleigh	Animal Agriculture	1 for 25,000 G				
SCI Development Corp., Durham	Biosensors	1 for 50,000 G	0.05 (NC TDA)			
Surax Inc., RTP	Specialty Chemicals	1 for 66,245 G			0.39	
	Subtotals	$5,042,415	$1.31 million	$17.96 million	$96.23 million	$154.56 million
	Totals	$5.04 million	$270.06 million			

G = Grants awarded 1986-1988

L = Loans awarded 1988-present

North Carolina Biotechnology Center
15 T.W. Alexander Drive · P.O. Box 13547
Research Triangle Park, NC 27709
919-541-9365 · FAX 919-990-9544

Dr. Charles E. Hamner, DVM, Ph. D., President
W. Steven Burke, Senior Vice President, Corporate Affairs and External Relations
Thomas K. Laundon, Vice President, Business and Technology Development Program

1/23/97

NORTH CAROLINA BIOTECHNOLOGY CENTER
EDUCATION AND TRAINING PROGRAM

Award Recipients and Workshop Participants, 1990-1996

Region 1

• Brevard College	•
• Appalachian State University*	$64,810
• Garner-Webb College	12,500
• Mars Hill College*	65,000
• North Buncombe High School	49,188
• UNC - Asheville	29,625
• Western Carolina University *	19,000
• Wilkes County Schools	23,600
Total	**$263,723**

* Faculty Enhancement Fellowship Awards: 4 to faculty at 4 institutions in this region

Region 2

• Davidson County Community College	•
• High Point University	•
• Rockingham Community College	•
• Winston-Salem State University	•
• Alamance Community College *	$76,783
• Bennett College *	16,500
• Eastern Guilford High School	63,600
• Elon College *	35,449
• Guilford County School System	24,650
• Lenoir-Rhyne College	46,000
• NC A&T State University *	174,000
• NC School of the Arts	5,000
• Sci Works	11,000
• Saint Stephens High School	2,462
• UNC - Greensboro	99,545
• Wake Forest University	45,524
• West Iredell High School	5,000
Total	**$607,513**

* Faculty Enhancement Fellowship Awards: 14 to faculty at 8 institutions in this region

Region 3

• Johnson C. Smith University	•
• Livingstone College	•
• Davidson College *	$45,000
• Gaston College	19,704
• Harding University High School	3,800
• UNC-Charlotte *	223,523
• West Iredell High School	39,500
Total	**$331,527**

* Faculty Enhancement Fellowship Awards: 8 to faculty at 4 institutions in this region

Region 4

• Brunswick Community College	•
• Fayetteville Tech Community College	•
• Sampson Community College	•
• Cape Fear Community College	$49,400
• Fayetteville State University *	46,306
• Methodist College	43,500
• Pembroke State University *	91,809
• Southeastern Community College *	18,175
• UNC - Wilmington	70,852
Total	**$320,042**

* Faculty Enhancement Fellowship Awards: 11 to faculty at 6 institutions in this region

Region 5

• Durham Tech Community College	•
• Vance-Granville Community College	•
• Wake Tech Community College	•
• Apex High School	$ 3,252
• Chapel Hill High School	4,600
• Campbell University *	35,620
• Duke University	20,000
• Franklin County Schools	10,000
• Meredith College	37,500
• Millbrook High School	4,315
• NC Central University *	68,800
• NC Museum of Life and Science	34,300
• NC School of Science & Math	34,812
• NC State University *	316,308
• Peace College	40,000
• Shaw University *	45,000
• St. Augustine's College *	4,000
• UNC - Chapel Hill	147,764
Total	**$808,271**

* Faculty Enhancement Fellowship Awards: 16 to faculty at 6 institutions in this region

Region 6

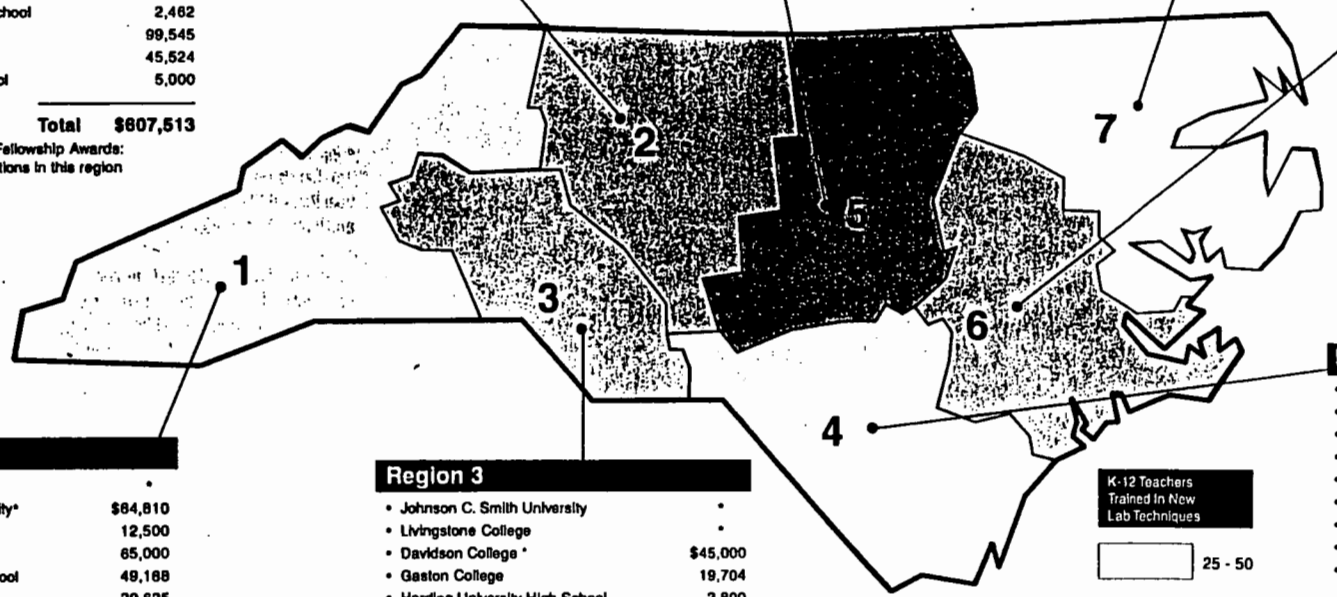
• Mt. Olive College	•
• East Carolina University *	$254,847
• East Duplin High School	4,995
• NC Wesleyan College *	6,870
Total	**$266,712**

* Faculty Enhancement Fellowship Awards: 4 to faculty at 3 institutions in this region

Region 7

• Halifax Community College	•
• Chowan College *	$17,595
• Elizabeth City State University *	60,300
• Martin Community College	40,000
Total	**$117,895**

* Faculty Enhancement Fellowship Awards: 5 to faculty at 3 institutions in this region



97-002ET 1/97

NP-13

Submitted to Joint Legislative Commission on Governmental Operations
March 1997
Attachment 2

Academic Research Initiation Grants to North Carolina Investigators and Follow-on† Funding from Other Sources

ORGANIZATION	NUMBER OF GRANTS AWARDED*	AMOUNT FUNDED*	NUMBER OF SURVEY RESPONSES	NUMBER OF RESPONDENTS RECEIVING FOLLOW-ON FUNDS**	AMOUNT OF FOLLOW-ON FUNDING***
UNC System					
East Carolina University	15	$366,120	13	5	$950,603
N.C. A&T State University	1	20,000	1	1	577,800
North Carolina State University	83	2,007,897	75	48	33,593,827
UNC - Asheville	1	25,000	0	0	0
UNC - Chapel Hill	72	1,684,466	65	41	34,683,731
UNC - Charlotte	5	111,410	5	2	321,022
UNC - Wilmington	4	59,650	4	4	507,892
UNC System Subtotal	**181**	**4,274,543**	**163**	**101**	**70,634,875**
Private Universities					
Duke University	68	1,801,845	56	36	26,334,519
Wake Forest University	26	759,047	22	12	6,931,365
Private Universities Subtotal	**94**	**2,560,892**	**78**	**48**	**33,265,884**
Economic Development Subtotal	**6**	**89,800**	**2**	**1**	**500,000**
TOTALS	**281**	**$6,925,235**	**243**	**150**	**$104,400,759**

† For the purposes of this study, a follow-on grant is any grant that was based on data collected during the Center-funded project.
* Includes only completed projects
** One or more awards
*** As reported by the investigators

Return on Investment:
For all 281 grants: $15.07 of follow-on funding for each $1.00 of Center funds.
For 243 responding grants: $17.70 of follow-on funding for each $1.00 of Center funds.
For 150 grants receiving follow-on funding: $29.00 of follow-on funding for each $1.00 of Center funds.

North Carolina Biotechnology Center
15 T.W. Alexander Drive · P.O. Box 13547
Research Triangle Park, NC 27709
919-541-9366 · FAX 919-549-9710

Dr. Charles E. Hamner, President
W. Steven Burke, Senior Vice President, Corporate Affairs and External Relations
Dr. Mark Norris, Vice President, Science and Technology Development

September 1996

Historically Minority Universities Bioscience/Biotechnology Program Initiative
Three Year Summary Report 1993-1996

Institution	Curriculum Development	Equipment	Faculty Development	Student Support	*Enrollment		
					93-94	94-95	95-96
Elizabeth City State University	Established Minor in Biotechnology Established 3 new courses	Purchased $400,000 of bioscience laboratory equipment	Attended courses, workshops, conferences, seminars, to develop and enhance biotech skills	Hired teaching/ lab assistants	97	120	163
Fayetteville State Univ.	Biotechnology Minor approved. Revised 12 courses to include biotech labs. Developed 2 new biotech courses	Purchased more than $370,000 laboratory equipment	Graduate courses, workshops, seminars, conferences to develop and enhance biotech skills.	Two student lab assistant positions filled annually	89	339	532
NC A&T State University	Developed Biotechnology Certificate Program. Developed 8 new biotech related courses. Revised 13 courses	Purchased $327,000 of laboratory equipment	Courses, workshops, conferences, seminars to develop & enhance biotech skills.	15 students as lab/ teaching assistants	131	388	417
NC Central University	Revised 8 courses to include biotech components	Purchased more than $250,000 of laboratory equipment and supplies	Courses, workshops, seminars, conferences, laboratory techniques, to develop & enhance biotech skills.	12 work aide students hired in labs	356	418	461
UNC-Pembroke	Developed 8 new biotech-related courses. Revised 9 courses to include biotechnology	Purchased more than $400,000 of laboratory equipment	Courses, workshops, seminars, conferences, laboratory techniques, to develop & enhance biotech skills.	Hired 9 undergraduates as lab assistants. Eleven students traveled to research conference.	140	236	884
Winston-Salem State Univ.	Established B.S. Degree in Molecular Biology. Developed 5 new courses	Purchased more than $357,000 of laboratory equipment	Courses, workshops, seminars, conferences, laboratory techniques, to develop & enhance biotech skills.	Hired 2 student laboratory assistants	118	134	292
				Totals	931	1635	2749

* Figure represents the number of students taking biotechnology courses

Source: Participating Institutions/EN

NR-15

BIOTECHNOLOGY CENTER
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97
Reduce state funded support	(350,000)	(350,000)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	FY 1995-96	FY 1996-97
Expand Economic Development Investment Fund		1,000,000

Proposed Recommendations for the 1997-99 Biennium

CONTINUATION BUDGET CHANGES

None

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The committee may wish to have the Biotechnology Center's management discuss their current priorities and provide an estimate of the job growth in the state's biotechnology sector by urban and rural areas.

Rural Economic Development Center							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	9,420,841	7,240,801	6,141,633	6,141,633	0.0%	6,141,633	0.0%
Less Receipts	(175,841)	(270,801)	(271,633)	(271,633)	0.0%	(271,633)	0.0%
State Appropriations	*9,245,000*	*6,970,000*	*5,870,000*	*5,870,000*	0.0%	*5,870,000*	0.0%
Positions	18.13	14.75	14.75	14.75		14.75	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The purpose of the Rural Economic Development Center is to improve economic conditions, support increased entrepreneurial development, and make more and better jobs available in rural areas with a special focus on low-income residents.

CENTER ACTIVITIES

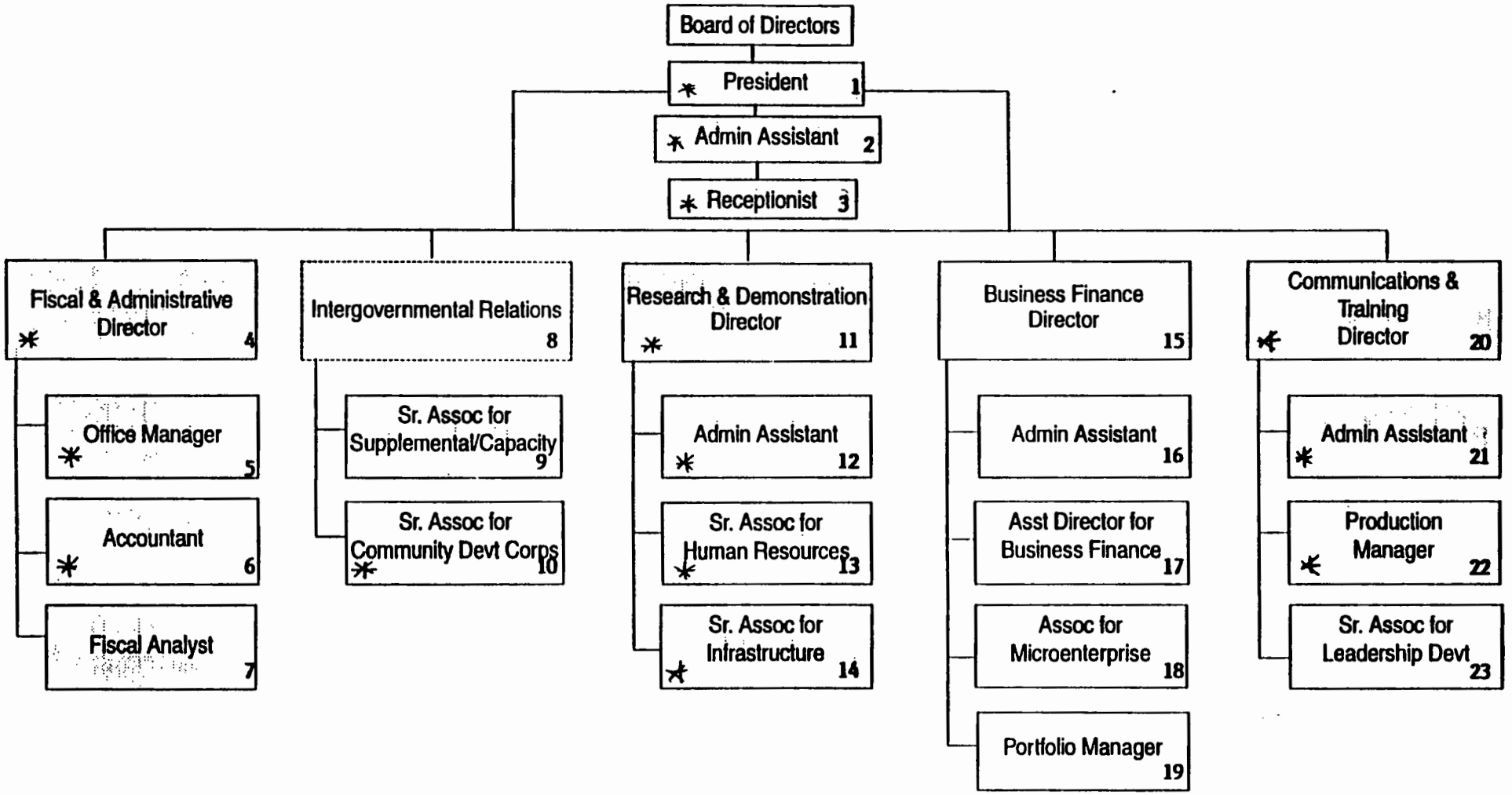
- Conducts research into rural issues
- Tests rural development strategies
- Advocates for rural policy and program innovations
- Trains and informs rural leaders
- Secures and directs resources to rural communities
- Administers business finance and community development programs

The Rural Center serves as administrator of funds appropriated by the General Assembly for numerous economic development programs.

Cross References For Budget Volumes
Governor's Budget, Volume 5, pp X-122 to X127
Performance/Program Analysis, Volume 7b, pp 6-119; 6-127 to 6-128

NP-18

Rural Economic Development Center, Inc.
1996-97



State-supported positions

Receipted positions

NP-19

RESEARCH AND DEMONSTRATION GRANTS PROGRAM

The Rural Center

Purpose

The Research and Demonstration Grants Program supports innovative projects that address economic development issues in rural areas of North Carolina. Priority is given to projects that lead directly to job creation or business development for low and moderate income citizens and to projects that can be easily replicated in other rural communities.

What is available

Awards are made competitively and vary in size based upon the scope of the project and the amount of funding available. No grants are made for the following activities: physical plants, fixed assets, indirect costs, endowments, seed or challenge grants for physical facilities, annual fund drives, loan funds, or lobbying. Grants are not awarded to for-profit businesses.

History

The Research and Demonstration Grants Program is funded by the N.C. General Assembly. It has been in operation since 1987, when the center was established.

Who is eligible

North Carolina non-profit organizations, local governments, and educational institutions are eligible to apply for the program. Projects generally should be completed within a one-year schedule.

Funding Priorities

Priority will be given to proposals that address

- ❑ job creation
- ❑ improvement of existing job quality
- ❑ development of new small businesses
- ❑ increasing global competitiveness of rural businesses
- ❑ work force preparedness/worker productivity
- ❑ enhancement of the quality and productivity) of the natural resource base
- ❑ implementation of strategies to provide the physical infrastructure necessary to support job creation
- ❑ advancement of social infrastructure
- ❑ family and community development

Timetable

Consideration of applications will be made throughout the year. Staff will review proposals for consistency with program priorities and work with applicants to prepare final submissions for award decisions. Decisions by the Rural Center board of directors usually will be made within 90 days of the receipt of the proposal.

Steps to take

Request an R&D Grants Program application. Submit four copies of the completed application with supporting material.

Rural Center contact

BUD SKINNER, DIRECTOR
POLICY RESEARCH AND DEMONSTRATION
N.C. RURAL ECOOMIC DEVELOPMENTCENTER
4021 CARYA DRIVE
RALEIGH, NC 27610
(919) 250-4314

NP-20

SUPPLEMENTAL/CAPACITY BUILDING GRANT PROGRAMS

The Rural Center

Purpose

The *Supplemental Grants Program* enables local governments and non-profit organizations to improve physical infrastructure and strengthen prospects for economic development. These grants typically are designed to help economically distressed communities with local match requirements on other infrastructure grant and loan programs..

The *Capacity Building Grants Program* enables local governments to hire or contract for technical assistance needed to plan for infrastructure improvements addressing economic development needs. Priority is given in both programs to water and sewer projects that create or retain private sector jobs.

What is available

Funds provided by the N.C. General Assembly, may vary from year to year.

Supplemental grants are awarded in amounts up to $100,000 and may not represent more than 50 percent of the total.

Capacity grants are awarded in amounts ranging up to $30,000 and may represent total funding for the planning project.

Who is eligible

Local governments and non-profit organizations in distressed areas of the state are eligible to apply for supplemental grants. Capacity grants are available to local governments. Distressed areas as identified by the N.C. Department of Commerce include the following counties:

Alleghany	Bladen	Clay
Anson	Brunswick	Cleveland
Ashe	Camden	Columbus
Avery	Caswell	Craven
Beaufort	Cherokee	Edgecombe
Bertie	Chowan	Gaston
Graham	Mitchell	Scotland
Halifax	Montgomery	Stanly
Haywood	Northampton	Swain
Hertford	Onslow	Tyrrell
Hoke	Pamlico	Vance
Hyde	Pasquotank	Warren
Jackson	Perquimans	Washington
Lenoir	Richmond	Wayne
Madison	Robeson	Wilkes
Martin	Rockingham	Wilson
McDowell	Rutherford	Yancey

Eligible areas also include that part of a rural county in which the poverty rate is at least 150 percent of the state poverty rate; the unemployment rate is at least double the state rate; or that has lost or is about to lose 5 percent or more of available jobs.

Timetable

Grant applications generally are due in the fall. Awards are announced the following February. If funds remain available, applications may be accepted later in the fiscal year.

Steps to take

Request "Guidelines for Supplemental Grants" or "Guidelines for Capacity Building Grants." Complete the application form and submit three copies, with relevant attachments, to the Rural Center by the deadline. Facsimile copies are not accepted.

Rural Center contact

JEAN CREWS-KLEIN
SENIOR PROGRAM ASSOCIATE
N.C. RURAL ECONOMIC DEVELOPMENT CENTER
4021 CARYA DRIVE
RALEIGH, NC 27610
(919) 250-4314

NP-2

CDC GRANTS PROGRAM ✳

The Rural Center

Purpose

The CDC Grants Program provides financial assistance to minority and low-income community development corporations to enable them to improve the economic well-being and quality of life in their communities.

The activities of CDCs include projects promoting business development, access to capital, commercial revitalization, small business development, housing development, and strategic planning.

What is available

Grants are available at varying levels according to the CDC's stage of development and track record of completed projects. "New and emerging" CDCs may receive a maximum of $45,000. CDCs that have received previous funding are eligible for funding up to $65,000. The largest grants, up to $100,000, are reserved for organizations that have demonstrated a superior capacity to engage in substantial community and economic development activities.

History

North Carolina's community development corporations have grown out of the national 30-year old self-help movement aimed at neighborhood revitalization.

Funding comes from the N.C. General Assembly, which made its first appropriations to the Rural Center for the program in 1988. Last year's appropriation was $1.35 million.

Who is eligible

To be eligible under this program, an organization must be incorporated under N.C. General Statute 55A and must have received its federal 501(c)3 tax-exempt status. It also must be able to provide evidence of organizational activity. Additional requirements apply for higher funding levels.

Timetable

Applications for grants are accepted in the fall. Interested CDCs should contact the Rural Center for information on future grants.

Steps to take

Potential applicants should contact the Rural Center to request application guidelines and grant criteria for the CDC Grants Program. Applications require detailed descriptions of proposed projects and of past performance.

Rural Center contact

LINDA GUNN
SENIOR PROGRAM ASSOCIATE
RURAL ECONOMIC DEVELOPMENT CENTER
4021 CARYA DRIVE
RALEIGH, NC 27610
(919) 250-4314

NP-22

N.C. MICROENTERPRISE LOAN PROGRAM

The Rural Center

Purpose

The Microenterprise Loan Program helps rural people become self-sufficient by providing opportunity for self-employment and small business growth. It provides loans for the start-up or expansion of small businesses by individuals who have sound ideas and do not qualify for conventional loans.

What is available

The program provides loans up to $25,000 in combination with business planning and technical assistance. It is operated by the N.C. Rural Economic Development Center in partnership with 12 local lending sites located throughout the state.

History

The center initiated the Microenterprise Loan Program in 1989. Today the program serves 78 counties and is working to serve all 85 rural counties by the year 2000.

Funding for the program comes from a variety of sources. The N.C. General Assembly, along with private foundations, provide funds for local site operation. The loan capital is provided primarily through a program related investment.

Program overview

Six of the 12 local lending sites operate ***group-based*** lending programs. Entrepreneurs participate in these programs by self-selecting into groups of four to 10 people. Each group participates in an intensive training and certification process. Once certified, the group can make credit decisions for its members.

To keep operating costs low, groups collect and process loan payments. All loans must be current in order for the group to consider making additional loans. Group members also work with each other to support the growth and development of one another's businesses.

The other six sites offer ***individual-based*** lending programs. These programs use local credit committees of business people and community representatives to assess loan requests based on borrowers' business plans, character, and the local economy.

Both programs encourage participants to take advantage of local training and counseling assistance to improve their business skills. Such assistance is offered by small business centers located at area community colleges and small business technological development centers.

Who is eligible

Anyone who wishes to start or expand a small business may apply. The Microenterprise Loan Program is designed for entrepreneurs dedicated to the development of a good business idea. Candidates must demonstrate that they do not have access to more traditional sources of capital. Specific emphasis is placed on providing services to rural, low-income, female and minority participants.

Steps to take

Prospective borrowers should contact the Microenterprise Loan Program's local lending office in their area for more information on the loan application process.

Local lending sites

East Carolina Microenterprise Fund,
Beaufort, (919)504-2424
Counties served: Carteret and Craven

Foothills Microenterprise Loan Program,
Marion, (704)652-6021 (ext.520)
Counties served: McDowell, Polk, Rutherford, Avery, Mitchell, and Yancey

Lenoir Community College
Kinston, (919)527-6223 (ext. 605)
Counties served: Jones, Greene and Lenoir

Mid-Carolina Council of Governments
Fayetteville, (910)323-4191 (ext. 29)
Counties served: Chatham, Cumberland, Harnett, Sampson, and Lee

Mid-East Commission
Washington, (919)946-8043
Counties served: Pitt, Martin, Beaufort, Bertie, and Hertford

Mountain Microenterprise Fund
Asheville, (704)253-2834/2919
Counties served: Buncombe, Cherokee, Clay, Graham, Swain, Macon, Transylvania, Haywood, Madison, Henderson, and Jackson

NC REAL Enterprises
Chapel Hill, (919)688-7325
Counties served for high school students only: Gates, Granville, Halifax, Nash, Pender, Tyrrell, and Vance

Counties served through the local community college system: Alamance, Alleghany, Anson, Avery, Bertie, Brunswick, Burke, Cabarrus, Caldwell, Chatham, Cherokee, Clay, Cleveland, Columbus, Cumberland, Edgecombe, Gates, Graham, Hertford, Halifax, Haywood, Lee, Martin, Mitchell, Northampton, Onslow, Pasquotank, Richmond, Robeson, Rowan, Scotland, Stanly, Union, Watauga, Wilkes, Wilson and Yancey

Region L's Small Business Resource Center
Rocky Mount (919) 446-0411
Counties served: Edgecombe and Nash

Southern Sandhills Loan Program
Southern Pines, (910)692-7057
Counties served: Richmond, Scotland, Montgomery, and Moore

Southeastern Community College & Columbus Co. Minority Business Council
Whiteville, (910)642-7141
Counties served: Robeson, Bladen, Columbus, and Brunswick

Wilson Community Improvement Assn.
Wilson, (919)243-4855
County served: Wilson

Yadkin Valley Economic Dev't District
Boonville, (910)367-7251
Counties served: Surry, Stokes, Yadkin, and Davie

Rural Center contact

PHIL BLACK, ASSISTANT DIRECTOR
BUSINESS FINANCE DIVISION
RURAL ECONOMIC DEVELOPMENT CENTER
4021 CARYA DRIVE
RALEIGH, NC 27610
(919) 250-4314

Objective 8: At least 75% of recipients of a research or policy study related to rural economic development will rate the study as helpful in forming or modifying state policy.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of recipients who rate the research or policy study as helpful in forming or modifying state policy (baseline data for this measure have not been developed)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Number of rural issues identified*	n/a	n/a	5	4	4	*4*	*4*	*4*
Number of minor issues analyzed*	n/a	n/a	25	12	n/a	*6*	*n/a*	*n/a*
Number of major issues analyzed*	n/a	n/a	2	4	n/a	*4*	*n/a*	*n/a*
Number of reports and major publications distributed	n/a	n/a	20,000	22,500	12,000	*25,250*	*23,500*	*23,500*
Number of research and demonstration initiatives developed	n/a	n/a	7	8	11	*10*	*9*	*8*

* Declining numbers indicate a more carefully focused program with more in-depth analysis of fewer issues.

Current Situation:

Efforts are being made to focus program funds on fewer, more carefully focused projects. More in-depth analysis and testing will likely insure that the policies that evolve will significantly impact program actions.

Funds

4614 COMMERCE- REDC
1141 Rural Economic Development Center

Objective 9: At least half of the six field test projects that best meet the criteria in the annual Request for Proposal will result in successful development strategies within 24 months.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of projects that have resulted in successful development strategies within 24 months (baseline data for this measure have not been developed)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Number of rural issues identified*	n/a	n/a	5	4	4	*4*	*4*	*4*
Number of minor issues analyzed*	n/a	n/a	25	12	n/a	*6*	*n/a*	*n/a*
Number of major issues analyzed*	n/a	n/a	2	4	n/a	*4*	*n/a*	*n/a*
Number of reports and major publications distributed	n/a	n/a	20,000	22,500	12,000	*25,250*	*23,500*	*23,500*
Number of research and demonstration initiatives developed	n/a	n/a	7	8	11	*10*	*9*	*8*

*Declining numbers indicate a more carefully focused program with more in-depth analysis of fewer issues.

Current Situation:

Efforts are being made to focus program funds on fewer, more carefully focused projects. More in-depth analysis and testing will likely insure that the policies that evolve will significantly impact program actions.

Funds:

4614 COMMERCE- REDC
1141 Rural Economic Development Center

RURAL ECONOMIC DEVELOPMENT CENTER
OVERVIEW OF BUDGET ACTIONS

NP-26

CURRENT BIENNIUM (1995-97)

SELECTED REDUCTIONS	1995-96	1996-97
1. Reduce funding for the N.C. Community Development Initiative, Inc.	($200,000)	($200,000)
2. Reduce Center Administration	($ 50,000)	($ 50,000)
3. Reduce Grant Technical Assistance	($100,000)	($100,000)
4. Reduce Research and Demonstration Grants	($ 50,000)	($ 50,000)
SELECTED EXPANSION		
Various items for community economic development	($3,800,000) NR	($2,700,000) NR

RURAL ECONOMIC DEVELOPMENT CENTER
GRANT PROGRAMS

NP-27

Activity	1995-96	1996-97	Recommended 1997-99
1. Research and Demonstration Grants	$475,864 R	$475,864 R	$475,864 R
2. Grants to CDCs that have previously received state funds	$900,000 NR	$900,000 NR	$900,000 R
3. Grants to new and emerging CDCs	$250,000 NR	$250,000 NR	$250,000 R
4. North Carolina Association of CDCs	$150,000 NR	$150,000 NR	$150,000 R
5. Rural Center administration for CDC grants	$ 50,000 NR	$ 50,000 NR	$ 50,000 R
6. Microenterprise Loan Program	$250,000 NR	$250,000 NR	$250,000 R
7. Supplemental Grants Program	$400,000 NR	$950,000 NR	$950,000 R
8. Opportunities Industrialization Centers	$100,000 NR $100,000 R	$150,000 NR $100,000 R	$250,000 R
1. North Carolina Community Development Initiative, Inc.	$1,800,000 R	$1,800,000 R	$1,800,000 R
2. North Carolina Minority Support Center	$275,000 NR	*	*
3. Land Loss Prevention Project	$275,000 NR	*	*
4. Coalition of Farm and Rural Families	$245,000 NR	*	*
5. North Carolina Institute for Minority Economic Development	$780,000 NR	*	*
6. Lake Gaston Economic Development Corporation	$100,000 NR		
7. Sheltered Workshop at Roanoke/Chowan Community College	$ 25,000 NR		
TOTAL	**$6,175,864**	**$5,075,864**	**$5,075,864**

**** denotes items funded through the Department of Commerce and included in the Department's Recommended Continuation Budget***

Fiscal Research Division March 1997

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

CONTINUATION BUDGET HIGHLIGHTS

The Governor's recommended continuation budget for the Rural Center includes recurring funding for various programs traditionally appropriated by the General Assembly on a nonrecurring basis. The amount totals $2.8 million.

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1) The Committee may wish to discuss the benefits of recurring versus nonrecurring funding for the economic development programs administered by the Rural Center.

2) Both the Rural Center and The North Carolina Community Development Initiative, Inc. ("the Initiative") operate grant programs for community development corporations (CDCs) to develop and improve neighborhoods and communities in minority, rural and low-income areas. The Initiative currently receives $1.8 million in recurring funds for this purpose.

   Given the fact that the Governor's Recommended Continuation Budget for the 1997-99 biennium now includes recurring funding for the Rural Center's activities on behalf of CDCs, the Committee may wish to consider the merits of recurring funding for both the Initiative and the Rural Center for their work with CDCs.

3) The 1996 General Assembly allocated grants-in-aid through the Department of Commerce to various non-profits that work on behalf of rural, low-income and minority interests (Land Loss Prevention Project, Institute for Minority Economic Development, Coalition of Farm and Rural Families, N.C. Minority Support Center). Given that the N.C. Community Development Initiative is a private non-profit, the Committee may wish to consider appropriating funds to the Initiative directly through the Department of Commerce in the same manner as other non-profits.

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3-3-97

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
FRANK HART	MCNC, RTP, N.C.
Linda Gunn	REDC
Jean Rouse-Klein	REDC
JERRY SCHILL	NC Fisheries Association New Bern
Jim Brown	NC Ports
Shelli Altizer	OSBM
Jeanne Gray	OSBM
Lori Greenstein	NC Biotechnology Center
Christine Russell	NC Biotech Ctr.
Eleanor Russell	NC Biotechnology Center
Lee Tilley	Commerce
Angie Harris	"
BOB McCOLLUM	NC NATL. PARK, PARKWAY & FOREST DEV. COUNCIL
Laura Hartsell	MCIC
J.W. Reel	OSBM
PHIL WILSON	COMMERCE
Dottie Circiello	"
Cheryle Henderson	Initiative
Abdul Sankofa	Initiatives
BOB KUCAB	NC HOUSING FINANCE AGENCY
Karen Carpenter	PCS
Rhonda Rabon	N/C Dev. Corp
ANDREA (Andy)	Institute (NCIMED)
Simon	NCMSC
George Howe	MCNC

Minutes

Joint Appropriations Sub-Committee on

Natural and Economic Resources

March 4, 1997 - 8:30 a.m.

The Joint Appropriations Sub-Committee on Natural and Economic Resources met on Tuesday, March 4, 1997 at 8:30 a.m. in Room 423 of the Legislative Office Building. Representative Frank Mitchell, House Senior Co-Chair, called the meeting to order at 8:35 a.m. House members present were Representatives Mitchell, Baker, Culp, Fox, Hall, Hunter, Owens, Tolson, Weatherly, and Wilkins.

After introductions, Mona Moon of the Fiscal Research Division began an overview of the Environmental Division of the Department of Environment, Health, and Natural Resources. She reviewed a pie chart that compares the general fund appropriations to funds received from receipts, a pie chart that shows how much each division received from the general fund, and a pie chart of the receipts collected from the divisions (EHNR 108-110). Ms. Moon continued by reviewing a summary of the environment expansion budget FY 1996-97 (1996 Extra Session), a report prepared by the Environmental Programs Action Team, and a report from DEHNR to the Environmental Review Commission concerning phase one of the reorganization of the Department (EHNR 111-114).

Questions asked by the members pertaining to the Environmental Division were as follows. Pertaining to the summary, Senator Horton asked what sort of indications had been received of what was happening with the funding. Representative Mitchell replied there had not been enough time allowed to show the effects of the funding. He along with Ms. Moon explained the Clean Water Management Trust Fund had appointed trustees, had taken care of administrative activities, and were beginning to prepare to review applications. Senator Horton voiced his concern about the urgency of the Trust Fund and other groups listed that had requested funding, and was very interested in the results of their achievements. Representative Mitchell explained as an example the funds allocated for odor control technology. The Sub-Committee had stipulated that NCSU should collect matching funds in order to receive funding from the State which had not been met. Ms. Moon further explained that the University System research initiatives had prepared a report on January 1, 1997, and she would provide that information to Senator Horton. Pertaining to the reorganization of the Department, Representative Owens voiced his concern that more division levels had been added, therefore, downsizing wasn't taking place. Secretary Jonathan Howes responded that the only new division that was created was the Division of Air Quality. Representative Owens also asked about the Division of Waste Reduction was moved in which Secretary Howes explained only the name of the division was changed. Representative Owens commented his dissatisfaction with the review of the Division of Air Quality in not providing enough information about their duties and responsibilities to the Sub-Committee. Secretary Howes responded by

explaining the Division oversees federal standards along with standards required at the State level such as emission standards and urban air quality.

Ms. Moon continued the overview of the Division of Radiation Protection in the Department of Environment, Health, and Natural Resources. She reviewed the Division's budget, a pie chart describing the funding sources for FY 1996-97, a pie chart describing expenditures by category for FY 1996, a graph showing a comparison of expenditures by category for FY 1996-97 (authorized versus recommended), program performance budget, objectives pertaining to outcome and performance measures, an overview of the budget items, proposed recommendations, and items for possible committee discussion (EHNR 115-123).

Questions pertaining to the Division of Radiation Protection asked by the members are as follows. Representative Mitchell asked if every dentist office registered in which Ms. Moon believed they were. Representative Hunter asked the status of site selection. Mel Fry, Director of the Division, responded the developer and regulator have agreed to a work plan to address various regulatory issues which will take four years. Representative Hunter asked what had been accomplished in the past eight years. Mr. Fry responded the rules adopted by the Radiation Protection Commission were consistent with the federal requirements and must meet certain standards by the applicant. Representative Weatherly asked who the political opposition is. Mr. Fry responded only to the technical aspects of the opposition which is fundamental issues have been raised in order to assure the safety of the facility, and the Division is committed to seeing that the facility is licensed safely. Representative Hall asked what were the issues and what was the status of the Southeastern Compact. Mr. Fry responded one of the major issues is the site location itself, and how it will behave geologically and hydrologically. He continued by explaining that South Carolina has withdrawn from the Southeastern Compact so there are seven states remaining. The Compact has continued to fund the work plan which has six decision points in it, and the first two are designed (and have been funded) to occur this spring. Representative Weatherly asked what have we learned by the situation that happened at Barnwell, S.C., and what is the total sum of money spent to site the facility. Mr. Fry responded the total amount spent has been $100 million, two thirds of the amount came from the Compact and one third came from the State. He further explained that the total amount of money funded by the State was to be repaid with interest once the facility is operational. Representative Owens asked why can't the State look at other states to help in solving some of the issues that need to be resolved. Mr. Fry responded there has been no new facility opened in the United States since the new laws have been enacted by Congress. Representative Mitchell asked where is the waste going at this time. Mr. Fry replied most of the waste is being stored at the location where it is being generated. Senator Martin asked was the Arizona facility at Yucca Mountain receiving radioactive waste in which Mr. Fry replied it is not. Senator Cochrane asked how does the State meet the new rules by storing its waste on-site. Mr. Fry explained the new rules apply to licensing of a disposal facility and not of a storage facility. Senator Cochrane asked wasn't this just as threatening in terms of pollution in which Mr. Fry replied it wasn't on a short-term basis which is four to six years. He continued by explaining that some facilities are looking at a long-term approach with concrete storage buildings which would last ten years or more. Representative Culp asked had there ever been an effort to recycle low level waste. Mr. Fry replied efforts have been made to clean up and reduce

the generation of waste but not to recycle. Representative Culp also asked what happened to the site (eliminated) where two sites had been combined into one. Mr. Fry replied that a study had been completed where one site was preferred over the other by the Authority. Representative Fox asked who is being charged inspection fees, and are the fees covering the cost of the inspection. Ms. Moon replied she didn't have the information at this time but would provide this to the members. Representative Hunter asked specifically where has $100 million been spent in which there was no specific answer given. Representative Hall asked about regulations on storage and why does the State need a facility that will cost in excess of $100 million. Mr. Fry explained there are regulations on requirements to store waste that must be met, and the waste must be disposed of properly and permanently (not stored), and the measures set forth by the Radioactive Protection Commission are very stringent for disposal facilities. Senator Cochrane asked were there any penalties involved of the work that professionals have been hired and paid to do but no results to show for their work. Mr. Fry responded there was one clause in a contract that dealt with the time of submitting an application but that was the only one he knew of. Senator Cochrane asked that a pie chart be created to show where $100 million had been spent in which Ms. Moon agreed to do. Representative Baker asked for a description of what level of radioactivity exposure that we are dealing with. Mr. Fry didn't have figures but tried to explain by comparing the amount of radiation received from x-rays and cobalt machines to the amount of radiation that was being discussed. Representative Baker wasn't fully satisfied and asked if a better comparison could be provided in which Mr. Fry agreed to. Representative Culp asked if medical waste contained a low level amount of radio activity in which Mr. Fry replied it did. He continued by asking if the waste could be transported to any of the facilities in the State in which Mr. Fry replied that medical waste disposal wasn't handled in these facil-ities. Representative Mitchell asked why isn't the State sending low level radioactive waste to Utah in a cooperative effort in which Mr. Fry responded the facility was designed to take radioactive dirt and low level trash, and was unfriendly to small generators (needed 1,000 cubic feet to do business with). Representative Mitchell commented on his visit to another facility, and how Utah was willing to take waste from other states. Representative Owens asked if it would be more economical to have a central collection area and distribute to facilities around the country that were in agreement with the State. Mr. Fry replied that facilities refuses to deal with brokers. Representative Hall asked who created the largest volume of waste. Mr. Fry responded the power companies were the largest contributors.

Ms. Moon continued the overview of the Division of Pollution Prevention and Environmental Assistance formerly known as the Office of Waste Reduction. She reviewed the Division's budget, programs and activities, a pie chart that shows the fund sources of FY 1996-97, a pie chart that shows the comparison of expenditures by category, a pie chart of that compares authorized versus recommended expenditures for FY 1997-98, objectives of performance and outcome measures, an overview of budget actions and revisions, and recommendations (EHNR 124-133).

Questions pertaining to the Division of Pollution Prevention and Environmental Assistance by the members are as follows. Pertaining to the disposal of waste, Representative Hunter asked where is it going in which Ms. Moon replied that the solid waste disposal was being recycled, reused, or the amounts were being reduced. He

continued by asking what were the items in which Gary Hunt, Director of the Division, explained that newspaper, glass, and plastics are going to recycling facilities or being diverted. Senator Horton asked about outcome measures of total tons diverted in which Ms. Moon explained. Senator Cochrane asked about on-site projects for technical assistance in which Ms. Moon and Mr. Hunt explained it is a combination. She continued by asking what is the Division doing that local governments aren't doing in which Ms. Moon responded local governments don't have the expertise. Representative Owens asked if the Division assist in acquiring vendors that recycle in which Mr. Hunt responded they do. As a follow-up to an Environmental Review Commission meeting, Representative Mitchell asked if the Division had completed a study to use asphalt shingles in paving roads in which the Division replied it was completed and waiting to began working with the Department of Transportation on this project. Representative Baker asked about matching grant projects in which Mr. Hunt explained. Representative Hunter asked for a list of the projects, and Senator Horton requested this item be flagged for further review. Senator Cochrane asked about funding positions at the Recycling Business Assistance Center. Ms. Moon explained that EPA grants which funded these positions originally had expired, and the Committee had agreed to continue funding for these positions in 1996. Representative Owens asked would a non-recurring fund request be for something like a desk. Ms. Moon replied she would check to see what the Division had received. He continued by asking about the Recycling Business Assistance Center in which Ms. Moon explained the background of the Center. Representative Hunter asked what is confidential technical assistance. Ms. Moon replied the Division provides information on a confidential basis to companies who call asking such questions or seeking assistance.

Ms. Moon concluded by an overview of the Division of Waste Management formerly the Division of Solid Waste Management. She reviewed the Division's budget, programs and activities, a pie chart showing the funding sources FY 1996-97, a pie chart showing the funding sources, a pie chart showing expenditures by category, a chart showing the authorized versus recommended expenditures for FY 1997-98 by category, the different objectives of the program area, objectives to the performance and outcome measures, an overview of the budget actions, proposed recommendations and items for possible committee discussion (EHNR 134-142). Senator Horton asked if there had ever been any discussion about combining the hazardous waste program with the low level radioactive waste program. Bill Meyer, Director of the Division, explained the divisions are grouped according to the concepts and the permitting process.

The meeting adjourned at 9:50 a.m. to reconvene 15 minutes after Session.

March 4, 1997 - 3:20 p.m.

The Joint Appropriations Sub-Committee on Natural and Economic Resources reconvened on Tuesday, March 4, 1997 in Room 423 of the Legislative Office Building. Representative Frank Mitchell, Senior House Co-Chair, called the meeting to order at 3:20 p.m. All House members were present.

After introductions, Mona Moon of the Fiscal Research Division answered a question from the morning meeting about the total amount of reduction of the positions of deputy director and administrative assistant in comparison of the operation costs of the Recycling Business Assistance Center (see single page for figures) in the Division of Pollution Prevention and Environmental Assistance. She continued with the overview of the Division of Waste Management beginning with EHNR 138 (from morning meeting). She reviewed the objectives of the performance and outcome measures, an overview of budget actions, proposed recommendations, and items for possible committee discussion (EHNR 138-142). Representative Fox asked what was the status of clean-up project in Warren County. Bill Meyer, Director of the Division, explained what had taken place to the present time. He continued by asking if the funding for the project was sufficient in which Mr. Meyer replied it will take $20-30 million to complete the project. Representative Mitchell asked what was the status of the current budget in which Mr. Meyer responded the funds have been spent to attain information needed to keep the State's commitment. He continued by asking what was the status of the company that was found in violation. Mr. Meyer replied the company was fined and the owner was sent to prison. Representative Mitchell continued by asking if the State will receive superfund money from the federal government for the clean-up. Mr. Meyer replied the State has received superfund money. He continued by asking why the project will take such a large amount of money. Mr. Meyer replied the process of removing the contaminants from the site is very expensive.

Jennifer Herrera of the Fiscal Research Division continued the overview of the Division of Water Resources. She reviewed the Division's mission and budget, a pie chart of authorized funding sources for FY 1996-97, a pie chart of authorized expenditures by category for FY 1996-97, a comparison chart of expenditures by category, objectives of performance and outcome measures, an overview of budget actions for 1995-97, proposed recommendations, items for possible committee discussion (EHNR 143-153). Representative Wilkins asked about the status of the aquatic weed assessment program. John Morris, Director of the Division, explained the recommendations of the assessment program with regards to weed control, the need for public education, and the importance of enforcing state and federal laws. Representative Wilkins commented about a bill he has introduced to fund the aquatic weed control program from a portion of the fuel tax collected. Representative Culp asked if there was any hydrilla located at High Rock Dam. Mr. Morris replied there was not. He continued by asking what was used to treat hydrilla. Mr. Morris replied a combination of grass carp ands herbicides (very expensive) are used. Representative Mitchell asked if the grass carp was a hybrid in which Mr. Morris replied they were. Senator Jenkins asked what was the projected total cost. Mr. Morris responded there is no way to determine the cost.

Senator Martin asked if Virginia Beach would be assisting in the cost. Representative Wilkins replied the State of Virginia has allocated $50,000 a year, and Mr. Morris replied the City of Virginia Beach had allocated $200,000 a year. Senator Cochrane asked how many inner basin transfers is the State experiencing. Mr. Morris replied the only transfers that have been approved is Cary to Apex and the Deep River to Haw River. She continued by asking if the laws have strengthened the situation in which Mr. Morris replied they have. Representative Mitchell asked Mr. Morris to explain the situation with federal funds in which he explained the status of federal funds regarding beach erosion and small navigation projects. He further explained the draining of Falls Lake with regard to the flooding that occurred downstream at the time of Hurricane Fran. With regards to the number of local governments assisting with water supply plan developments (on EHNR 149), Representative Owens asked was the estimated number too conservative. Mr. Morris replied the plan estimate is on a five year cycle.

Ms. Herrera continued the overview of the Division of Coastal Management. She reviewed the Division's mission and budget, a pie chart of authorized funding sources for FY 1996-97, a pie chart of authorized expenditures by category for FY 1996-97, a comparison chart of expenditures by category (authorized versus recommended), objectives of performance and outcome measures, an overview of budget actions for 1995-97, proposed recommendations, items for possible committee discussion (EHNR 154-163). Roger Schecter, Director of the Division, gave background information and explained how the Adopt-A-Beach program works. Senator Cochrane asked what was the average time frame (approximately 77 days) to process CAMA permits. Mr. Schecter explained the numbers from 1991-92 aren't included, and the number of projects have increased over the years but the time frame for the permit process has been reduced. Representative Baker asked if federal funds are tied to matching State funds. Mr. Schecter replied there is a small portion that is matching. He continued by asking if the State appropriation was cut, would it affect the federal funds. Mr. Schecter replied essentially it wouldn't affect federal funding but the Division doesn't count on those funds for its operations. Concerning a performance measure on EHNR 158, Representative Fox asked why was there such a drastic increase in the numbers in 1995-96 (number of individuals participating in on-site and off-site educational activities sponsored by the NC Coastal Reserve). Mr. Schecter replied he thought that was a misprint and would check the figure. Representative Hunter asked if he could provide a list of grants that can be applied for in which Mr. Schecter responded he would. Representative Baker asked what kind of educational experiences are available. Mr. Schecter responded they are outside field sites. He continued by asking if this was considered to be a better way in which Mr. Schecter replied it is the natural way.

Ms. Moon concluded with an overview of the Division of Air Quality. She reviewed the Division's mission and budget, a pie chart of fund sources for FY 1996-97, a pie chart of authorized expenditures by category for FY 1996-97, a comparison chart of expenditures by category (authorized versus recommended), objectives of performance and outcome measures, an overview of budget actions for 1995-97, proposed recommendations, items for possible committee discussion (EHNR 164-74). Regarding fees and receipts received, Representative Mitchell asked if the Division could operate without State appropriations. Ms. Moon remarked she wasn't sure if the State is required to give general fund support. Alan Klimek, Director of the Division, replied the funds collected

from the fees and receipts have been used to complete the expansion of the program which is required in the legislation passed in 1990. Representative Baker asked what is the penalties for non-compliance. Mr. Klimek replied fines could be up to $10,000 a day. He continued by asking specifically about emissions inspection that is done in a few counties in the State. Mr. Klimek replied the program would be expanded to include more counties. Representative Baker asked what would happen if the State discontinued the emissions program. Mr. Klimek replied the federal government would take over the program but funding would stay the same. Referring to EHNR 171 concerning the number of compliance inspections on major emission sources, Senator Cochrane asked why had the figure dropped in 1995-96 with estimates that double the figure in 1996-97. Mr. Klimek responded the Division felt the estimate was needed. Senator Martin asked how are violations discovered. Mr. Klimek responded the violations are found through inspection maintenance programs through the Division of Motor Vehicles. Representative Carpenter asked if the program will be expanded since standards have been lowered. Mr. Klimek responded the federal standards haven't been lowered to date but the Division has estimated expanding the program from nine to eighteen counties. J.W. Reel noted that the Department of Transportation is included in the performance measures of the Division (EHNR 169). Representative Owens asked how many employees are located in the field and how many are in Raleigh. Mr. Klimek replied that half are in the field (in seven regional offices) and half in Raleigh. He continued by asking who authorizes increasing the number of positions during the year. Linda Rimer, Assistant Secretary of the DEHNR, explained the Clean Air Advisory Council advises and looks at the needs of the Division. Ms. Moon further explained an increase of manpower can be authorized by State Budget if there is an increase of receipts. Representative Baker asked how fees are established. Mr. Klimek replied the Clean Air Act requires a collection of $25 per ton. He noted that North Carolina's fee is lower than most states. He continued by asking how much does the Division receive from automobile inspections. Mr. Klimek responded the Division receives $.35 per inspection. Representative Owens asked Mr. Reel if there have been any positions added within the last year in which he replied there had not been any positions added but the source of the funds of support have changed. Senator Martin asked about the Clean Air Advisory Council in which Ms. Rimer responded the Council doesn't exist anymore but it did generate a report on how to carry out recommendations. Representative Baker asked what was the cash balance from fees and receipts collected. Mr. Klimek replied approximately $2-3 million in fees from fuel tax.

The meeting adjourned at 4:45 p.m. to reconvene at 8:30 a.m. on Wednesday, March 5.

Respectfully submitted,

W. F. Mitchell
Representative Frank Mitchell
Senior Co-Chair

Susan Thomason
Susan Thomason
Clerk

Joint Appropriations Committee on
Natural and Economic Resources

March 4, 1997 (Morning)

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

Department of Environment, Health, and Natural Resources (DEHNR)

Environmental Program Overview
Mona Moon
Fiscal Research Division

Radiation Protection
Mona Moon
Fiscal Research Division

Pollution Prevention and Environmental Assistance
Mona Moon
Fiscal Research Division

Solid Waste Management
Mona Moon
Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/4/97

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sherrill Hanis	DEHNR
LINDA RIMER	DEHNR
J B Howes	DEH NR
Jane Smith	DEHNR
Becky Proctor	Labor
James Cope	"
Leanne Winner	EGHDS
Richard W. Fox	DEHNR - DRP
CHARLES GARDNER	DEHNR - LAND RESOURCES
John Morris	Div. Water Res.
Bill Meyer	DEHNR - DWM
Jon Levine	DEHNR
Joellen Westerholm	OSBM
JW Reed	OSBM
Johnny Gray	OSBM
DAVID HERLONG	State Planning
Doug Lewis	EHNR
Shawn Ingram	DEHNR
Scott Mouw	DEHNR
David Williams	DEHNR
Terry Hardesty	NCPC
Jerry Schill	NC Fisheries Assoc.
Jack Butler	NC Superfund Sect.
Walt Mott	NC DEHNR Solid Waste Section
Brenda Reeves	DEHNR - Waste Mgmt. Div.
Edythe McKinney	Small Business Ombudsman - PPEA
James A. Carter	EHNR/DWM/Hazardous Waste

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

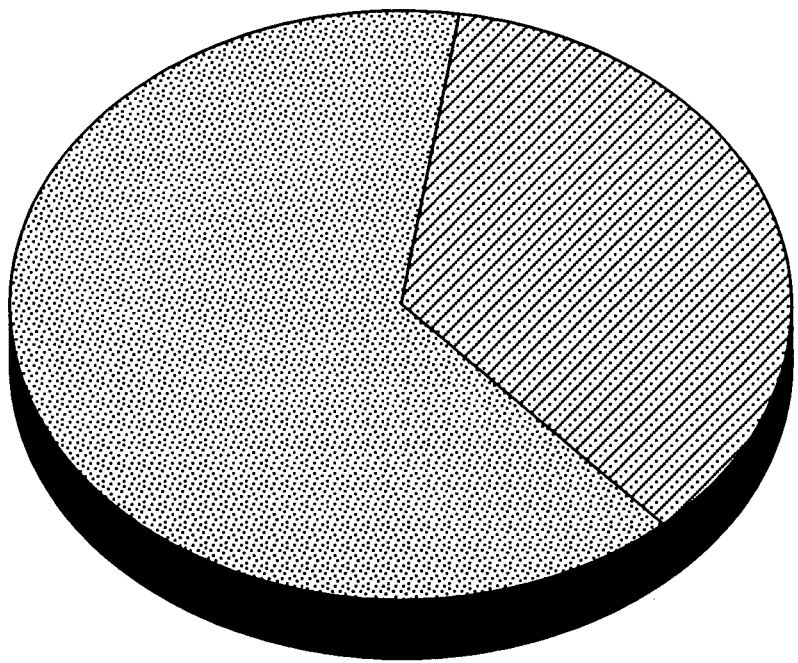
NAME	FIRM OR AGENCY AND ADDRESS
Joe McPhee	N.Y. Sea Grant Extension & NYSDA
Gary Dunn	DEHNR
Bobbie Towsey	DEHNR
R. Lois Artis-Murray	"

Environment, Health, and Natural Resources

General Fund Appropriations vs. Receipts

1996-97 Authorized Budget

Total Requirements
$90,606,120

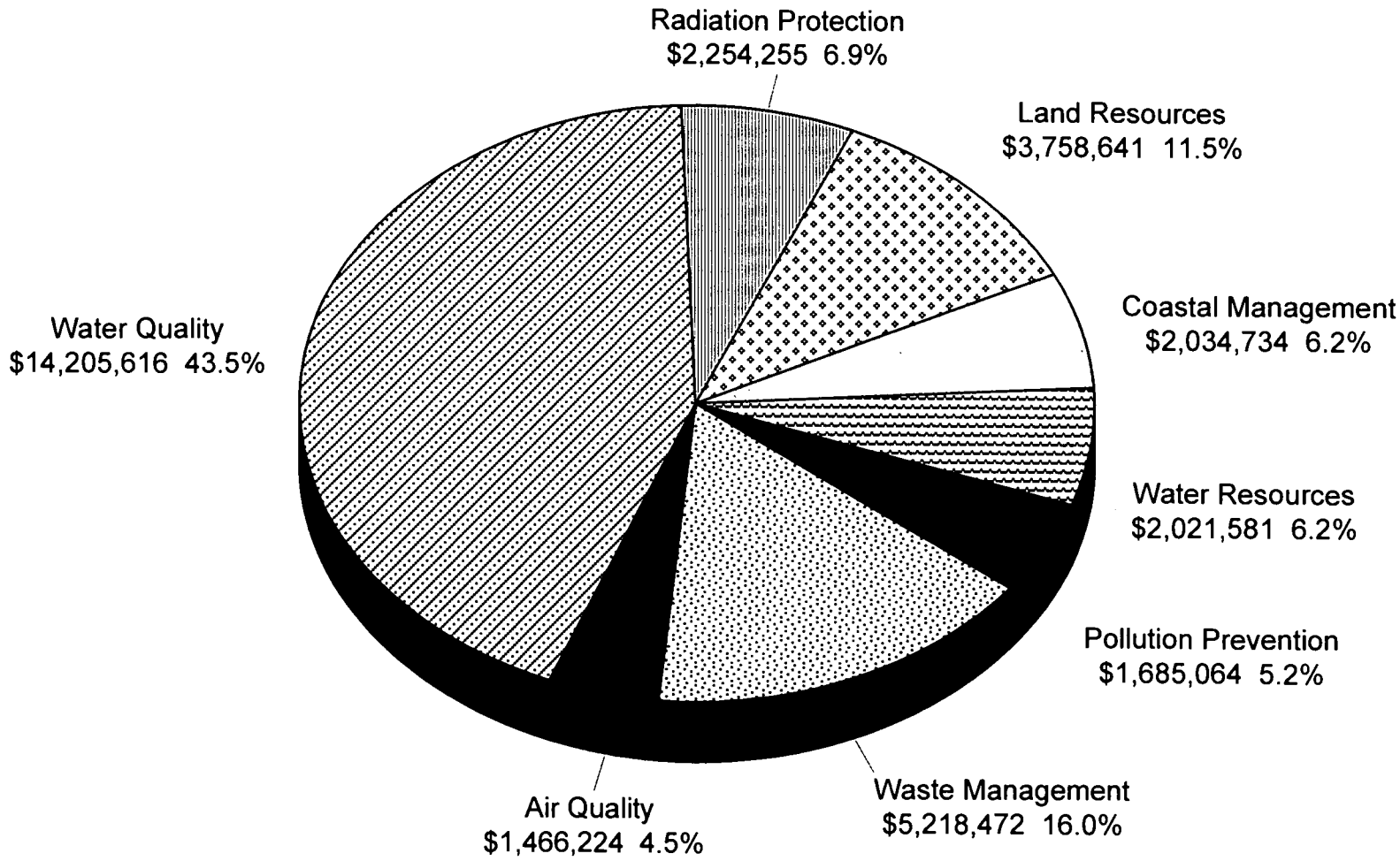


Environmental Programs

Fiscal Research Division March 1997

EHNR-109

General Fund Appropriations
1996-97 Authorized Budget



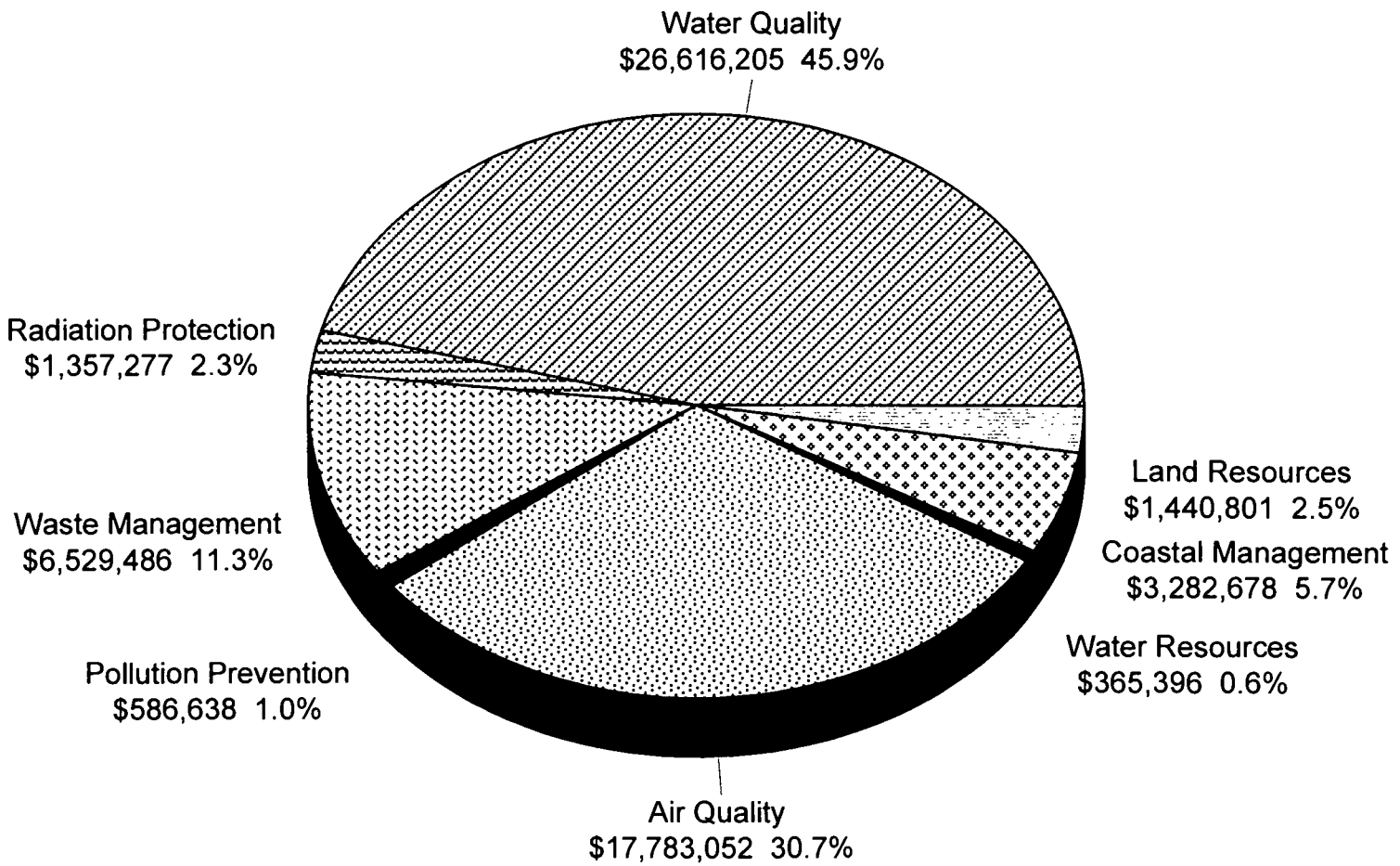
Environmental Programs By Division

Fiscal Research Division March 1997

EHNR-110

Receipts

1996-97 Authorized Budget



Environmental Programs By Division

Fiscal Research Division March 1997

EHNR - III

Summary of Environmental Expansion Budget
1996-97 Fiscal Year

Extra Session Actions

Description	Amount	
Neuse River Cleanup		
Modeling and Monitoring	720,000	NR
Riparian Buffers, Development of Matrix	0	
Isotope Study (identification of nonpoint sources)	372,000	NR
Financial Assistance to Local Governments	2,000,000	NR
Agriculture Cost Share Funds - Installation of BMPs	1,750,000	NR
Nitrogen Air Study (Atmospheric Deposition)	450,000	NR
Clean Water Management Trust Fund		
Earmark Portion of Year-end General Fund Credit Balance	47,100,000	
Wetlands Restoration Program		
Wetlands Restoration Fund	9,200,000	(1)
Program Administration	500,000	R
Earmark Portion of Year-end General Fund Credit Balance	-	
Basinwide Planning -- Data Management System	750,000	NR
Statewide Water Quality Monitoring	194,128	R
	37,500	NR
Citizens Monitoring Program	0	
Straight Pipe Elimination	117,500	R
	12,500	NR
Agriculture Cost Share Program		
Installation of Best Management Practices (BMPs)	5,750,000	NR
Statewide Technical Assistance (overtime & travel for Dec '97)	1,167,500	NR
Technical Assistance, additional funds for county reimbursement	200,000	R
Operational Support Soil & Water Conservation Dists.	200,000	R
DEHNR, Div. Soil & Water Conservation Staff	194,250	R
	5,750	NR
Animal Waste Operations Permitting & Compliance	1,550,766	R
Research Initiatives		
Abandoned Lagoons and Facilities -- General Assembly Study	25,000	NR
Groundwater Study, Impact of Lagoons	375,000	NR
Alternative Animal Waste Technologies	500,000	NR
Odor Control Technology	600,000	NR
Environmental Education	144,250	R
Water Quality and River Basins	20,394	NR
Total	**3,100,894**	**R**
	14,535,644	**NR**
GF earmarking	**47,100,000**	
	64,736,538	

(1) Funds to be transferred from the Clean Water Management Trust Fund

EHNR-112

Environmental Programs Action Team

EPAT

REPORT

North Carolina Department of Environment, Health and Natural Resources

July 1995

PROCESS AND REPORT SUMMARY

Creation of the Environmental Programs Action Team

In 1989, the Department of Environment, Health and Natural Resources (DEHNR) was created through legislative reorganization of North Carolina's environmental, health and natural resource management programs. The plan of reorganization included a provision that, five years from its inception, the newly organized department would be reviewed and re-evaluated for its efficiency.

In March 1995 DEHNR Secretary Jonathan Howes asked division directors to recommend individuals to serve on a team to examine the department's organizational structure of environmental programs. Directors were asked to select division employees who could be expected to think creatively, critically, and free of a "turf" agenda. Each team member was also required to be able to devote half of his or her work time over a period of several months for the project. Divisions represented on the team were Coastal Management, Environmental Management, Land Resources, Radiation Protection, Soil and Water Conservation, Environmental Health, Water Resources, Solid Waste Management, Forest Resources and the Office of Waste Reduction.

EPAT'S Mission

The team's first meeting took place on March 14, 1995, with Deputy Secretary Steve Levitas. The purpose for the team, according to the deputy secretary, was to fulfill the 1989 legislative request that a review be conducted, and to address concerns currently being expressed by legislators and members of the public about the way government organizations conduct business. The deputy secretary noted, for example, that a common complaint received by the department is that various water-related programs seem to overlap or duplicate one another. Team members were informed that their task was not limited to recommendations that require a restructuring of current organizational arrangements; nonstructural recommendations that address issues without reference to organizational arrangement were also welcomed. Team members were also advised that they should not attempt an in-depth analysis of each environment-related program within the department, but that they should define their own mission and set guidelines for proceeding.

EHNR-114

North Carolina Department of Environment, Health and Natural Resources

Planned Changes to Environmental Programs in 1996

- Elevate the Air Quality section in the Division of Environmental Management (DEM) to division level; rename DEM the Division of Water Quality.

- Establish an internal water coordinating group consisting of management and staff from all divisions with an interest in water resources.

- Combine private water supply well siting and construction and well head protection in DEM Ground Water (GW) with public water supply well siting and construction in the Division of Environmental Health (DEH) and house in DEH.

- Combine capacity use activities and water resource availability studies in DEM-GW with capacity use, water use, and water resources availability study activities in the Division of Water Resources (DWR) and house in DWR.

- Elevate the Office of Waste Reduction (OWR) to division status and rename it the Division of Environmental Assistance (DEA); move the Small Business Ombudsman (a nonregulatory program providing confidential technical assistance to small businesses), currently in DEM, to DEA.

- Establish a Permit Information Center reporting to the Assistant Secretary for Environmental Protection.

- Rename the Division of Solid Waste Management the Division of Waste Management.

3/13/96

Department of Environment, Health, and Natural Resources

Division of Radiation Protection

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized January	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	3,432,819	3,363,962	3,611,532	3,707,366	2.7%	3,531,116	-2.2%
Less Receipts	(1,154,793)	(1,344,752)	(1,357,277)	(1,328,278)	-2.1%	(1,328,278)	-2.1%
State Appropriations	*2,278,026*	*2,019,210*	*2,254,255*	*2,379,088*	5.5%	*2,202,838*	-2.3%
Positions	51.00	53.00	53.00	53.00		53.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

- Licensing, inspection and regulation of facilities that use radioactive materials
- Licensing and regulation of the state's planned eight-state regional Low Level Radioactive Waste Disposal Facility
- Registration and regulation of x-ray machines, tanning equipment and providers of radiation-related services
- Environmental radiation surveillance
- Response to radiation accidents and emergencies in cooperation with the Department of Crime Control and Public Safety

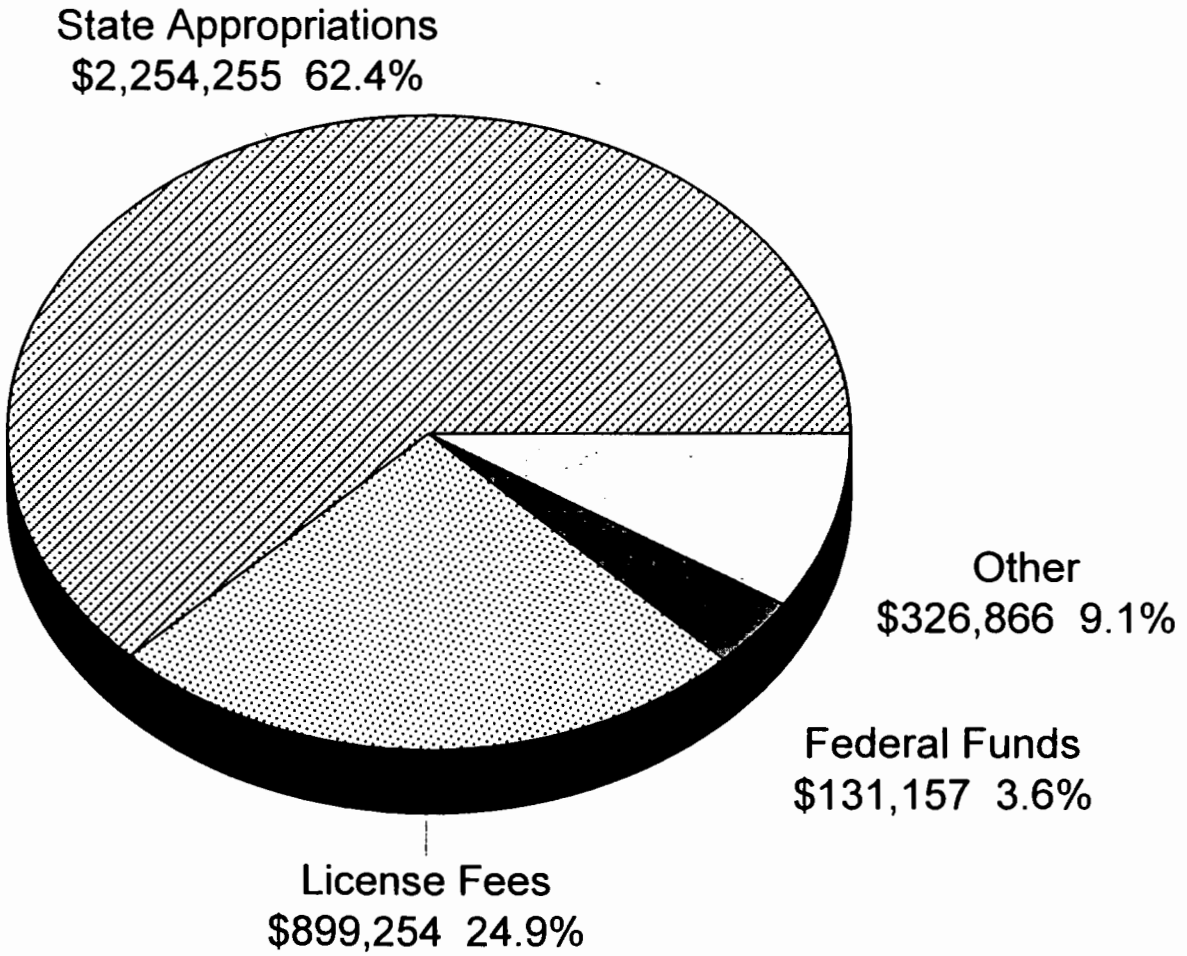
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Y-174 to Y-177
Performance/Program Analysis, Volume 7A, pp. 1-67 to 1-82

Division of Radiation Protection

EHNR-116

FY 1996-97 (Authorized) Fund Sources

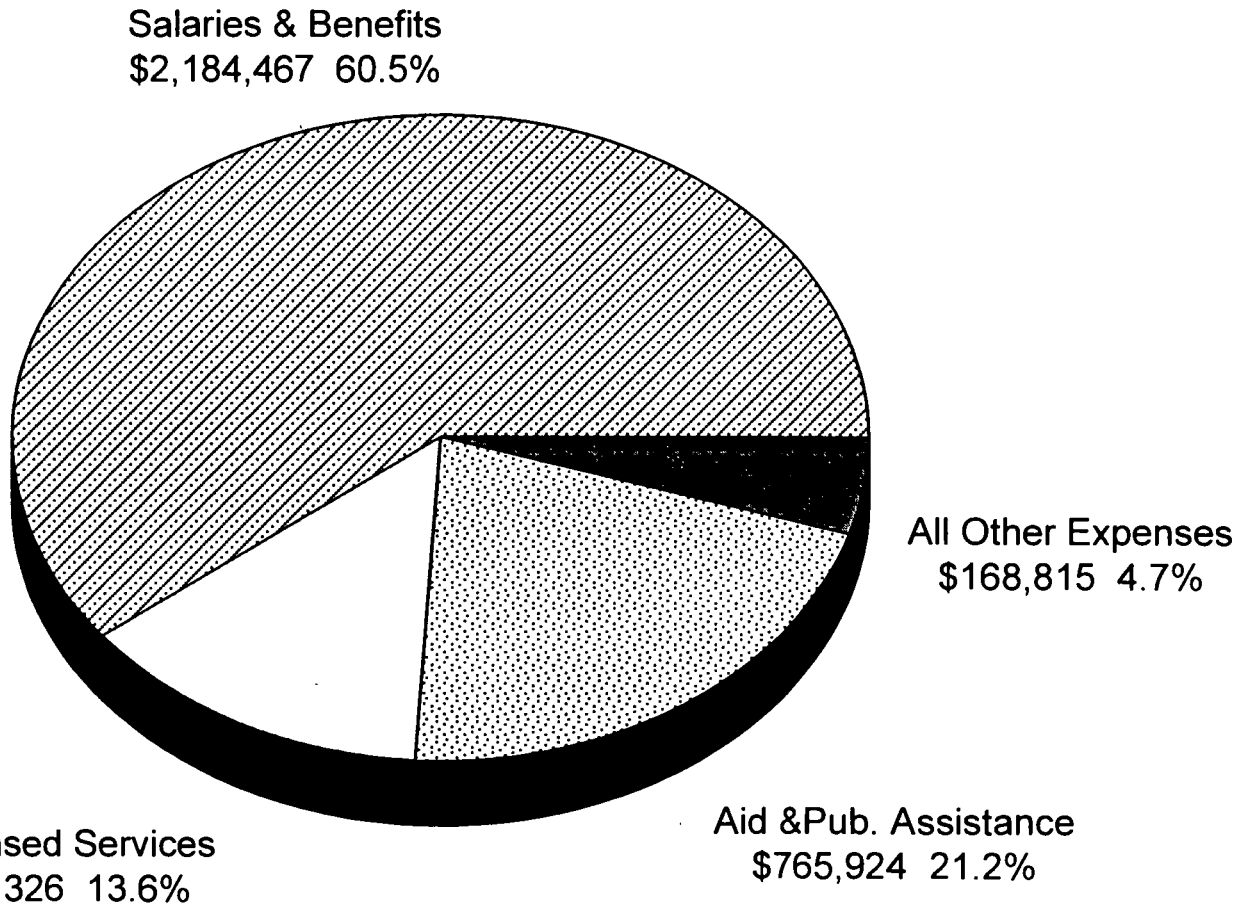


Fiscal Research Division March 1997

EHNR-117

Division of Radiation Protection

FY 1996 (Authorized) Expenditures By Category



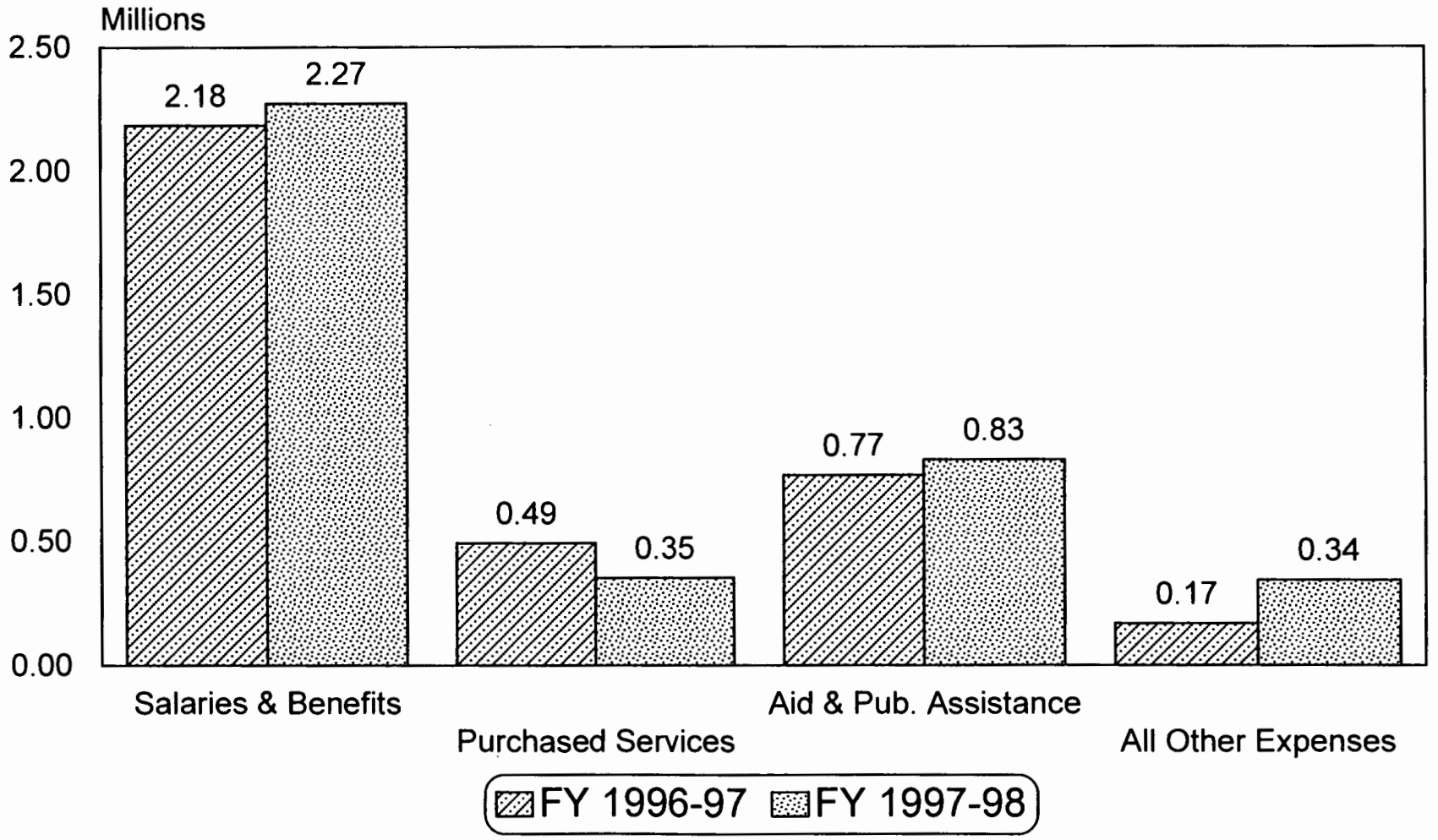
Fiscal Research Division March 1997

EHNR-116

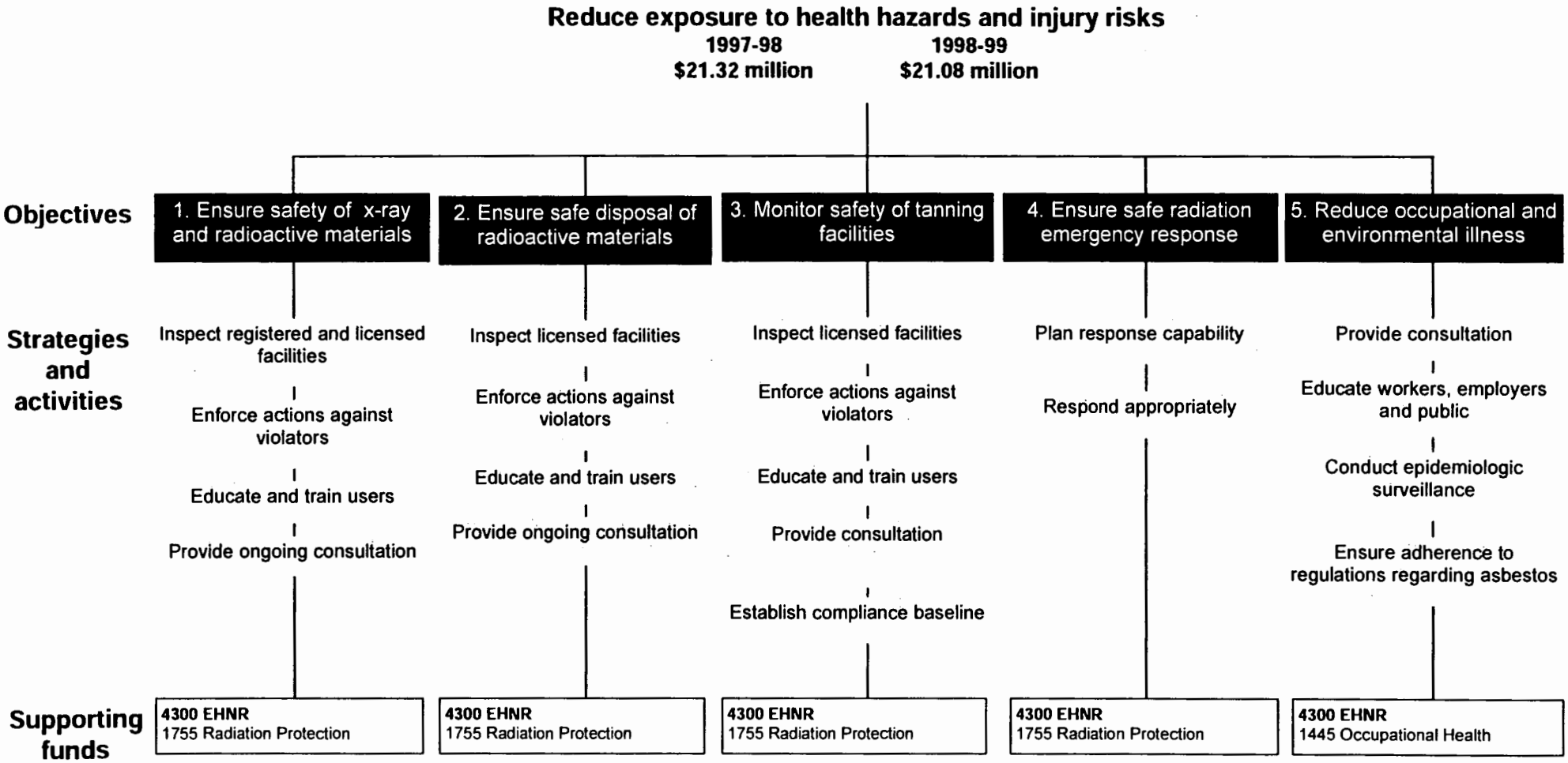
Division of Radiation Protection

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997


Reduce exposure to health hazards and injury risks
1997-98
$21.32 million
1998-99
$21.08 million
Objectives
1. Ensure safety of x-ray and radioactive materials
2. Ensure safe disposal of radioactive materials
3. Monitor safety of tanning facilities
4. Ensure safe radiation emergency response
5. Reduce occupational and environmental illness
Strategies and activities
Inspect registered and licensed facilities
Enforce actions against violators
Educate and train users
Provide ongoing consultation
Inspect licensed facilities
Enforce actions against violators
Educate and train users
Provide ongoing consultation
Inspect licensed facilities
Enforce actions against violators
Educate and train users
Provide consultation
Establish compliance baseline
Plan response capability
Respond appropriately
Provide consultation
Educate workers, employers and public
Conduct epidemiologic surveillance
Ensure adherence to regulations regarding asbestos
Supporting funds
4300 EHNR
1755 Radiation Protection
4300 EHNR
1755 Radiation Protection
4300 EHNR
1755 Radiation Protection
4300 EHNR
1755 Radiation Protection
4300 EHNR
1445 Occupational Health

Objective 1: Ensure that 90% of registered x-ray facilities and licensed redioactive material and accelerator facilities are in substantial compliance with the Radiation Protection Commission's Regulations for Protection against Radiation.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of registered x-ray facilities and licensed radioactive material and accelerator facilities inspected that are in substantial compliance with the Radiation Protection Commission's Regulations for Protection against Radiation	90%	90%	90%	90%	90%	*90%*	*90%*	*90%*
Performance Measures:								
Number x-ray systems inspected per year	3,605	3,816	3,902	3,953	5,324	*5,300*	*5,300*	*5,300*
Number of radioactive material and accelerator facility licenses inspected per year	335	334	392	175[1]	376	*400*	*425*	*425*

Current Situation:

Estimated compliance levels shown need to be refined with clear definitions and systematic data collection. Both of these long established programs continue to operate with a reasonably high degree of compliance. As new and expanded applications of radioactive uses occur, careful surveillance of such operations will be required.

Funds:

4300 EHNR
1755 Radiation Protection

[1]The decrease in the number of inspections in fiscal year 1995 is due to staff turnover and the resulting lack of trained and qualified inspection staff

Objective 3: Improve compliance of registered tanning facilities in accordance with the Radiation Protection Commission's Regulations for Protection Against Radiation.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of registered tanning facilities inspected that are in substantial compliance with the Radiation Protection Commission's Regulations for Protection Against Radiation	NA	NA	NA	NA	45%	*75%*	*80%*	*90%*
Performance Measures:								
Number of tanning systems inspected per year	NA	NA	NA	482[1]	1,497	*3,000*	*3,000*	*3,000*

Current Situation:

This is a new program that is still making initial inspections to determine existing compliance levels. Once a compliance baseline is established, more accurate projections can be made regarding realistic compliance projections.

[1]New program staffed initially in 1995.

Funds:

4300 EHNR
1755 Radiation Protection

DIVISION OF RADIATION PROTECTION
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS -- None

FY 1995-96 FY 1996-97

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS -- None

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Division of Radiation Protection in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $73,951

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $44,952 in state appropriations and $28,999 in receipts.

PROGRAM NOTE

The department is responsible as the lead agency for coordinating the issuance of all required state permits for the planned regional low level radioactive waste disposal facility being sited by the NC Low Level Radioactive Waste Management Authority. The Division of Radiation Protection is responsible for approving the site characterization plans, issuance of the primary permit and regulatory oversight during site characterization, facility construction and facility operation. The Management Authority is located in the Department of Administration.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS	FY 1997-98	FY 1998-99
Increase for equipment replacement	$173,500	

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Radiation Protection.

Items for Possible Committee Discussion

The committee may wish to have the division provide an update on the siting and licensing of the planned regional low level radioactive waste facility.

Department of Environment, Health, and Natural Resources

Division of Pollution Prevention and Environmental Assistance *							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	1,685,482	1,901,007	2,271,702	2,215,584	-2.5%	2,219,172	-2.3%
Less Receipts	(168,635)	(457,515)	(586,638)	(572,445)	-2.4%	(572,879)	-2.3%
State Appropriations	*1,516,847*	*1,443,492*	*1,685,064*	*1,643,139*	-2.5%	*1,646,293*	-2.3%
Positions	30.00	28.00	36.00	36.00		36.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

* *formerly the Office of Waste Reduction*

DIVISION PROGRAMS AND ACTIVITIES

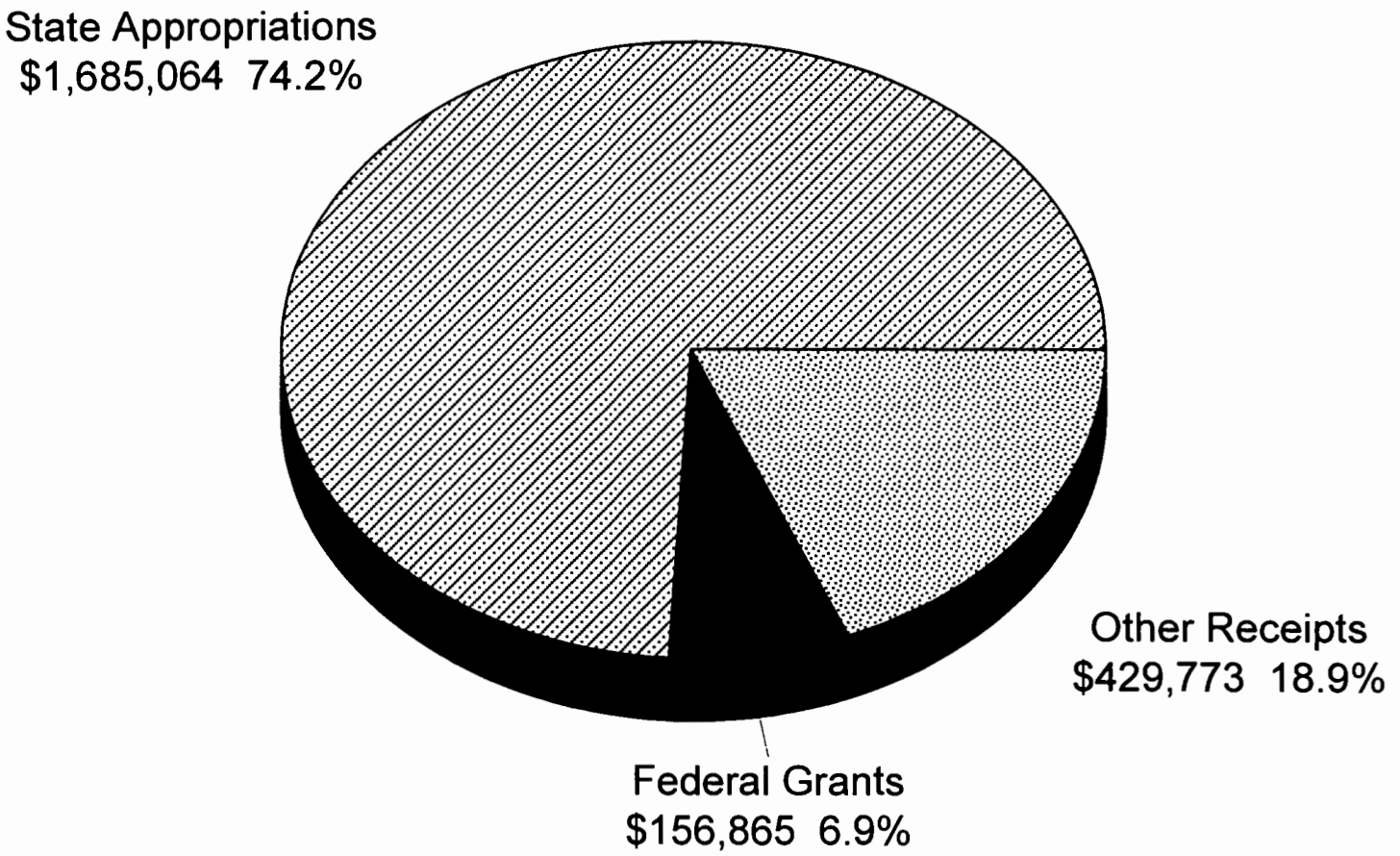
- Recycling Business Assistance Center
- Technical Assistance to Communities and Businesses
- Waste Reduction Resource Center
- Administers Solid Waste Management Trust Fund
- Outreach, Education and Training
- Environmental Assistance

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Y-132 to Y-134
Performance/Program Analysis, Volume 7A, pp. 5-80 to 5-88

Pollution Prevention and Environmental Assitance

FY 1996-97 (Authorized) Fund Sources

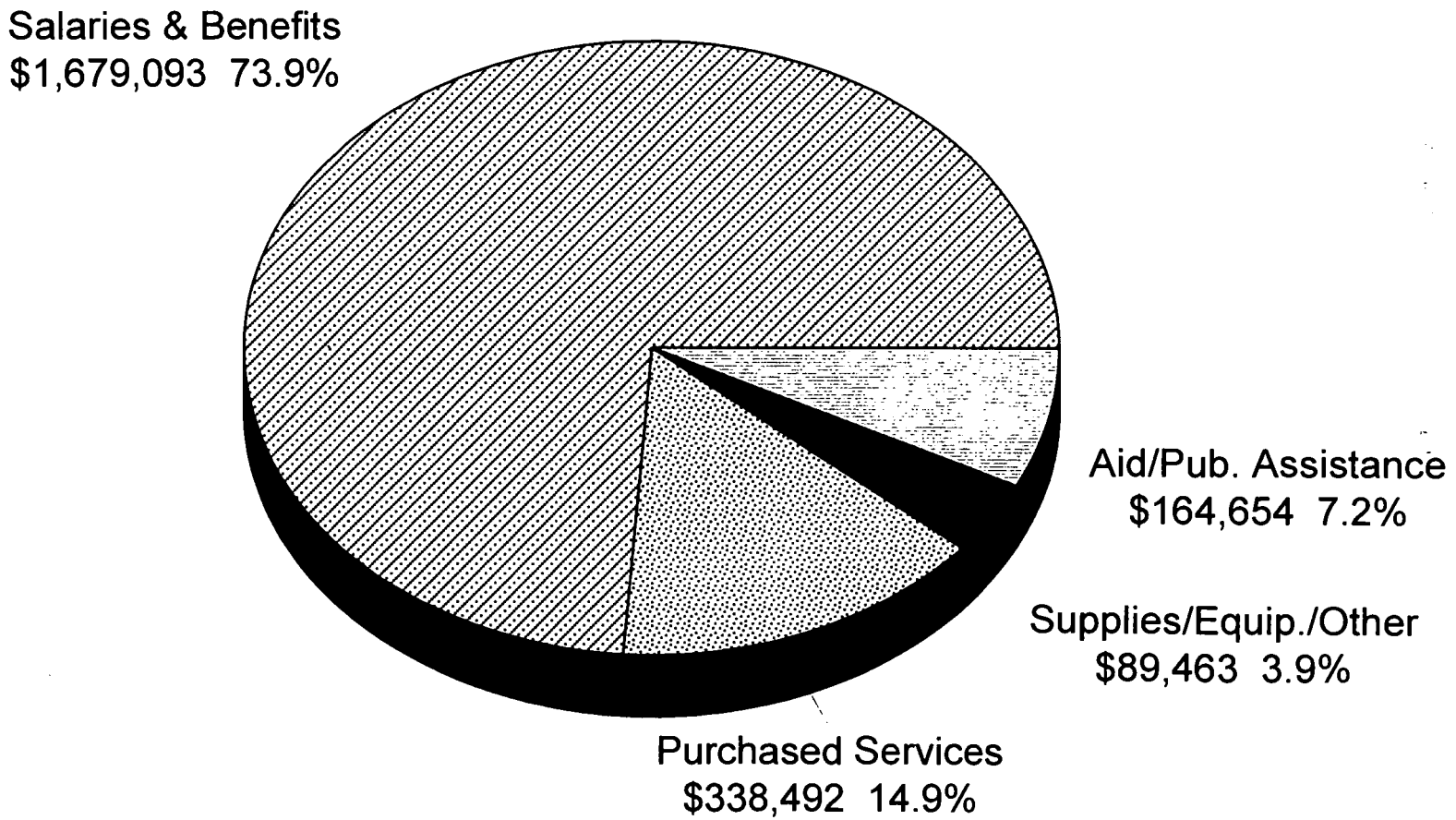


Fiscal Research Division March 1997

EHNR-126

Pollution Prevention and Environmental Assistance

FY 1996-97 (Authorized) Expenditures By Category

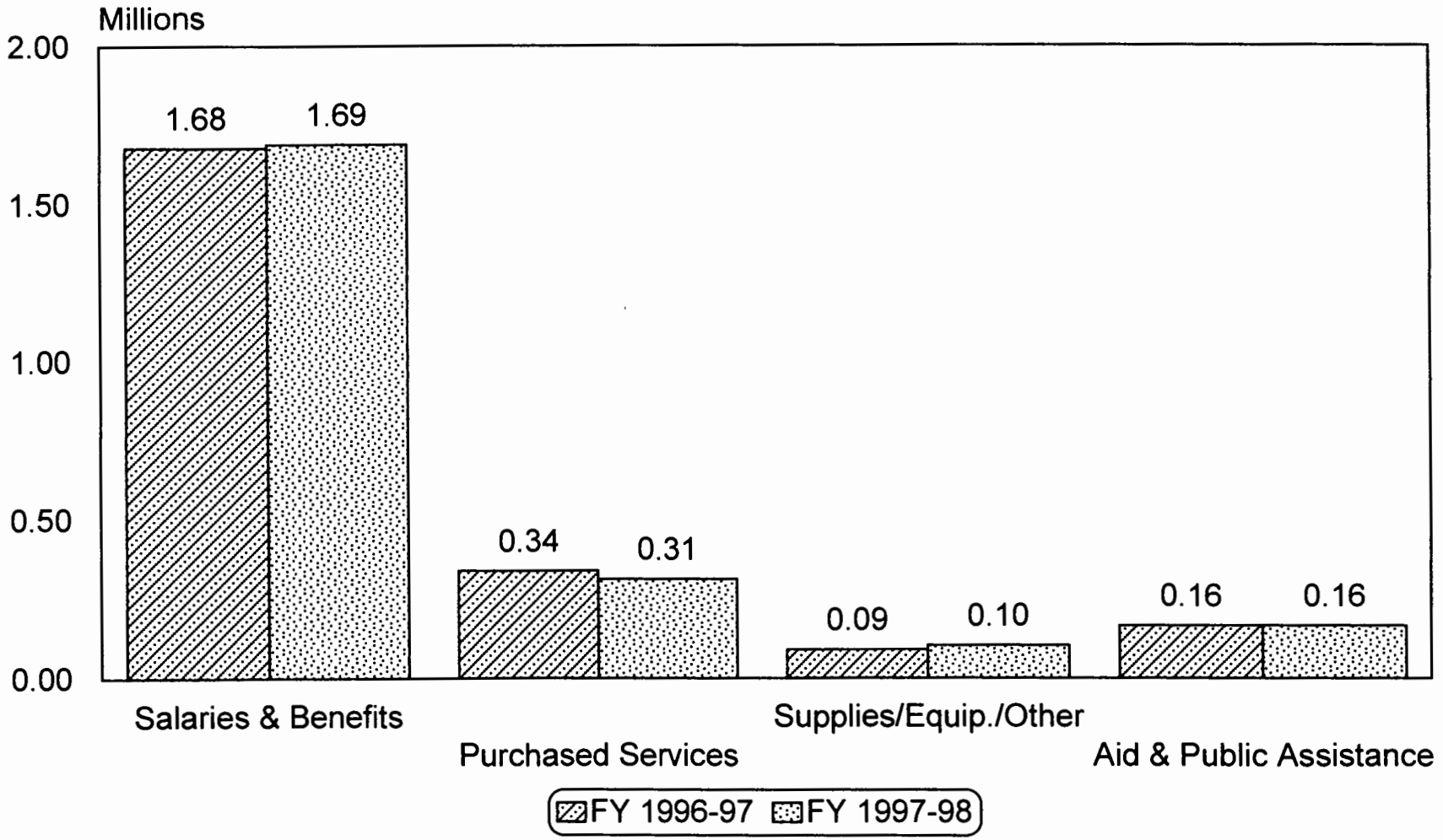


Fiscal Research Division March 1997

Pollution Prevention and Environmental Assistance

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

5400 Prevent pollution and reduce waste

Objective 1: Increase diversion of solid waste from disposal facilities in North Carolina by 35,000 tons by 1999.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The amount of solid waste diverted from disposal facilities from base year 1996 in tons.	n/a	n/a	630,140	796,200	800,000	*810,000*	820,000	835,000
Performance Measures:								
Number of responses to requests for specific information/assistance on pollution prevention and permitting from industries, small businesses, local governments, and state agencies (*staff partially funded by fund 6760, Solid Waste Trust Fund)	1,000*	2,500*	3,000*	4,500*	3,551*	*3,500**	*3,500**	*3,500**
Number of detailed, on-site technical assistance projects provided to industries, small businesses, local governments, and state agencies regarding pollution prevention and permitting (*staff partially funded by fund 6760, Solid Waste Trust Fund)	103*	95*	131*	155*	118*	*120**	*120**	*120**
Number of new documents published and distributed which describe pollution prevention tecniques and permitting procedures specific to NC industries, local governments, small businesses, and state agencies	7	11	24	20	20	*15*	*15*	*15*
Number of matching grant projects with industries, mall businesses, and local governments completed to promote innovative technologies and creative approaches to cost-effective waste reduction	15	20	5	6	5	*5*	*n/a*	*n/a*

Current Situation:

By July 1997, local governments must have developed a ten-year, solid waste management plan that includes ways to enhance local waste reduction efforts. This should lead to the increased recovery of recyclable materials at the local level.

Funds:

4300 EHNR
1615 Waste Reduction

Objective 3: Facilitate the adoption of pollution prevention practices in 75% of the facilities provided assistance by 1999.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percentage of facilities which were provided direct assistance that have implemented pollution prevention practices.	n/a	n/a	n/a	n/a	n/a	*being developed*	*n/a*	*n/a*
Performance Measures:								
Number of on-site technical assistance projects provided to industries, small businesses, local governments, and state agencies regarding pollution prevention and permitting (*staff partially funded by fund 6760, Solid Waste Trust Fund)	103*	95*	131*	155*	118*	*120**	*120**	*120**
Number of presentations, workshops and training courses on pollution prevention and permitting presented to industries, small businesses, local governments, and state agencies	100	70	80	89	86	*90*	*90*	*91*
Number of responses to requests for specific information/assistance on pollution prevention and permitting from industries, small businesses, local governments, and state agencies (*staff partially funded by fund 6760, Solid Waste Trust Fund)	1,000*	2,500*	3,000*	4,500*	3,551*	*3,500**	*3,500**	*3,500**
Number of new documents published and distributed which describe pollution prevention techniques and permitting procedures specific to N.C. industries, local governments, small businesses and state agencies	7	11	24	20	20	*15*	*15*	*15*
Number of matching grant projects with industries, small businesses, and local governments that were completed to promote innovative technologies and creative approaches to cost-effective waste reduction	15	20	5	6	5	*5*	*5*	*5*

Current Situation:

The newly adopted ISO 14000 standard offers a significant, new, non-regulatory incentive for companies to adopt pollution prevention strategies and cost-effective environmental management programs. Tools are under development to help North Carolina companies comply with this voluntary international program.

Funds:

4300 EHNR
1615 Waste Reduction

Objective 6: Provide a single point of contact for information on all environmental permitting programs and facilitate the improvement of the environmental permitting process.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measure:								
Percent increase in customer satisfaction with permit programs	n/a	n/a	n/a	n/a	n/a	*being developed*	*n/a*	*n/a*
Performance Measures:								
Number of responses to requests for specific information and assistance on pollution prevention and permitting from industries, small businesses, local governments, and state agencies (*staff partially funded by fund 6760, Solid Waste Trust Fund)	1,000*	2,500*	3,000*	4,500*	3,551*	*3,500**	*3,500**	*3,500**
Number of waste reduction presentations, workshops and training courses on pollution prevention and permitting presented to industries, small businesses, local governments and state agencies (*staff partially funded by fund 6760, Solid Waste Trust Fund)	100*	70*	80*	89*	86*	*90**	*90**	*90**
Number of new documents published and distributed which describe pollution prevention techniques and permitting procedures specific to NC industries, local governments, small businesses, and state agencies	7	11	24	20	20	*15*	*15*	*15*

Current Situation:

This objective addresses new responsibilites in this subprogam that were established during the 1996 Legislative Short Session. Efforts are underway to establish a baseline of data to develop outcome measures and appropriate performance measures.

Funds:

4300 EHNR
1615 Waste Reduction

DIVISION OF POLLUTION PREVENTION AND ENVIRONMENTAL ASSISTANCE
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97
Eliminate deputy director and administrative assistant positions.	($87,003) R -2.0	($87,003) R -2.0

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS		
Recycling Business Assistance Center (RBAC)		$170,500 R $5,500 NR 3.0

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Division of Pollution Prevention and Environmental Assistance in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

EHNR-132

Legislative Salary Increase (10 months) -- $43,993

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $36,812 in state appropriations and $7,181 in receipts.

PROGRAM UPDATE

In 1996 the Department implemented the first phase of a reorganization of the environmental protection programs. As a part of this reorganization, the Office of Waste Reduction was elevated to division status and renamed the Division of Pollution Prevention and Environmental Assistance.

In addition, the following changes resulting from the reorganization also affected the division:

- The Office of Small Business Ombudsman, a non-regulatory program providing confidential technical assistance to small businesses was transferred from the (former) Division of Environmental Management to the Division of Pollution Prevention and Environmental Assistance.

- The Environmental Permits Information Center was established to provide a single point of contact within the department for permit information. It is currently located within the Division of Pollution Prevention and Environmental Assistance and staffed with personnel on temporary assignment from the Divisions of Water Quality, Waste Management and Air Quality.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS **FY 1997-98** **FY 1998-99**

None

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Pollution Prevention and Environmental Assistance.

Items for Possible Committee Discussion

None

Joint Appropriations Committee on
Natural and Economic Resources

March 4, 1997 (Afternoon)

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

Department of Environment, Health, and Natural Resources (DEHNR)

Continue Waste Management
Mona Moon
Fiscal Research Division

Division of Water Resources
Jennifer Herrera
Fiscal Research Division

Division of Coastal Management
Jennifer Herrera
Fiscal Research Division

Division of Air Quality
Mona Moon
Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/4/97

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK afternoon Session

NAME	FIRM OR AGENCY AND ADDRESS
LINDA RIMER	NCDEHNR
Jane D. Smith	DEHNR
DG	NWFB
Patricia Yancey	LLPP
Shelle Watteri	OSBM
JW Reed	OSBM
Johnny Gray	OSBM
Ron Mentzer	Final Remark
Robert Schecter	DEHNR-Coastal
Laura Hartsell	MCIC
David Simmons	Bobs Alley PA
Sherrill Henri	DEHNR
Daniel Herlong	State Planning
DONNIE REDMOND	DAQ
Alan Klimek	DAQ
Russell Hageman	DAQ
Gary Hanes	DPPEA
JOE McCLEES	TDA
Leanne Winner	EGLAS
Bobbie Jo Moore	DEHNR-Water Resources
John Morris	DEHNR-Water Resources
CHARLES GARDINER	DEHNR - DIV. OF LAND RESOURCES

Division of Pollution Prevention and Environmental Assistance

Elminate deputy director and administrative assistant positions **(87,003)**

	Deputy	Administrative	
Salaries	46,407	24,019	70,426
Social Security	3,550	1,838	5,388
Retirement	5,086	2,633	7,719
Medical Benefits	1,735	1,735	3,470
Total	56,778	30,225	87,003

Recycling Business Assistance Center **170,500 R**
5,500 NR
176,000

Salaries	
Community Development Specialist II	43,860
Industrial Representative	33,041
Clerk Typist IV	18,305
Total	95,206
Social Security	7,283
Retirement	10,311
Medical Insurance	5,208
Office Supplies and Materials	1,200
Workshops, Training Programs	23,000
Travel - In State Mileage	3,500
Travel - In State Meals/Lodging	2,000
Travel - Out of State Mileage	2,000
Travel - Out of State Meals/Lodging	1,600
Postage/Copying	5,730
Rent	5,000
Printing	8,462
Data Processing Equipment	5,500
	176,000

Department of Environment, Health, and Natural Resources

Division of Waste Managment *							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	10,976,063	9,769,946	11,747,958	11,420,998	-2.8%	11,425,555	-2.7%
Less Receipts	(5,621,141)	(5,413,012)	(6,529,486)	(6,340,434)	-2.9%	(6,340,434)	-2.9%
Cash Balance +/-	426,629	772,855	-	-		-	
State Appropriations	*5,781,551*	*5,129,789*	*5,218,472*	*5,080,564*	-2.6%	*5,085,121*	-2.6%
Positions	164.00	162.00	160.00	160.00		160.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

* *formerly Division of Solid Waste Management*

DIVISION ACTIVITIES

- Management of solid and hazardous waste
- Clean-up of uncontrolled waste sites
- Provide technical assistance to local governments and waste generators for waste minimization and managment
- Permitting and investigation of waste facilities and sites

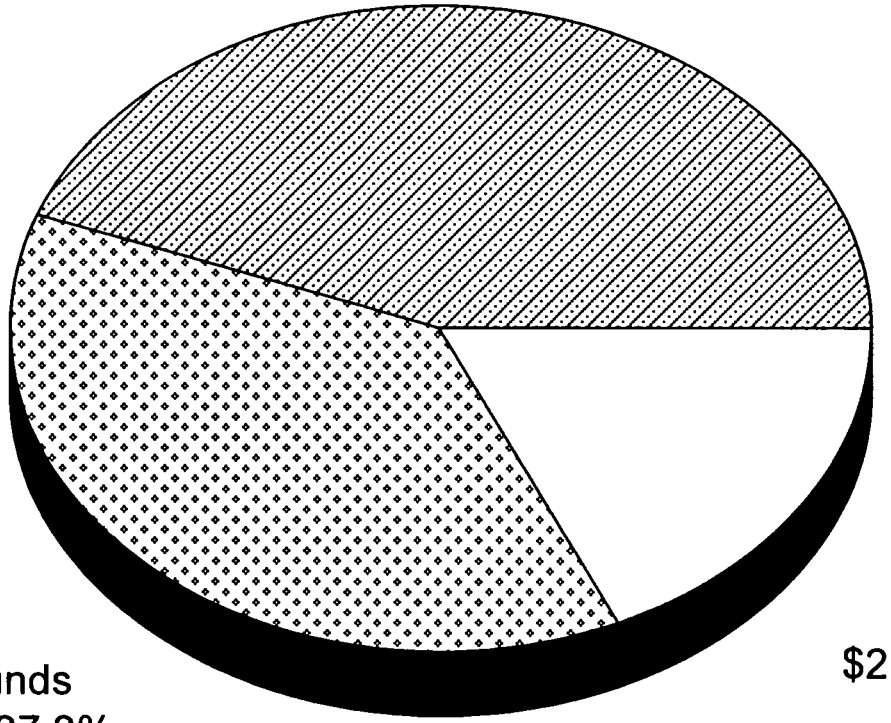
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Y-77 to Y-180
Performance/Program Analysis, Volume 7A, pp. 5-91 to 5-98

Division of Waste Management

FY 1996-97 (Authorized) Fund Sources

State Appropriations
$5,218,472 44.4%



Federal Funds
$4,382,472 37.3%

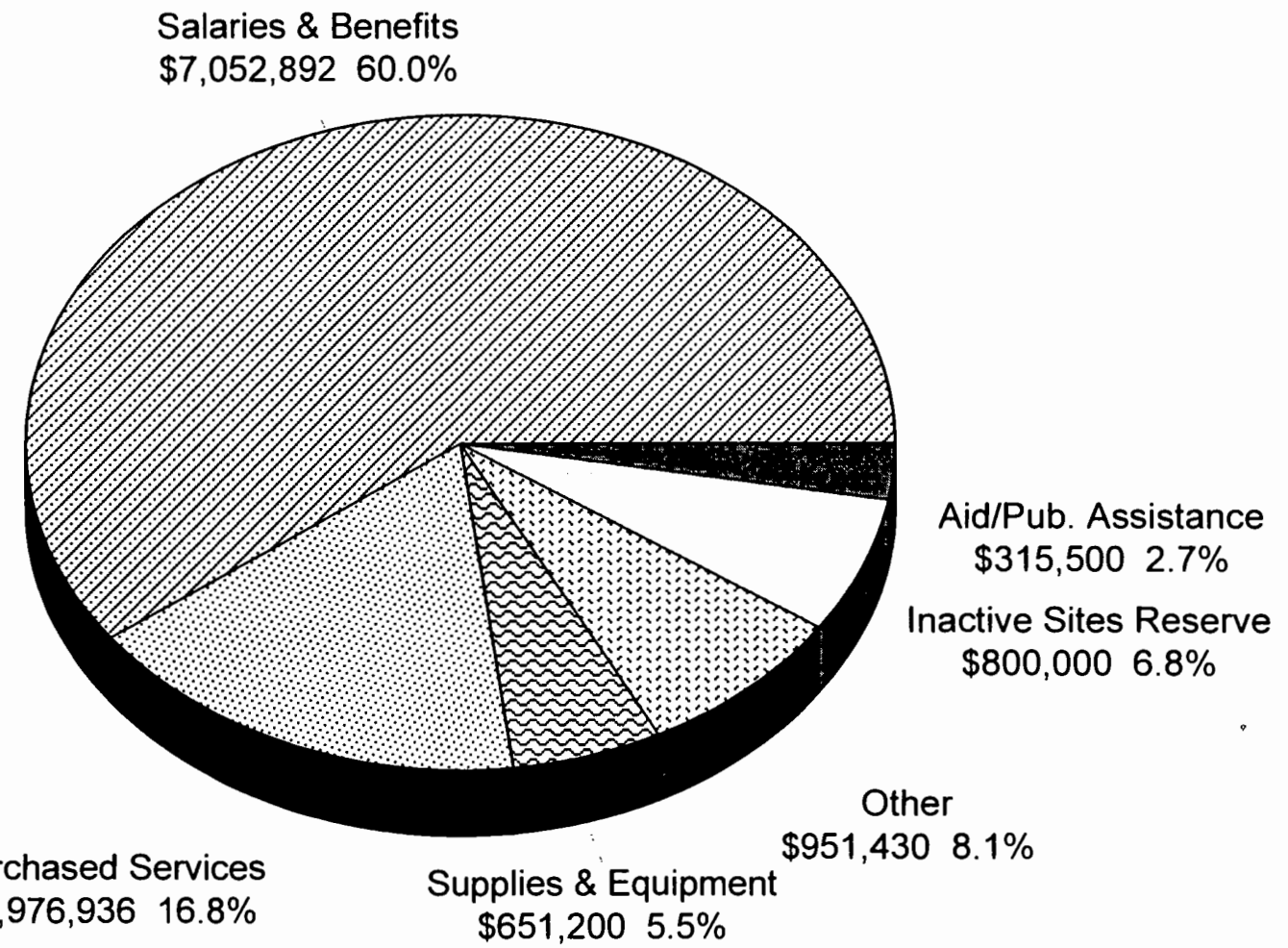
Other
$2,147,014 18.3%

Fiscal Research Division March 1997

EHNR-136

Division of Waste Management

FY 1996-97 (Authorized) Expenditures By Category



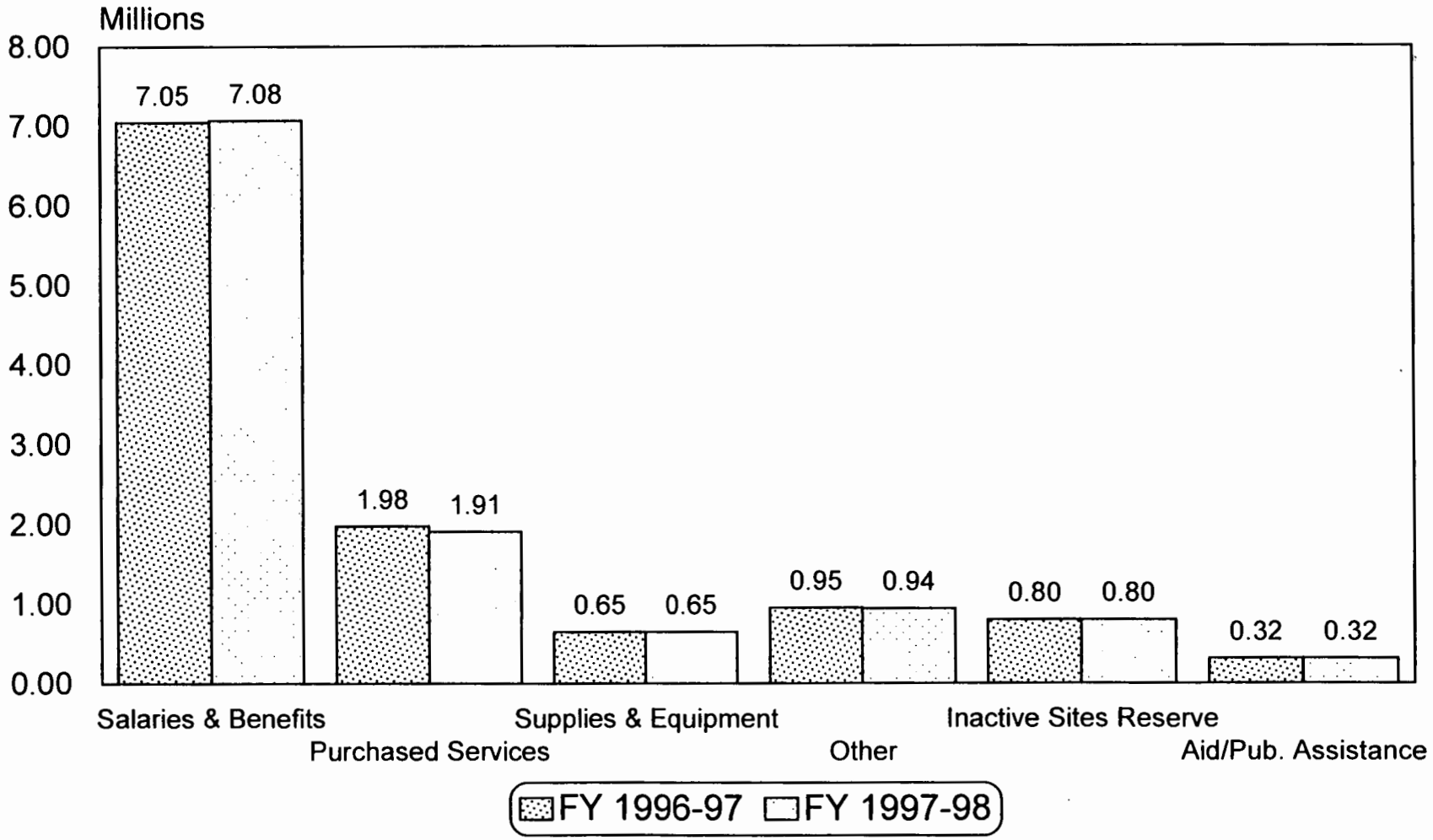
Fiscal Research Division March 1997

EHNR-137

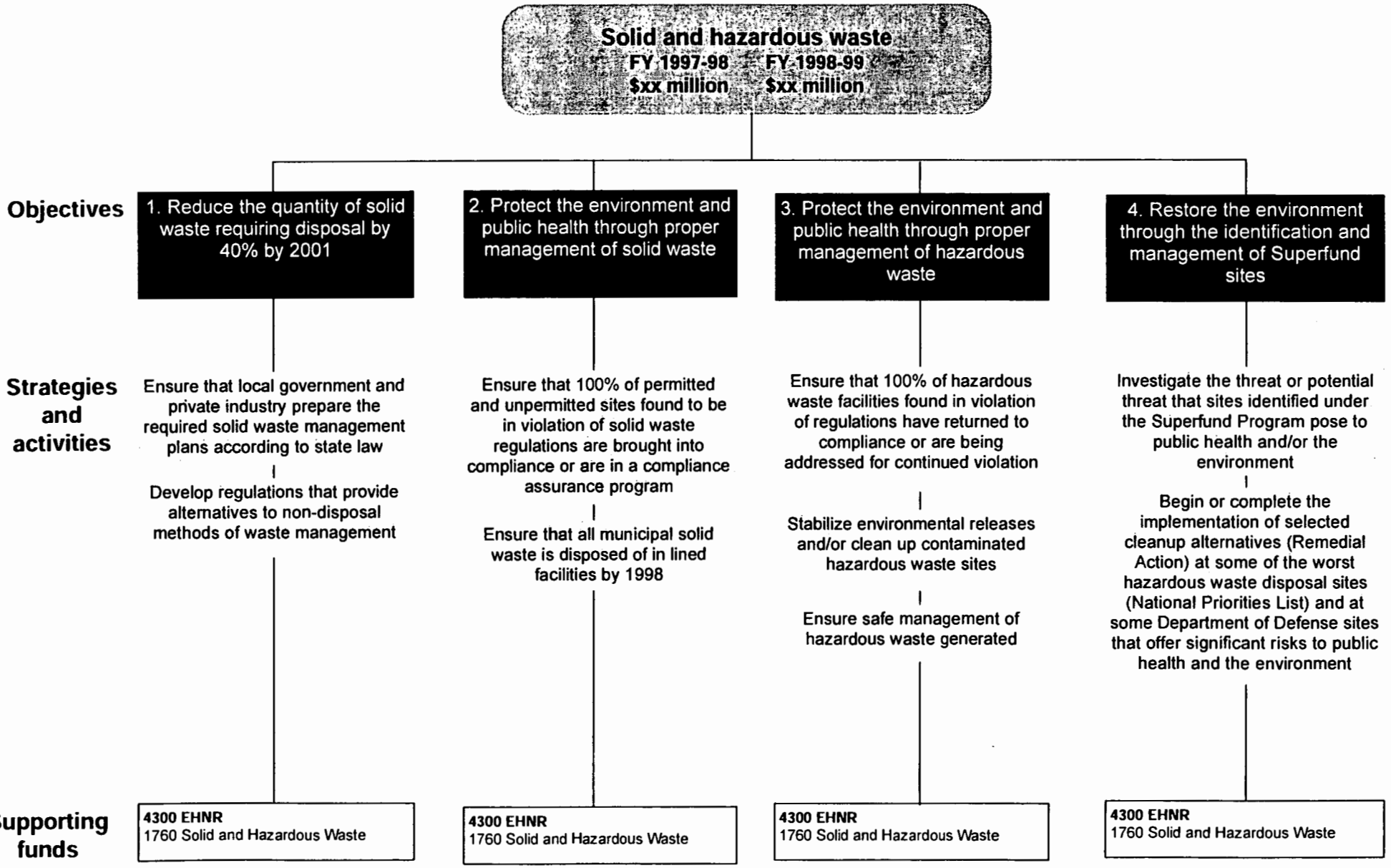
Division of Waste Management

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. 1997-98 Recommended



Fiscal Research Division March 1997


Solid and hazardous waste
FY 1997-98 $xx million
FY 1998-99 $xx million
Objectives
1. Reduce the quantity of solid waste requiring disposal by 40% by 2001
2. Protect the environment and public health through proper management of solid waste
3. Protect the environment and public health through proper management of hazardous waste
4. Restore the environment through the identification and management of Superfund sites
Strategies and activities
Ensure that local government and private industry prepare the required solid waste management plans according to state law
Develop regulations that provide alternatives to non-disposal methods of waste management
Ensure that 100% of permitted and unpermitted sites found to be in violation of solid waste regulations are brought into compliance or are in a compliance assurance program
Ensure that all municipal solid waste is disposed of in lined facilities by 1998
Ensure that 100% of hazardous waste facilities found in violation of regulations have returned to compliance or are being addressed for continued violation
Stabilize environmental releases and/or clean up contaminated hazardous waste sites
Ensure safe management of hazardous waste generated
Investigate the threat or potential threat that sites identified under the Superfund Program pose to public health and/or the environment
Begin or complete the implementation of selected cleanup alternatives (Remedial Action) at some of the worst hazardous waste disposal sites (National Priorities List) and at some Department of Defense sites that offer significant risks to public health and the environment
Supporting funds
4300 EHNR
1760 Solid and Hazardous Waste
4300 EHNR
1760 Solid and Hazardous Waste
4300 EHNR
1760 Solid and Hazardous Waste
4300 EHNR
1760 Solid and Hazardous Waste

Objective 2: Protect the environment and public health through proper management of solid waste.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The number of illegal disposal sites and solid waste management facilities not in compliance with regulations	n/a	n/a	n/a	n/a	592	*533*	*500*	*500*
Performance Measures:								
Number of compliance audits of solid waste management facilities conducted	796	862	1,146	918	816	*800*	*800*	*800*
County solid waste management reports reviewed	100	100	100	100	100	*100*	*100*	*100*
Solid waste facility reports reviewed	38	32	125	129	194	*219*	*220*	*220*
Number of scrap tire management account grants awarded	na.	na.	23	73	75	*75*	*55*	*0*
Municipal solid waste management reports reviewed	511	512	516	516	516	*516*	*516*	*516*
Municipal solid waste landfill reports reviewed	106	109	124	67	67	*67*	*69*	*70*
Number of enforcement actions against solid waste management facilities (compliance orders only)	8	9	28	22	22	*20*	*20*	*20*
Scrap tire hauler registrations	306	444	372	383	673	*675*	*675*	*675*
Number of sites where nuisance scrap tire site clean-up have occurred	6	5	27	43	51	*105*	*0*	*0*
Local government comprehensive solid waste management plans reviewed	n/a	n/a	n/a	n/a	n/a	*n/a*	*130*	*n/a*

Current Situation:

Under current regulations, all municipal solid waste landfills must be fully lined with leachate collection systems by 1998.

Funds:

4300 EHNR
1760 Solid and Hazardous Waste

Objective 4: Restore the environment through the identification and management of Superfund sites.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of Superfund sites at which clean-up activity is initiated *This sharp increase in rate of change is based on projected changes with privitazation of site oversight.	n/a	n/a	222	242	263	*281*	*343**	*365*
Performance Measures:								
Number of Dept. of Defense hazardous waste sites (DOD/DERP)	0	1	10	10	15	*16*	*17*	*18*
Number of preliminary assessments of hazardous waste sites	17	26	14	9	5	*17*	*7*	*7*

Current Situation:

Funds:

4300 EHNR
1760 Solid and Hazardous Waste

DIVISION OF WASTE MANAGEMENT
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96		FY 1996-97	
Eliminate three positions	($158,218) -3.0	R	($158,218) -3.0	R
Change hazardous waste reporting requirement from annual to biannual.			($69,568) -2.0	R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Division of Waste Management in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $226,699

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $130,767 in state appropriations and $95,932 in receipts.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS -- None

	FY 1997-98	FY 1998-99

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Waste Management..

Items for Possible Committee Discussion

In 1995 the General Assembly created a reserve in the Highway Fund for use by the Division of Waste Management to fund a pilot project to identify and select technology for detoxification and remediation of the PCB Landfill in Warren County. A total of $1 million was transferred from the Highway Fund to the division for this purpose. The committee may wish to have the division provide an update on the pilot project.

Department of Environment, Health, and Natural Resources

Division of Water Resources

			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	3,150,023	2,681,627	2,386,977	2,309,706	-3.2%	2,311,405	-3.2%
Less Receipts	(326,169)	(419,776)	(365,396)	(332,725)	-8.9%	(332,725)	-8.9%
State Appropriations	*2,823,855*	*2,261,851*	*2,021,581*	*1,976,981*	-2.2%	*1,978,680*	-2.1%
Positions	33.00	31.00	31.00	31.00		31.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The mission of the Division is to assure the conservation and productive use of the state's water resources through water supply planning, hydrologic analysis, technical assistance, financial assistance to local governments, and promoting cooperative activities among federal, state and local agencies

DIVISION ACTIVITIES

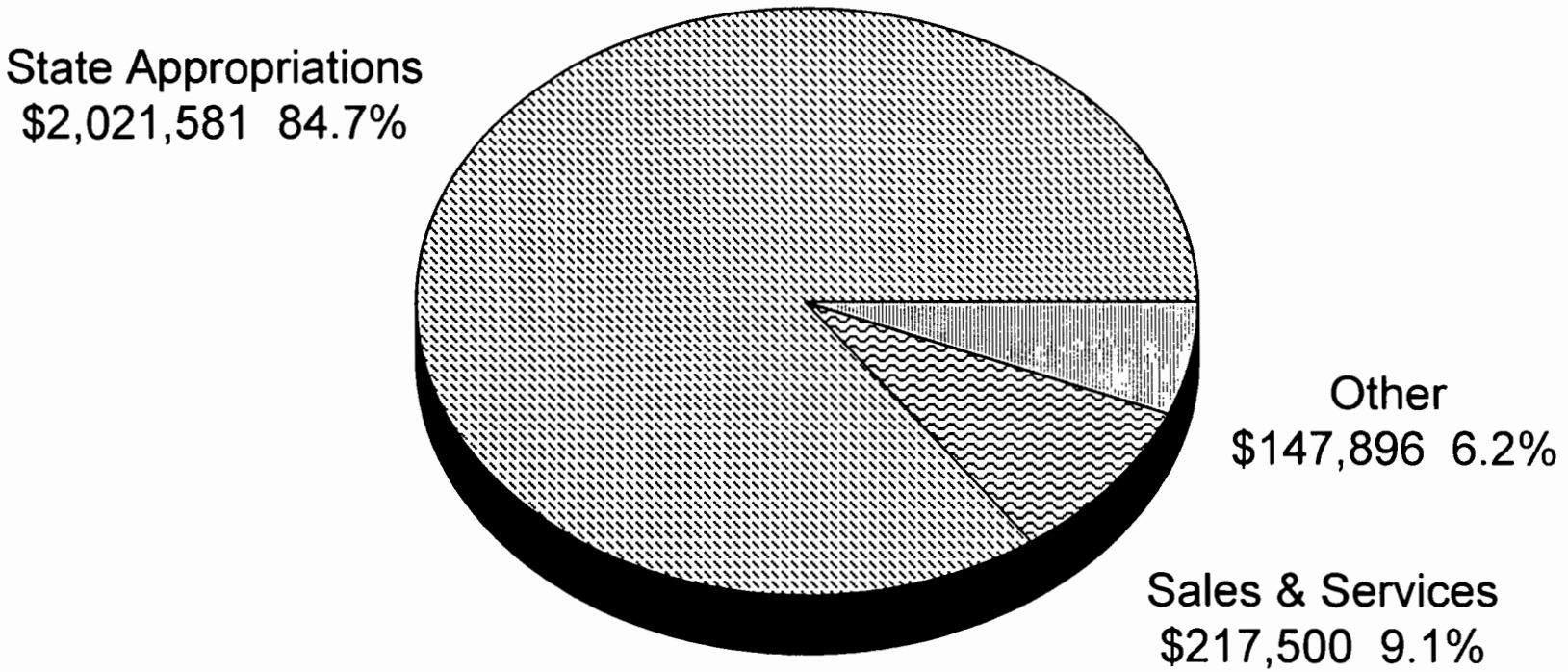
- Water Supply Plan and Management
- Water Resources Development Projects
- Aquatic Weed Control
- Stream Watch and Project Wet

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp Y-134 to Y-137
Performance/Program Analysis, Volume 7a, pp 5-63 to 5-70

Division of Water Resources

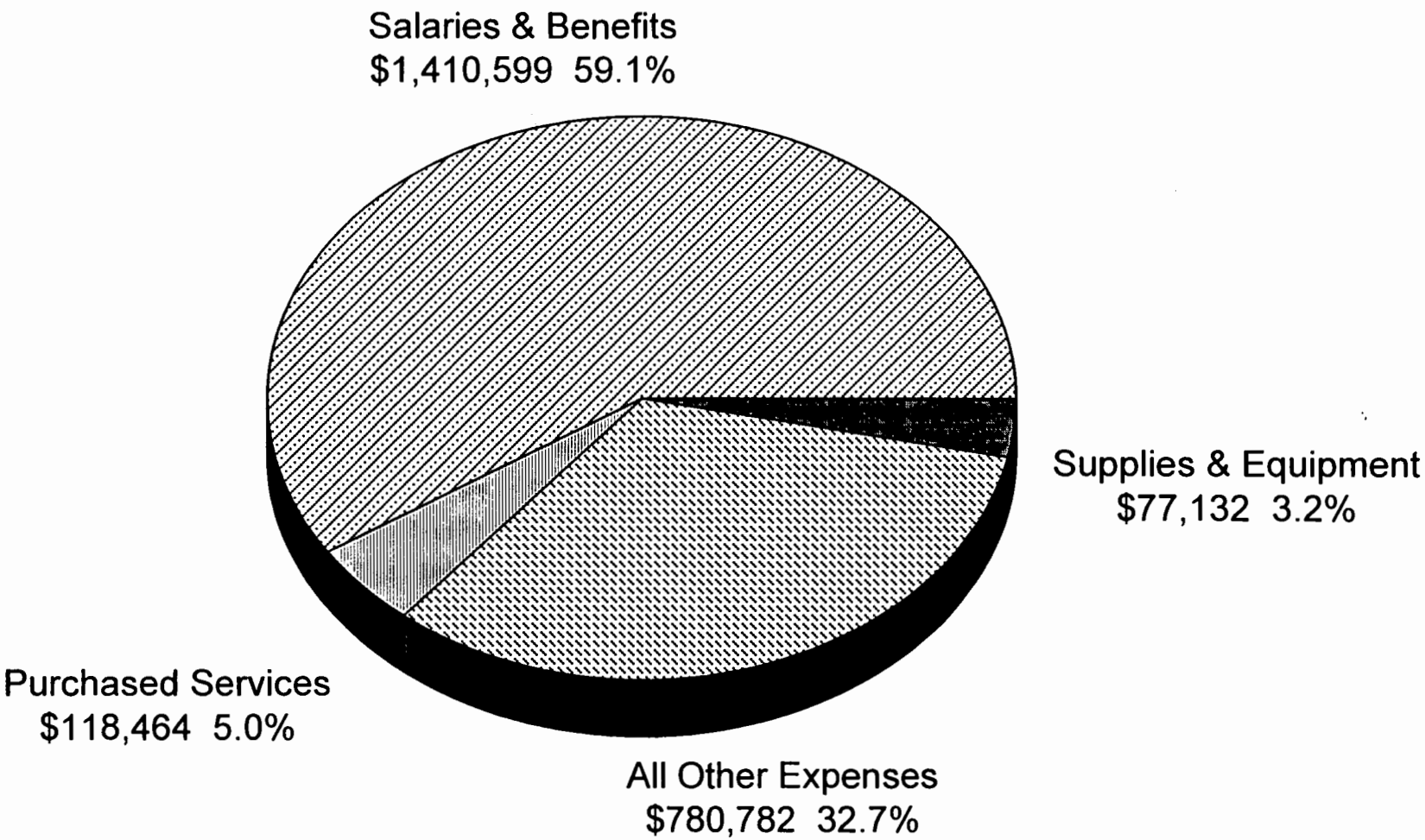
FY 1996-97 (Authorized) Funding Sources



Fiscal Research Division March 1997

Division of Water Resources

FY 1996-97 (Authorized) Expenditures By Category



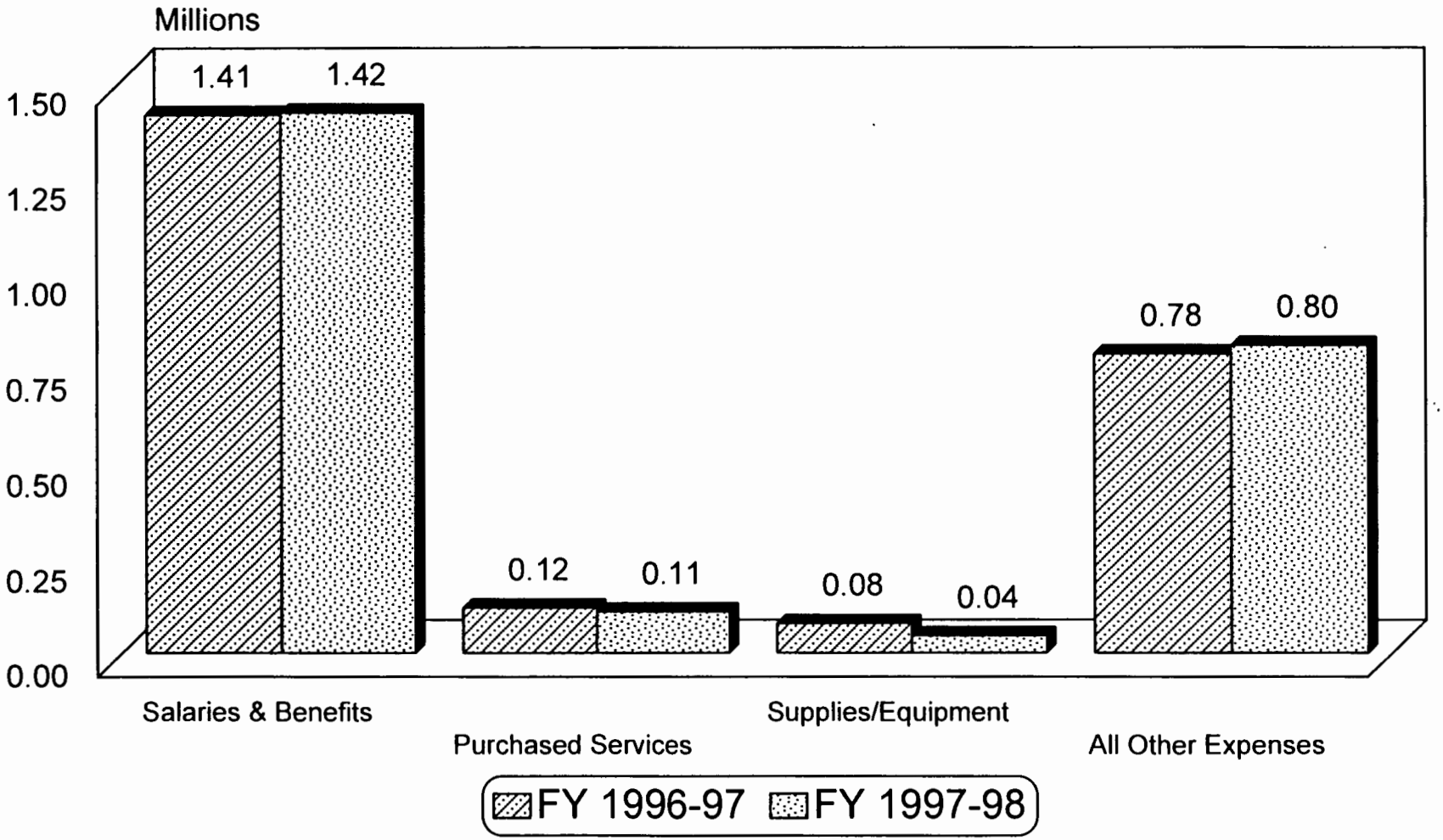
Fiscal Research Division March 1997

EHNR-140

Division of Water Resources

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 1: Ensure that 80% of local governments have water supply plans that indicate the amount of reserve or deficit of the water supply system projected to 2020.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of systems having plans indicating the degree of reserve or deficit water supply in the system projected to 2020	n/a	n/a	n/a	47%	69%	*75%*	*80%*	*80%*
Performance Measures:								
Number of local units of government assisted with water supply plan development	12	25	239	266	250	*100*	*200*	*200*
Number of public water supply systems surveyed by mail (5-year cycle)	n/a	n/a	160	0	0	*0*	*500*	*0*
Number of water withdrawals over 1.0 million gallons per day registered.	n/a	n/a	0	138	2	*3*	*250*	*200*

Current Situation:

Because new water sources can sometimes be difficult and time consuming to develop, local governments need accurate assessments of the reliable yield of their current water supplies and good projections of future needs so that new supply projects can be completed on time. Local governments are assisted in preparing local water supply plans and updating them every five years as well as identifying areas which need management coordination, conservation or provision of water supply for continued economic growth.

Funds:

4300 EHNR
1620 Water Resources

EHNR-148

Objective 2: Ensure that North Carolina surface water and groundwater resources are managed to achieve their maximum beneficial use for water supply while protecting them from depletion.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number or river basins and regional aquifers in which water use conflicts or shortages exist or are projected without adequate management measures in place to correct the problem	4	4	4	5	6	*6*	*6*	*6*
Performance Measures:								
Number of water withdrawals over 1.0 million gallons per day registered	368	16	0	138	2	*3*	*250*	*200*
Number of active United State Geological Survey co-op stream flow gauges	73	73	76	78	77	*78*	*78*	*78*
Number of active United States Geological Survey co-op monitoring wells	56	56	56	56	56	*56*	*56*	*56*
Number of active regional water resources, capacity use and interbasion transfer investigations	11	8	8	9	10	*11*	*12*	*15*
Number of active capacity use permits	n/a	n/a	n/a	n/a	n/a	*27*	*60*	*60*
Number of active interbasin transfer certification investigations	n/a	n/a	n/a	n/a	1	*2*	*3*	*3*
Number of active instream flow evaluations underway to prevent problems with downstream water quality, water quantitiy, recreation, and fish habitat	15	20	23	30	32	*38*	*40*	*40*

Current Situation:

A top priority of this objective is improving monitoring, technical evaluation and management to assure that the central Coastal Plain aquaifer can provide maximum sustained water yeild consistent with protecting the aquifer. This ground water resource is critical to the economy of metropolitan areas in the region including Kinston, New Bern and Jacksonville. Additionally, the Enviornmental Management Commission is currently allocating water from Jordan Lake to support growth in the central Piedmont of the state.

Funds:

4300 EHNR
1620 Water Resources

Objective 3: Ensure that 20% of all local governments have water conservation programs in place by 1997, 40% by 2002, and 60% by the year 2007.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of local governments with water conservation programs	n/a	n/a	n/a	n/a	n/a	*20%*	*24%*	*28%*
Performance Measures:								
Number of active United States Geological Survey co-op monitoring wells	56	56	56	56	56	*56*	*56*	*56*
Number of active interbasin transfer certification investigations	n/a	n/a	n/a	n/a	1	*2*	*3*	*3*
Number of water systems provided water conservation and leak detection assistance	50	30	21	28	11	*20*	*30*	*30*
Number of local units of government assisted with water supply plan development	12	25	239	266	250	*100*	*200*	*300*
Percentage of local government water supply systems that have added or expanded water conservation programs	n/a	n/a	n/a	n/a	n/a	*20%*	*24%*	*28%*

Current Situation:

As new water supplies become more expensive and difficult to develop, local governments are increasingly considering water conservation as a practical means of using water more efficiently, reducing the amount of new supplies required.

Funds:

4300 EHNR
1620 Water Resources

Objective 4: Provide coordination, planning, management, and funding of water resources development projects for navigation, flood control, drainage, stream restoration, beach protection, recreation, and aquatic weed control.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of water resources development projects with sound benefit-cost ratios and acceptable environmental impacts which receive state funding and technical assistance	n/a	n/a	n/a	n/a	100%	*100%*	*100%*	*100%*
Performance Measures:								
Number of water resources development projects receiving technical or financial assistance	n/a	n/a	n/a	n/a	45	*46*	*48*	*50*
Number of local governments receiving state assistance for water resource development projects	10	4	18	15	25	*25*	*25*	*25*
Number of aquatic weed control projects completed	28	36	37	55	50	*60*	*60*	*60*
Number of local governments receiving state assistance in aquatic weed control	20	24	25	31	24	*30*	*30*	*30*
Number of Stream Watch groups directly assisted with environmental education or stream improvement projects	40	42	45	45	44	*48*	*50*	*50*

Current Situation:

As authorized by G.S. 143-215.70-73, funding is provided for state and local government major water resources development projects. These projectsa re coordinated with the U.S. Army Corps of Engineers. A water resources development plan is issued each year to set priorities for funding projects and to forecast funding requirements six years into the future.

Funds:

4300 EHNR
1620 Water Resources

EHNR-151

DIVISION OF WATER RESOURCES
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1. Eliminate positions	($97,313) R -2.00	($97,313) R -2.00
2. Supplies and Equipment	($3,422) R	($3,422) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS		
1. Aquatic Weed Assessment	$ 30,000 NR	
2. Water Resources Development Projects	$2,065,000 NR	$8,705,000 NR

REPAIRS AND RENOVATIONS

None

Fiscal Research Division March 1997

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $52,059
Incorporates the Division's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $48,591 in state appropriations and $3,468 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1. **Statewide Aquatic Weed Assessment** - The 1995 NER Appropriations Subcommittees requested a special provision that required the Department to study aquatic weed infestation on a statewide basis. The Committee may wish to have the Department comment on the report's findings and recommendations.

2. **Federal Funds and the U.S. Army Corps of Engineers Budget** - The Committee may wish to have the Department address the current status of federal funding as it relates to small navigation and beach protection projects for the state. Recent federal proposals include eliminating new flood control projects except those with multi-state involvement, eliminating new beach protection projects, and cutting out maintenance of existing small navigation projects.

3. **Falls Lake and Hurricane Fran** - The Committee may wish to have the Department address the circumstances related to additional releases of water into the Neuse River Basin from the Falls Lake Reservoir following Hurricane Fran.

EHNR-153

EHNR/DWR 10/03/96

FALLS LAKE AND ITS RELATIONSHIP TO FLOODING IN THE NEUSE RIVER BASIN

- The cause of the recent flooding in the Neuse River Basin is the intense rainfall from Hurricane Fran that fell on both the upper and the middle portions of the Neuse River Basins. The runoff from this rain caused some streams to flow at levels expected to occur only every 200 to 500 years.

- At Falls Lake, the inflow into the lake reached a peak of 82,000 cubic feet per second. The flood control space at Falls Lake quickly filled to within 2 feet of the emergency spillway elevation. Falls Lake had flood storage space left for only about an additional one inch of runoff over its drainage basin.

- After the flood control storage at Falls Lake had almost been filled up, the danger of additional heavy rains continued. Hurricane Hortense was forming and its direction was unknown. Several weeks of the hurricane season remained to be faced. There was also a pattern of intense rain in the Neuse Basin in the period following Hurricane Fran.

- If another intense rainfall event had struck the drainage area of Falls Lake with the flood control pool full, a disastrous outflow of flood waters into the Neuse Basin would have resulted. It was necessary to gradually release flood water from Falls Lake to reduce this risk.

- As flood waters were being gradually released from Falls Lake, the release rates varied from 4,000 to 7,500 cfs, compared to a peak flow of water into Falls of 82,000 cfs. Because it takes several days for Falls releases to reach Kinston, the upper range of these releases reached Kinston after the flood crest had passed.

- The effect of releases from Falls Lake at Kinston has been studied by examining data from river flow gages and other information. At the peak of the flood height in Kinston, the flow in the Neuse River was about 26,000 cfs. Releases of water from Falls Lake amounted to about 4 inches of the flood depth. If Falls Lake had not been in place, functioning as a flood control project, flood depths at Kinston would have been about 3 ½ feet deeper that they were with flood protection from Falls. Falls Lake, therefore, provided a major reduction in flood damages at Kinston.

- Falls Lake controls only about 29 percent of the drainage area above Kinston. For this reason, Falls Lake cannot be counted on to provide complete flood protection at Kinston. To minimize future damages from floods, Kinston needs to consider a comprehensive program of flood damage reduction including flood plain zoning, flood proofing, community development policies, and other measures. The community should evaluate the feasibility of local flood protection measures, such as dikes. An evaluation is needed to determine whether these measures would be acceptable and effective.

- The flooding at Kinston and at other communities along the Neuse River is tragic. Persons have lost their homes and suffered major economic loses. Actions are needed to help prevent future damages from floods. In order to take effective measures, all participants need to understand the cause of flooding and the types of actions that will reduce damages.

Department of Environment, Health, and Natural Resources

Division of Coastal Management							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	3,541,041	4,205,590	5,317,412	4,107,845	-22.7%	4,105,269	-22.8%
Less Receipts	(2,082,036)	(2,451,613)	(3,282,678)	(2,079,946)	-36.6%	(2,079,946)	-36.6%
State Appropriations	*1,459,005*	*1,753,977*	*2,034,734*	*2,027,899*	-0.3%	*2,025,323*	-0.5%
Positions	54.00	61.00	57.00	57.00		57.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The Division of Coastal Management protects coastal wetlands, estuarine and public trust waters, barrier islands, ocean resources, and critical areas by operating a comprehensive planning and management program for 20 coastal counties.

DIVISION ACTIVITIES

- Comprehensive planning
- Administer coastal development (CAMA) permits
- Acquire and manage a system of coastal natural areas
- Technical assistance for coastal land use planning
- Public Beach and Coastal Waterfront Access Program

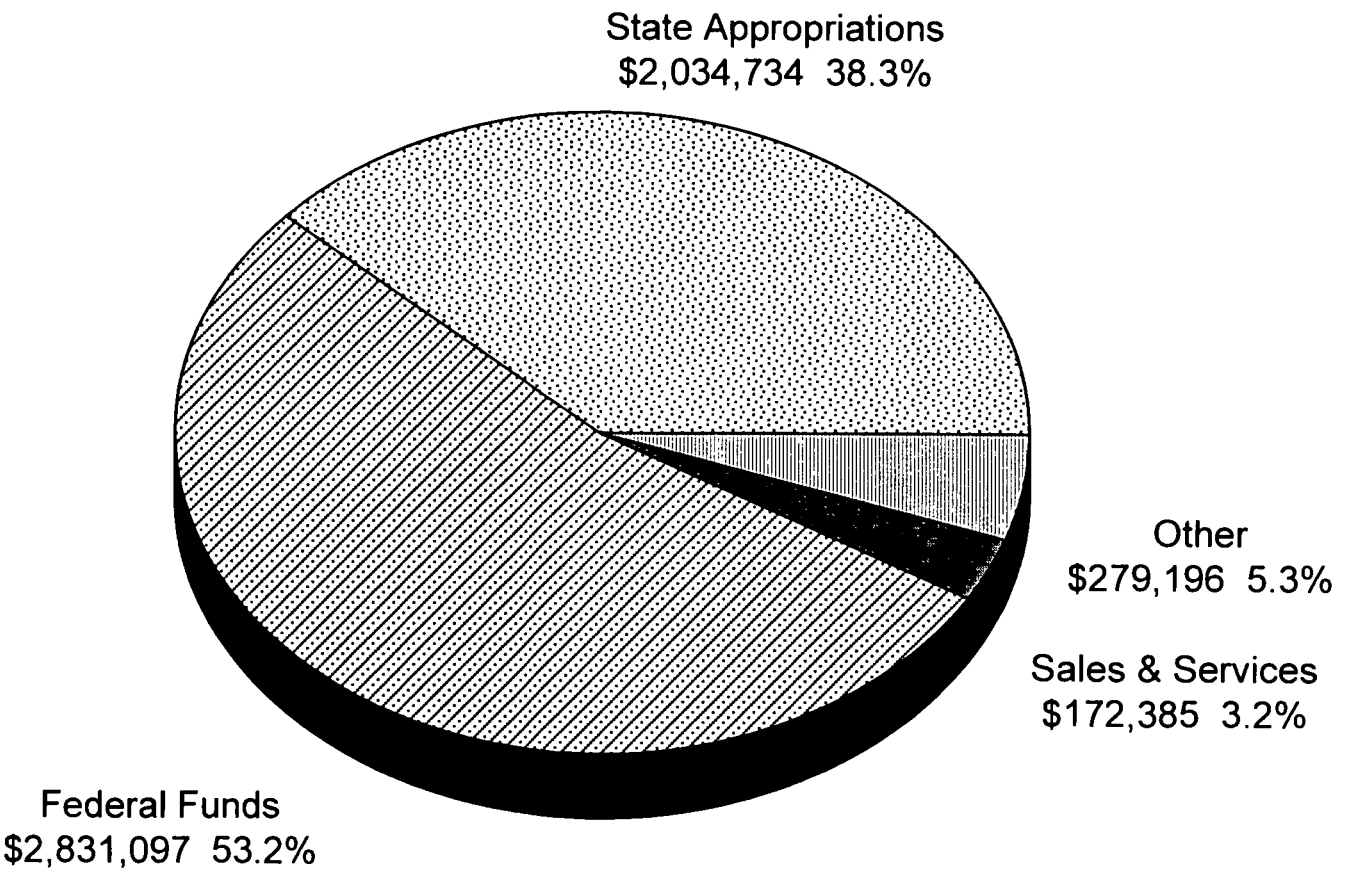
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp Y-137 to Y-140
Performance/Program Analysis, Volume 7a, pp 5-37 to 5-45

EHNR-155

Division of Coastal Management

FY 1996-97 (Authorized) Fund Sources

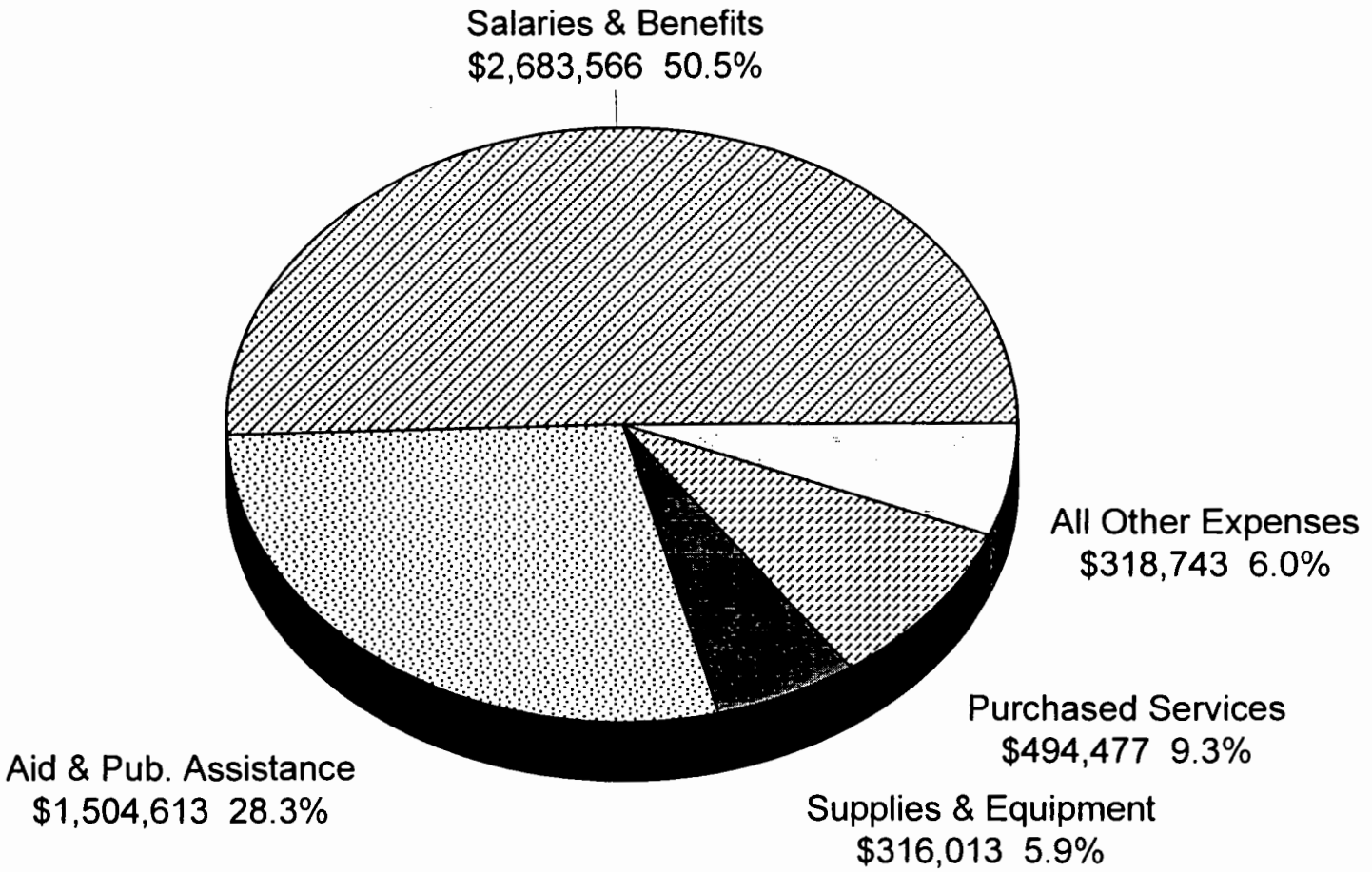


Fiscal Research Division March 1997

EHNR-156

Division of Coastal Management

1996-97 (Authorized) Expenditures By Category



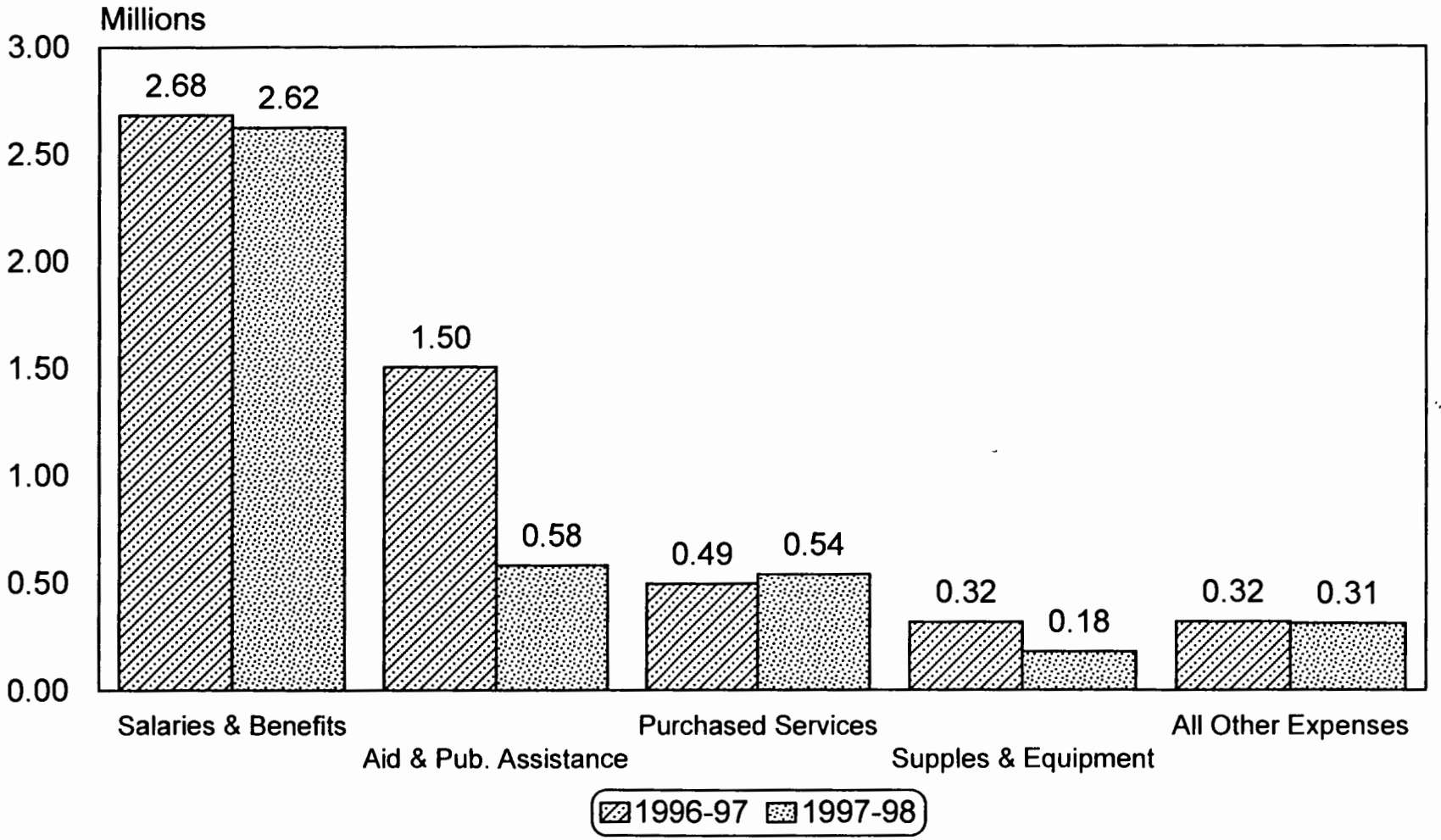
Fiscal Research Division March 1997

EHNR-157

Division of Coastal Management

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 2: Increase the number of individuals participating in on-site and off-site educational activities sponsored by the NC Coastal Reserve by 10% over the 1994 level.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of individuals participating in on-site and off-site educational activities sponsored by the NC Coastal Reserve program	n/a	n/a	n/a	n/a	3,446	*3,500*	*3,700*	*3,900*
Performance Measures:								
Number of individuals participating in organized educational experiences at the Reserves through educational institutions such as NC Aquariums and universities	700	3,847	4,000	4,000	13,808	*4,500*	*4,750*	*5,000*
Number of participants in coastal and estuarine educational experiences in on- and off-site activities	2,550	7,113	7,472	7,500	3,446	*7,500*	*7,850*	*8,200*

Current Situation:

A site manager was hired in 1996 to develop programs for the Coastal Reserves Program at Buxton Woods, Kitty Hawk Woods and Currituck Banks. This will improve the quantity and quality of environmental education programs available to the public at these locations.

Funds:

4300 EHNR
1625 Coastal Management

Objective 3: Assist and support the development and implementation of local government land-use plans in the coastal plain.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The number of local government land-use plans certified by the Coastal Resources Commission	n/a	n/a	20	20	20	*20*	*20*	*20*
Performance Measures:								
Total local planning and management grant funds applied for by incorporated municipalities and counties within a 20-county coastal region	$203,356	$234,414	$187,151	$348,557	651,732	*$400,000*	*$430,000*	*$460,000*
Number of project requests submitted by incorporated municipalities and counties within a 20-county coastal region for local planning and management grants	24	34	23	43	32	*50*	*55*	*57*
Number of local planning and management project grants awarded to incorporated municipalities and counties within a 20-county coastal region	22	24	20	22	32	*25*	*27*	*24*
Number of regional land-use planning projects funded	0	0	0	0	6	*1*	*5*	*5*

Current Situation:

To achieve more effective land-use planning, local governments are being encouraged to develop integrated regional land use plans to address specific needs such as waste disposal, water supply and transportation.

Funds:

4300 EHNR
1625 Coastal Management

Objective 4: Reduce the average CAMA permit processing time by 10% better than 1995 average.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measure:								
Number of days required to process a CAMA permit application	n/a	n/a	77.4	78.2	77.2	*76.0*	*75.0*	*74.0*
Performance Measures:								
Number of general coastal land development permits processed	1,003	1,156	1,049	1,069	1,191	*1,300*	*1,400*	*1,500*
Number of major coastal land development permits processed	115	156	157	156	165	*175*	*185*	*195*
Number of minor coastal land development permits processed	821	793	923	1,261	1,064	*1,000*	*1,100*	*1,200*
Percent of Coastal Area Management Act (CAMA) major development permits denied	7.8%	9.6%	9.5%	5.0%	5.5%	*7.0%*	*8.0%*	*9.0%*
Number of Nationwide Permits reviewed for consistency with objectives of the NC-CMP	62	155	147	166	198	*200*	*200*	*200*

Current Situation:

Efforts are underway to expedite the issuance of an expected large volume of CAMA permits in the wake of Hurricane Fran.

Funds:

4300 EHNR
1625 Coastal Management

Objective 5: To increase the number of public access areas in coastal North Carolina by 20% over the 1994 level.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The number of public access areas in the 20 coastal counties	210	220	227	236	244	*250*	*265*	*280*
Performance Measures:								
Total dollar amount of public access funds applied for (in millions)	$1.6	$2.0	$1.7	$1.7	$2.3	*$1.7*	*$2.5*	*$2.8*
Number of project applications submitted for public access grants	23	31	26	29	37	*25*	*40*	*45*
Total required local government matching contributions (cash and in-kind services) committed to public access grant funds awarded	$142,133	$279,642	$334,397	$604,937	$188,623	*$350,000*	*$400,000*	*$425,000*
Number of public access project grants awarded	7	11	7	9	8	*10*	*20*	*20*
Total number of public access areas constructed with financial assistance from the state beach and waterfront access grant program	210	220	227	236	244	*250*	*265*	*280*

Current Situation:

Beginning in July 1996, five percent of the funds collected into the Parks and Recreation Trust fund were dedicated to coastal access development. Development of public access areas long the coast is expected to increase as a result of this regular source of funding.

Funds:

4300 EHNR
1625 Coastal Management

EHNR-162

DIVISION OF COASTAL MANAGEMENT
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1. Supplies and Equipment	($3,038) R	($3,038) R
SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS		
1. Funds for technical support and aid to local governments for land use planning activities and additional staff and support for the N.C. Coastal Reserve Program	$514,980 R $19,000 NR 4.00	$514,980 R 4.00
2. Funds to support the Adopt-a-Beach pilot program		$ 30,000 NR

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $104,149
Incorporates the Division's share of the 4.5% salary increase appropriated by the General Assembly in the Extraordinary Session. The increase was funded with $71,359 in state appropriations and $32,790 in receipts.

Fiscal Research Division March 1997

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1. The 1996 General Assembly appropriated $30,000 to support the Adopt-A-Beach Project to clean and maintain 5 ocean front and 2 sound-side accesses. The Committee may wish to have the Department provide an update on this program and the feasibility of expanding to other sites.

Department of Environment, Health, and Natural Resources

Division of Air Quality *							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	12,056,010	15,583,613	19,249,276	19,088,407	-0.8%	19,092,640	-0.8%
Less Receipts	(14,165,239)	(19,057,882)	(17,783,052)	(17,876,491)	0.5%	(17,880,097)	0.5%
Cash Balance +/-	4,024,732	5,054,046	-	-		-	
State Appropriations	*1,915,503*	*1,579,777*	*1,466,224*	*1,211,916*	-17.3%	*1,212,543*	-17.3%
Positions	284.00	285.75	278.75	278.75		278.75	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

* *formerly located in the Division of Environmental Management as a section*

DIVISION ACTIVITIES

- Establishes ambient air quality standards and monitors air quality
- Permits and inspects stationary air emission sources
- Establishes inspection/maintenance programs for motor vehicles.
- Determines appropriate controls to protect air quality standards through the use of modeling

Cross References For Budget Volumes

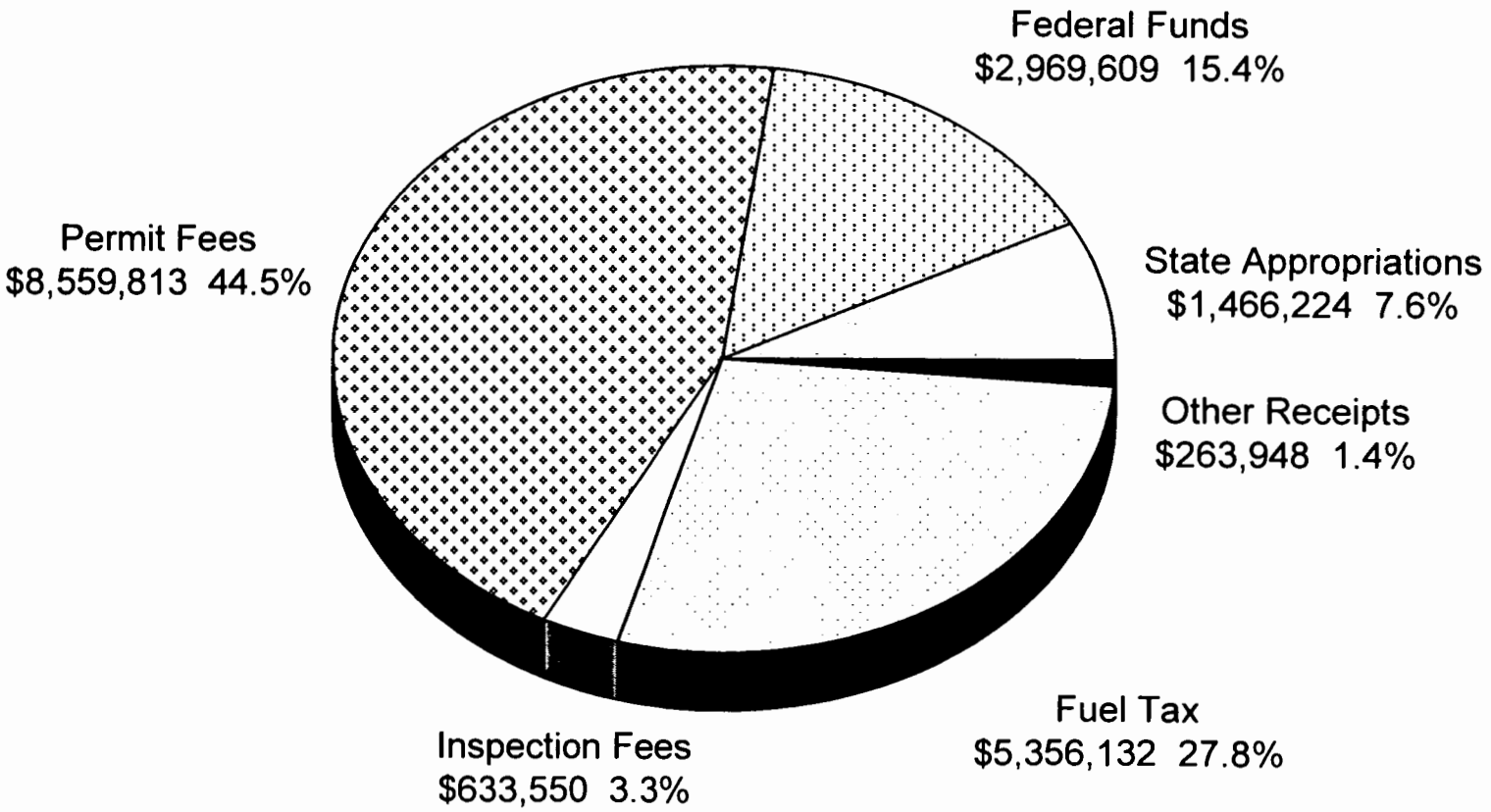
Governor's Budget, Volume 5, pp. Y-181 to Y-Y-188; Y-200; Y-202; Y-204
Performance/Program Analysis, Volume 7A, pp. 5-125 to 5-132

Division of Air Quality

EHNR-165

Fund Sources

FY 1996-97 Authorized



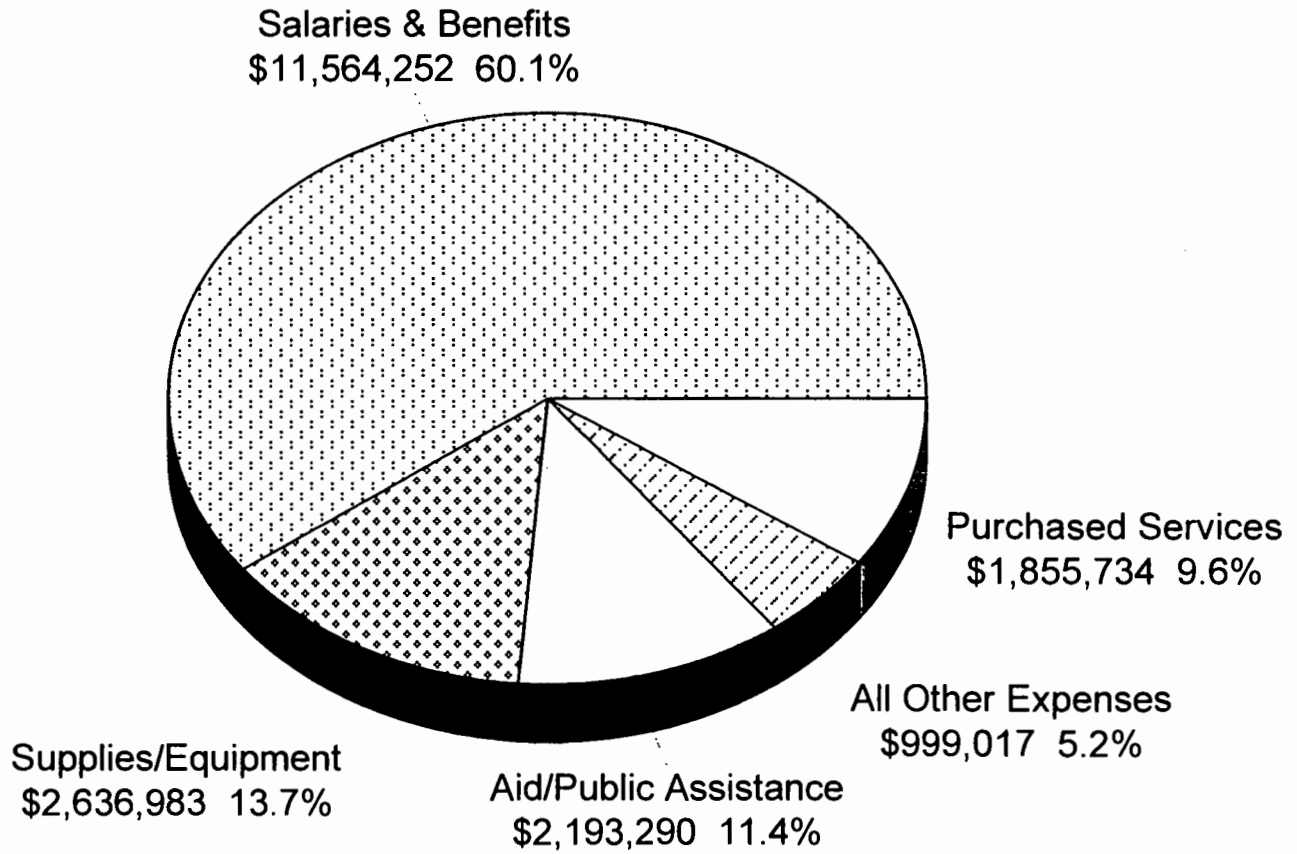
Fiscal Research Division -- March 1997

EHNR-166

Division of Air Quality

Expenditures by Category

FY 1996-97 Authorized



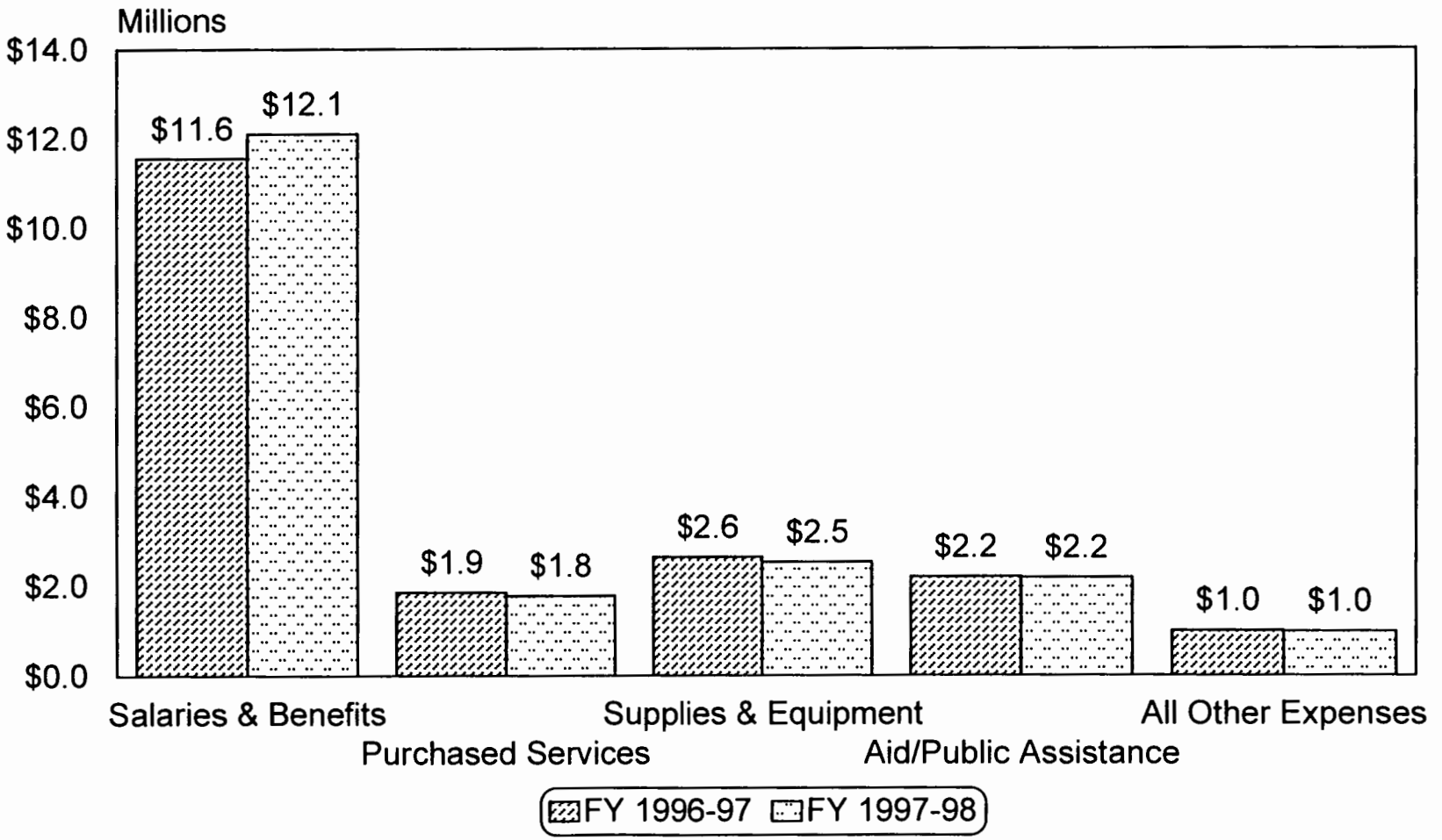
Fiscal Research Division -- March 1997

EHNR-167

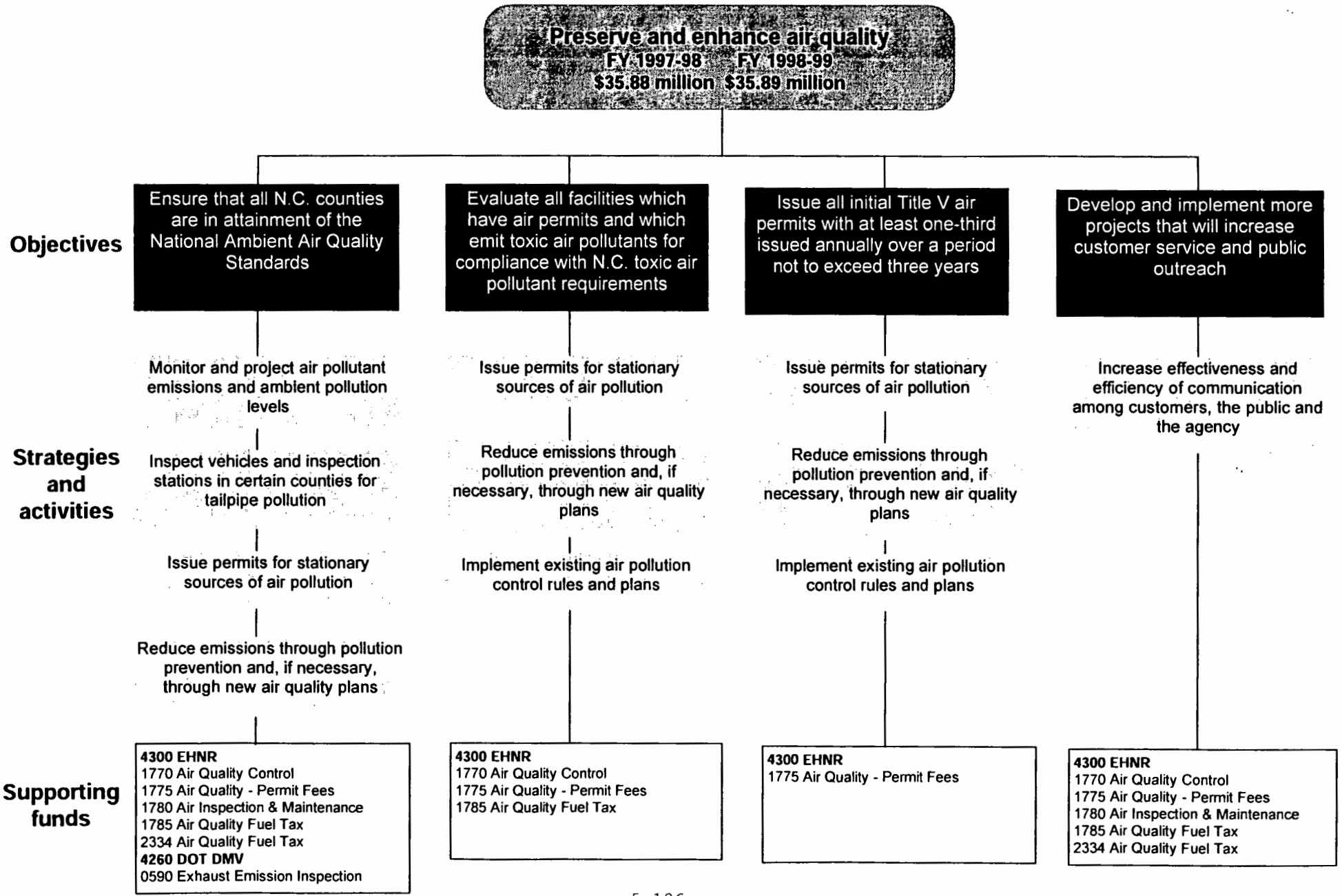
Division of Air Quality

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997


Preserve and enhance air quality
FY 1997-98 $35.88 million
FY 1998-99 $35.89 million
Objectives
Ensure that all N.C. counties are in attainment of the National Ambient Air Quality Standards
Evaluate all facilities which have air permits and which emit toxic air pollutants for compliance with N.C. toxic air pollutant requirements
Issue all initial Title V air permits with at least one-third issued annually over a period not to exceed three years
Develop and implement more projects that will increase customer service and public outreach
Strategies and activities
Monitor and project air pollutant emissions and ambient pollution levels
Inspect vehicles and inspection stations in certain counties for tailpipe pollution
Issue permits for stationary sources of air pollution
Reduce emissions through pollution prevention and, if necessary, through new air quality plans
Issue permits for stationary sources of air pollution
Reduce emissions through pollution prevention and, if necessary, through new air quality plans
Implement existing air pollution control rules and plans
Issue permits for stationary sources of air pollution
Reduce emissions through pollution prevention and, if necessary, through new air quality plans
Implement existing air pollution control rules and plans
Increase effectiveness and efficiency of communication among customers, the public and the agency
Supporting funds
4300 EHNR
1770 Air Quality Control
1775 Air Quality - Permit Fees
1780 Air Inspection & Maintenance
1785 Air Quality Fuel Tax
2334 Air Quality Fuel Tax
4260 DOT DMV
0590 Exhaust Emission Inspection
4300 EHNR
1770 Air Quality Control
1775 Air Quality - Permit Fees
1785 Air Quality Fuel Tax
4300 EHNR
1775 Air Quality - Permit Fees
4300 EHNR
1770 Air Quality Control
1775 Air Quality - Permit Fees
1780 Air Inspection & Maintenance
1785 Air Quality Fuel Tax
2334 Air Quality Fuel Tax

Objective 1: Ensure that all N.C. Counties are in attainment of the National Ambient Air Quality Standards.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of NC counties in attainment of National Ambient Air Quality Standards	91	91	95	96	100	*100*	*100*	*100*
Performance Measures:								
Number of vehicles inspected and emission certificates issued (in millions)	1.19	1.39	1.97	2.02	2.09	*2.10*	*2.11*	*2.12*
Number of vehicles in non-compliance with air emission standards which are repaired in nine counties (Mecklenburg, Wake, Forsyth, Guilford, Durham, Gaston, Orange, Cabarrus, Union)	35,770	48,500	73,000	72,900	70,200	*74,600*	*76,900*	*79,400*
Number of ambient air monitors operated	77	79	80	82	85	*95*	*101*	*106*
Number of air quality permits issued for new and existing Title V and non-Title V sources	1,444	1,573	1,510	1,654	1,372	*1,414*	*1,455*	*1,499*
Number of compliance inspections on major and minor emission sources conducted	1,800	1,626	1,341	1,744	2,390	*2,100*	*2,100*	*2,100*

Current Situation:

An anticipated lowering of the levels of pollutants allowed by National Standards could result in current attainment areas being non-attainment. This may require the use of reformulated fuels and other strategies, such as new mass transit programs, to help bring urban areas back into attainment.

Funds:

4300 EHNR
1770 Air Quality Control
1775 Air Quality - Permit Fees
1780 Air Inspection & Maintenance
1785 Air Quality Fuel Tax
2334 Air Quality Fuel Tax
4260 DOT DMV
0590 Exhaust Emission Inspection

Objective 2: Evaluate all facilities which have air permits and which emit toxic air pollutants for compliance with N.C. toxic air pollutant requirements.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of facilities evaluated for toxics compliance	n/a	n/a	n/a	n/a	38	*45*	*50*	*60*
Performance Measures:								
Number of facilities reviewed whose quantified toxic emissions are below permit screening levels and which are not required to obtain a permit to emit toxic air pollutants	n/a	n/a	n/a	596	106	*135*	*145*	*315*
Number of new and modified permits to emit toxic air pollutants issued to facilities whose quantified toxic emissions are above permit screening levels	228	247	124	199	111	*120*	*130*	*180*
Number of new and modified permits to emit toxic air pollutants issued to facilities required to apply Maximum Feasible Control Technology	n/a	n/a	n/a	0	0	*1*	*1*	*1*
Number of investigations for toxic air pollutants completed	20	22	7	9	9	*15*	*15*	*15*

Current Situation:

An Air Toxics Working Group established by the Environmental Review Commission, pursuant to the Studies Act of 1995, closely examined the state's toxic air pollutant control program and made recommendations resulting in substantial program changes.

Funds:

4300 EHNR
1770 Air Quality Control
1775 Air Quality - Permit Fees
1785 Air Quality Fuel Tax

Objective 3: Issue all initial Title V air permits with at least one-third issued annually over a period not to exceed three years.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of Title V facilities permitted in accordance with North Carolina Title V air permit requirements	n/a	n/a	n/a	n/a	0	*33*	*67*	*100*
Performance Measures:								
Number of air quality permits issued for existing Title V sources	n/a	n/a	n/a	n/a	350	*361*	*371*	*382*
Number of air quality permits issued for new Title V sources	n/a	n/a	n/a	n/a	12	*12*	*13*	*13*
Number of compliance inspections on major emission sources conducted	1,000	924	703	1,093	487	*900*	*900*	*900*

Current Situation:

During 1993 and 1994 many major sources took steps to become minor sources so they would not be covered by the Title V Program.

Funds:

4300 EHNR
1775 Air Quality - Permit Fees

EHNR-172

DIVISION OF AIR QUALITY
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96		FY 1996-97	
Eliminate 1 vacant position and shift funding for 14 positions to receipt support. (12 positions shifted to fuel tax receipts and 2 positions shifted to Federal Title V funds).	($545,581) -15.0	R	($545,518) -15.0	R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS				
Above Ground Storage Tanks Funds for inspection and monitoring of large oil terminal and bulk handling facilities in Mecklenburg County.	$300,000	NR	$200,000	NR

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Division of Air Quality in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $407,217

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $38,063 in state appropriations and $369,154 in receipts.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS	FY 1997-98	FY 1998-99
Adjustment to eliminate nonrecurring funding for inspection and monitoring of aboveground storage tanks.	($200,000)	($200,000)

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Air Quality.

EHNR-174

Items for Possible Committee Discussion

Permit Fees and Fuel Tax Receipts

The division's programs and activities are supported primarily with permit fees and fuel tax receipts. For the 1994-95 fiscal year, permit fees and fuel tax receipts accounted for $3,556,526 of the $4,024,732 increase in the cash balance of the Air Quality Division's special funds. For the 1995-96 fiscal year, these receipts accounted for $4,873,454 of the $5,054,046 increase in the cash balance. The committee may wish to have the division explain the current and planned use of these receipts, and comment on the growing cash balance.

Joint Appropriations Committee on
Natural and Economic Resources

March 5, 1997 (Morning)

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

Department of Environment, Health, and Natural Resources (DEHNR)

Land Resources Division
Mona Moon
Fiscal Research Division

Division of Water Quality
Mona Moon
Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

Joint Appropriations Subcommittee
On
Natural and Economic Resources

Wednesday, March 5, 1997 at 8:30 a.m.

Minutes

The Joint Appropriations Subcommittee on Natural and Economic Resources met on Wednesday, March 5, 1997 at 8:30 a.m. in Room 423 of the Legislative Office Building. Five Senate members attended the meeting, including Senator R.L. Martin, who presided. Ten House members were present. They were as follows: Representative Mitchell, Representative Baker, Representative Carpenter, Senator Culp, Representative Fox, Representative Hall, Representative Owens, Representative Tolson, Representative Weatherly, and Representative Wilkins.

Senator Martin called on Ms. Mona Moon of the Fiscal Research Division to present the Land Resources Division portion of the budget (See Attachment A). She explained the Division of Land Resources' activities included assisting in the exploration and identification of the state's mineral and energy resources, protecting the public and property from dam failures, and to ensure remediation of surfaced mined areas to reduced and control sedimentation pollution. The Governor's recommended continuation request for the 1997-98 fiscal year was $4.8 million with receipts offsetting that of $1 million leaving a state appropriation of $3.7 million. There are sixty-five positions within the Division of Land Resources. There were no recommended reductions. Ms. Moon then stated the division had identified approximately 1,500 dams that pose a threat to human life and property and that the committee may wish to have the division discuss the dam safety program and explain how they plan to address this threat.

Mr. Charles Gardner of the Land Resources Division addressed the committee about the condition of the dams. He stated that there were two problems, one being that the dams were old farm pond dams built with corrugated pipe that are starting to rust out, and are now in suburban areas, and the other being they were once in rural areas where they are now in populated areas.

Senator Martin again called Ms. Mona Moon of the Fiscal Research Division to go over the budget for the Division of Water Quality (See Attachment B). She explained the division activities to include: issuing permits to control sources of pollution, monitoring compliance at permitted facilities, evaluating environmental quality, pursuing enforcement action for violations of environmentally regulations, providing financial and technical assistance for publicly owned wastewater treatment facilities, and operating an environmental laboratory. The Governor's recommended continuation budget for the division was $37.7 million in expenditures, receipts were $25.1 million, and state appropriations were $12.5 million. She went on to say that there were 521 positions within the Division of Water Quality. There were no recommended reductions for the Division. The items for possible committee discussion were: (1) Wetlands Restoration and Program Fund; (2) Maintenance of Existing Water Quality Programs; (3) Animal Waste Permitting, Compliance and Inspection; and (4) Underground Storage Tanks. Also, the committee may wish to have the division comment on the adoption of the risk assessment rules and current solvency of the Commercial Trust Fund.

The meeting was adjourned at 9:38 a.m. to reconvene fifteen minutes after Session.

Carolyn M. Gooden, Committee Clerk

Senator R. L. Martin, Chairman

Handout A

Department of Environment, Health, and Natural Resources

EHNR-175

Division of Land Resources							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	5,829,893	4,607,412	5,184,315	4,761,316	-8.2%	4,766,425	-8.1%
Less Receipts	(1,545,169)	(1,140,400)	(1,425,674)	(1,088,610)	-23.6%	(1,088,610)	-23.6%
Cash Balance +/-	220,155	(13,410)	-	-		-	
State Appropriations	*4,504,879*	*3,453,602*	*3,758,641*	*3,672,706*	-2.3%	*3,677,815*	-2.2%
Positions	89.00	65.00	65.00	65.00		65.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

- Assist in the exploration and identification of the state's mineral and energy resources
- Protect the public and property from dam failures
- Ensure proper remediation of surfaced mined areas to reduced and control sedimentation pollution

Cross References For Budget Volumes

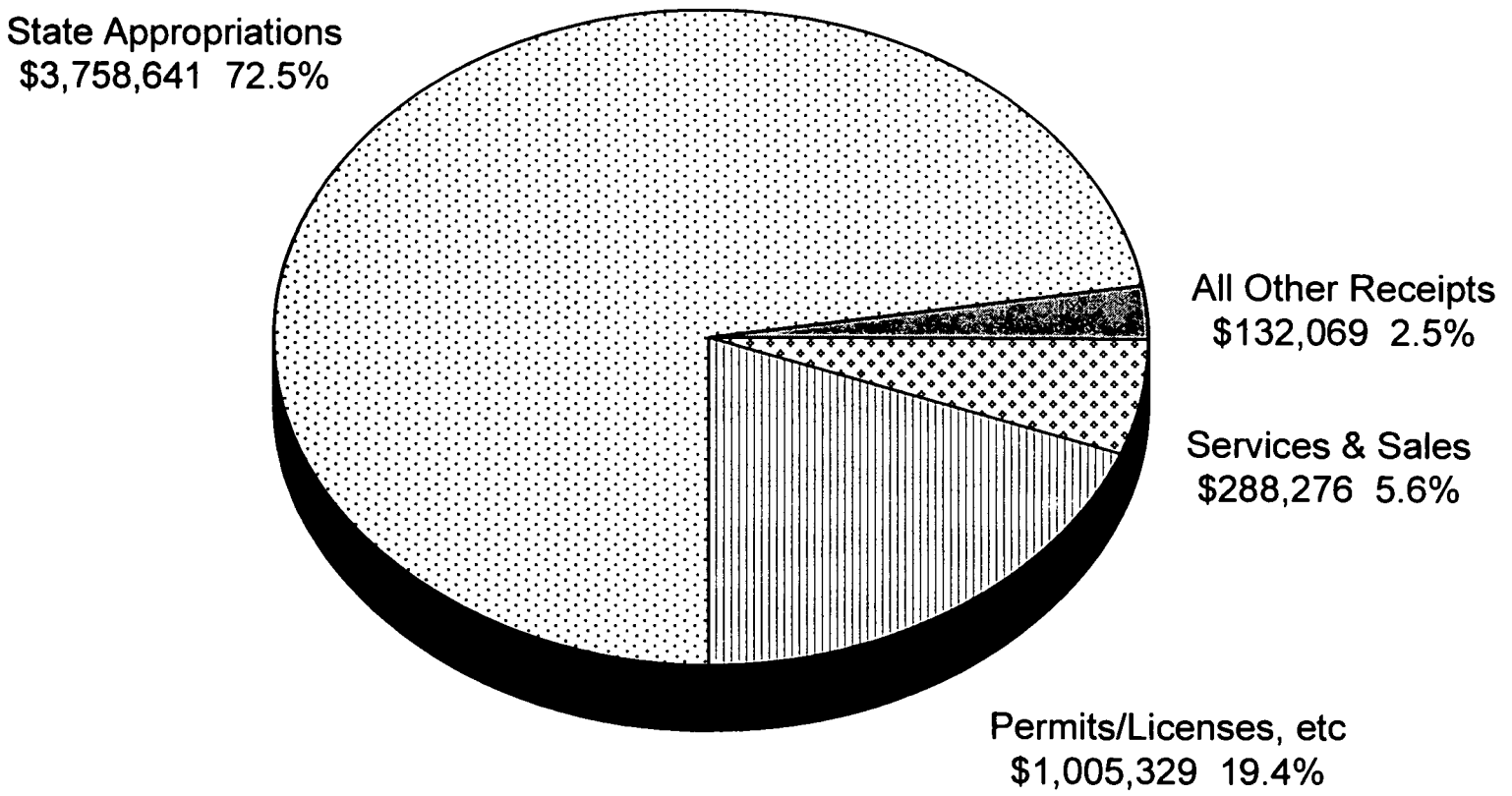
Governor's Budget, Volume 5, pp. Y-169 to Y-174; Y-221 to Y-230
Performance/Program Analysis, Volume 7A, pp. 5-107 to 5-114; 5-133; 10-129 to 10-146

Division of Land Resources

EHNR-176

Fund Sources

FY 96-97 Authorized



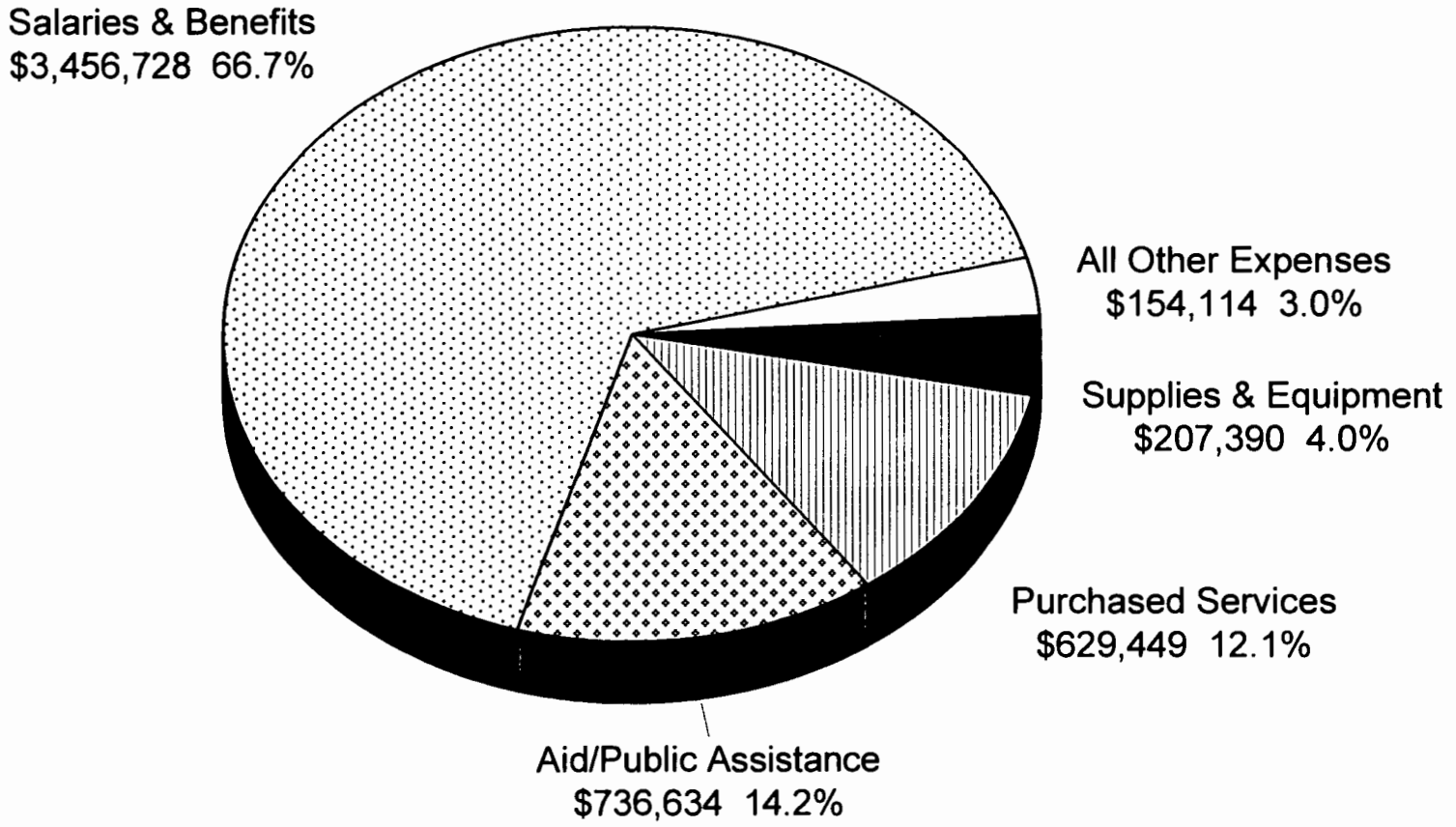
Fiscal Research Division -- March 1997

EHNR-177

Division of Land Resources

Expenditures by Category

FY 96-97 Authorized



Fiscal Research Division -- March 1997

DIVISION OF LAND RESOURCES
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96		FY 1996-97	
Eliminate 3 positions and shift 1 to fees	($187,499) -4.0	R	($187,499) -4.0	R
Increase budgeted receipts, Geodetic Survey			($200,000)	R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

Technical Assistance and Public Awareness Programs Funds for technical assistance, training, education and public awareness programs and activities associated with mining and sedimentation control.	$175,000	R

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Division of Land Resources in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

EHNR-179

Legislative Salary Increase (10 months) -- $126,462

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $125,552 in state appropriations and $910 in receipts.

PROGRAM UPDATE

In 1996 the General Assembly transferred the Geodetic Survey Section to the Office of State Planning. The transfer included 22 positions and a total budget of $1,034,014. The move helped consolidate the state's geographic data as the Center for Geographic Information and Analysis is also housed in the Office of State Planning.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS	FY 1997-98	FY 1998-99
Reserve for operation of Core Repository Building.	$10,027	$10,027

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Land Resources.

Items for Possible Committee Discussion

Dam Safety Program

The division has identified approximately 1,500 dams that pose a threat to human life and property. The committee may wish to have the division discuss the dam safety program and explain how they plan to address this threat..

Handout B-

Department of Environment, Health, and Natural Resources

EHNR-181

Division of Water Quality *							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	25,051,471	28,835,769	40,821,821	37,665,932	-7.7%	37,379,538	-8.4%
Less Receipts	(16,193,907)	(17,340,135)	(26,616,205)	(25,143,805)	-5.5%	(25,144,619)	-5.5%
Cash Balance +/-	154,874	(63,175)	-	-		-	
State Appropriations	*9,012,438*	*11,432,459*	*14,205,616*	*12,522,127*	-11.9%	*12,234,919*	-13.9%
Positions	453.50	493.00	521.00	521.00		521.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

- Issues permits to control sources of pollution
- Monitors compliance at permitted facilities
- Evaluates environmental quality
- Pursues enforcement action for violations of environmentally regulations
- Provides financial and technical assistance for publicly owned wastewater treatment facilities
- Operates an environmental laboratory

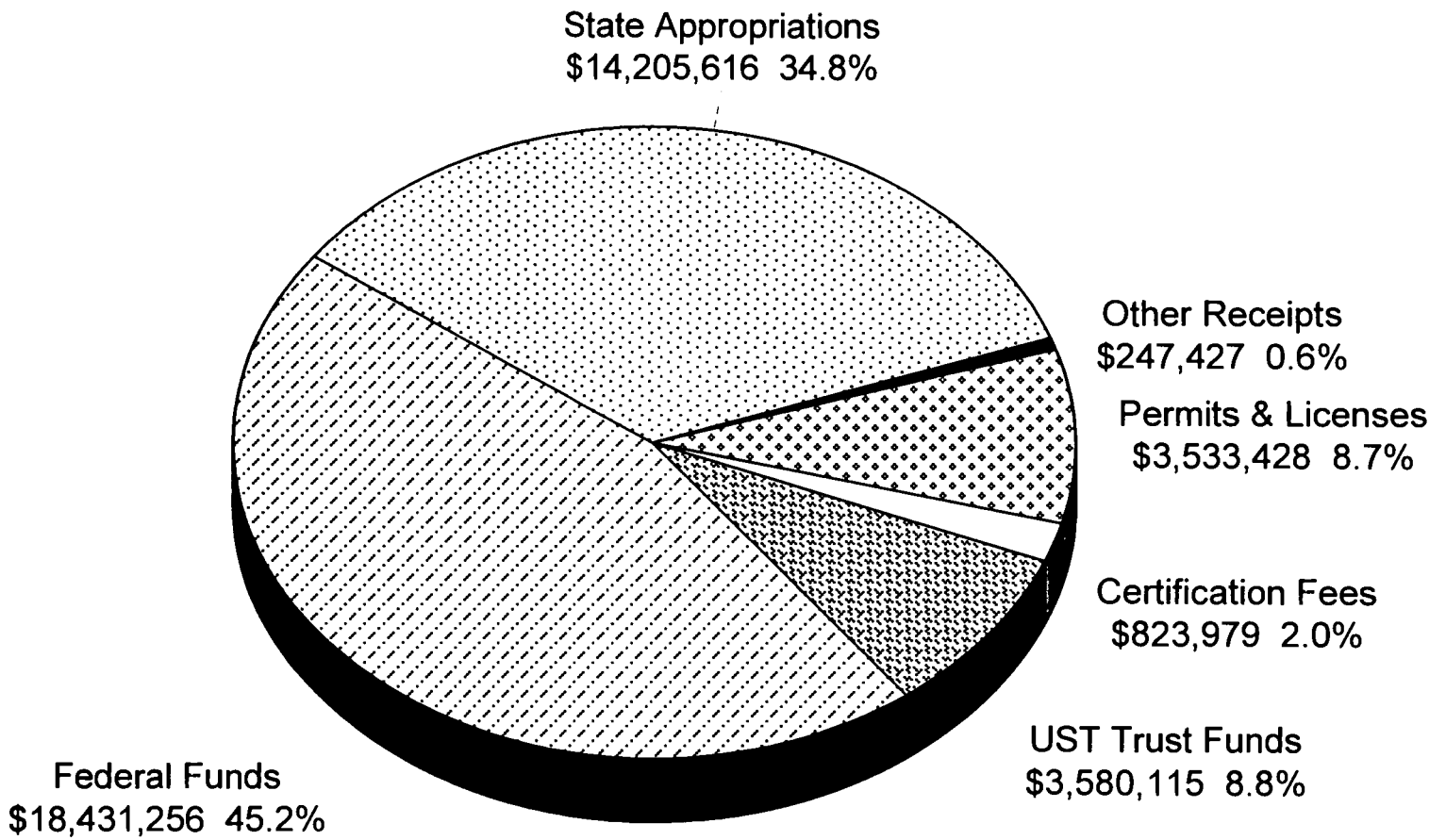
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Y-130 to Y-168
Performance/Program Analysis, Volume 7A, pp. 5-106 to 5-123

Division of Water Quality

EHNR-182

Fund Sources
FY 1996-97 Authorized



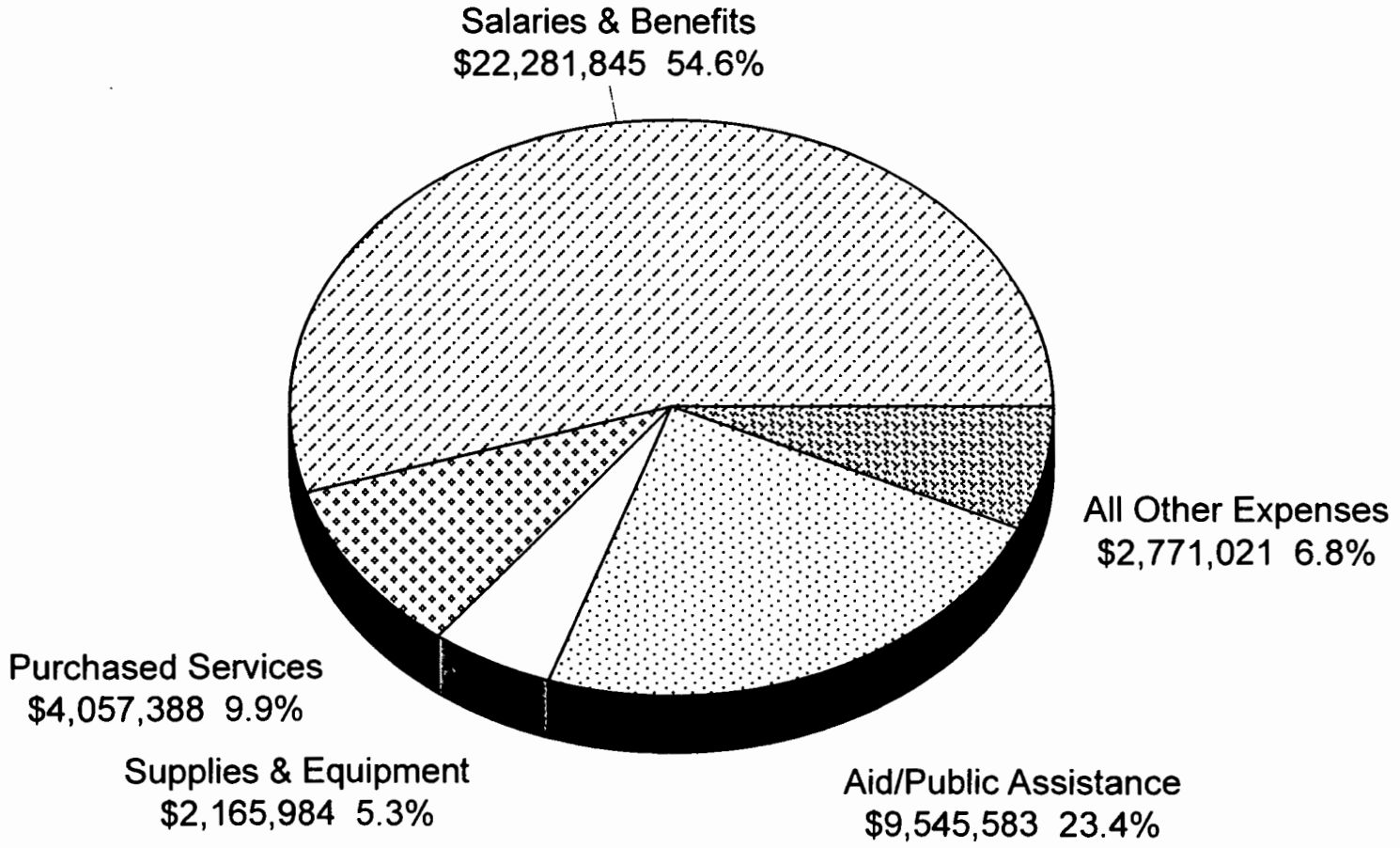
Fiscal Research Division -- March 1997

EHNR-183

Division of Water Quality

Expenditures by Category

FY 1996-97 Authorized



Fiscal Research Division -- March 1997

Objective 2: Develop basinwide water quality plans for all seventeen of the state's river basins.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of basinwide water quality plans implemented	n/a	n/a	6%	24%	35%	*71%*	*94%*	*100%*
Performance Measures:								
Number of compliance inspections of both major and minor dischargers conducted	1,500	1,429	1,341	1,308	1,223	*1,341*	*1,200*	*1,200*
Number of ambient network surface water monitoring sites	350	350	350	376	370	*370*	*370*	*370*
Number of intensive surface water quality surveys of lakes, rivers, and streams	7	7	7	3	7	*7*	*10*	*10*
Number of biological surface water monitoring stations	200	309	200	269	225	*200*	*200*	*200*
Number of wastewater permits issued	701	2,100	750	691	613	*350*	*350*	*350*
Number of non-discharge permits issued	1,375	1,687	1,923	2,034	1,930	*1,850*	*1,970*	*2,000*
Number of lakes tested for nutrient-impacted problems	46	51	44	56	20	*20*	*35*	*35*
Percent of evaluated wastewater treatment facilitates in non-compliance after technical assistance	17%	52%	24%	5%	12.5%	*13%*	*13%*	*13%*

Current Situation:

During FY 1996-97, basinwide plans for the Roanoke, White Oak, Savannah, Watauga, Little Tennessee, and Hiwassee river basins will be submitted to the Environmental Management Commission for approval.

Funds:

4300 EHNR
1310 Soil and Water Conservation
1610 Albemarle/Pamlico Estuarine Study
1635 DEM Lab Services
1680 Construction Grants
1690 Water Quality Control
1695 Water Quality Permit Fee

4300 EHNR
1705 Wat. Qual. Albemar./Pamlico Sounds
1710 Water Quality-EPA Grant
1720 Nonpoint Source-Water Quality
1725 Wetlands Program Development
1740 Land Quality
2341 Water Permits

4300 EHNR
2510 Cost Share Program
2620 Land Environmental Controls
2735 Sedimentation Fees
2905 Tar-Pamlico Reduction Local
2910 Pitt Cty BMP's Implementation

Objective 3: Issue all surface water discharge permits within 180 days.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percentage of permits not issued on schedule	n/a	n/a	40%	17%	10%	*5%*	*5%*	*5%*
Performance Measures:								
Number of compliance inspections of both major and minor dischargers conducted	1,500	1,429	1,341	1,308	1,223	*1,341*	*1,200*	*1,200*
Number of ambient network surface water monitoring sites	350	350	350	376	370	*370*	*370*	*370*
Number of intensive surface water quality surveys of lakes, rivers, and streams	7	7	7	3	7	*7*	*10*	*10*
Number of wastewater permits issued	701	2,100	750	691	613	*350*	*350*	*350*
Number of non-discharge permits issued	1,375	1,687	1,923	2,034	1,930	*1,850*	*1,970*	*2,000*

Current Situation:

Funds:

4300 EHNR
1690 Water Quality Control
1695 Water Quality Permit Fee

Objective 4: Develop a comprehensive wetlands plan to minimize loss of wetlands.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of acres of wetlands required to be restored	n/a	n/a	319	797	191	*400*	*500*	*600*
Performance Measures:								
Number of 401 Water Quality Certifications issued	n/a	n/a	1,042	1,121	1,260	*1,294*	*1,300*	*1,350*
Percentage of 401 Water Quality Certifications not issued within 45 days by calender year	n/a	n/a	18.9%	6.8%	15.4%	*10%*	*8%*	*7%*

Current Situation:

The Wetlands Restoration Program received final authorization and funding in July 1996 and is beginning to develop strategies and activites, hire qualified staff, and identify the wetlands of highest priority for restoration.

Funds:

4300 EHNR
1725 Wetlands Program Development

Objective 1: Increase by 10% per year the number of facilities that are in compliance with underground storage tank rules.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent increase in the number of facilities that are in compliance with underground storage tank rules	n/a	n/a	30%	5%	10%	*10%*	*15%*	*10%*
Performance Measures:								
Annual amount of money requested from the State Underground Tank Trust Fund to remediate petroleum leaks ($ millions)	7.4	14.6	24.8	n/a	n/a	*n/a*	*n/a*	*n/a*
Cumulative number of leaking underground storage tank confirmed releases	13,272	15,376	16,901	18,203	9,304	*9,650*	*9,850*	*10,000*
Cumulative number of leaking underground storage tank sites where enforcement actions have been taken to compel cleanup	1,138	1,775	2,374	2,717	2,948	*3,675*	*4,200*	*4,700*
Cumulative number of leaking underground storage tank emergency response actions taken	185	211	239	264	263	*314*	*350*	*400*
Cumulative number of leaking underground storage tank site where cleanups have been initiated (both state initiated and responsible party initiated)	12,575	14,328	15,891	17,289	9,304	*9,675*	*9,875*	*10,075*
Cumulative number of petroleum contaminated site cleanups completed (both state initiated and responsible party initiated)	10,294	11,218	11,608	12,047	11,808	*15,500*	*2,675*	*3,150*

Current Situation:

Because of the reduction in funds in the Underground Storage Tank Trust Fund, remediation sites will be prioritized to identify those posing the greatest risk to contaminate groundwater.

Funds:

4300 EHNR
1665 Groundwater Storage Tanks-Leak
1670 Und Storage Tanks-State
1671 UST-Compl., Inspect., & Permit

DIVISION OF WATER QUALITY
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96		FY 1996-97	
Groundwater Section – eliminate positions	($158,370) -3.0	R	($158,379) -3.0	R
Lab Services – shift positions to receipts	($113,411) -2.0	R	($113,411) -2.0	R
Water Quality Section – eliminate positions	($81,814) -2.0	R	($81,814) -2.0	R
Division's allocation of reduction in supplies and equipment	($58,798)		($5,798)	
SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS				
Animal Waste System Compliance Staff and support to perform laboratory analyses, and enforcement and compliance activities related to animal waste certification requirements.	$424,792 $34,500 8.0	R NR	$424,792 8.0	

	FY 1995-96		FY 1996-97	
Coastal Water Quality Staff to identify and implement nonpoint source management strategies to address problems identified through basinwide planning in the coastal region of the state.	$169,985 3.0	R	$169,985 3.0	R
Basinwide Planning Data Management Expansion of computer based data management capabilities through modernization and consolidation of computerized information management systems.			$750,000	NR
Wetlands Restoration Program Staff to administer comprehensive statewide wetlands restoration program and mitigation fund.			$500,000 8.0	R
Neuse River Modeling and Monitoring Funds to complete hydrodynamic model of the Neuse River Estuary and to establish permanent stream gauges to permit continuous data collection and real time monitoring.			$720,000	NR
Expand Statewide Water Quality Monitoring Program Expand water quality monitoring activities in the state's rivers and streams.			$194,128 $37,500 1.0	R NR
Assistance to Municipalities in the Neuse River Basin Grant funds for local government units for improved wastewater treatment and stormwater control measures aimed at reducing nitrogen in the Neuse River Basin.			$2,000,000	NR
Animal Waste Permitting, Compliance & Enforcement			$846,293 18.0	R

REPAIRS AND RENOVATIONS

EHNR-190

The Division received $5,000 for a security alarm for the Water Quality Lab in FY 1996-97 from reserve for Repairs and Renovations.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $703,101

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $296,958 in state appropriations and $406,143 in receipts.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS	FY 1997-98	FY 1998-99
Allowed increase for scientific supplies	$32,601	$30,667
Allowed increase for scientific equipment replacement	$73,100	
Increase for replacement of vehicles	$227,600	
Increase for replacement of boats	$82,000	

Decrease to eliminate nonrecurring items from continuation budget	($1,507,500)	($1,507,500)

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Water Quality.

Items for Possible Committee Discussion

1. Wetlands Restoration and Program Fund

In 1996 the General Assembly established a statewide non-regulatory wetlands restoration program and mitigation fund for the acquisition, restoration, enhancement, creation and maintenance of wetlands and riparian resources in each of the state's 17 river basins. The fund seeks to do the following:

- protect and improve water quality through the restoration of wetlands;
- achieve a net increase in wetlands acres, functions and values;
- improve the ecological effectiveness of wetlands mitigation;
- facilitate the permitting process and ease the burden on permit applicants by assuming responsibility for mitigation planning, implementation and monitoring.

$9.2 million was transferred from the Clean Water Management Trust Fund to the Wetlands Restoration Fund for these purposes. The committee may wish to have the division provide a status report on the hiring of staff and implementation of the program.

2. Maintenance of Existing Water Quality Programs

The Governor's recommended expansion budget includes a nonrecurring appropriation for the division *to maintain existing staff to continue water quality programs and activities at their current level*. The division cites a reduction in program receipts from streamlining the permitting process and reductions in federal funds as contributing factors to this operational problem. Although this request is part of the Governor's expansion budget, the committee may wish to have the division comment on the need for these funds since the request is to continue the current level of operations rather than expand activities. Preston - (listen to tape)

3. **Animal Waste Permitting, Compliance and Inspection**

In 1996 the General Assembly established a general permit system for animal waste operations (previously, operations with certified waste management plans were "deemed" permitted). Under the new system, permitted operations are required to undergo annual compliance inspections conducted by the Division of Water Quality. The division anticipates phasing in approximately 1,000 operations per year until all operations are permitted under the general permit system.

The committee may wish to have the division provide an update on the following:

- positions created by the General Assembly for this effort
- adoption of rules necessary to implement the general permit system
- inspection and compliance activities with respect to operations still deemed permitted

4. Underground Storage Tanks (UST)

During the 1995-97 biennium the General Assembly amended the UST legislation to address a number of issues, including solvency of the Commercial Trust Fund and program staff and operating support. The 1995 amendments included a provision to establish requirements for site-specific risk-based assessments prior to commencing cleanup. The measure is to help protect the solvency of the program by limiting reimbursements to cleanups posing the greatest risk to human health and the environment. Solvency is particularly a problem with the Commercial Trust Fund as revenues are not keeping pace with cleanup claims.

The development and adoption of risk assessment rules by the Environmental Management Commission has taken longer than expected. In an effort to address immediate concerns about the depletion of the balance in the commercial fund, the General Assembly made further changes to the UST program in 1996. Using a classification scheme already employed by the department to prioritize work, cleanup of "low priority" sites has been suspended until risk assessment rules are adopted. The General Assembly also increased the annual tank fees paid by commercial tank owners and operators.

The committee may wish to have the division comment on the adoption of the risk assessment rules and current solvency of the Commercial Trust Fund.

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/5/97
Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK Morning Session



NAME	FIRM OR AGENCY AND ADDRESS
Jeff Reid	DLR
Francis M. Nevils Jr	DEHNR - DLR - LQS
Chase, Frances	" "
Johnny Gray	OSBM
J.W. Reel	OSBM
Shelly Altieri	OSBM
Doug Lewis	EHNR
Katie Robson	EHNR - DWQ
Harlan Britt	DWQ
Preston Howard	DWQ
Cathey Cottle	DWQ
Linda Pimer	NC DEHNR
Shamil Jami	DEHNR
Steve Tedder	DEHNR WQ
Jessica Miles	DEHNR Public Water Supply
Kent Wiggins	DEHNR - DWQ
David Herring	State Planning
Arthur Mouberry	EHNR - DWQ - Groundwater
Bobby Blowe	EHNR - DWQ - Const Grants & Loans
William Edwards	EHNR - DWQ - Laboratory Section
John Rustin	Hunton & Williams
Amanda Davis	Sierra Club
Bobbie Jo Moore	EHNR - Land Resources
Debbie Mouberry	EHNR - Land Resources
Diane [illegible]	EHNR
Laura Hartsell	MCIC
PG	NCNG
Beckie Street	PPAB

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/5/97

Name of Committee Date

Morning Session

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Garen McClure	AK White Post Washington St.
Sheila Cox	OSPL
Jane Smith	DEHNR
Ed Regan	N.C.A.C.C.
Dill Wilson	CCNC / Sierra Club
Tonya Brand	MCWC

JOINT APPROPRIATIONS SUBCOMMITTEE ON

NATURAL AND ECONOMIC RESOURCES

WEDNESDAY, MARCH 5, 1997 at 3:00 p.m.

MINUTES

The Joint Appropriations Subcommittee on Natural and Economic Resources met on Wednesday, March 5, 1997 at 3:00 p.m. in Room 423 of the Legislative Office Building. Five Senate members were present including Senator R.L. "Bob" Martin, Chairman. Representatives Mitchell, Baker, Carpenter, Culp, Fox, Hall, Owens, and Weatherly were present.

Senator Martin called the meeting to order and recognized Mr. Mark Trogdon, Fiscal Research Division, to begin the analysis for the Department of Commerce. He gave a brief overview of the Department. This is Attachment A of these minutes. Mr. Trogdon said the Department of Commerce has three primary functions. The Economic Development function which promotes and assists in the expansion and recruitment of industry, travel and tourism, and international trade. The Community Development which provides planning and development assistance to cities and counties, workforce development for industrial needs, and oversees sound energy policies. The Regulatory component through which the Department serves as an umbrella agency for independent agencies including the Employment Security Commission, Industrial Commission, Public Utilities Commission, ABC Commission, Banking Commission, and Cemetery Commission.

Representative Fox asked how many welcome centers in the state and what was the reason for transfer of these centers to the Highway Fund? Ms. Herrear said there are eight centers and the Governor's justification of the transfers is that currently the Department of Transportation is already providing various services for the welcome centers, including security and maintaince. Therefore, since they provide these services the money would come from the Highway Fund. She said the costs would remain the same. The Department of Commerce supports the Governor's recommendation.

Ms. Jennifer Herrera, Fiscal Research Division, continued with the Department of Commerce analysis with a presentation of Administrative Services. This is Attachment B of these minutes. She stated that the Administrative Services provides policy and administrative support to the various programs in the Department of Commerce and provides accountability for the resources appropriated to the department. Administrative services provided include budgeting, accounting, purchasing functions and personnel management.

Senator Horton asked what the span of control is for the Department of Commerce? The Department responded by saying they are working on it and will have an answer in the next two or three weeks. Senator Horton asked if they expect to obtain the Governor's goal? The Department said they absolutely do expect to comply with the one in seven.

Ms. Herrera continued with the explanation of the handout entitled Executive Aircraft Operation. This is Attachment C of these minutes. She said the purpose of the Executive Aircraft Operation is to provide safe and convenient air travel for state officials and agency representatives as well as for corporate clients of the Economic Development Program. Aircraft personnel from the program also provide special assistance in law enforcement and emergency situations.

Ms. Herrera continued with the analysis of the North Carolina Film Office. This is Attachment D of these minutes. The North Carolina Film Office was established in 1980 to encourage and assist motion picture and television production activity throughout the state. The Film Office operates a specialized unit of economic development targeting primarily major Hollywood studio productions, television commercial shoots and independent theatrical and television films.

The meeting adjourned at 5:00 p.m.

Senator R.L. "Bob" Martin, Chairman

Carolyn M. Gooden, Committee Clerk

Handout A

DEPARTMENT OF COMMERCE

Com - 1

Overview							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	335,159,205	350,236,381	368,765,804	355,482,795	-3.6%	355,518,909	-3.6%
Less Receipts	(242,668,580)	(277,915,566)	(301,072,727)	(299,961,653)	-0.4%	(301,978,530)	0.3%
Cash Balance +/-	(1,916,714)	1,392,333	-	-		-	
State Appropriations	*90,573,911*	*73,713,148*	*67,693,077*	*55,521,142*	-18.0%	*53,540,379*	-20.9%
Positions	3,024.15	2,956.00	2,993.00	2,990.00		2,989.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

Economic Development - Promotes and assists in the expansion and recruitment of industry, travel and tourism, and international trade.

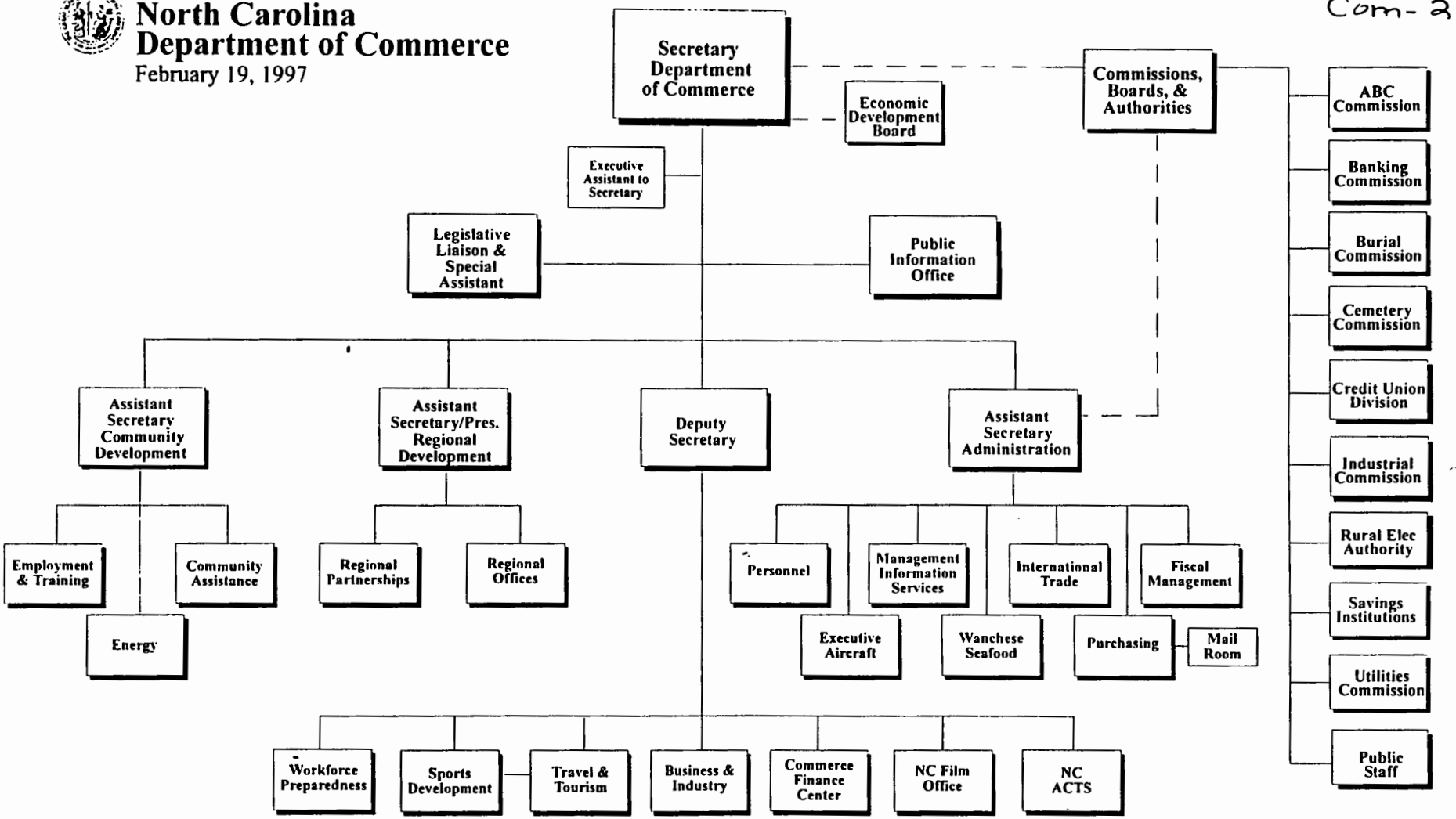
Community Development – Provides planning and development assistance to cities and counties, workforce development for industrial needs, and oversees sound energy policies.

Regulatory – Serves as an umbrella agency for independent agencies including the Employment Security Commission, Industrial Commission, Public Utilities Commission, ABC Commission, Banking Commission, and Cemetery Commission.

Com-2

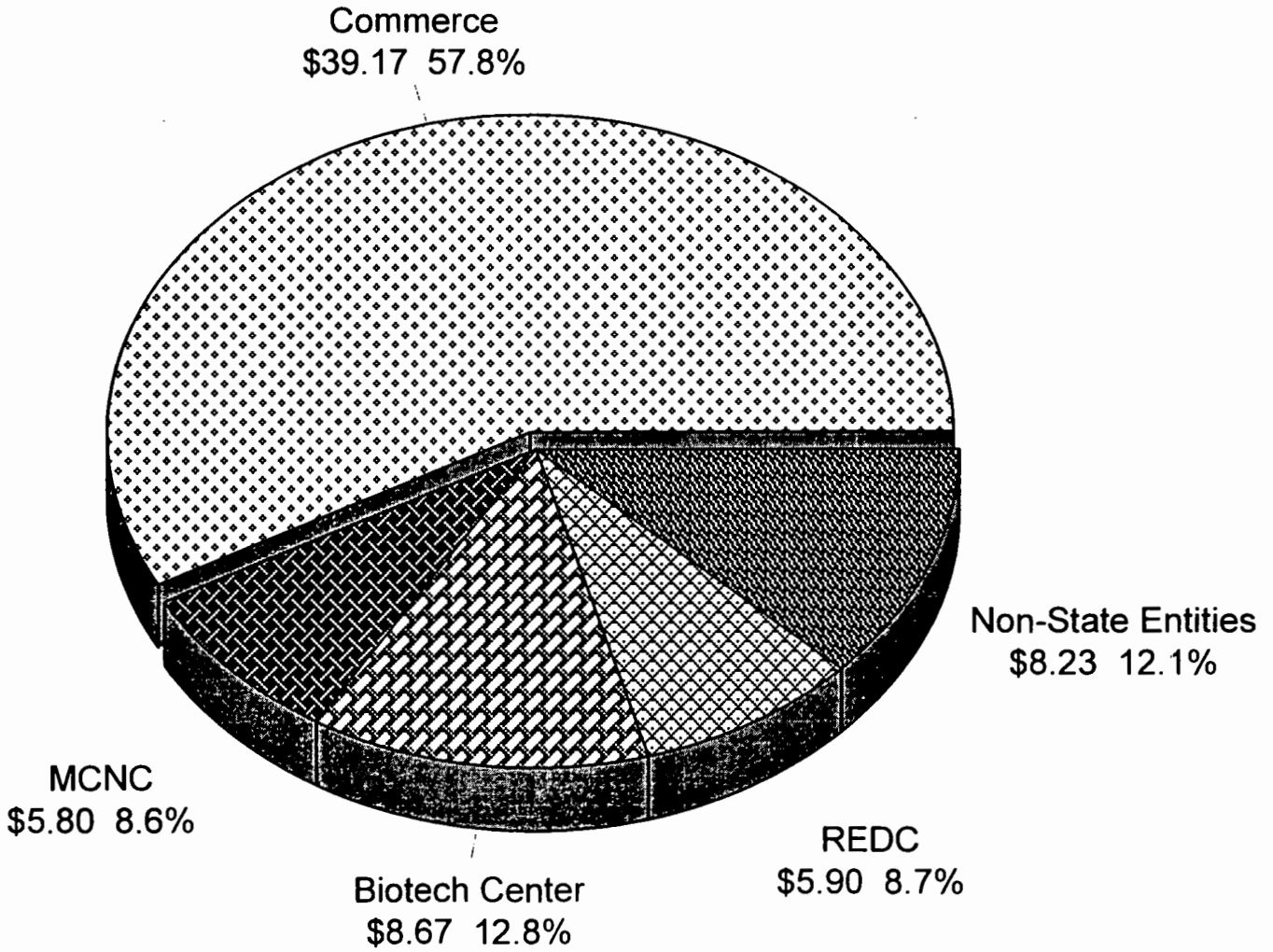
North Carolina Department of Commerce

February 19, 1997



Department of Commerce

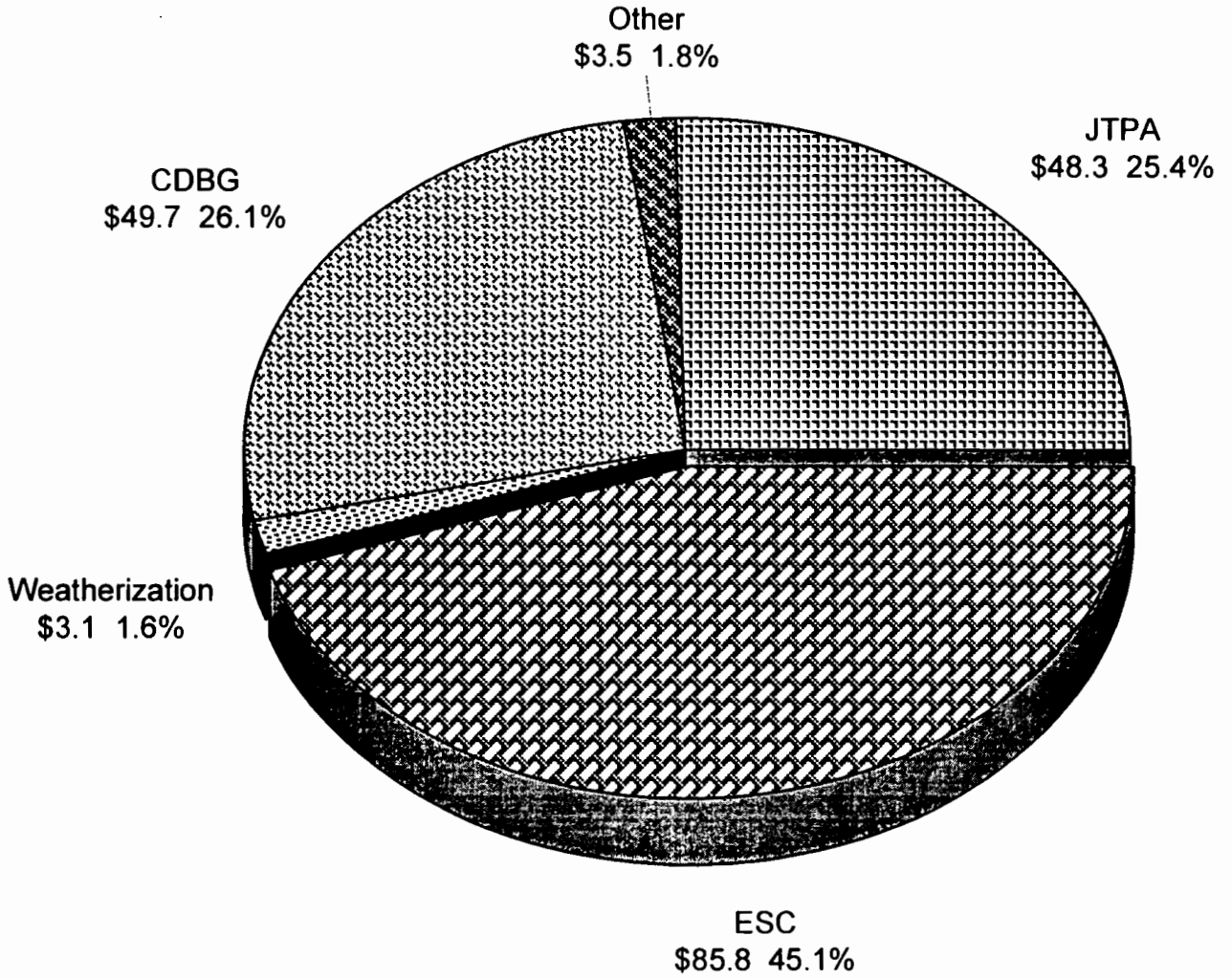
State Appropriations By Program Area
1996-97 (Authorized)
(Millions)



Fiscal Research Division -- March 1997

Department of Commerce

Federal Fund Receipts By Program Area
1996-97 (Authorized)
(Millions)

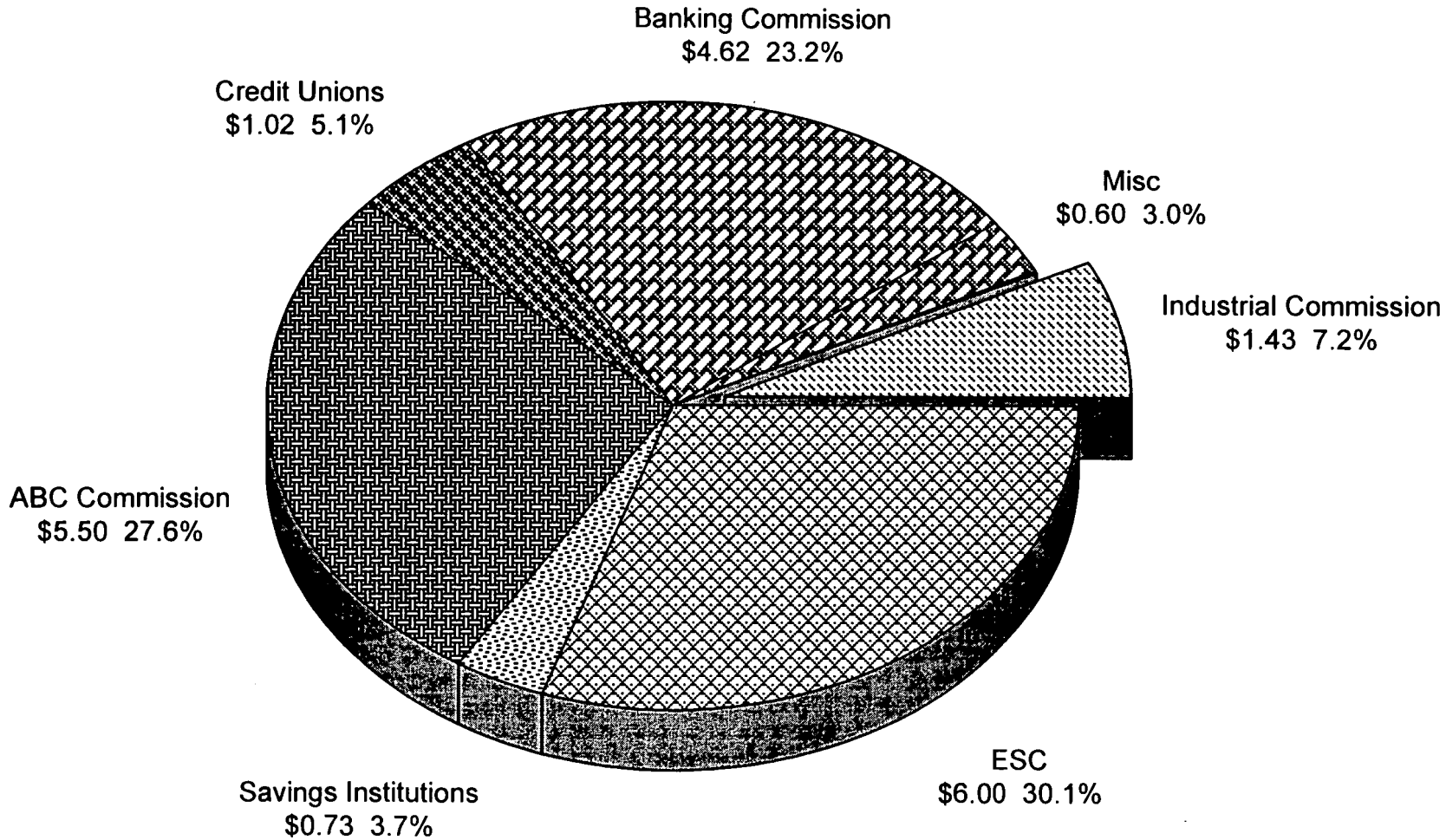


Fiscal Research Division -- March 1997

Com-5

Department of Commerce

Fee & License Receipts By Program Area
1996-97 (Authorized)
(Millions)



Fiscal Research Division -- March 1997

DEPARTMENT OF COMMERCE
OVERVIEW OF BUDGET ACTIONS

FUNDING HIGHLIGHTS 1995-97

See *Overview: Fiscal and Budgetary Actions*, pages J-9 through J-22.

REPAIRS AND RENOVATIONS

The Department received $6,032,700 from the 1996-97 Reserve for Repairs and Renovations.

GOVERNOR'S RECOMMENDED REDUCTIONS

See *Summary of Recommendations*, page 74, pages 80 through 81 and page 83

1. **Salary Reductions/Span of Control Study** – The 1995 General Assembly under House Bill 229, Section 10.1 directed the Office of State Budget and Management to conduct an audit of the span of control in state government and submit that study to the 1996 General Assembly. The legislation stemmed from the report of the Government Performance Audit Committee (GPAC) which identified four specific areas of concern in state government including:

   - excessively narrow spans of control
   - excessive layers of management
   - one-on-one reporting relationships
   - numerous units with small numbers of staff

   Cabinet agencies were directed to implement internal studies to focus on issues identified in this report and have been given targets for salary reductions to their operating budgets effective July 1, 1997. For the first phase of implementation, Commerce has been targeted for reductions totaling $672,485.

2. **Transfer Welcome Centers to the Highway Fund** – This proposal transfers the funding of the Welcome Centers to the Highway Fund in order to generate a $1,402,203 reduction to the state's general fund. The transfer will shift 42 positions from the Department of Commerce to the Department of Transportation.

Handout B

COM-7

Department of Commerce

Administrative Services							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	1,965,345	2,025,270	2,291,161	2,006,486	-12.4%	2,007,601	-12.4%
Less Receipts	(971,540)	(836,537)	(778,664)	(774,138)	-0.6%	(1,233,302)	58.4%
State Appropriations	*993,804*	*1,188,733*	*1,512,497*	*1,232,348*	-18.5%	*774,299*	-48.8%
Positions	35.00	35.00	35.00	35.00		35.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

Corrected Copy -

DIVISION ACTIVITIES

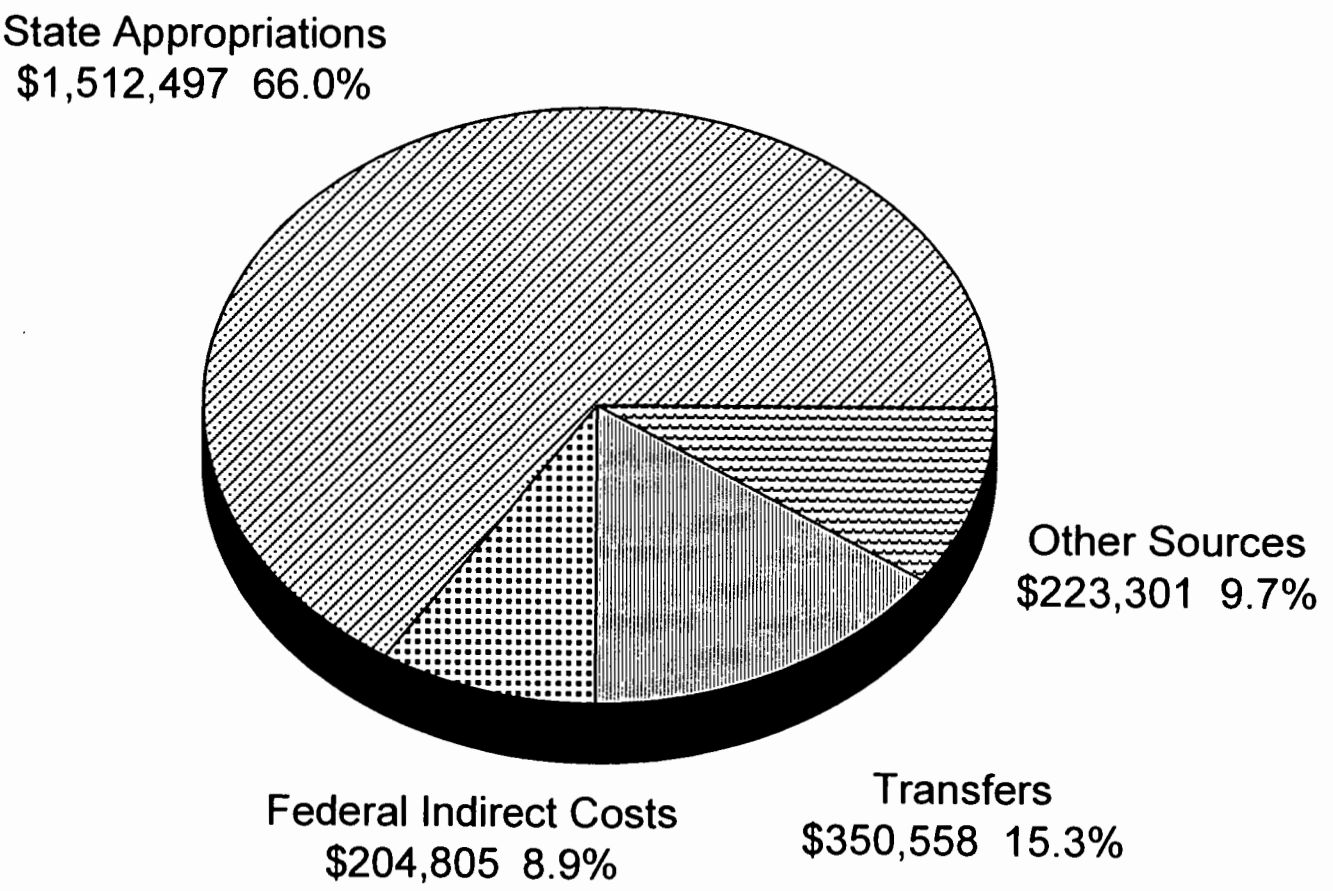
Administrative Services provides policy and administrative support to the various programs in the Department of Commerce and provides accountability for the resources appropriated to the Department. Administrative services provided include budgeting, accounting, purchasing functions and personnel management.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp X-6 to X-7
Performance/Program Analysis, Volume 7b, pp 6-229 to 6-231

Administrative Services

FY 1996-97 (Authorized) Fund Sources

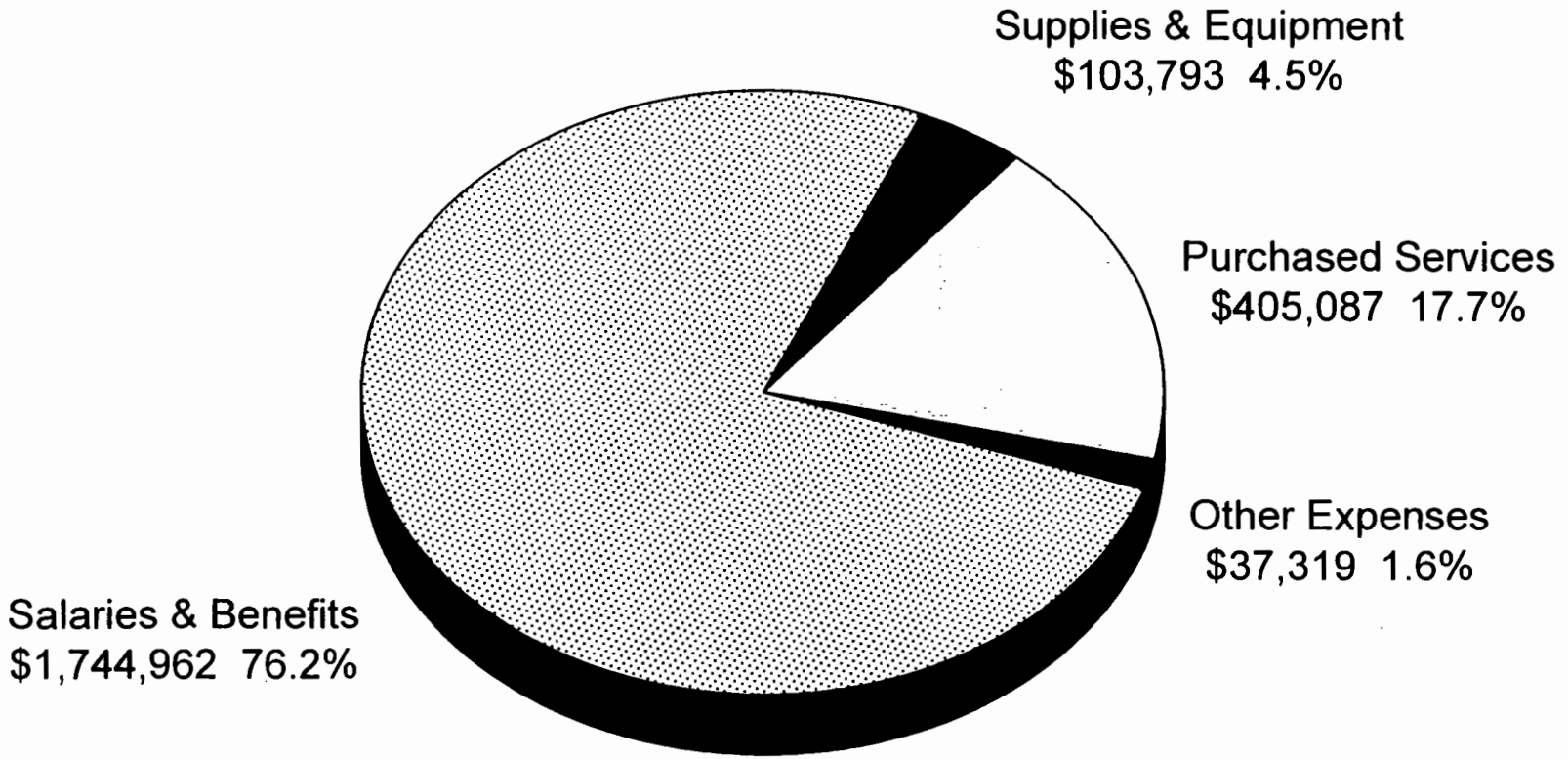


Fiscal Research Division March 1997

COM-9

Administrative Services

FY 1996-97 (Authorized) Expenditures By Category



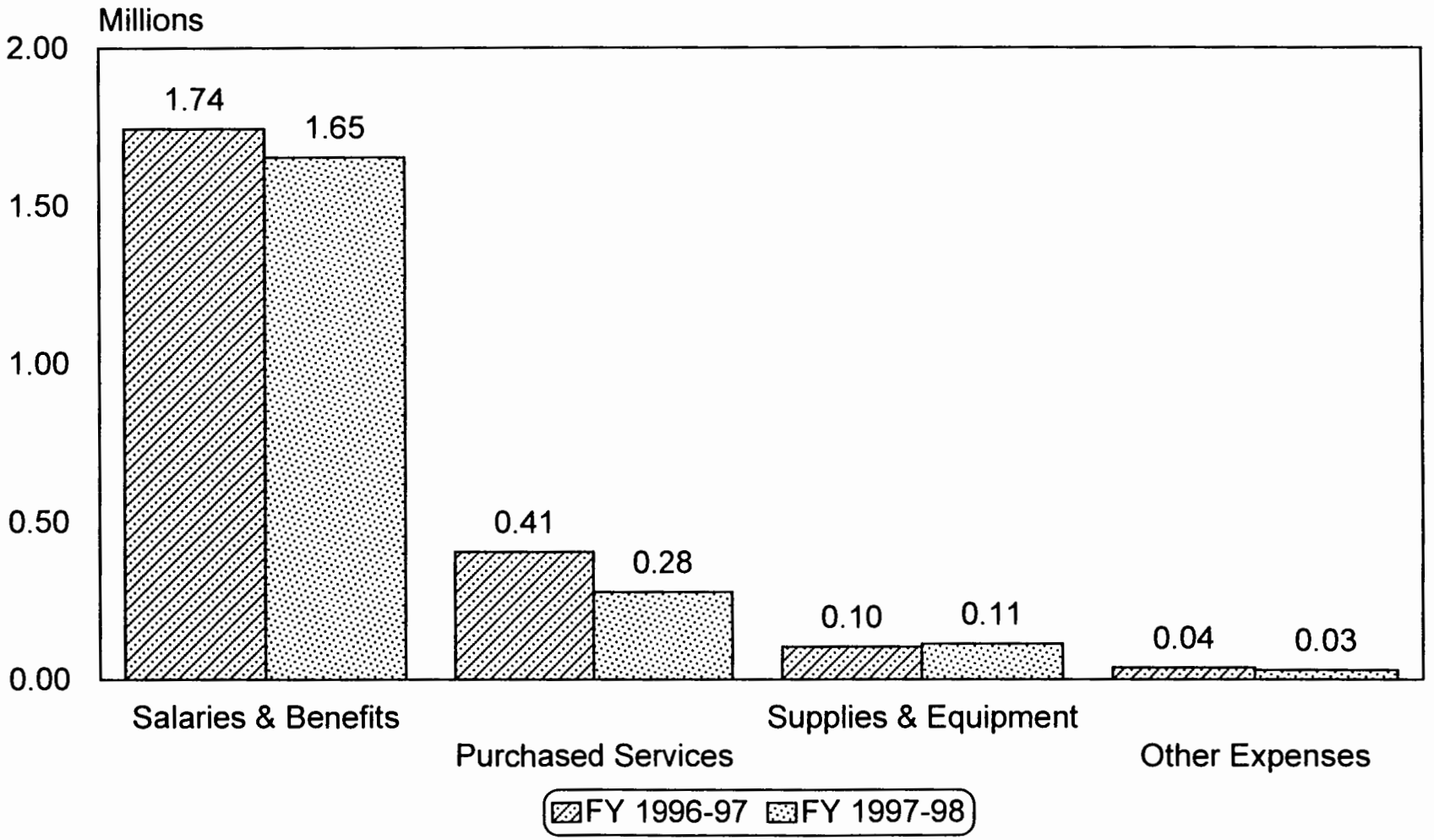
Fiscal Research Division March 1997

Com-10

Administrative Services

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

COM-11

ADMINISTRATIVE SERVICES
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Abolish 1 position	(22,036) R -1.00	(22,036) R -1.00
2) Reduce Supplies and Equipment	(9,546) R	(9,546) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $57,135
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $53,100 in state appropriations and $4,035 in receipts.

Com-12

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

None

Handout C

Department of Commerce

Executive Aircraft Operation							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	1,068,355	1,138,710	1,143,743	2,202,953	92.6%	2,203,674	92.7%
Less Receipts	(328,471)	(268,368)	(354,072)	(304,533)	-14.0%	(304,532)	-14.0%
State Appropriations	*739,884*	*870,342*	*789,671*	*1,898,420*	140.4%	*1,899,142*	140.5%
Positions	7.00	8.00	8.00	8.00		8.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

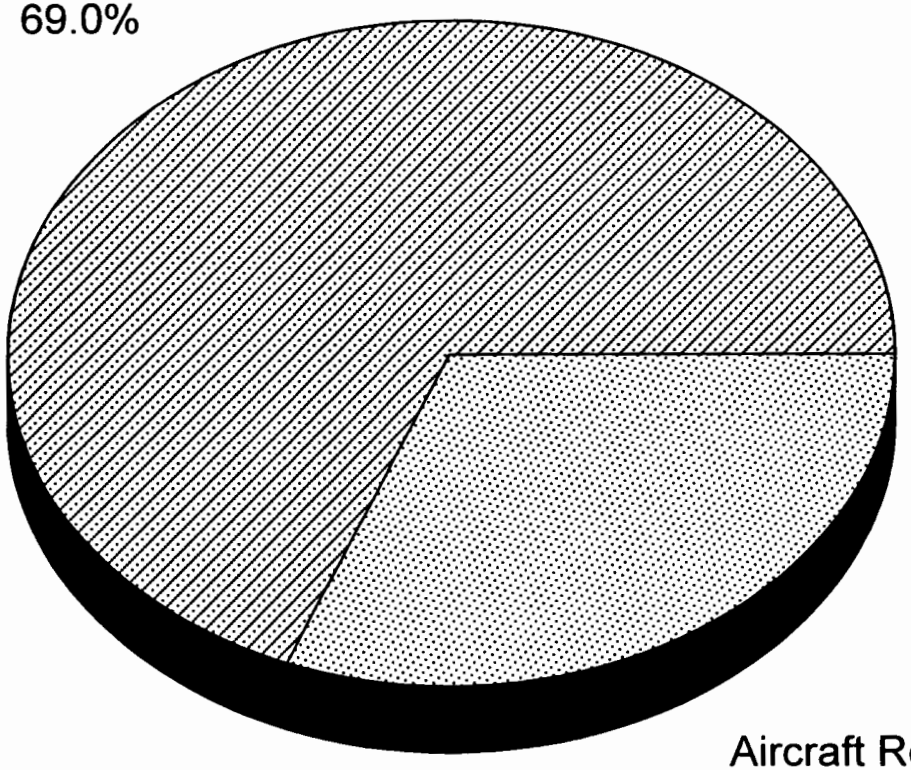
The purpose of the Executive Aircraft Operation is to provide safe and convenient air travel for state officials and agency representatives as well as for corporate clients of the Economic Development Program. Aircraft personnel from the program also provide special assistance in law enforcement and emergency situations.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp X-7 to X-9
Performance/Program Analysis, Volume 7b, pp 10-106 and 10-109

Executive Aircraft Operations
FY 1996-97 (Authorized) Fund Sources

State Appropriations
$789,671 69.0%

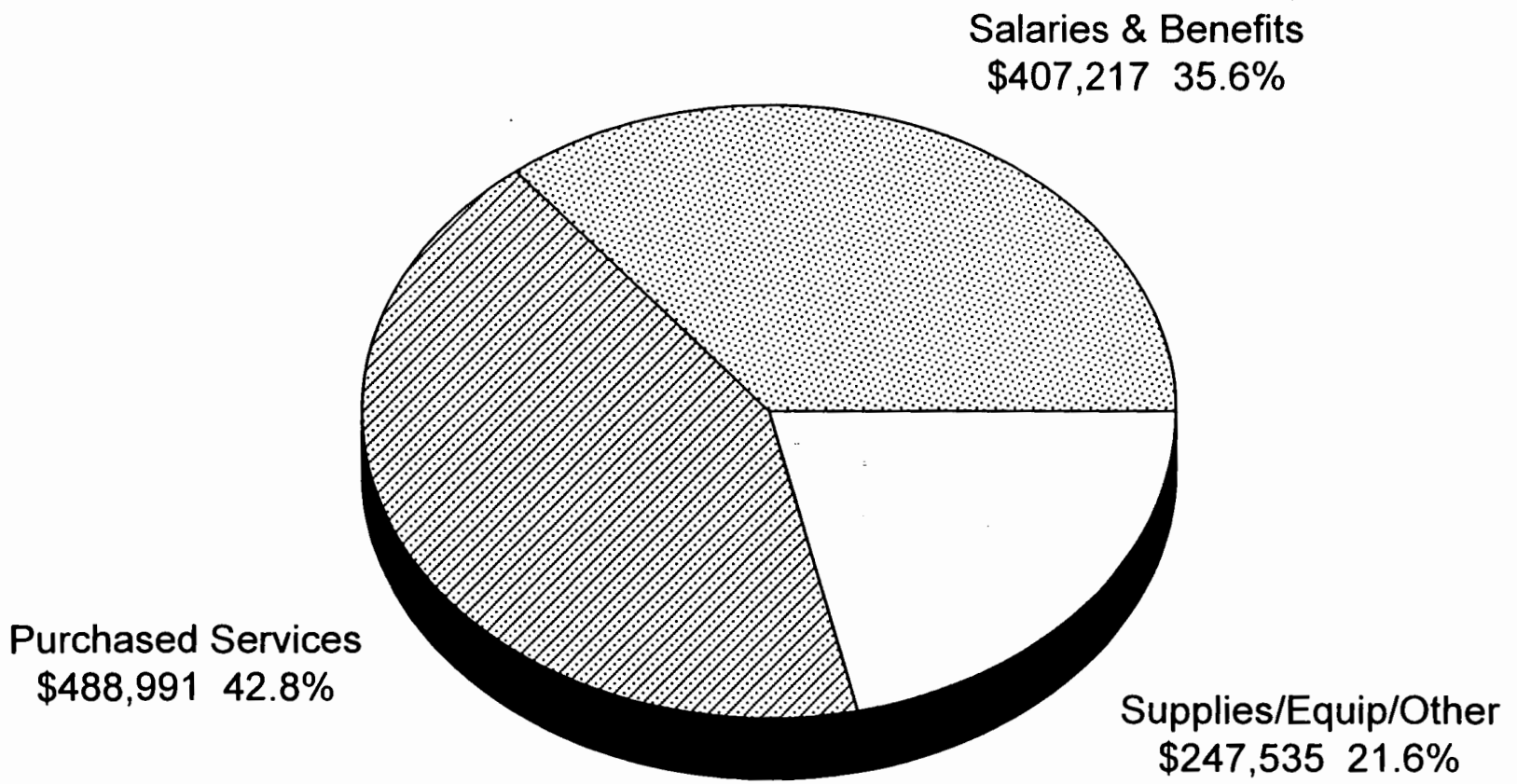


Aircraft Rental/Other
$354,072 31.0%

Fiscal Research Division March 1997

Executive Aircraft Operations

FY 1996-97 (Authorized) Expenditures By Category



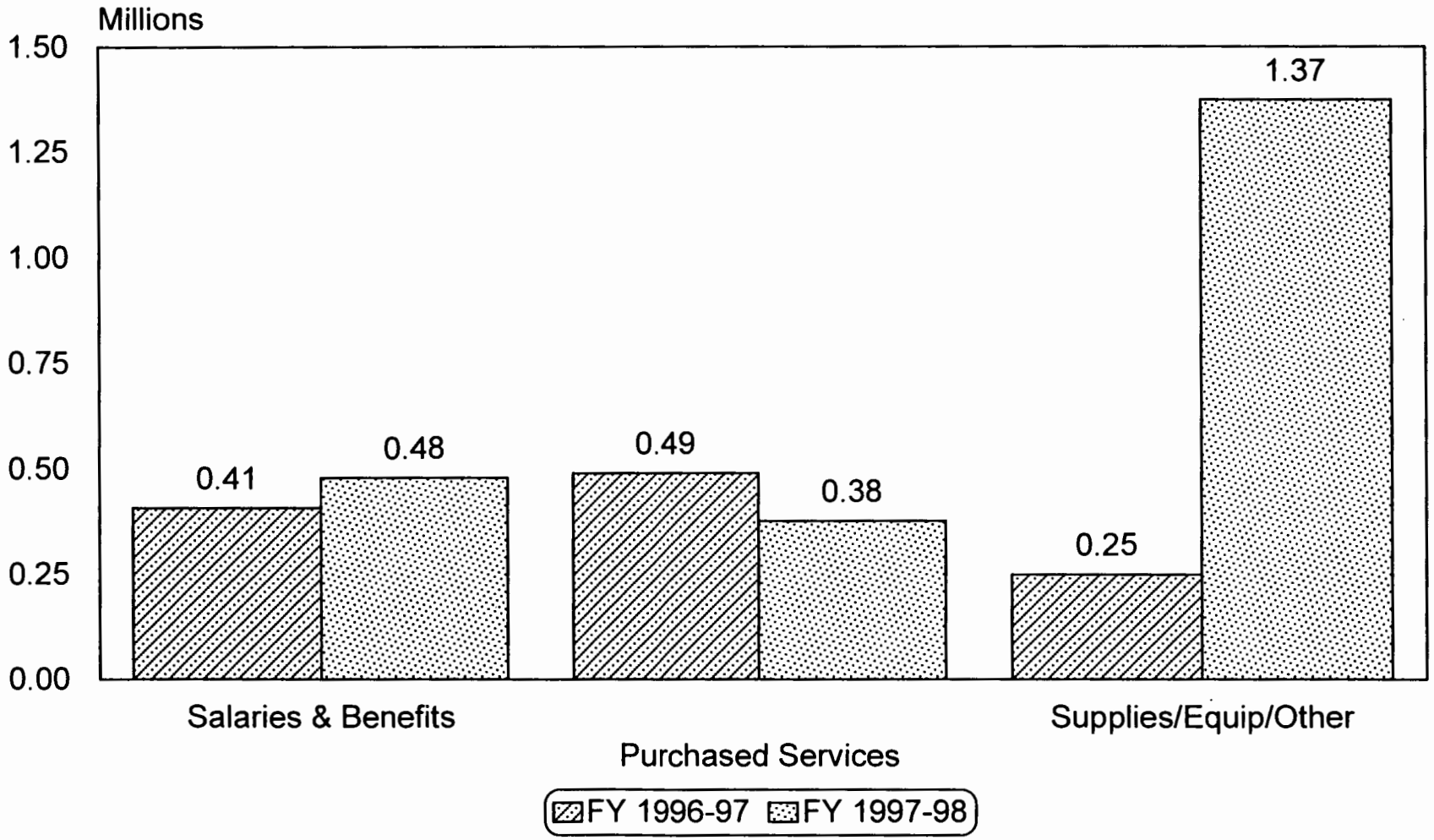
Fiscal Research Division March 1997

Executive Aircraft Operations

Com-16

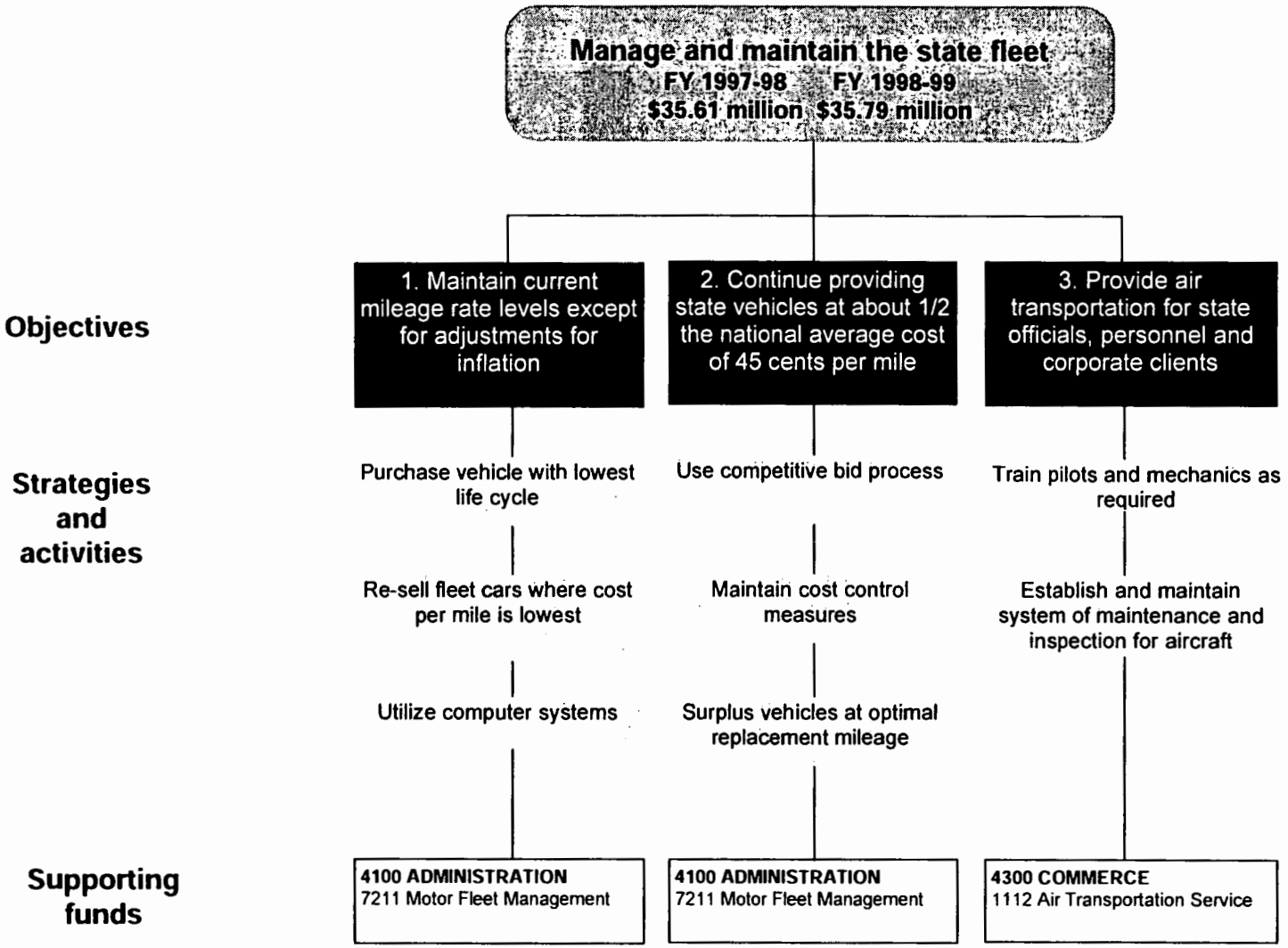
Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Com-17


Manage and maintain the state fleet
FY 1997-98 $35.61 million
FY 1998-99 $35.79 million
Objectives
1. Maintain current mileage rate levels except for adjustments for inflation
2. Continue providing state vehicles at about 1/2 the national average cost of 45 cents per mile
3. Provide air transportation for state officials, personnel and corporate clients
Strategies and activities
Purchase vehicle with lowest life cycle
Re-sell fleet cars where cost per mile is lowest
Utilize computer systems
Use competitive bid process
Maintain cost control measures
Surplus vehicles at optimal replacement mileage
Train pilots and mechanics as required
Establish and maintain system of maintenance and inspection for aircraft
Supporting funds
4100 ADMINISTRATION
7211 Motor Fleet Management
4100 ADMINISTRATION
7211 Motor Fleet Management
4300 COMMERCE
1112 Air Transportation Service

Objective 3: Provide air transportation for state officials, agency representatives on official duty, and corporate clients involved in economic development activities.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of flights made in support of economic development activities	351	126	310	185	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Number of aircraft operated	4	4	4	4	4	*4*	*4*	*4*
Number of flights in support of emergency relief	2	3	3	3	3	*n/a*	*n/a*	*n/a*
Number of flights made in support of law enforcement	49	33	30	n/a	n/a	*n/a*	*n/a*	*n/a*

Current Situation:

Funds:

4600 COMMERCE
1112 Air Transportation Service

EXECUTIVE AIRCRAFT OPERATIONS
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS

None

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $20,571
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $15,308 in state appropriations and $5,263 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

CONTINUATION BUDGET HIGHLIGHTS	1997-98	1998-99
1) Reduction in repair services	($188,000) R	($188,000) R
2) Equipment increase for new aircraft	$1,200,000 R	$1,200,000 R
3) Increase in salaries and benefits	$ 62,518 R 1.00	$ 62,518 R 1.00

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1) The Committee may wish to ask the Department to review the policies regarding operation of the executive aircraft, including priorities for usage.

2) Currently the Department maintains the following aircraft:

Type	Model Year	Total Flight Hours
Beechcraft B-200	1982	4257
Beechcraft E-90 *	1974	6482
Bell 206L3	1986	1844
Bell 222 *	1980	3260

The Department would like to replace the Beechcraft E-90 and Bell 222 with newer models through a lease purchase agreement over 10 years. Types of aircraft under consideration include a Beechcraft 350 King Air or Citation Jet (to replace the E-90) and a Bell 430 (to replace the Bell 222). The aircraft would principally be used for economic development missions throughout the state and along the east coast.

The Committee may wish to have the Department comment on the need for the new aircraft and the justification for the purchase for new equipment versus contracting this service out to the private sector (private aircraft charter services).

Handout D

CCM-22

Department of Commerce

North Carolina Film Office							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (Month)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	512,079	529,462	574,421	523,669	-8.8%	523,830	-8.8%
Less Receipts	(6,646)	(23,718)	(19,080)	-	-100.0%	-	-100.0%
State Appropriations	*505,433*	*505,744*	*555,341*	*523,669*	-5.7%	*523,830*	-5.7%
Positions	4.00	4.00	4.00	4.00		4.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

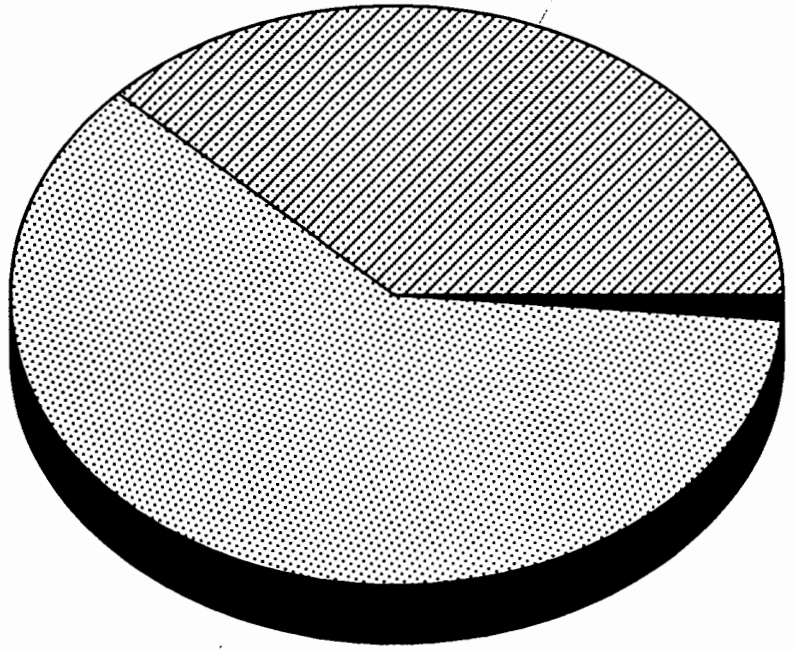
The North Carolina Film Office was established in 1980 to encourage and assist motion picture and television production activity throughout the state. The Film Office operates a specialized unit of economic development targeting primarily major Hollywood studio productions, television commercial shoots and independent theatrical and television films.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp X-35 to X-37
Performance/Program Analysis, Volume 7b, pp 6-107 to 6-110; 6-115

North Carolina Film Office

FY 1996-97 (Authorized) Expenditures By Category

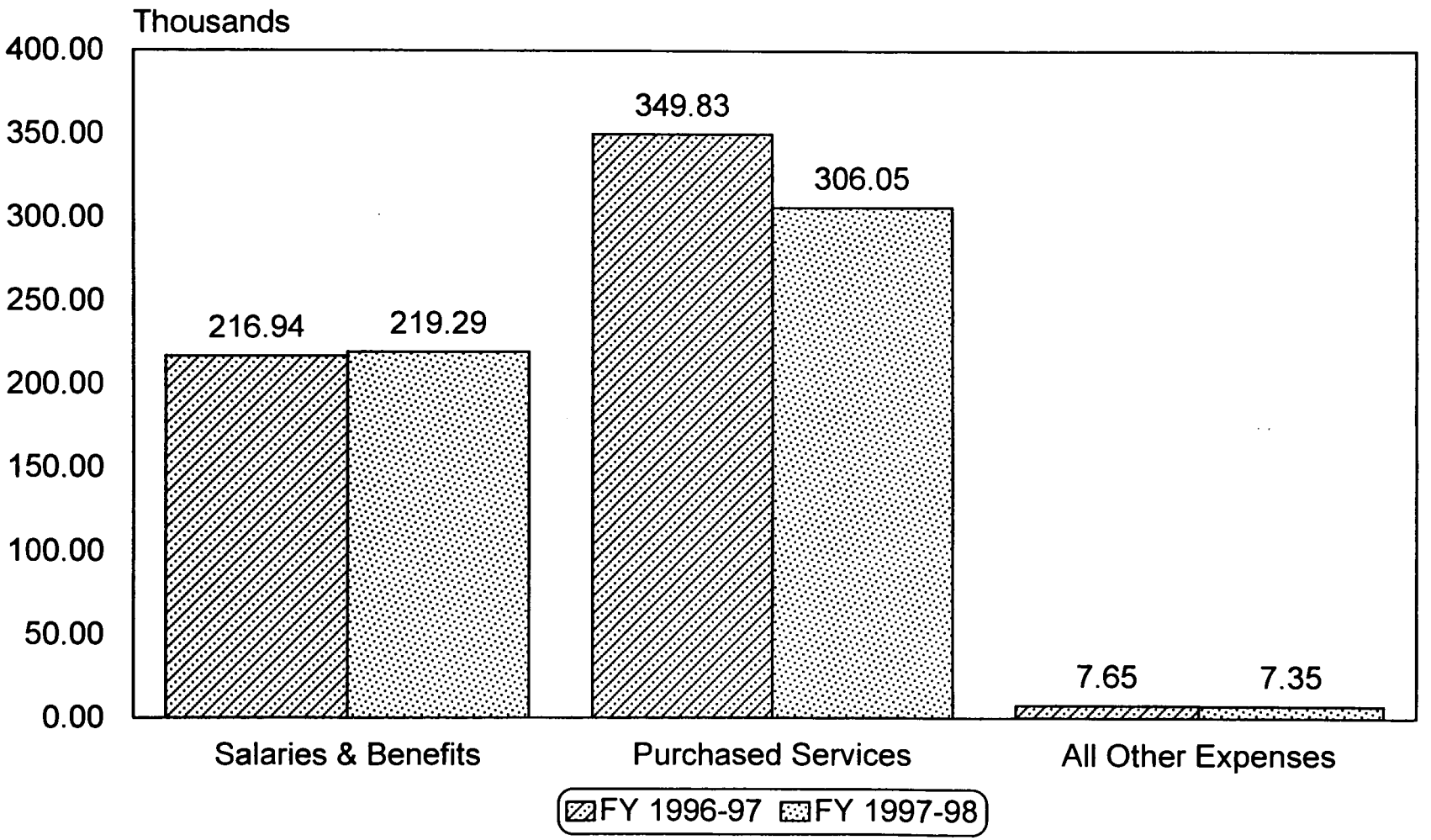


Fiscal Research Division March 1997

North Carolina Film Office

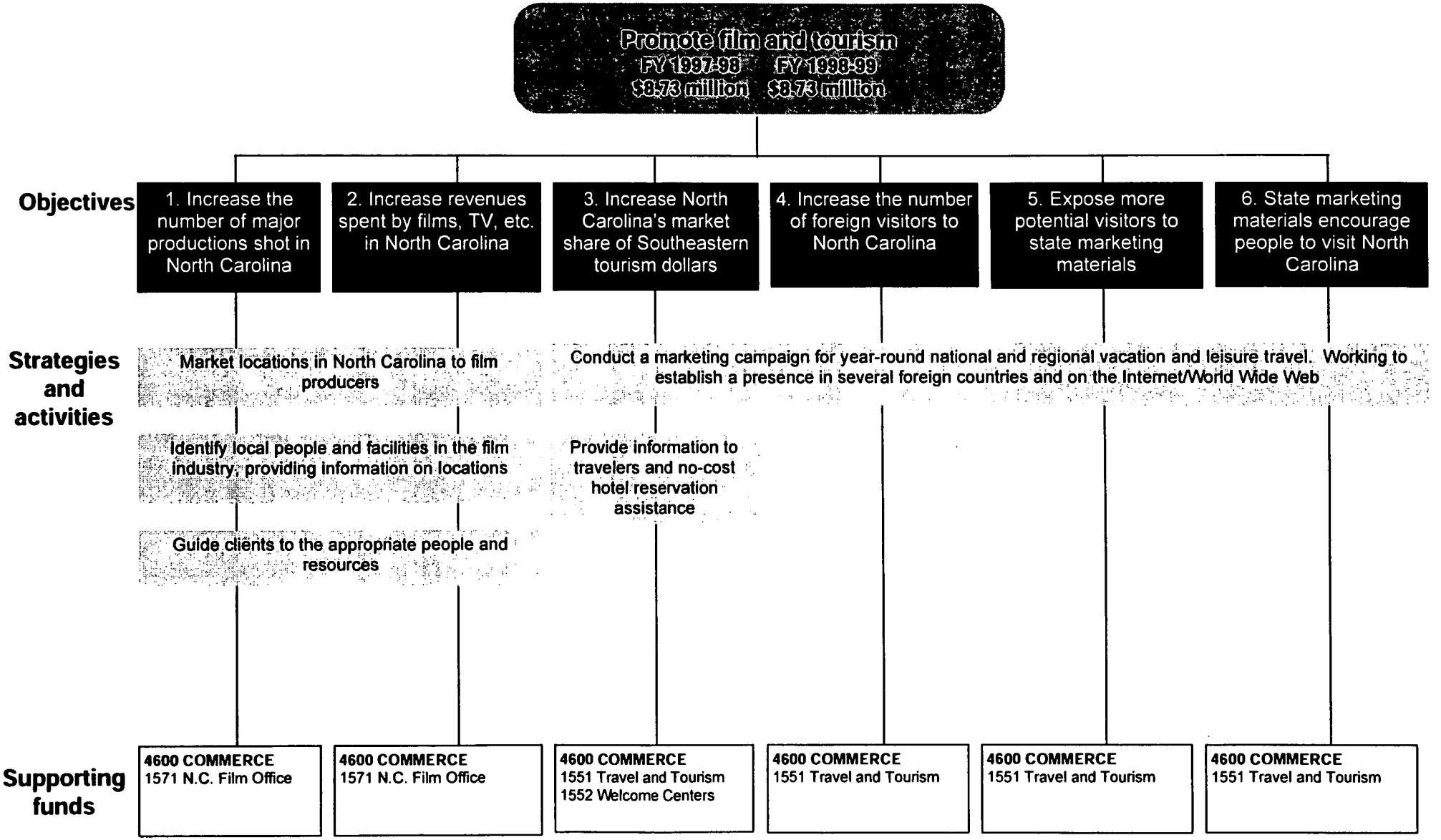
Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

6520 Promote the film and tourism industries



Objective 1: Increase the number of major productions (commercials, documentaries, feature films, educational films, etc.) being shot on location in North Carolina by 20% over the next two years.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Annual percent change in number of major productions shot in North Carolina	n/a	n/a	101%	22%	40%	*20%*	*25%*	*20%*
Performance Measures:								
North Carolinians employed in crew, talent, and technical positions (*Increase in number of residents involved appears related to migration from Los Angeles and New York and more experienced people)	6,300	18,370	18,000	29,720	32,840	*33,500*	*35,000*	*36,200*
Number of major film productions produced in N.C.	58	59	182	164	145	*165*	*180*	*195*

Current Situation:

Funds:

4600 COMMERCE
1571 N.C. Film Office

Objective 2: Increase the direct revenues spent by feature films, TV projects and commercial shoots in North Carolina by 20% over the next two years.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Annual percent change in direct revenue spent by the film industry in North Carolina	n/a	n/a	14%	15%	9%	*13%*	*14%*	*10%*
Performance Measures:								
Economic impact from all film productions (in millions) in N.C. (*Lower revenues appear to be as a result of increasing use of NC locations and film facilities by television Movies-of-the Week)	$202.5	$391.0	$504.3	$357.0	$391.0	*$420.0*	*$450.0*	*$500.0*
North Carolinians employed in crew, talent, and technical positions (*Increase in number of residents involved appears related to migration from Los Angeles and New York and more experienced people)	6,300	18,370	18,000	29,720	32,840	*33,500*	*35,000*	*36,200*
Number of major film productions produced in N.C.	58	59	182	164	145	*165*	*180*	*195*

Current Situation:

Funds:

4600 COMMERCE
1571 N.C. Film Office

COMM-28

NORTH CAROLINA FILM OFFICE
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
Reduce Supplies and Equipment	($ 822) R	($ 822) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $7,513
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $7,513 in state appropriations.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The Committee may wish to have the Department provide a status report on the film industry in North Carolina.

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3-5-97

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK Afternoon

NAME	FIRM OR AGENCY AND ADDRESS
David Simmons	Zeb Alley, PA
Bo Rogers	EHNR
PD	
Johnny Gray	OSBM
J W Reel	OSBM
Shelle Waltieri	OSBM
Dottie Cicierski	Commerce
Phillip R. Wilson	Comm
Sheila W. Chavis	State Planning
WALT ROSILA	NC ACTS
Laura Hartsell	MCIC
Diane Warren	EHNR
David Herlong	State Planning
Joe McEwen	TDA
Pa Akin	CNANC
Patrick Yancey	LLPP

Minutes

House Appropriations Sub-Committee on

Natural and Economic Resources

March 6, 1997 - 8:30 a.m.

The House Appropriations Sub-Committee on Natural and Economic Resources met Thursday, March 6, 1997, at 8:30 a.m. in Room 423 of the Legislative Office Building. Representative Rex Baker, Co-Chair, called the meeting to order at 8:30 a.m. Members present were Representatives Baker, Mitchell, Carpenter, Culp, Owens, Weatherly, Wilkins, Tolson, Hall and Senators Martin, Jenkins, Weinstein, and Horton. Representative Baker stated that the committee would be discussing four issues today: Welcome Centers, Travel and Tourism, Industrial Commission, and Commission on Workforce Preparedness.

After opening remarks, Jennifer Herrera, of the Fiscal Research Division, gave an overview of the Welcome Centers in the Division of Travel and Tourism, Department of Commerce. She stated that the Welcome Centers provide the visitors at all interstate entries to North Carolina with literature, maps, information, and assistance to encourage them to spend time and travel dollars in the state. The Governor's Summary of Recommendations for the 1997-99 biennium includes transferring the eight welcome centers from the Travel and Tourism Division of the Department of Commerce (General Fund) to the Department of Transportation (Highway Fund). Functions and activities of the centers will remain virtually the same, with the Division of Travel and Tourism continuing to provide publications, brochures, and other promotional materials. She briefly reviewed the expenditures by category, organizational chart, eight North Carolina welcome centers, objectives and overview of budget actions, and North Carolina welcome centers attendance (see attachments). Representative Weatherly noted that when he travels he doesn't sign up or register and asked how they keep up with attendance; and Lynn Minges, Deputy Director of Travel and Tourism, replied they are measured by a strip put on the exit ramp coming off the interstate which is put there by the Department of Transportation. It calibrates the cars that come into the welcome center area and that number is multiplied by 2.5 for an average. At this time, there was discussion about the rationale to transfer the welcome centers to the Department of Transportation. Representative Weatherly remarked that highway funds should be raided instead of appropriating it as being tourist development. Representative Owens asked if the welcome centers contract the cleaning of restrooms like the Visitors Centers do. Leo Tilley, Department of Commerce, answered that the Department of Transportation handles this; and it would be better if one department handled the entire operations. Senator Martin remarked there would still be mix-up and his district needs gas money to pave roads.

The meeting was turned over to Jennifer Herrera, of the Fiscal Research Division, to review the handouts on the Division of Travel and Tourism. She noted that the Division of Travel and Tourism provides information to the public about the historical, recreational and scenic attractions in North Carolina. The information is provided through a combination of advertising, news releases, brochures and welcome center operations. The Governor has recommended 6.9 million for the overall budget for the Division of Travel and Tourism for 97-98 offset by $469,812 in receipts for a general fund appropriation –a little over 6.3 million and 22 positions. The decrease from the current fiscal year is attributed to some moneys being transferred from the Department of Transportation for an international travel program that was being completed in this fiscal year as non-occurring money for the rural tourism grants program comes out, and there is also a decrease in the license plate money that is being transferred from the Department of Transportation Division for advertising purposes. She reviewed the (authorized) fund sources, expenditures by category, objectives, overview of budget items. She stated that the Division of Travel and Tourism is currently developing a heritage tourism approach to market North Carolina as a vacation destination, with a focus on promoting the state's historical, cultural and natural resources. The Division hopes to partner with community and regional tourism organizations, as well as other state agencies to promote the heritage tourism idea. Representative Owens asked if the Department is working with the Department of Cultural Resources as they develop heritage. There seems to be an inter-relationship. Gordon Clapp, Director of Travel and Tourism, replied that the whole basis of working toward heritage tourism position has been actually carried out in concept with the Secretary of Cultural Resources, other state agencies, and others in the private sector. This is the way we intend to develop tourism in years to come. Representative Owens replied that we put up 3 million in advertising and asked what other states are doing. Mr. Clapp replied that North Carolina ranks 27th in the nation and ranked 10th at one time. South Carolina spends under 20 million dollars, Tennessee raised budget to 13 million dollars, and Virginia is over 13 million dollars. Most of the bordering states are spending two to three times more than North Carolina. Our concern is that we are going to lose markets in the Southeast. Representative Hall called attention to page 46 of the handout relating to our budget being less and asked what is the rationale for cutting promotional advertising and cutting out a position. Representative Baker stated that was action taken in 1995. Senator Horton questioned the outcome and performance measures and made reference to the wild swings in annual percentage point change from .07 in 1993-94 to .41 in 1994-95 and .40 in 1995-96 and they are estimating we are going to drop down to .22 in 1996-97, and the same thing is repeated in advertising inquiries and response. That is about one-third in one year and now the estimates are going up another $15,000. Again we have this wild swing. Representative Baker explained that he would not characterize .07 to .41 to be a wild swing in the annual percentage change, and is less than a half percent. Senator Horton had a question about the advertising inquiries. Representative Baker requested Mr. Clapp to explain why we are going to project more growth in market share gains. Mr. Clapp, of Travel and Tourism, explained that the hurricane season might be a factor, and these are estimates because of a number of things that are being done at the center. They now have an answering service that is actually run twenty-four hours a day and have extended the hours, equipment and services. Senator Horton

asked if the .22 percentage of change in the outcome measures were going to be flat for 1996-97, 1997-98 and 1998-99 and noted that in the performance measure, there would be more of the market share in the southeast and asked if advertising is doing the job. Mr. Clapp replied that advertising is effective. Representative Baker replied that the outcome measures are not staying flat; regular growth is constant. You are not accelerating growth or decreasing growth. They are projecting adding to their percentage of market share each year by a constant amount. Representative Owens stated that there has been discussion the last several weeks about areas that need to be cut, and he noted this is an area that we need to consider some additional funds when the committee discusses the budget. Representative Baker requested that the issue be flagged. Representative Culp remarked he did not understand how they could keep a handle on things because there are so many facets of Travel and Tourism. If one goes up to the diamond mines and find a diamond and only takes one day doing it, does that register in the travel and tourism? Mr. Clapp explained the definition of a tourist by the Travel Industries Association of America and one who spends an overnight and is measured by expenditures, lodging, restaurants, etc. That includes both leisure and business travel. The economic impact figures for 1996 will be ready about April 1 and materials being used today are for 1995.

At this time, Mrs. Herrera, stated that the committee may wish to ask the Division to provide an update on marketing activities and efforts underway to continue the development of international travel, as funding from the Department of Department of Transportation concludes at the end of FY 1996-97.

Mr. Clapp reported that opening Western Europe is a new market for North Carolina. Funding was allocated to leading countries protracting European visitors to the United States and frequent to North Carolina from Great Britain and Germany. There were also some expenditure funds from France where it is a more consumer- oriented market than a public relations activity. The two principal markets are Great Britain and Germany. Usually it takes six, seven, or eight years to develop a major market. The division is pleased with the development of those markets because there are a number of ways they are measured. In 1995, there were 40,000 Germans that came to North Carolina; in 1996, there were 65,000. There are 90,000 expected to come to North Carolina in 1997. North Carolina will not be a primary destination for vacations initially. Seventy-five percent of the Europeans who come to this country will come back for the second or third visits. It is that market we are after. After they visit Disney Worlds, Las Vegas, and Niagara Falls, etc., they are looking to see the real America. People become more adventurous, more secure in their travel, and they want to get out into the inner lands and to see what this country is all about. This is a market and groups are beginning to gravitate more and more to North Carolina. We had tremendous coverage with the press. We continue to get visitors from Germany and Great Britain because North Carolina is a unique destination. We have such rich geography and natural resources. Representative Baker asked where the money would come from as DOT funds run out in FY1996-97 and how will that impact that program? Mr. Clapp reported that Commerce's budget calls for a million dollars to continue the international program. The travel and

tourism industry is asking for more. We have been averaging about a million and a half per year, and we need to keep it going to stay competitive. Representative Baker asked Mr. Clapp if he thought it would be covered in the Governor's expansion budget without causing undue hardships, and Mr. Clapp replied that it should not. Senator Martin asked if there is a big increase and decrease of travels if you have vested money values throughout the world, and Mr. Clapp replied definitely. Right now we are seeing one of the great benefits of sending people to this country and that is the weakness of the American dollar. In Germany, it will cost four times more than it does in Raleigh. It will cost about twice as much in Great Britain. Representative Martin asked if there is more travel when the American dollar is weaker, and Mr. Clapp replied that there would be more travel.

At this time Mark Trogdon, of the Fiscal Research Division, gave an overview of the Industrial Commission. He noted that a copy of the Performance Audit of the Office of State Auditor on the Worker's Compensation Program would be distributed to the committee. The Industrial Commission provides for the administration and adjudication of non-contested and contested workers' compensation claims. The commission also administers and adjudicates tort claims against the state as well as a variety of other public safety related death benefit acts. The 1997-98 recommended budget for the Industrial Commission is 7.1 million dollars in expenditures, 1.6 million dollars in receipts for net state total appropriation of $5,427,720. Receipts are primarily represented by hearing costs of these within the commission. You see sizable jumps in the numbers of the current fiscal year and fiscal year 1997-98. The difference in the expenditures relates primarily to some temporary positions that have been funded through the commission as well as some non-occurring funding for the updating of the automation system. The same change is reflected in the state appropriation also. Mr. Trogdon then reviewed the graphic representation of the comparison between fiscal year 1996-97 and 1997-98. In the salaries and benefits, the difference is primarily due to the temporary positions that were funded in the commission by this committee under purchase services as a portion of the computer consulting services and under property and equipment; the large jump from 2.5 million down to $106,000 represents non-recurring funds for the automation of the Industrial Commission. He then reviewed the organizational chart. This is the final adjudication for workers' compensation claims within the commission. He pointed out that the deputy commissioners are the ones who go out into the field and provide hearings for workers' compensation contested claims. There is an administrator of the commission and several programs within the commission; namely, 1) dockets which handles files and records, 2) statistics which handles medical fees and data processing, 3) claims sections which reviews medical claims on the workers' compensation cases and fraud, and 4) the office of the executive secretary which oversees changes and things such as doctors, fees, and cases that are in progress and safety education, You have workers' comp nurses to go out and meet with injured individuals and assess their health conditions. You have a safety education program which works with industry in terms of prevention of accidents and also a fraud and investigation unit which was created by this committee two years ago to investigate fraud claims regarding workers' compensation. Mr. Trogdon then reviewed the overview of

budget actions. He mentioned the reductions in supplies and equipment, reserve for ombudsmen expense, increased the hearing cost receipts within the commission. There are some notable expansions that will happen for the current biennium. There is $500,000 in non-recurring funds for Industrial Commission Automation which was appropriated in 1995-96. You have the fraud investigation positions which are two investigation examiners and one clerical position. Additional staff support is provided in the form of four legal secretaries and two claim examiners and some additional support for an applications programmer to assist with the implementation of the new automation system. He then reviewed the legislative salary increase which totals $188,082 and is funded totally with state appropriations. The Governor has recommended increasing the hearing cost receipts in the budget by $202,000. This will essentially reduce their general fund appropriation by that amount. Mr. Trogdon then reviewed the outcome and performance measures. Under performance measures, he pointed out the number of cases ordered to mediation and percentage of contested cases ordered to mediation that resulted in settlement. The commission in the last two years has increased their efforts to try to send contested cases to mediation before they come to the process of having a hearing. Nearly 62 percent of the cases now are being settled with mediation. In October 1996, the commission had 4,000 cases backlogged at the deputy commissioner level. In combination with an effort of sending teams of deputy examiners out in the field to address this backlog, they also increased the effort on mediation and, as a consequence, have dropped it from 4,000 to 600. Number of cases resolved as a result of mediation or hearings is 6,542 and also the percentage of workers' compensation claims resulted without a hearing is 85 percent. He then reviewed the items for committee discussion. Chapter 17 of the Second Extra Session of 1996 required the State Auditor to conduct a performance audit of the Industrial Commission. In addition, the State Auditor was to study, in conjunction with the Office of State Personnel, the Industrial Commission Advisory Council, and the North Carolina Bar Association, the salary levels of the Chairman, the Commissioners, the Administrator, the Executive Secretary, and the Deputy Commissioners of the Industrial Commission. In February of 1997, the State Auditor issued its findings:

1. clearly define the backlog of pending cases and refine case management to improve the timeliness of hearing cases and prevent overstating the backlog;
2. expand the use of mediation to settle cases rather than using the formal hearings process to improve the timeliness of handling disputed cases;
3. standardize statistical reports on program operations to provide reliable program data for evaluation by the public, private businesses, state agencies, and the General Assembly;
4. request from the Office of State Personnel a classification study for the workers' compensation nurses, examine the workloads of personnel in the medical fees section and the necessity of maintaining the ratio of a legal secretary for each deputy commissioner, change procedures to have the Safety Education section target employers with high accident rates and consider consolidation of this function with that performed by the OSHA division with the Department of Labor;
5. improve coordination with the Department of Insurance for fraud investigations and consider consolidating these two units;

6. the salary for the chairman could be increased to $88,460 from $72,638;
7. salaries for the commissioners could be increased to $86,752 from $70,869 and
8. the salary range for the deputy commissioner classification (grade 83 with a range of $50,143 - $84,512) was found to be competitive and no change in the pay range for the class was recommended, although in-range adjustments to correct individual problems should be considered.

Mr. Buck Lattimore, Administrator with the Industrial Commission, was in attendance to answer questions. Representative Mitchell asked if the fraud investigations are misdemeanors. Mr. Lattimore stated that the statutes that have been on the books for a number of years simply is that workers' compensation fraud is a misdemeanor. The other types of fraud that the sheriff's department deals with and insurance fraud on behalf of a company or individual falls into the felony category. That was the problem when investigation was handled by the insurance department. They were given a low priority and often did not get to it because they had felony cases that could go to the district attorney and get more attention. Since the Industrial Commission has had the unit, there have been l40 cases. Twenty-five of those cases have gone as far as the district attorney. Representative Mitchell asked how much money are you talking about when calling it a misdemeanor. Mr. Lattimore stated that it does not have a money level to differentiate between a misdemeanor and a felony. Workers' compensation falls into a category of a misdemeanor. Representative Mitchell asked Mr. Lattimore if he would have any objection having a bill drafted by next week, and he replied that he would appreciate having a bill drafted. Senator Martin noted that he thought the Commission had a personnel department as well as an over-all Personnel Department of the State of North Carolina to study personnel and asked if it is done periodically or when they are asked to do so by agencies. He further asked when did an accountant start taking over personnel maters. Representative Baker called on Mark Trogdon to help with that question. Mr. Trogdon stated that legislation that was passed in this bill, Chapter 17 ,which was the studies bill, required the auditor to work with the Office of State Personnel to conduct this particular study. Representative Baker asked if they were having difficulty getting the chairmen and commissioners at the old salary. Mr. Lattimore reported that those people were appointed by the Office of the Governor. It has got to the point that the salary has remained somewhat constant over the years as we have seen other commissions like the Utilities Commission jump into the $90,000 range and superior and district court judges go up. The commissioners have been left in the $60,000 range to the low $70,000. Mr. Weatherly requested Mr. Lattimore to explain the duties of these commissioners and what they do, if they have a full-time job, and how they perform. Mr. Lattimore replied that commissioners are full time. They are the final appellate court on workers' compensation matters. There are certain instances in which their decision can be appealed to the Court of Appeals and the State Supreme Court. They set up an appeals body for contested cases that have already been heard at the deputy commissioner level. They have full-time jobs and work twelve hours per day five days a week. Senator Martin asked how many times the commissioners are called when on call. Mr. Lattimore reported they were called many times on the weekend. Representative Culp asked where receipts come from. Mr. Lattimore stated that there is a $100 charge when a

compromised settlement agreement is reached. That is when all parties get together and review for appropriateness and fairness. There is also a $200 fee if there is an appeal to the full commission. There is also charges for transcripts and tapes of proceedings. Some may be thousands of pages long. Much revenue is generated that way. Senator Martin asked if the same ones who try the cases, do they hear the mediation, too? Mr. Lattimore answered that all the mediation is done by private mediators on the outside. Senator Martin asked if 85 percent of cases are being solved by mediation and noted that a lot of hearing officers have been added, what are they doing? Mr. Lattimore stated that 15 percent of the cases that go into medication are not settled in mediation so they are coming back. He noted they are getting 150 contested cases each week at the commission. That is 7500 to 8000 that will go through the system. Some drop out early; some people ask to opt out. Fifteen percent ask to opt out of mediation. Another 15 percent failed to mediate so they have to go to the full commission level. There are 75 percent of some 7500 to 8000 cases to be heard in a formal hearing. Senator Martin asked where they were in the backlog. Mr. Lattimore reported there are now 600 cases left in backlog; that is down from the 6200 count at the beginning of the year. In June, there were 4500. We are down to 664 cases. Mr. Lattimore then explained how the electronic document would be helpful and remarked that the faster claims are got out, the less appeals and contested cases there will be. Representative Culp asked if there is any type of claim or injury that is outstanding, what would it be? Mr. Lattimore stated that would be hard to say but would be happy to get statistical information. It is probably either a back, arm injury, or a strained type injury. Senator Martin asked how do you get appointed to the commission. Mr. Lattimore stated that the Governor appoints them for a six-year term. Senator Martin asked what was the criteria. Mr. Lattimore stated they would need a background in workers' compensation. The law specifically says that no more than half of the commissioners can be from labor and no more than half from business.

Mark Trogdon then presented an overview of the Commission of Workforce Preparedness. It was re-established in March of 1993. The Commission was authorized by the Governor to serve as the state's Human Resource Investment Council as required by Title VII of the Job Training Partnership Act. The Commission's role is to provide policy guidance to the state's many job training efforts. The recommended budget for the Commission is 1.9 million dollars on receipts of 1.8 million dollars which are primarily federal funds and a little over $100,000 in state appropriations. He then reviewed the fund source, expenditures by category, comparison of expenditures by category, organizational chart, overview of budget actions, and Governor's Recommended Reductions. In October 1996, the State Auditor issued a Performance Audit of the state's Workforce Development programs In that report the State Auditor recommends that the General Assembly should consider the consolidation of federal and state funded workforce development programs and activities. This consolidation should result in a single agency consisting of the Employment Security Commission and other workforce development agencies, divisions and programs. Other programs identified by the State Auditor are as follows: the Commission on Workforce Preparedness, the Division of Employment and Training, the Work First program, the Food Stamp Employment and

Training program, the Jobs Corp Outreach and Recruitment program, and the Division of Vocational Rehabilitation. Mr. Trogdon reported that this committee in 1995 created the Job Training Study Commission to look at these issues. That committee has asked to be extended another year to continue to look at some of these issues, including the State Auditor's Report.

At this time, Ms. Sandy Babbs, of the Commission of Workforce, was in attendance to answer questions on the audit report. She noted that the Commission at its last meeting passed a resolution endorsing that we need to bring all the workforce development policy and program and services into one entity to better set priorities and make sure all our expenditures are driven by the same priorities. Representative Baker asked how many people are on staff at the Commission. Ms. Wayne Davies, Deputy Director of the Commission on Workforce, stated there are nineteen established positions. The chart reflects temporary people through Temporary Solutions. There are two other people who are with other departments. Representative Baker commented that according to the activities, you advise by policy guidance and asked what do you do and what kind of productive things are you involved in and if you didn't exist, would that affect the state severely? Ms. Babb stated that the Commission has several functions. One is they are the state's Human Resource Investment Council. The state requires, if you get federal funds, to have a body that is an oversight in coordination, monitoring, and evaluation body that is independent of the administration for those funds. That is a legal function and a reporting and monitoring function that they have to report back to the federal government. In addition, the Commission advises the Governor, provides information to the legislature, do annual inventory of all workforce development programs in terms of expenditures, do a biannual report on the activities and have been a major resource and source of information for the job training study commission as they have gone about looking at job training and workforce development. They serve as the entity that can bring together agencies around inter-agency and multi-agency initiatives. Two things that are going on now that we think are important for the state's future and workforce development are initiatives which are inter-agency initiatives and are coordinated by the Commission's as follows: 1) our school to work or our job ready initiative which is partially education reform and partly workforce development and 2) job link career centers which attempt at the local level to bring all the various job training and employment things together. North Carolina received federal grants to do demonstration projects to get the major directions that we see federal funds moving for workforce development moving in. Representative Culp remarked that there are six programs and it seems they are all doing the same function. It seems they could be all put together and just have one. Ms. Babb stated that is the gist of the Auditor's report. The Workforce Commission consists of all the agency heads but primarily its membership is the private sector. Representative Owens asked if you want to look at the issue another year, what if in six months you came to the final conclusion, do we have to wait for another year to implement it or could there be some way within the budget process that if you all came to the conclusion, we could authorize consolidation at an earlier date? Ms. Babb stated that she understands the Job Training Study Commission will not meet during this session. Mr. Trogdon stated that the Job Training Study Commission was authorized for 1995-96

and 1996-97. That authorization has expired. The chairs, Senator Rand and Representative Howard, have introduced a bill to extend it another year to finalize their work. There will have to be action taken by the General Assembly to continue the study commission. Senator Horton commented that if any action could be taken by the General Assembly to draw up a bill or resolution to go ahead and consolidate and asked if this could be done as a budgetary matter. Mr. Trogdon stated that it could be done as a budgetary matter. There may be legal questions that would have to be addressed in terms if you were trying to consolidate certain agencies, it could likely be done. Senator Horton recommended that this be flagged as he felt that efforts should be made to go ahead and consolidate and same money. Senator Martin stated that there had been an effort to consolidate two and a half years ago and asked what happened . Ms. Babb stated there were a number of factors. One factor may have been that people in the agencies affected were not sufficiently comfortable at that time. Senator Martin asked what policy guidance to the state's many job training efforts mean and asked if the Council tells Community Colleges how to operate. Ms. Babb replied the Commission does not, and they are governed by their State Board of Education . There are many ways we work with them in conjunction. If we are really thinking about developing the workforce of North Carolina so that over the next decade we can have the kind of prosperity that we have now, we really need to upgrade our workforce because of technology changing the workplace. Senator Martin replied that is what community colleges is all about. Ms. Babb stated that the community college is a key player in the workforce development. Workforce development includes everything from K-12, and high school students need to be getting skills both academically and employable skills which is more understanding of the real work world. It includes second chance programs for whatever reasons they have not been able to make it very successfully in the world of work. We have to go back and do some other things with them, as well as community colleges. Many are joint efforts.

The meeting was adjourned to reconvene Monday, March 10 at 3:00 p.m.

Representative Rex L. Baker
House Co-Chair

Jo Hinton
Committee Clerk

Joint Appropriations Committee on
Natural and Economic Resources

March 6, 1997

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

Department of Commerce

Welcome Centers
Jennifer Herrera
Fiscal Research Division

Travel and Tourism
Jennifer Herrera
Fiscal Research Division

Industrial Commission
Mark Trogdon
Fiscal Research Division

Commission on Workforce Preparedness
Mark Trogdon
Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/6/97 Morning

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[illegible]	[illegible]
John Rustic	Hunton & Williams
Buck Latimore	NC Industrial Commission
Wayne Davis	Commission of Workers
Peter Daniel	NCDA
Sheila Chavis	State Planning
Phillip R. Gibbon	Commerce
Snuki Wactieri	OSBM
JW Russ	OSBM
Johnny Gray	OSBM
Leo Tilley	Commerce
Gordon Clapp	Travel & Tourism
Lynn Mierger	" "
Leanne Wenbrick	E & HS
LG	NCFB
Amy Anderson	Hunton & Williams
George Hause	NCVC
David Simmons	Sec. Gilbert, DA
Beth Albright	NCDA&CS
Kristin Bolt	Gov Office
Ruth Cary	World Trade Center NC
Doug Lassiter	NC Soybean Assoc.
Curt Williams	Gov. Office
Joe McClain	NC Beer Inst
Doug Lassiter	N.C. Soybean Assoc.
Tom Bean	NC Wildlife Federation
Ron Aaron	CNAAC

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3-6-97 Morning

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ben Holman	LCNC / Swain CtLs
Chris Scott	NC AFL-CIO
Charles Gauthier	DEHNR - D.L.R. Land Resources

Department of Commerce

Welcome Centers							
			Current Fiscal Year	Governor's Continuation Request *			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	1,309,199	1,360,863	1,452,658	-	-100.0%	-	-100.0%
Less Receipts	(6,184)	(2,059)	(19,480)	-	-100.0%	-	-100.0%
State Appropriations	*1,303,015*	*1,358,804*	*1,433,178*	-	-100.0%	-	-100.0%
Positions	42.00	42.00	42.00	-		-	

* *REFLECTS GOVERNOR'S ADDITIONAL REDUCTIONS*

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

As a part of the Division of Travel and Tourism, the Welcome Centers provide the visitors at all interstate entries to North Carolina with literature, maps, information and assistance to encourage them to spend additional time and travel dollars in the state.

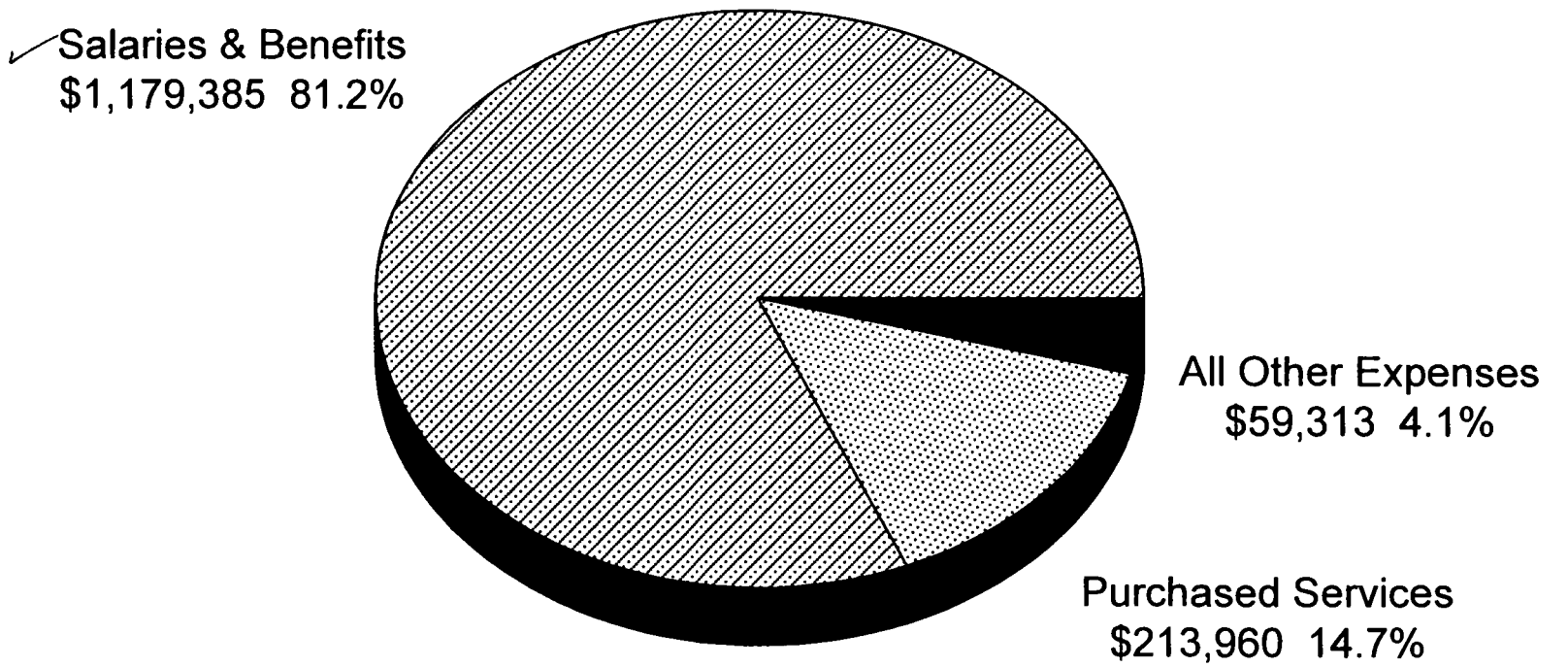
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp X-32 to X-33
Performance/Program Analysis, Volume 7b, pp 6-107 to 6-108; 6-111; 6-115

COM-31

Welcome Centers

FY 1996-97 (Authorized) Expenditures By Category



Fiscal Research Division March 1997

Com-32

Henry McClain
Clerical Supervisor
18100

Jennifer B. Hollerung
Director of Visitor Services
(Welcome Center Director)
18700

Jan Ellington
Welcome Center Assistant
18501

Teresa Watts
Data Entry Operator II
18103

Wade Bryant
Mail Clerk II
18770

I-26
Welcome Center
Margaret Ritchey
Manager
18770

Rana Shytle
Travel Counselor
18772

Kathy West
Travel Counselor
18773

Burley Durham
General Utility Worker
18774

Tena Greene
Pt. Time
Travel Counselor

I-40
Welcome Center
Tina Best
Manager
18750

Kay Ferguson
Travel Counselor
18751

Angie Lowe
Travel Counselor
18752

Mary Ann Teague
Travel Counselor
18753

Rodney Moore
General Utility Worker
18754

Jeannette Shaver
Pt. Time
Travel Counselor

I-77 North
Welcome Center
Sue Bauguess
Manager
18760

Mary Houston
Travel Counselor
18761

Angela Hall
Travel Counselor
18762

Elizabeth Combs
Travel Counselor
18763

Ralph Collins
General Utility Worker
18764

Esther Lowe
Pt. Time
Travel Counselor

Myrtle Smith
Pt. Time
Travel Counselor

I-77 South
Welcome Center
Tonita Perry
Manager
18780

Patricia Alger
Travel Counselor
18781

Pamela Coleman
Travel Counselor
18783

David Hemphill
General Utility Worker
18784

Phyllis Krumel
Pt. Time
Travel Counselor

Gwendolyn Featherson
Pt. Time
Travel Counselor

I-85 North
Welcome Center
Linda Fleming
Manager
18710

Ivoria Terry
Travel Counselor
18711

Mary Perkinson
Travel Counselor
18712

Hattie Williams
Travel Counselor
18713

Franklin Rivers
General Utility Worker
18714

Deborah Formyduval
Part-Time
Travel Counselor

I-85 South
Welcome Center
Janet Fulton
Manager
18720

Patricia Church
Travel Counselor
18721

Donna Williams
Travel Counselor
18722

Juanita Sapoch
Travel Counselor
18723

Ted Jones
General Utility Worker
18724

Sandra Wise
Part-Time
Travel Counselor

I-95 North
Welcome Center
Dorothy Eason
Manager
18740

Vacant
Travel Counselor
18741

Edith Jenkins
Travel Counselor
18742

Lynda Mitchell
Travel Counselor
18743

Margaret Biggs
Travel Counselor
18782

Vernon Taylor
General Utility Worker
18744

Fred Killenberger
Part-Time
Travel Counselor

I-95 South
Welcome Center
Demetrius Hunt
Manager
18730

Vacant
Travel Counselor
18731

Peggie Hunt
Travel Counselor
18732

Vickie Torres
Travel Counselor
18733

Edward Brown
General Utility Worker
18734

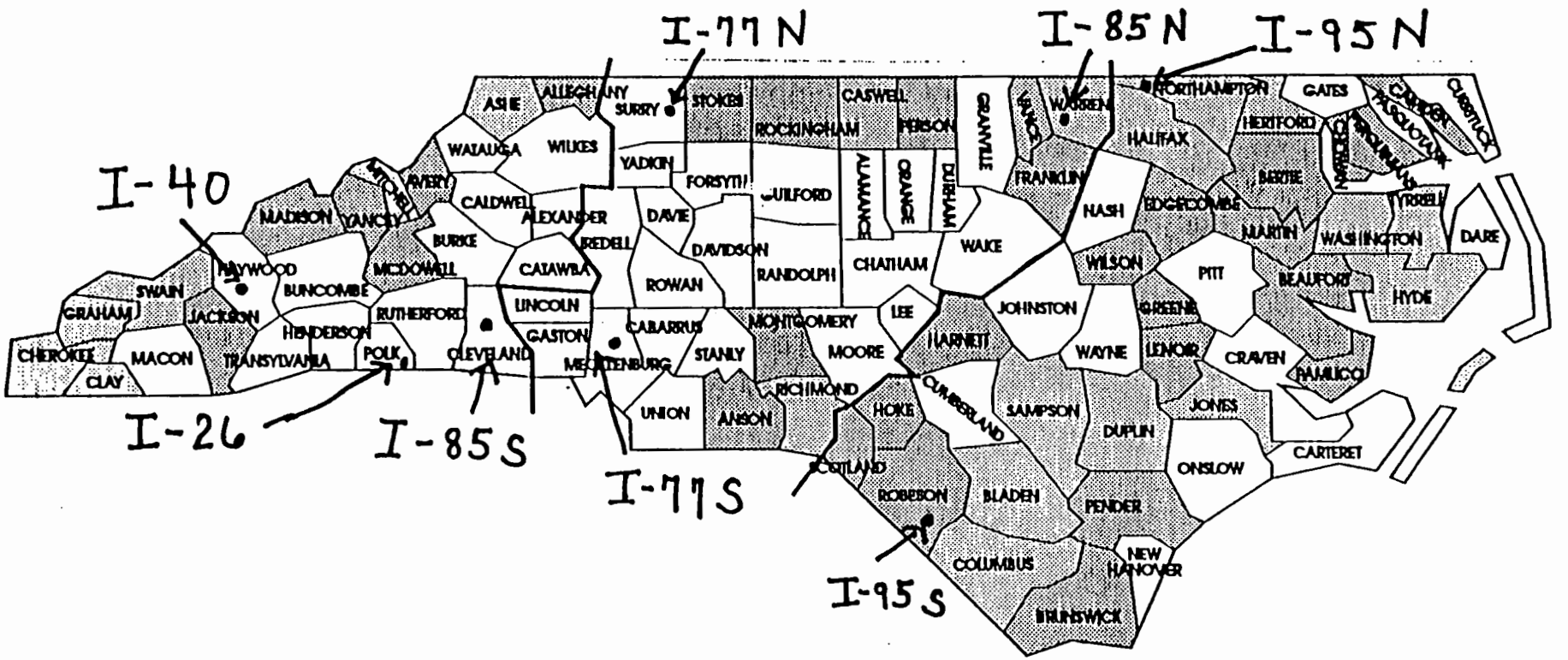
Betty Bridgers
Part-Time
Travel Counselor

Diane Powell
Part-Time
Travel Counselor

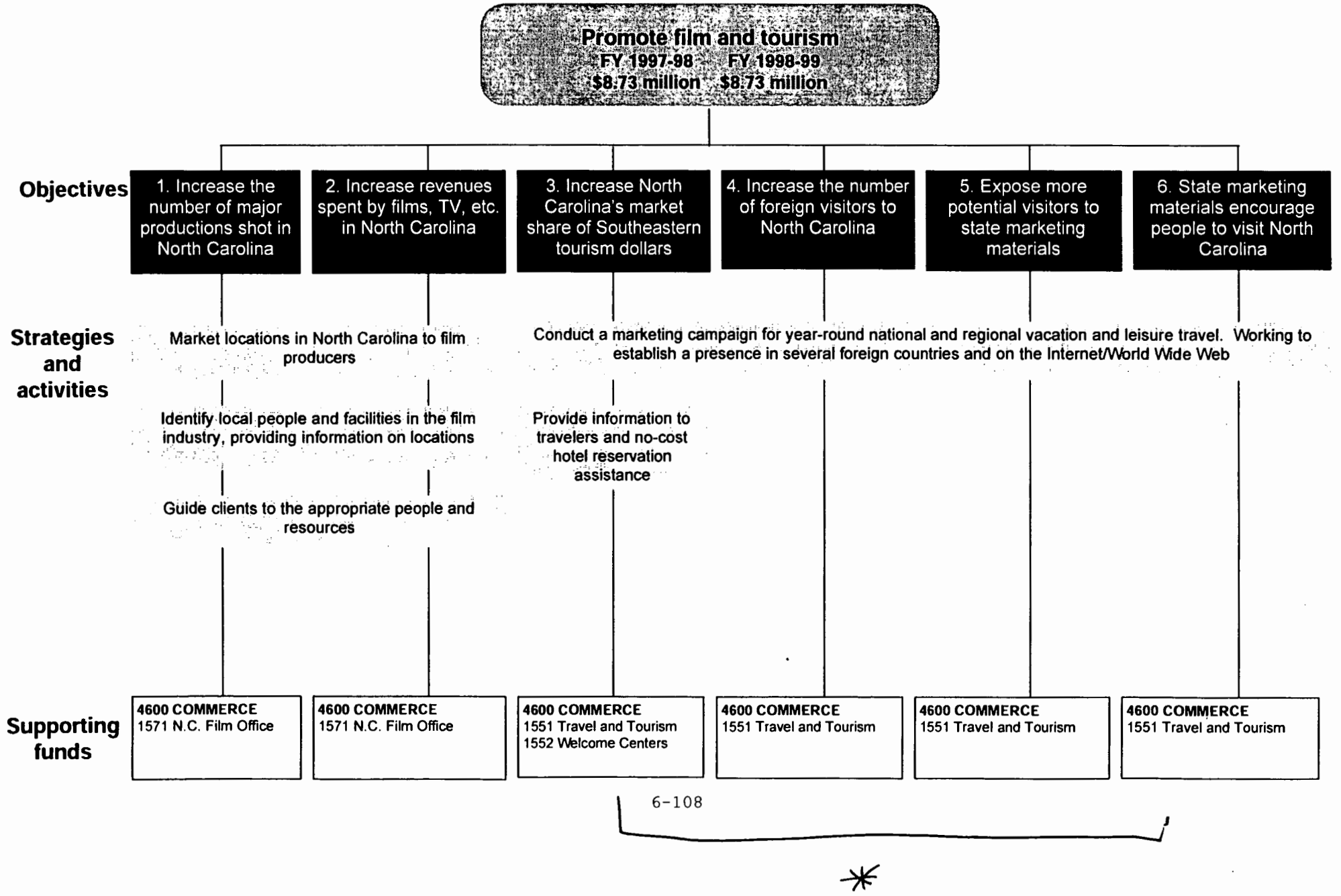
Welcome Centers

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NORTH CAROLINA WELCOME CENTERS



6520 Promote the film and tourism industries



Objective 3: Increase North Carolina's market share of the Southeast tourism dollars spent each year.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Annual percentage point change in North Carolina's share of total tourism dollars spent in the Southeast region	-1.6	.46	.07	.41	.40	*.22*	*.22*	*.23*
Performance Measures:								
Percent of Southeast Region tourism market share	9.6%	10.06%	10.13%	10.54%	10.94%	*11.16%*	*11.38%*	*11.61%*
Advertising inquiries in response to N.C. Advertising Campaign (Ad inquiries do not measure success since they fluctuate based on type of ad campaign conducted)	300,000	375,000	375,000	390,000	299,891	*315,000*	*330,750*	*347,300*
Gross lodging retail sales (in billions) for calendar years	$1.20	$1.27	$1.35	$1.42	$1.60	*$1.76*	*$1.94*	*$2.13*
Travel expenditures (in billions for calendar year)	$7.0	$7.3	$7.95	$8.43	$9.2	*$9.94*	*$10.74*	*$11.60*
Welcome Centers visitation (in millions, calendar year 1985-86 = FY 1986, etc.)	8.2	8.2	8.7	8.6	8.7	*8.7*	*8.8*	*8.9*

Current Situation:

Many different factors enter into the annual tourism business and each has a resulting effect on tourism dollars. For example, it is possible that this year's overall figures in the above measures will be below what has been anticipated as a result of the two hurricanes that came by/through North Carolina.

Funds:

4600 COMMERCE
1551 Travel and Tourism
1552 Welcome Centers

NORTH CAROLINA WELCOME CENTERS ATTENDANCE

CUMULATIVE TOTAL: 137,765,800

[redacted]	I 26 W	I 40 W	I 77 N	I 77 S	[redacted]S N	I 85 S	I 95 N	I 95 S	Year[redacted]ls
1968					70,186		64,757		134,943
1969					163,120		283,544		446,664
1970		31,052			190,830		411,642		633,524
1971		315,423			255,714		340,674		911,811
1972		440,861			305,073	11,177	364,673		1,121,784
1973		494,249			305,114	324,635	436,265		1,560,263
1974		564,032			318,691	347,773	476,938	332,470	2,039,904
1975		565,871			311,851	309,286	521,037	408,415	2,116,460
1976		599,725			334,871	374,288	580,145	474,099	2,363,128
1977		705,124			339,570	474,082	657,700	498,877	2,675,353
1978		775,414			374,389	491,255	722,099	546,763	2,909,920
1979		686,080			316,377	493,399	713,814	537,814	2,747,484
1980		643,286			332,908	444,037	892,671	685,108	2,998,010
1981		780,910			368,168	478,288	1,059,906	884,697	3,571,969
1982		939,089	572,205		383,820	515,541	1,130,736	1,001,428	4,542,819
1983	514,012	827,403	808,907		385,274	556,152	1,200,533	1,118,514	5,410,795
1984	538,091	835,610	990,929		442,928	628,380	1,329,351	815,243	5,580,532
1985	573,622	817,782	966,240		452,177	599,823	1,388,395	715,512	5,513,551
1986	592,165	888,955	907,371	757,323	512,790	649,768	1,516,671	899,887	6,724,930
1987	654,904	996,833	1,010,875	786,910	557,981	739,238	1,715,417	916,626	7,378,784
1988	692,066	1,041,376	1,097,330	863,937	615,137	817,975	1,957,431	1,038,980	8,124,232
1989	729,947	1,051,451	1,098,784	699,098	629,371	900,172	1,945,240	1,048,169	8,102,232
1990	730,361	1,101,120	1,203,673	623,110	655,528	1,022,357	1,909,281	1,175,980	8,421,410
1991	727,532	1,227,760	1,266,689	518,556	715,668	958,027	1,772,976	1,104,838	8,292,046
1992	763,570	1,349,479	1,326,719	521,405	722,174	910,119	1,552,509	1,215,188	8,361,163
1993	730,414	1,223,989	1,206,064	505,634	770,884	922,782	1,967,579	1,385,309	8,712,655
1994	743,806	1,261,224	1,175,166	521,806	646,915	843,896	2,010,327	1,317,950	8,521,090
1995	734,495	1,266,208	1,219,302	449,334	789,106	799,281	2,064,708	1,356,038	8,678,472
1996	831,961	1,442,247	1,281,648	478,624	787,113	811,288	2,210,156	1,326,835	**9,169,872**
TOTALS	9,556,946	22,872,553	16,872,553	6,725,737	13,053,728	15,423,019	33,197,175	20,804,740	137,765,800

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WELCOME CENTERS
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Reduce Supplies and Equipment	($ 4,146) R	($ 4,146) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

The Welcome Centers received $6,700 from the 1996-97 Reserve for Repairs and Renovations for the replacement of water pipes and the kitchen ceiling at the I-77 N Welcome Center, and for a new hot water heater and water fountain at the I-26 Welcome Center.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $36,613
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $36,613 in state appropriations.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S ADDITIONAL RECOMMENDED REDUCTIONS	1997-98	1998-99
1) Transfer Welcome Centers to the Department of Transportation		
Requirements	($1,402,203) R	($1,403,578) R
Receipts	($ 2,000) R	($ 2,000) R
Appropriation	($1,400,203) R	($1,401,578) R
Number of Positions	-42.00	-42.00

The Governor's Summary of Recommendations for the 1997-99 biennium includes transferring the 8 Welcome Centers from the Travel and Tourism Division of the Department of Commerce (General Fund) to the Department of Transportation (Highway Fund). Functions and activities of the Centers will remain virtually the same, with the Division of Travel and Tourism continuing to provide publications, brochures and other promotional materials for distribution at the Centers.

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The Committee may wish to have the Department further discuss the rationale to transfer the Welcome Centers to the Department of Transportation.

Department of Commerce

Division of Travel and Tourism

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized (January)	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	8,071,850	9,592,947	8,728,762	6,799,185	-22.1%	6,800,172	-22.1%
Less Receipts	(2,740,388)	(3,018,097)	(2,367,323)	(469,812)	-80.2%	(469,812)	-80.2%
State Appropriations	*5,331,462*	*6,574,850*	*6,361,439*	*6,329,373*	-0.5%	*6,330,360*	-0.5%
Positions	23.00	22.00	22.00	22.00		22.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The Division of Travel and Tourism provides information to the public about the historical, recreational and scenic attractions in North Carolina. The information is provided through a combination of advertising, news releases, brochures and welcome center operations.

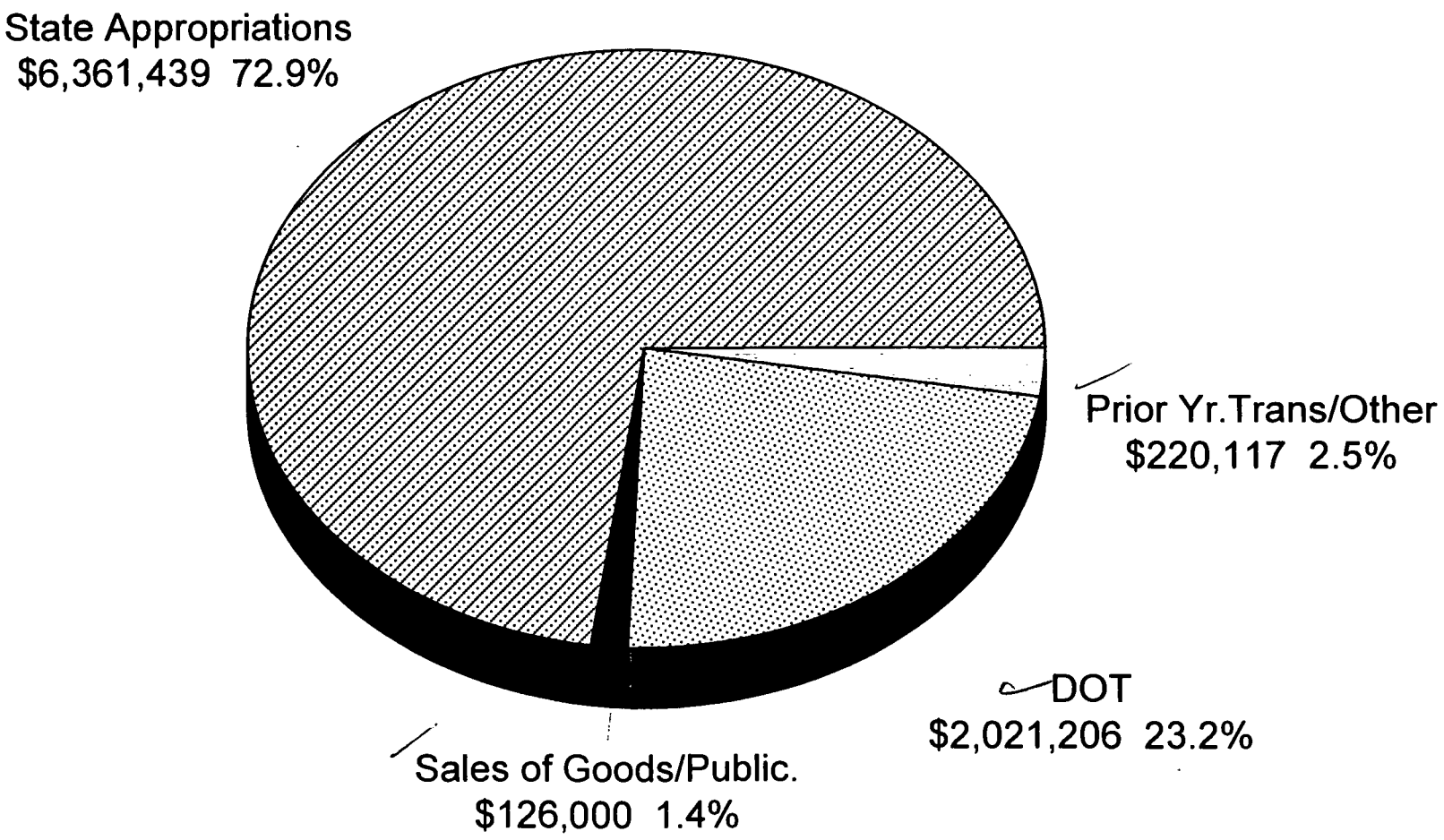
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp X-29 to X-31 and X-71 to X-72
Performance/Program Analysis, Volume 7b, pp 6-107 to 6-116

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Division of Travel and Tourism

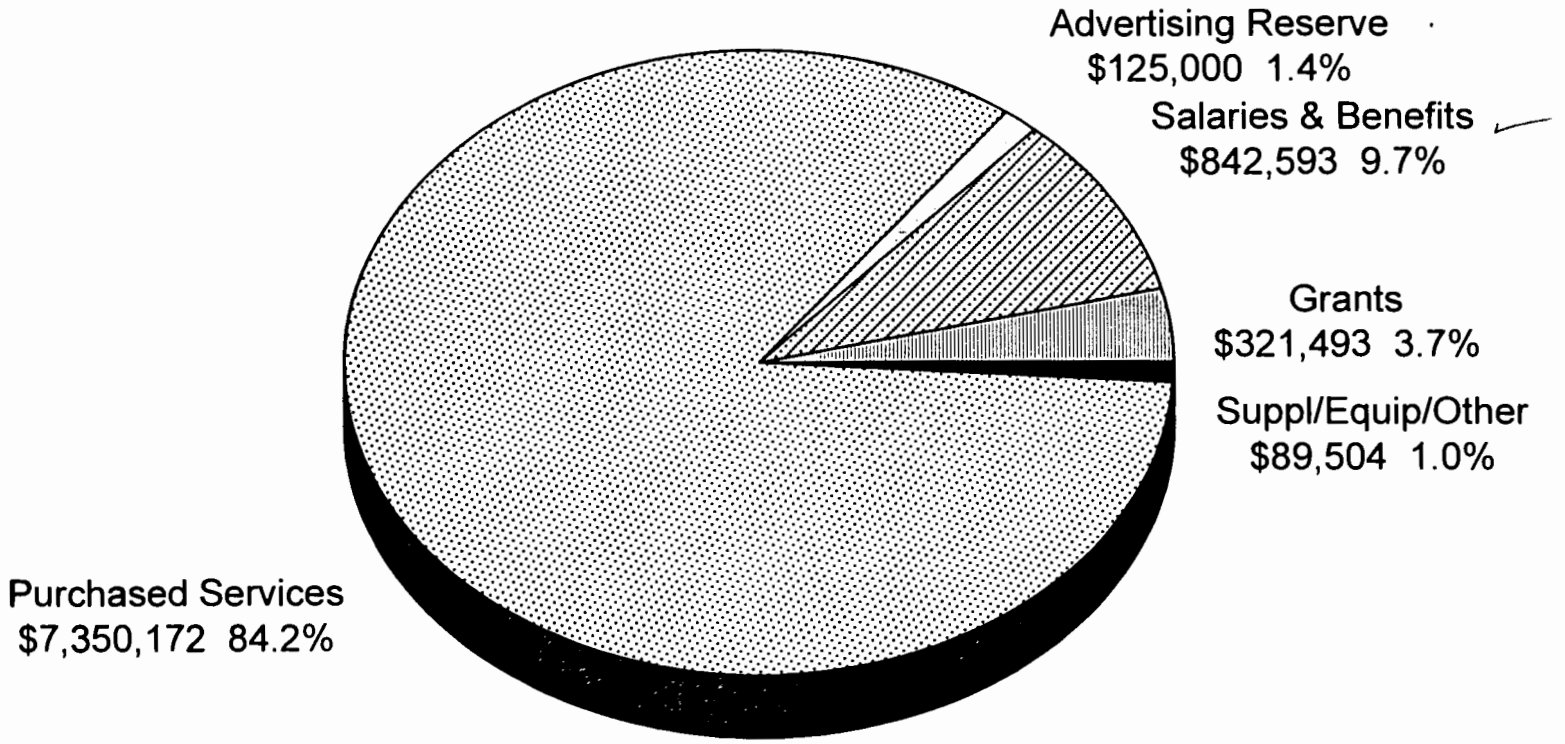
FY 1996-97 (Authorized) Fund Sources



Fiscal Research Division March 1997

Division of Travel and Tourism

FY 1996-97 (Authorized) Expenditures By Category



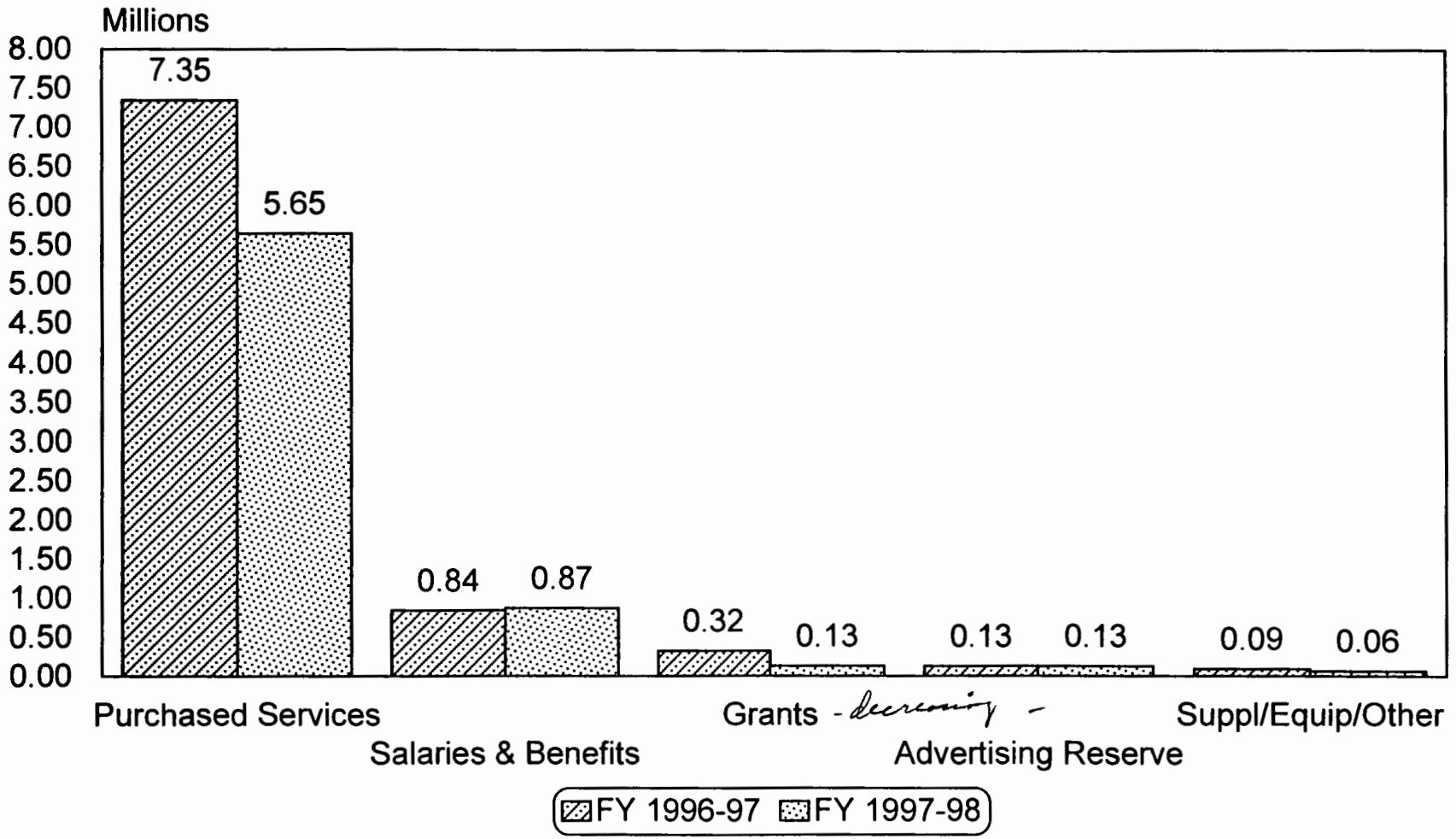
Fiscal Research Division March 1997

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Division of Travel and Tourism

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 3: Increase North Carolina's market share of the Southeast tourism dollars spent each year.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Annual percentage point change in North Carolina's share of total tourism dollars spent in the Southeast region	-1.6	.46	.07	.41	.40	*.22*	*.22*	*.23*
Performance Measures:								
Percent of Southeast Region tourism market share	9.6%	10.06%	10.13%	10.54%	10.94%	*11.16%*	*11.38%*	*11.61%*
Advertising inquiries in response to N.C. Advertising Campaign (Ad inquiries do not measure success since they fluctuate based on type of ad campaign conducted)	300,000	375,000	375,000	390,000	299,891	*315,000*	*330,750*	*347,300*
* Gross lodging retail sales (in billions) for calendar years	$1.20	$1.27	$1.35	$1.42	$1.60	*$1.76*	*$1.94*	*$2.13*
* Travel expenditures (in billions for calendar year)	$7.0	$7.3	$7.95	$8.43	$9.2	*$9.94*	*$10.74*	*$11.60*
Welcome Centers visitation (in millions, calendar year 1985-86 = FY 1986, etc.)	8.2	8.2	8.7	8.6	8.7	*8.7*	*8.8*	*8.9*

Current Situation:

Many different factors enter into the annual tourism business and each has a resulting effect on tourism dollars. For example, it is possible that this year's overall figures in the above measures will be below what has been anticipated as a result of the two hurricanes that came by/through North Carolina.

Funds:

4600 COMMERCE
1551 Travel and Tourism
1552 Welcome Centers

Objective 4: Increase the number of foreign travelers visiting North Carolina each year.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Annual percent change in the number of foreign visitors to North Carolina	21.2%	6.3%	8.0%	4.0%	5.0%	*5.0%*	*5.0%*	*5.0%*
Performance Measures:								

Current Situation:

Travel and Tourism has been more actively participating in the foreign market over the past three years through special funding from the Department of Transportation. With these Funds, the division has been able to contract with agencies in Germany, France, and the United Kingdom and come up with more effective advertising campaigns. DOT funding runs out in FY 1996-97 and further development of the international market is pending on future funding.

Funds:

4600 COMMERCE
1551 Travel and Tourism

Objective 5: At least 10% of all visitors to North Carolina will have been exposed to state marketing material in the previous 12 months.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of visitors to North Carolina who have been exposed to marketing material from the State in the last 12 months	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Advertising expenditures for Travel and Tourism marketing campaign (in millions)	$2.2	$2.2	$2.6	$3.2	$2.95	*$2.98*	*$3.26* + increase	*$3.46*

Current Situation:

Plans for the development of measures for this objective are currently being considered.

Funds:

4600 COMMERCE
1551 Travel and Tourism

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DIVISION OF TRAVEL AND TOURISM
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Abolish 1 position	($ 23,686) R -1.00	($ 23,686) R -1.00
2) Reduce promotional advertising	($ 14,334) R	($ 14,334) R
3) Reduce Supplies and Equipment	($ 3,028) R	($ 3,029) R

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

1) Rural Tourism Development Funds — $110,000 NR

REPAIRS AND RENOVATIONS

None

Fiscal Research Division March 1997

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SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $27,051
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $25,422 in state appropriations and $1,629 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

CONTINUATION BUDGET HIGHLIGHTS

	1997-98	1998-99
1) Eliminate transfer from DOT	($1,593,500) R	($1,593,500) R

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1) The Division of Travel and Tourism is currently developing a heritage tourism approach to market North Carolina as a vacation destination, with a focus on promoting the state's historical, cultural and natural resources. The Division hopes to partner with community and regional tourism organizations, as well as other state agencies to promote the heritage tourism idea. The Committee may wish to have the Division comment on activities currently underway to advance this concept.

2) The Committee may wish to ask the Division to provide an update on marketing activities and efforts underway to continue the development of international travel, as funding from the Department of Transportation concludes at the end of FY 1996-97.

DEPARTMENT OF COMMERCE

Commission on Workforce Preparedness

			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	1,454,581	1,949,144	2,050,718	1,894,713	-7.6%	1,896,037	-7.5%
Less Receipts	(1,240,188)	(1,845,344)	(1,945,806)	(1,794,064)	-7.8%	(1,795,228)	-7.7%
State Appropriations	*214,393*	*103,800*	*104,912*	*100,649*	-4.1%	*100,809*	-3.9%
Positions	10.00	17.00	17.00	17.00		17.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The Commission on Workforce Preparedness was re-established by executive order in March 1993. The Commission was authorized by the Governor to serve as the state's Human Resource Investment Council as required by Title VII of the Job Training Partnership Act. The Commission's role is to provide policy guidance to the state's many job training efforts.

Cross References For Budget Volumes

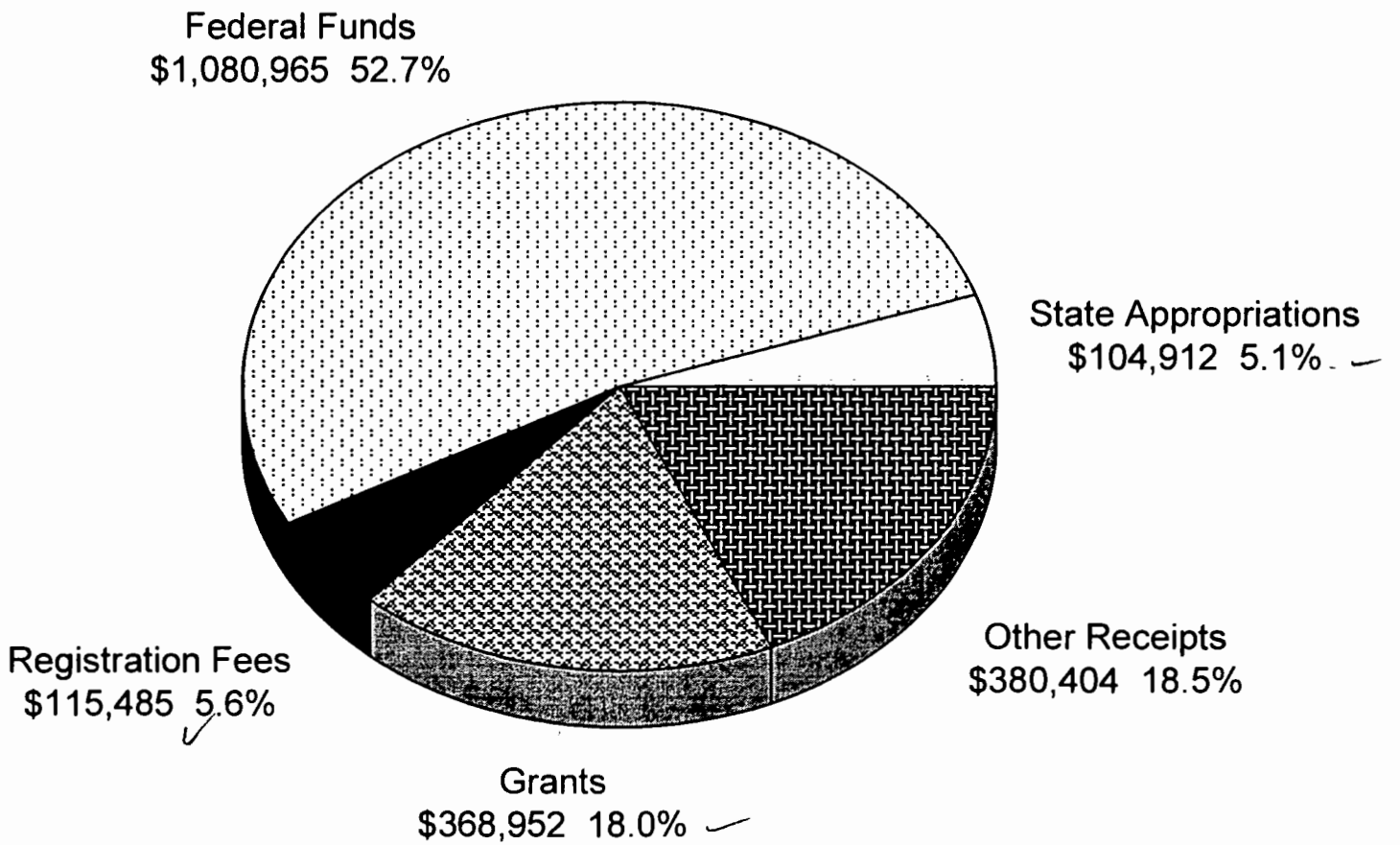
Governor's Budget, Volume 5, pp. X-45 to X-47
Performance/Program Analysis, Volume 7A, p. 2-134

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Commission on Workforce Preparedness

Fund Sources

FY 1996-97 Authorized

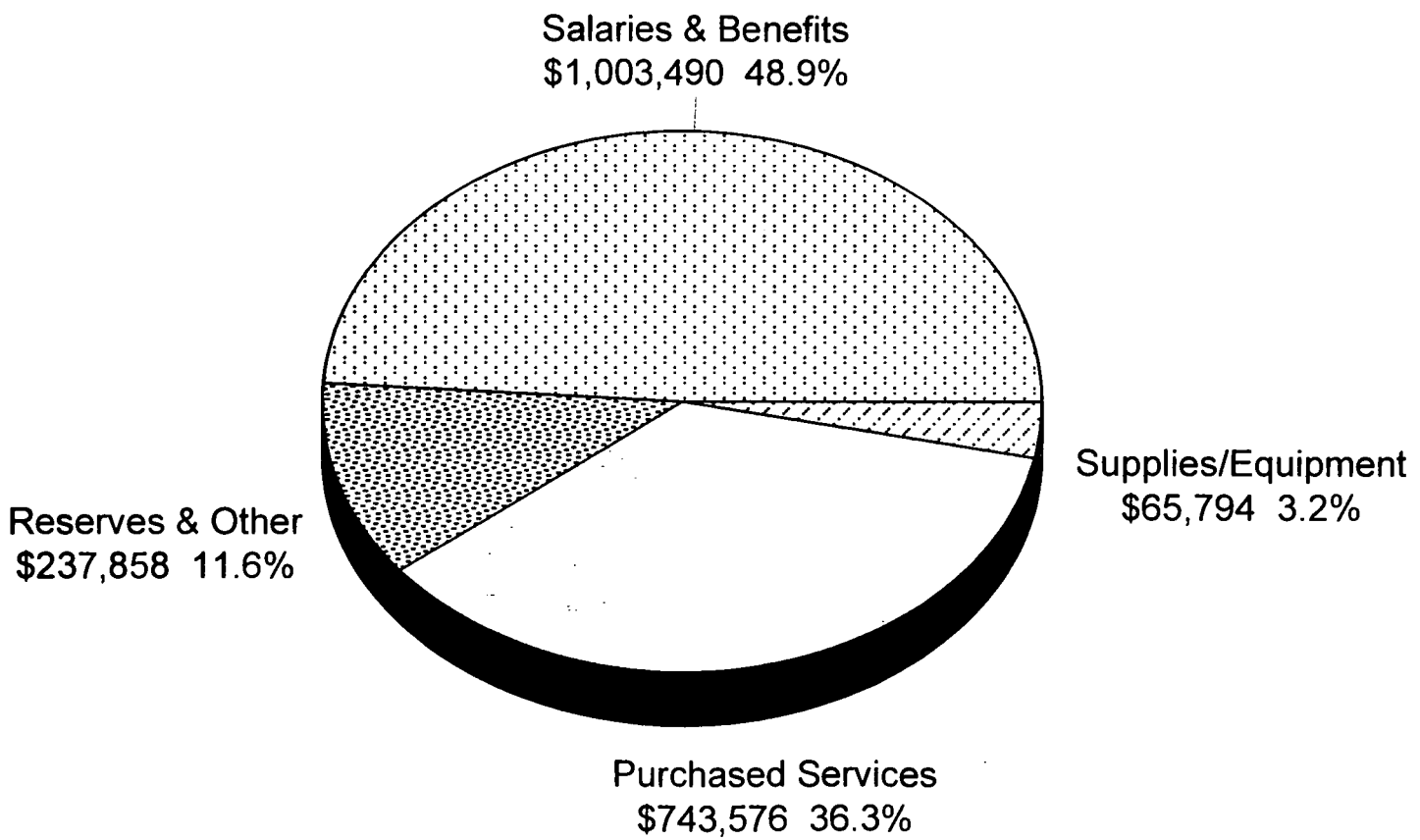


Fiscal Research Division -- March 1997

Commission on Workforce Preparedness

Expenditures by Category

FY 1996-97 Authorized

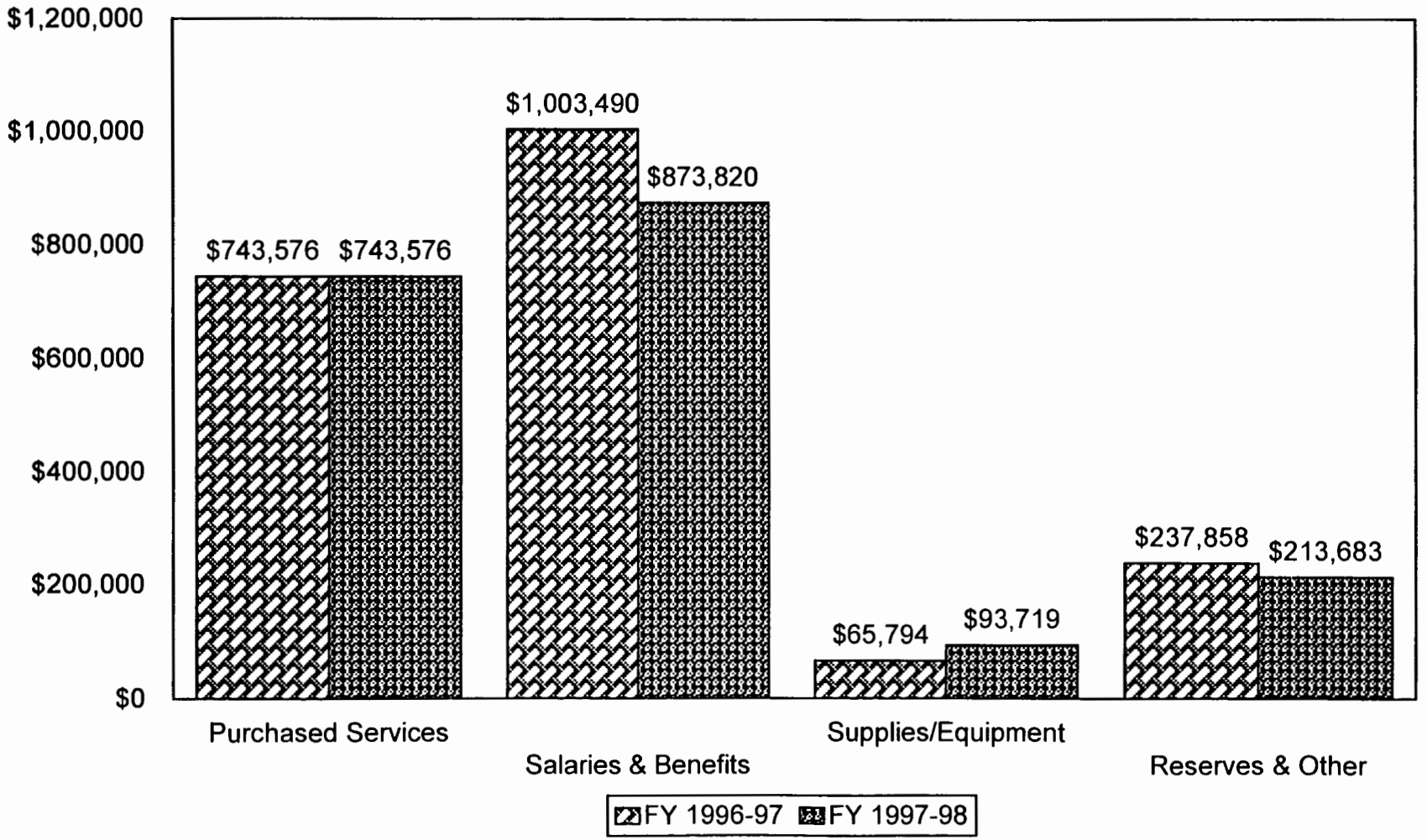


Fiscal Research Division -- March 1997

Commission on Workforce Preparedness

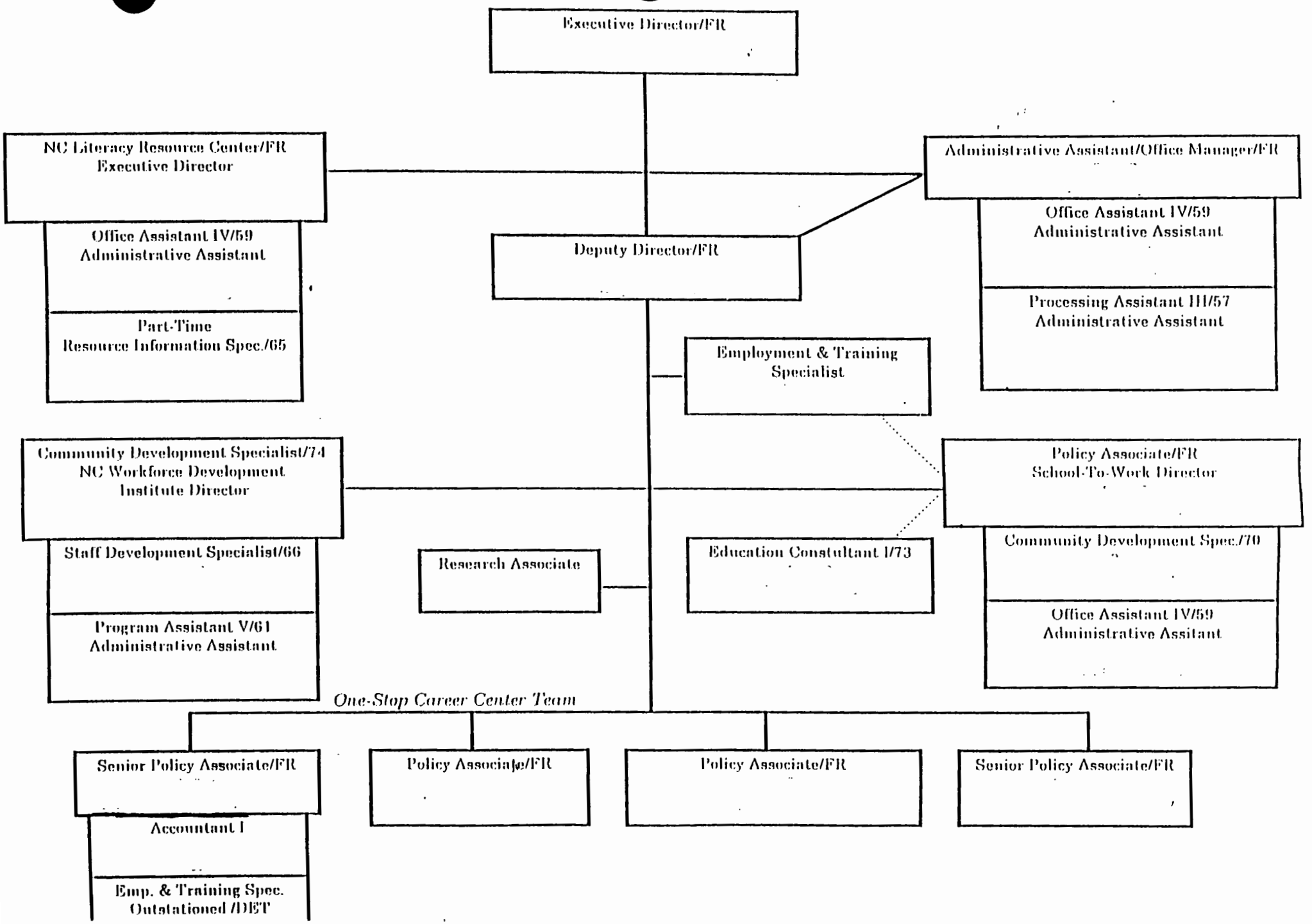
Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

Governor's Commission o[illegible]orkforce Preparedness



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COMMISSION ON WORKFORCE PREPAREDNESS
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Increase use of federal funds for administrative support	(115,847)	(115,847)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

✓ **Legislative Salary Increase (10 months) -- $30,085**
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $3,335 in state appropriations and $26,750 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

In October 1996, the State Auditor issued a Performance Audit of the state's Workforce Development programs. In that report the State Auditor recommends that " (t)he General Assembly should consider the consolidation of federal and state funded workforce development programs and activities."[1] He went on to state that "(t)his consolidation should result in a single agency consisting of the Employment Security Commission and other workforce development agencies, divisions and programs.[2] The other programs identified by the State Auditor are as follows: the Commission on Workforce Preparedness, the Division of Employment and Training, the Work First program, the Food Stamp Employment and Training program, the Jobs Corp Outreach and Recruitment program, and the Division of Vocational Rehabilitation.

As the agency that advises the Governor on workforce development, the committee may wish to have the Commission on Workforce Development discuss its views on the State Auditor's recommendation to the General Assembly.

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[1] State of North Carolina, Workforce Development Programs in North Carolina, Office of the State Auditor, October 1996, p. 17.
[2] Ibid., p. 17.

DEPARTMENT OF COMMERCE

Industrial Commission			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	9,255,203	8,677,611	10,095,745	7,103,560	-29.6%	7,111,593	-29.6%
Less Receipts	(2,131,325)	(3,163,563)	(2,916,052)	(1,675,840)	-42.5%	(1,675,840)	-42.5%
State Appropriations	*7,123,878*	*5,514,048*	*7,179,693*	*5,427,720*	-24.4%	*5,435,753*	-24.3%
Positions	131.00	140.00	140.00	140.00		140.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The Industrial Commission provides for the administration and adjudication of non contested and contested workers' compensation claims. The state's Workers' Compensation Act is the law that provides policy guidance to the Commission on the awarding/denial of worker benefit claims. The Commission also administers and adjudicates tort claims against the state as well as a variety of other public safety related death benefit acts.

Cross References For Budget Volumes

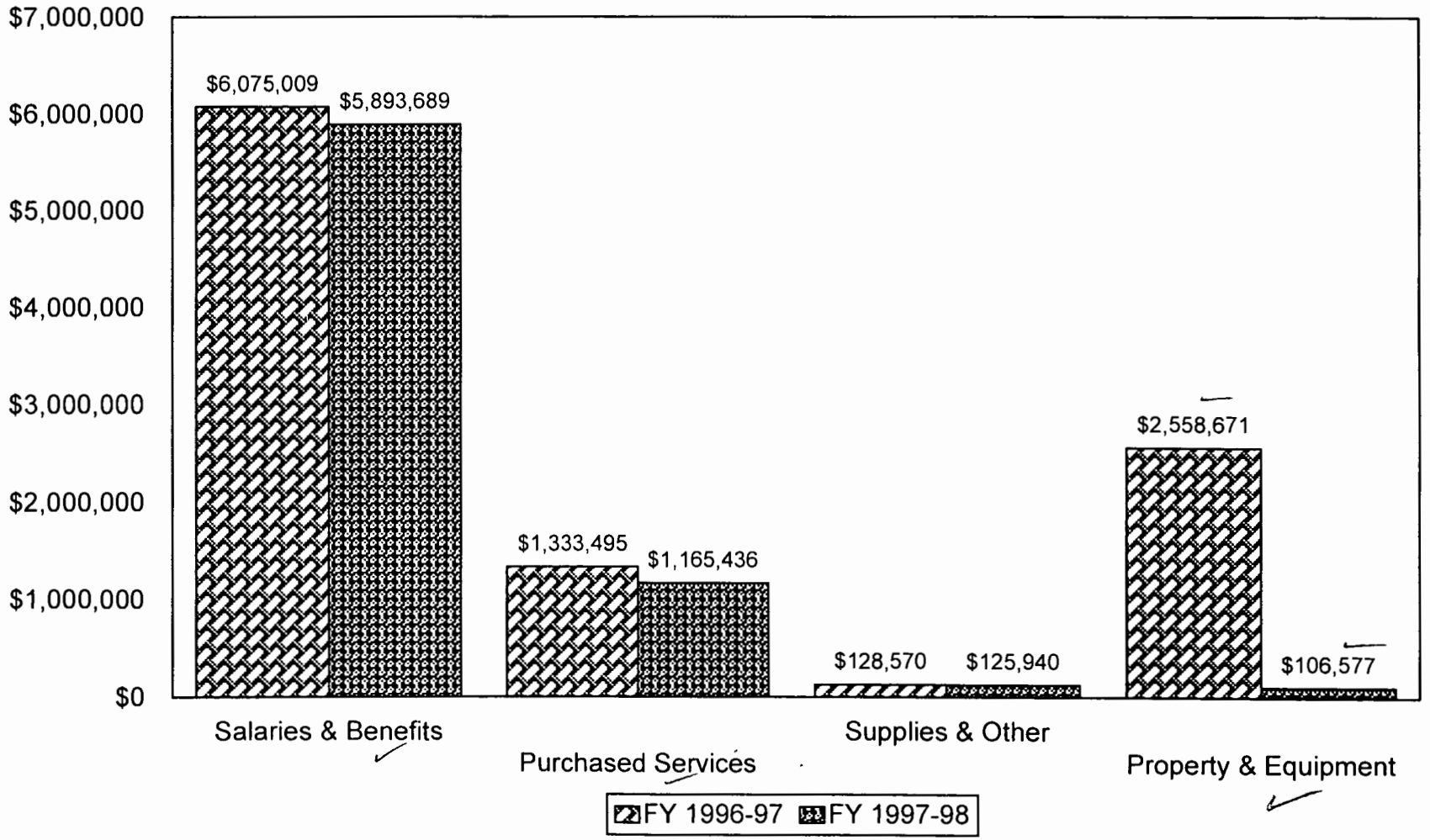
Governor's Budget, Volume 5, pp. X-49 to X-51
Performance/Program Analysis, Volume 7A, p. 2-167

Industrial Commission

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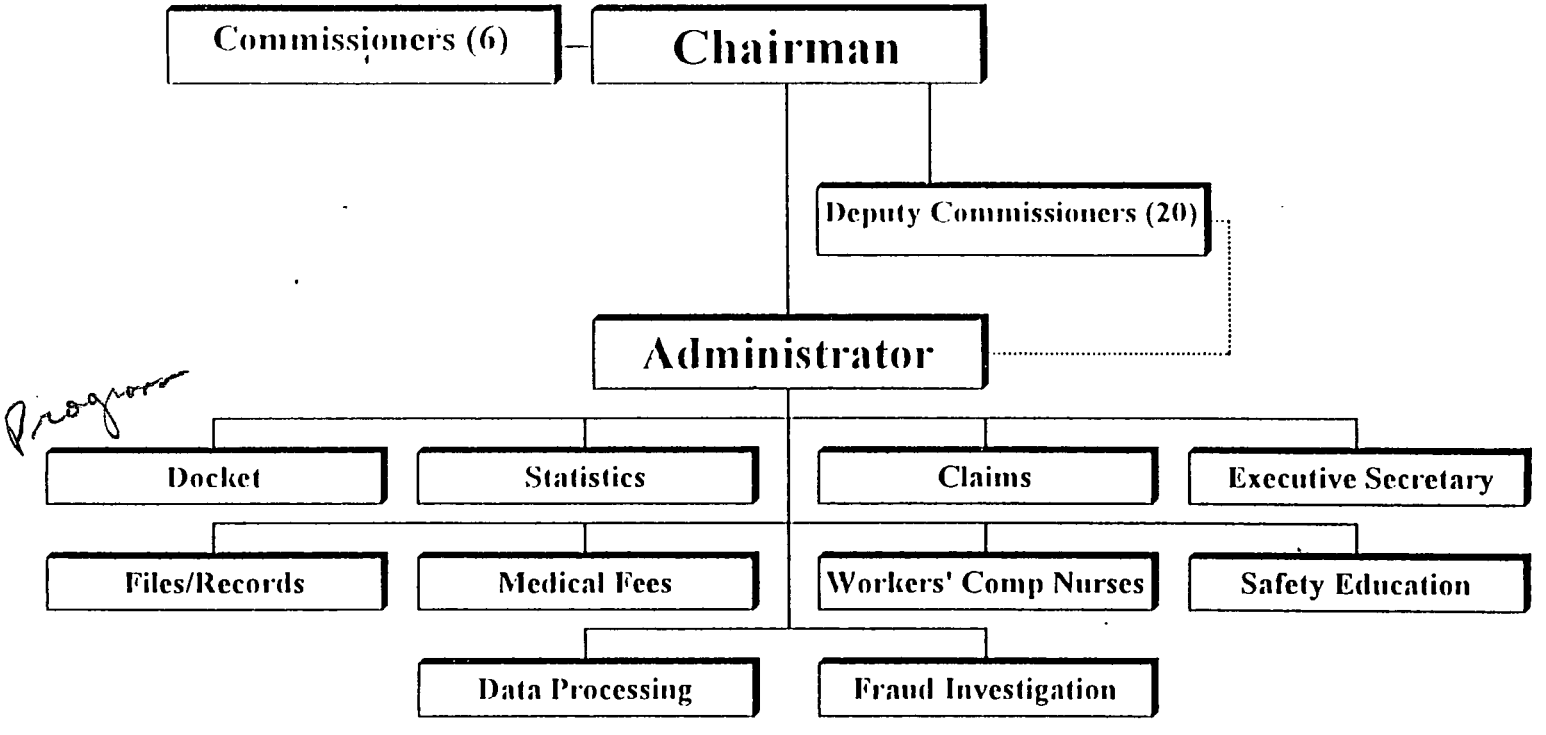
Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

North Carolina Industrial Commission
Organization Chart



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INDUSTRIAL COMMISSION
OVERVIEW OF BUDGET ACTIONS
CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Reduce Supplies & Equipment	(16,792)	(17,944)
2) Eliminate Reserve for Ombudsmen Expense		(29,386)
3) Budget Increased Hearing Cost Receipts		(250,000)
SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS		
1) Industrial Commission Automation	500,000 NR	
2) Fraud Investigations	100,000 3.00	100,000 3.00
3) Additional Staff Support	167,041 6.00	167,041 6.00
4) Industrial Commission Automation	1,200,000 NR	
5) Temporary Staff		184,253 NR
6) Additional Staff Support		38,744 1.00 3,500 NR

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $188,082
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded totally with state appropriations.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS (SUMMARY VOLUME)

	1995-96	1996-97
1) Budget Increased Hearing Cost Receipts	(202,000)	(202,000)

Objective 7: Reduce the backlog of contested workers' compensation cases and thereby the time required to settle claims.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Average number of days from hearing request to final determination at first level of contested case hearings.	n/a	[illegible]	386	273	172	*160*	*150*	*150*
Performance Measures:								
Number of cases ordered to mediation	n/a	n/a	n/a	n/a	1,725	*2,100*	*2,400*	*2,650*
Percentage of contested cases ordered to mediation that result in settlement	n/a	n/a	n/a	n/a	61.8%	*62.0%*	*62.0%*	*62.0%*
Number of contested cases resolved as a result of hearings, mediation, or administrative action	n/a	n/a	n/a	n/a	6,542	*6,800*	*7,000*	*7,200*
Percentage of workers' compensation claims resolved without a hearing	97.3%	97.1%	97.4%	87.9%	84.7%	*88.5%*	*90.5%*	*92.5%*

Current Situation:

The Industrial Commission has adopted a "team concept," assigning five teams of four Deputies (hearing officers) to geographical regions of the state to develop specific strategies for the particular region to deal with and reduce the bcaklog of workers' compensation contested cases. In addition, beginning in January 1997, all contested cases will initially be assigned to mediation. These steps are to speed the settlement of contested cases (claims).

Funds:

4600 COMMERCE
1831 Industrial Commission Adjudication and Administration

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ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

Chapter 17 of the Second Extra Session of 1996, required the State Auditor to conduct a performance audit of the Industrial Commission. In addition, the legislation required the State Auditor to study, in conjunction with the Office of State Personnel, the Industrial Commission Advisory Council, and the North Carolina Bar Association, the salary levels of the Chairman, the Commissioners, the Administrator, the Executive Secretary, and the Deputy Commissioners of the Industrial Commission. In February 1997, the State Auditor issued his findings. Listed below are the higlights of the State Auditor's findings as disclosed in a press release[1]:

1) clearly define the "backlog" of pending cases and refine case management to improve the timeliness of hearing cases and prevent overstating the backlog;

2) expand the use of mediation to settle cases rather than using the formal hearings process to improve the timeliness of handling disputed cases;

3) standardize statistical reports on program operations to provide reliable program data for evaluation by the public, private businesses, state agencies, and the General Assembly;

4) request from the Office of State Personnel a classification study for the workers' compensation nurses, examine the workloads of personnel in the medical fees section and the necessity of maintaining the ratio of a legal secretary for each deputy commissioner, change procedures to have the Safety Education section target employers with high accident rates and consider consolidation of this function with that performed by the OSHA division within the Department of Labor;

5) improve coordination with the Department of Insurance for Fraud Investigations and consider consolidating these two units;

6) the salary for the Chairman could be increased to $88,460 from $72,638;

7) salaries for the Commissioners could be increased to $86,752 from $70,869, and

8) the salary range for the Deputy Commissioner classification (grade 83 with a range of $50,143 - $84,512) was found to be competitive and no change in the pay range for the class was recommended, although in-range adjustments to correct individual problems should be considered.

[1] Press Release, Office of the State Auditor, February 10, 1997.

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STATE OF NORTH CAROLINA

Office of the State Auditor

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PRESS RELEASE

For Immediate Release: February 10, 1997

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STATE AUDITOR RALPH CAMPBELL, JR. ANNOUNCES RELEASE OF PERFORMANCE AUDIT REPORT ON THE N. C. WORKERS' COMPENSATION PROGRAM

State Auditor Ralph Campbell, Jr. today released a performance audit report on **the Workers' Compensation Program** in North Carolina as administered by the North Carolina Industrial Commission, organizationally located in the Department of Commerce. The program is a "no-fault" system which entitles workers to benefits for on-the-job injuries without having to prove employer negligence and which provides the vast majority of employers in the State with protection from unlimited liability for employee injuries. The Commission is also responsible for the administration of tort claims against the State, the childhood vaccine-related injury compensation program, and death benefits for firemen, rescue workers, law enforcement officers, and the civil air patrol. This audit was legislatively commissioned by the 1996 Second Session of the General Assembly, and reviewed only the Workers' Compensation Program.

For fiscal year 1996, the Commission processed approximately 87,000 workers' compensation claims and 4,700 requests for hearings. Additionally, the Commission held 2,500 initial hearings and heard over 600 appeals. Total operating expenses for the Industrial Commission during that year were $8.7 million. In addition, the State of North Carolina, as a covered employer, paid benefit claims to state employees of $28.5 million, and expended approximately $681,000 to manage the Workers' Compensation Program in the various state agencies.

State Auditor Campbell stated, "It is imperative that we provide a system which is fair and utilizes every means to provide workers with just and expeditious compensation for their work-related injuries. To help meet this goal, we focused on achieving a complete understanding the total operations of the program, including where workers' compensation personnel are located throughout state agencies. We also determined the costs associated with the administration of the program, and we identified areas where the effectiveness and efficiency of program operations could be improved."

OVER

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Auditor Campbell continued, "Procedurally, we determined that the Commission should:

- clearly define the "backlog" of pending cases and refine case management to improve the timeliness of hearing cases and prevent overstating the backlog,
- expand the use of mediation to settle cases rather than using the formal hearings process to improve the timeliness of handling disputed cases, and
- standardize statistical reports on program operations to provide reliable program data for evaluation by the public, private businesses, state agencies, and the General Assembly."

"Organizationally," Mr. Campbell said, "we have identified a number of areas where we believe staffing changes would enhance operations. Specifically, we recommended that the Commission should:

- request from the Office of State Personnel a classification study for the workers' compensation nurses,
- examine the workloads of personnel in the medical fees section and the necessity of maintaining the ratio of a legal secretary for each deputy commissioner,
- change procedures to have the Safety Education section target employers with high accident rates and consider consolidation of this function with that performed by the OSHA division within the Department of Labor, and
- improve coordination with the Department of Insurance for Fraud Investigations and consider consolidating these two units."

The Office of State Personnel (OSP) conducted a study of Commission salaries as required by the legislation. In this study, State Personnel evaluated the current salary levels for the Commissioners and certain other positions within the Industrial Commission. Major findings of the study as concurred with by the Office of the State Auditor were:

- the salary for the Chairman could be increased to $88,460 from $72,638;
- salaries for the Commissioners could be increased to $86,752 from $70,869, and
- the salary range for the Deputy Commissioner classification (grade 83 with a range of $50,143 - $84,512) was found to be competitive and no change in the pay range for the class was recommended, although in-range adjustments to correct individual problems should be considered.

State Auditor Campbell concluded, "The North Carolina Industrial Commission has a difficult task in administering the Workers' Compensation Program on behalf of North Carolina's many employers and their employees. We were encouraged by the fact that the Chairman has been receptive to the procedural recommendations contained in this report, and, in fact, the Commission has already taken steps to implement many of the recommendations."

Copies of the report including the agency response are available by contacting the Office of the State Auditor at the address above or by electronic mail (**reports@aud.osa.state.nc.us.**) The full text of the report and this press release are also listed on the OSA Internet home page, **http://www.osa.state.nc.us/OSA/**.

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The Charlotte Observer • MONDAY, FEBRUARY 24, 1997 Section C

N.C. worker comp is on fast track

Agency refines system; now cases take less time to resolve

By NANCY STANCILL
Staff Writer

North Carolina's injured workers are getting cases against employers resolved much faster, says the chairman of the state's Industrial Commission.

Aggressive case-handling tactics and a promising mediation program have slashed the backlog of contested workers' compensation cases from 4,000 to 600 in the last six months, said Chairman Howard Bunn.

"We're in the best shape we've been in for many, many years," Bunn said.

Joe Roberts, a longtime workers' comp lawyer from Gastonia, said he's seeing the benefits of improved efficiency.

"I've worked harder in the last six months than I have in the last six years," he said.

"The hearings are coming up much quicker and the hearing officers are more conscientious in getting to them," Roberts added.

For the last several years, the state agency — struggling with rising caseloads and too few hearing officers — had at least 4,000 cases on hold at any given time.

An Observer study, published in October 1995, found the average contested case — an employer opposing an injured worker's claim for medical and salary benefits — took slightly more than three years to resolve at the hearing level.

State Auditor Ralph Campbell Jr. last week issued a report on the

Please see **WORKER** / *page* **4C**

HOW THEY DID IT

The N.C. Industial Commission cut its backlog of contested workers' compensation cases from 4,000 to 600?
Part of the success is the agency's new management approach that divided its 20 deputy commissioners into five teams assigned to a region to hear cases for six-month periods.

(OVER)

Drop in contested claims yields faster resolutions

WORKER

Continued from page 1C

state agency's 1996 performance audit, estimating the average time to resolve a case with a formal hearing is now about 405 days.

And, the auditor found, cases handled through the agency's mediation program take even less time — an average 141 days.

Campbell praised the agency's new management approach, started last October, which divided its 20 deputy commissioners into five teams assigned to a region to hear cases for six-month periods. Previously, he said, case assignments were made through an ineffective "lottery system," that gave preferences to senior officers on where to hold hearings.

The auditor said the agency should continue refining case management, expand mediation and make better use of computers and statistics to harness its voluminous data.

Laura Mavretic, the industrial commissioner who developed the regional approach, said the teams have worked effectively to clear the backlog.

"They have done great," she said. "Everyone has worked very hard."

Mediation has also helped tame the backlog, said Frank Laney, the agency's mediation coordinator.

About 4,000 contested cases have gone to mediation since late 1994, he said. So far, he said, there's not enough evidence to evaluate the long-term success of the program.

Laney estimated, however, that about 70 percent of cases referred to mediation in the last six months have been resolved without a hearing.

Roberts said he's mediated several workers' comp cases, but said his comp practice is keeping him too busy now to volunteer.

Mavretic said that after the flurry of hearings, she's slowing the pace for a few months to allow deputy commissioners to file written decisions.

"Hopefully, the result of these changes will be good decisions that come down quicker," Roberts said.

North Carolina Industrial Commission
Deputy Commissioner
Hearing Backlog

	Workers' Compensation Cases	Tort Cases
June 1, 1996	4529*	234
October 1, 1996	2991*	154
February 21, 1997	664*	90

*Includes 110 penalty hearings; actions against non-insured employers; no claim pending

North Carolina Industrial Commission

Mediation

	1994-95	1995-96	1996-current
Cases removed from mediation at request of parties	23.9%	16.9%	15.1%
Cases Ordered into mediation upon the request of parties	98	308	588
Settlement Rate (including cases settled after appointment of mediator but prior to mediation)*	72.0%	72.8%	80.6%
Settlement Rate (cases actually mediated)**	59.6%	63.7%	73.2%

*In similar programs in courts across the country, the settlement rate is in the 60%-65% range.

** In similar programs in courts across the country, the settlement rate is in the 50% range.

North Carolina Industrial Commission
Office of the Executive Secretary

Average Monthly	Average Annually	
198	2376	Applications for Termination or Suspension of Compensation. Require an Administrative Decision and Order. (50% of these cases require an informal telephone hearing conducted by a Special Deputy Commissioner with the injured worker or his attorney and the insurance company or their attorney; decision rendered within 5 days.)
142	1704	Motions on Medical Issues. (50% of these require a conference call with the parties conducted by a Special Deputy Commissioner, who renders an Order if the issue is not brought to resolution in the conference.)
700	8400	Compromise Settlement Agreements approved by Special Deputy Commissioners.

North Carolina Industrial Commission
Ombudsperson Program
Workers' Compensation Assistance and Information

Toll Free Help Line: 1-800-688-8349

Inquiries Handled (calls and office visits):

January 1995-June 1995	**6,770 inquiries**
July 1995-June 1996	**27,330 inquiries**
July 1996-February 1997	**22,666 inquiries (annualized: 33,991 inquiries)**

Most Frequent Source of Inquiries:

- **Employees**
- **Employers**
- **Adjusters**
- **Insurance Agents**
- **Attorneys**
- **Medical Providers**

North Carolina Industrial Commission
Top 10 Subjects and Sample Questions Handled by Ombudsmen

Employee Rights
- Injured at work, what do I do?
- What do workers' compensation benefits cover?
- Is there a waiting period with workers' compensation?

Medical
- Can I chose my own doctor?
- I want to change doctors/I'm not satisfied with the permanent rating I received.
- Medical provider cannot obtain authorization from employer to treat injured employee, what to do?

Agreements
- Has agreement been approved by IC?
- I've received this form agreement, what is it and should I sign it?
- My rating is 5% to the leg: is 10 weeks the correct amount I'm entitled too?

Legal Questions
- Is carpal tunnel syndrome covered under the Workers' Compensation Act?
- I fell at work, is my injury covered under the Workers' Compensation Act?
- Define accident; specific traumatic incident; employee.

Coverage
- How to obtain workers' compensation coverage?
- Number of employees required to obtain workers' compensation coverage.
- Are family members included in the 3 or more head count?
- Are non-profits required to have workers' compensation coverage?

Claim Status
- Has the workers' compensation claim been updated?
- What form is used and who receives copies of it?
- Does the Industrial Commission notify the employer of injury or do I?

Hearings/Dockets
- Claim is denied what is my next step?
- Has case been set for hearing?
- How to appeal the decision?

Forms
- Which form is used and for what purpose?
- Explain the purpose of form.
- Ready to close file, which form is submitted?

Jurisdiction
- Wrongfully terminated, with what agency do I file a complaint against my employer?
- I'm on workers' compensation and employer stops paying for personal insurance, what do I do?
- Independent contractors.

Sub/General Contractor
- I'm a subcontractor, do I have to obtain a workers' compensation policy?
- I'm a general contractor, am I responsible for the sole proprietor/sub-contractor's workers' compensation?
- What is date of most recent law change on sub-contracting and explain the changes?

--prepared by Leslie Beaver, Ombudsman

PERFORMANCE AUDIT

WORKERS' COMPENSATION PROGRAM
ADMINISTERED BY THE
NORTH CAROLINA INDUSTRIAL COMMISSION

FEBRUARY 1997

STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

February 6, 1997

The Honorable James B. Hunt, Jr., Governor
Mr. J. Howard Bunn, Jr., Chairman
North Carolina Industrial Commission
Members of the North Carolina General Assembly

Ladies and Gentlemen:

We are pleased to submit this performance audit of the *Workers' Compensation Program Administered by the North Carolina Industrial Commission.* The objectives of the audit were to identify areas where the effectiveness and efficiency of Commission operations could be improved in the areas of operating policies, practices, control activities and current organizational structure and staffing.

This report consists of an executive summary, program overview, and operational findings and recommendations. Chairman Bunn has reviewed a draft copy of this report and his written comments are included.

We wish to express our appreciation to the Chairman, members of the Commission and staff for the courtesy, cooperation, and assistance provided us during this effort.

Respectfully submitted,

Ralph Campbell, Jr.

Ralph Campbell, Jr.
State Auditor

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EXECUTIVE SUMMARY

We have conducted a performance audit of the *Workers' Compensation Program* administered by the North Carolina Industrial Commission (Commission). The scope of the audit encompassed all aspects of the operation of the Workers' Compensation Program but did not extend to the other programs administered by the Commission. We examined operating policies, practices, control activities and the current organizational structure and staffing for the program. The focus of the audit was to understand the operations of the program, to identify areas where the effectiveness and efficiency of program operations could be improved, to determine the costs associated with the administration of the program, and to identify the placement of workers' compensation personnel throughout state agencies. This report is directed toward those areas where we feel improvements can be achieved and is not intended to imply that there are not many commendable aspects of the current operations of the Commission.

The draft of the report was reviewed by the Chairman and members of the Commission. The letter of response is included as Appendix D, page 55.

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AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

North Carolina General Statute §147-64 empowers the State Auditor with authority to conduct performance audits of any state agency or program. Performance audits are reviews of activities and operations to determine whether resources are being used economically, efficiently, and effectively. During the period June 17, 1996, through December 9, 1996, the Office of the State Auditor undertook a performance audit of the workers' compensation program administered by the North Carolina Industrial Commission (Commission).

The objectives of the audit were to analyze the current organization and staffing levels, to identify the functions and responsibilities of each section, to examine the operating policies of the Commission, to determine the costs associated with administering workers' compensation programs, to review compliance with state regulations, and to identify the placement of workers' compensation personnel throughout state agencies.

Senate Bill 5346, Part X, Section 10.1 of the 1996 Second Session of the General Assembly required the State Auditor to "*. . . study, in conjunction with the scheduled performance audit of the North Carolina Industrial Commission, the salary levels of the Chairman and members of the North Carolina Industrial Commission as well as that of Deputy Commissioners, the Executive Secretary, and Administrator.*" Furthermore, the legislation directed the auditor to "*. . . consult the Office of State Personnel, the North Carolina Industrial Commission Advisory Council, and the North Carolina Bar Association . . .*" as well as "*. . . review the compensation of Industrial Commissioners and staff of other southeastern states.*" This study has been incorporated into our audit procedures and, as such, its results are contained within this report. (See page 29.)

To achieve the audit objectives, we reviewed legislation and regulations regarding the Commission and the workers' compensation program; reviewed the policies and procedures of the Commission; examined personnel and payroll information; interviewed individuals within and external to the Commission; and conducted compliance testing of transactions with budgetary policies.

Specifically, we obtained organizational charts, payroll data, job descriptions, and workload indicators for the staff. We reviewed a sample of personnel files for compliance with regulations. We examined samples of travel requests and reimbursements, state vehicle logs, contractual costs, and accounts receivable. We conducted in-depth interviews with a representative sample of the staff of each section. In total, we interviewed 127 persons both within and outside the Industrial Commission. Additionally, we surveyed all state agency workers' compensation administrators as identified by the Office of State Personnel. The results of this survey are included in Appendix A, page 41. Finally, we contacted other states to identify their methods of administering their respective workers' compensation programs.

This audit was conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

PROGRAM OVERVIEW

Workers' compensation is a "no-fault" system that protects employers from unlimited liability and entitles workers to benefits without having to prove employer negligence. Workers' compensation programs began in Germany in the latter part of the nineteenth century. In the United States, the first workers' compensation laws were enacted in 1911. These laws were intended to ensure injured workers receive proper and timely benefits with a minimum of disputes and litigation.

The North Carolina Industrial Commission (Commission) was created in 1929 to administer the Workers' Compensation Act (General Statute Chapter 97). In addition, the Industrial Commission oversees tort claims against the State (GS §143-291), the childhood vaccine-related injury compensation program (GS §130A-424), and death benefits for firemen, rescue workers, law enforcement officers, and the civil air patrol (GS §143-166). Currently, the Commission is a division within the Department of Commerce.

The Commission's stated purpose is ". . . to provide for the resolution of contested cases and the administrative handling of non-contested cases . . ." under the agency's jurisdiction. The primary mission of the Commission is to deliver services to the workers' compensation community in North Carolina. Specifically, the agency is responsible for receiving and processing information for claimants (injured employees), insurance carriers, employers, and attorneys.

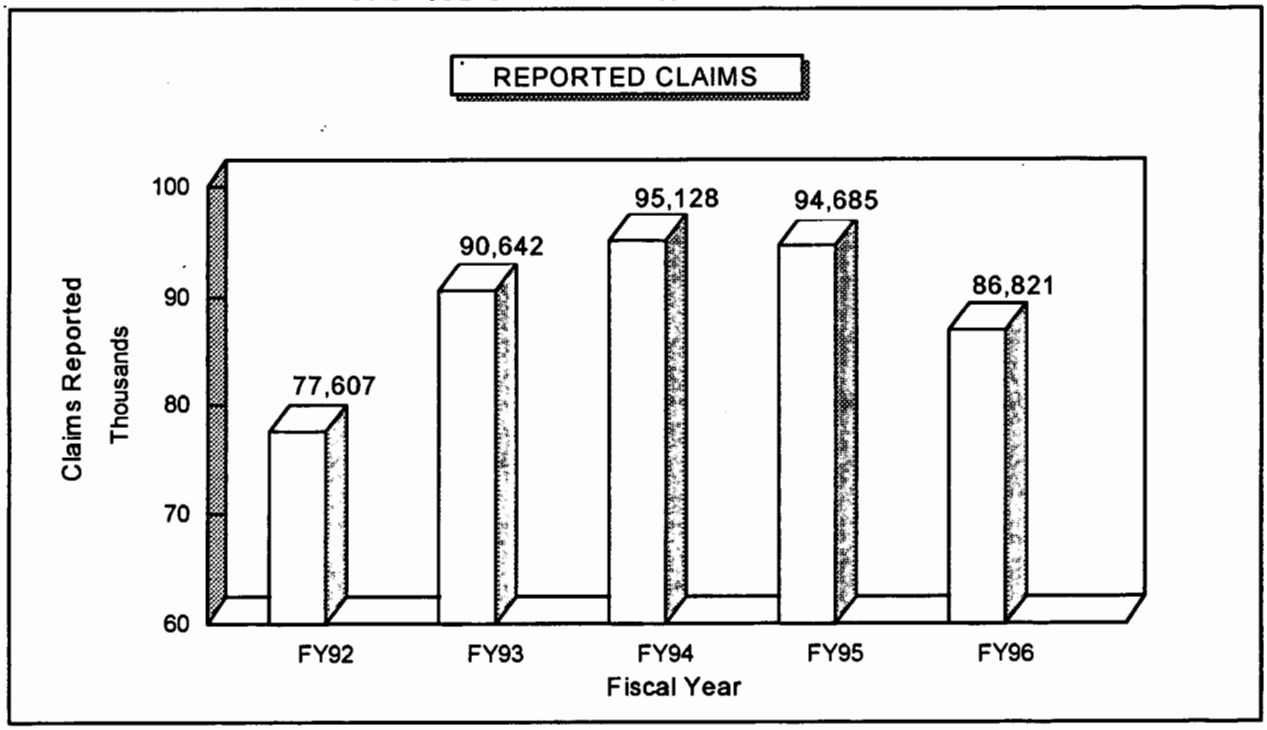
The North Carolina Workers' Compensation Act covers all employers, with a few exceptions, that have at least three employees (GS §97-2). Employers covered by the Act are required to either carry workers' compensation insurance or prove their ability to pay benefits directly (GS §97-93). Workers with injuries ". . . arising out of and in the course of employment . . ." or who suffer from occupational diseases receive payment for necessary medical treatment. Payments of medical benefits, with the exception of hospital expenses, are made according to a fee schedule established by the Commission. In addition, injured employees may receive "indemnity"* benefits to replace a portion of lost wages. These benefits generally equal two-thirds of the employee's average weekly wage, with a maximum rate of $492 per week for 1996. (This amount is adjusted annually.)

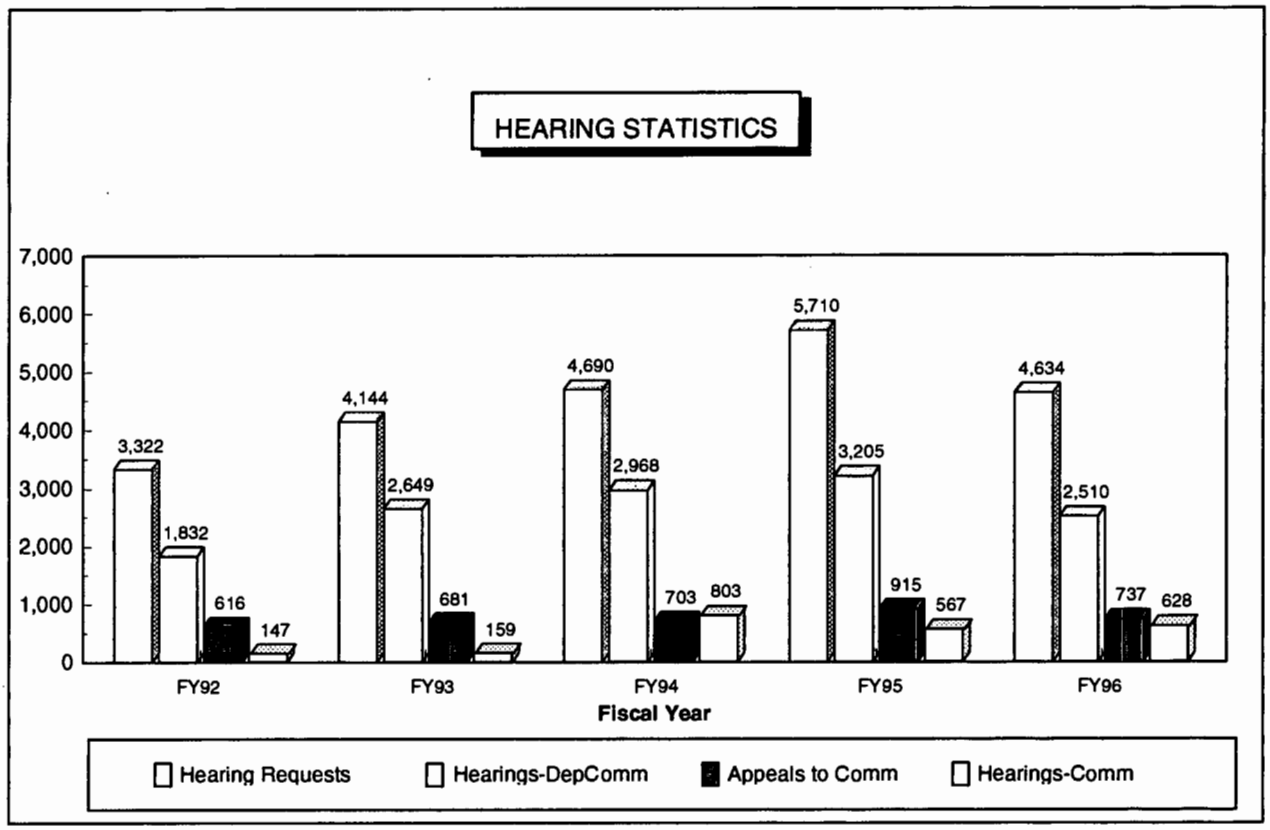
To claim workers' compensation, the injured employee must notify the employer within thirty days of the injury. The employee must file the claim with the Industrial Commission within two years of knowledge of the injury. It is the employer's responsibility to arrange and provide necessary treatment for work-related injuries and occupational diseases and to report industrial accidents and occupational diseases to the Commission as prescribed by law. The employer should provide the best possible medical care to help the employee return to work as soon as possible.

The Industrial Commission receives approximately 90,000 claims annually. (see Exhibit 1, page 6) About 95% of these claims are resolved and processed without the need of a formal hearing. Contested cases are heard initially by Deputy Commissioners in the county where the injury occurred. Deputy Commissioners' decisions may be appealed to a panel of the Full Commission. The Full Commission's decisions can be appealed to the N. C. Court of Appeals.

* Indemnity benefits are paid to the employee for damage, loss, or injury suffered.

EXHIBIT 1
REPORTED CLAIMS AND HEARING STATISTICS



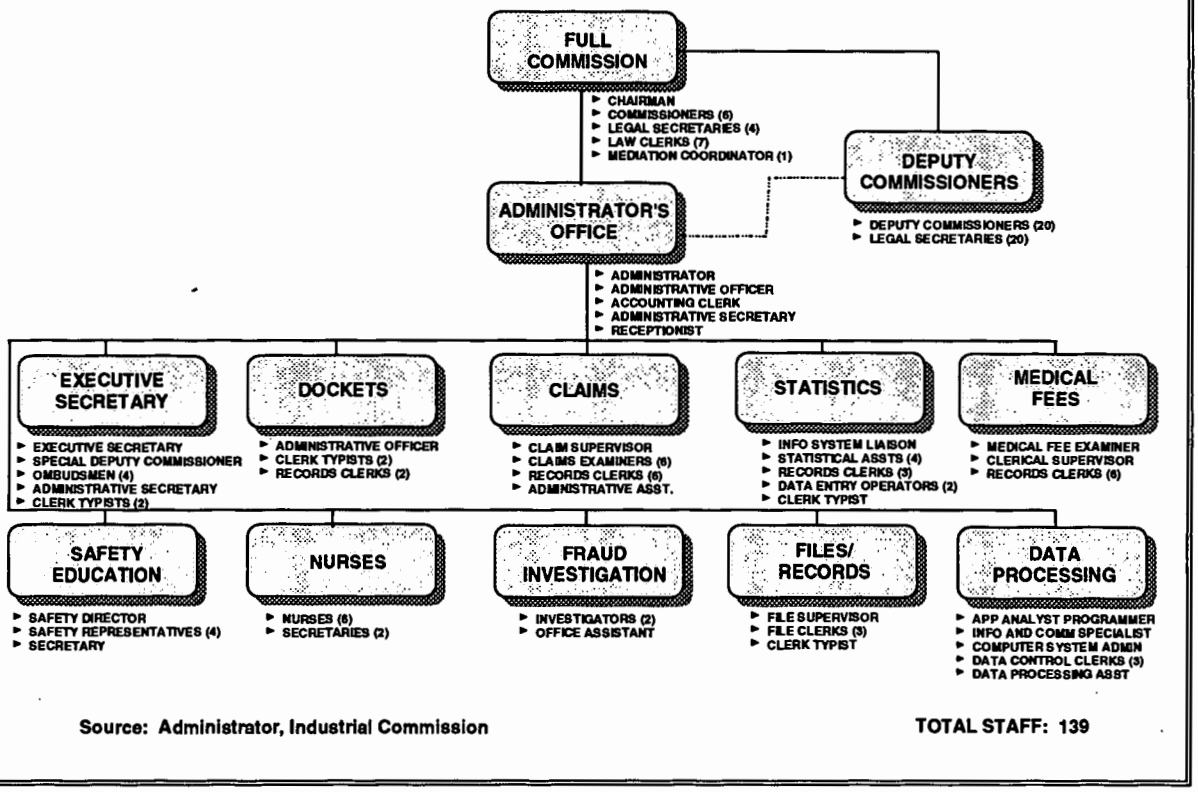


Source: Industrial Commission records

ORGANIZATIONAL STRUCTURE AND STAFFING

Exhibit 2 depicts the organizational structure in place at the beginning of the audit. The Commission has three distinct levels: (1) the Commissioners, (2) the Deputy Commissioners, and (3) the operational staff. Below, we outline the duties and responsibilities of each of the Commission's sections.

EXHIBIT 2
NORTH CAROLINA INDUSTRIAL COMMISSION
ORGANIZATIONAL CHART
JUNE 1996



Source: Administrator, Industrial Commission

TOTAL STAFF: 139

The Chairman and Commissioners are appointed to six-year terms by the Governor. The Chairman and six Commissioners are not required to be attorneys. The only requirement, according to GS §97-77, is that ". . . not more than three appointees shall be . . . classed as representatives of employers and not more than three appointees shall be . . . classed as representatives of employees." The Chairman and the six Commissioners, sitting in panels of three, hear and decide cases appealed from the Deputy Commissioner level. In addition, the Commissioners have an oversight role in the daily operations of the Commission. The Chairman and Commissioners are assisted by seven agency legal specialists ("law clerks") and four legal secretaries. The Mediation Coordinator is also organizationally located under the Commissioners. The Mediation Coordinator manages the Commission's alternative dispute resolution program, which was instituted on a pilot basis in 1994 and became a regular part of the Commission in 1995.

The Deputy Commissioners provide the initial hearing of contested cases. After hearing the case and reviewing necessary case file information, including medical depositions, the Deputy

Commissioners prepare "Opinions and Awards" that serve as the official case decision. Each of the twenty Deputy Commissioners must be an attorney; each is assisted by a legal secretary.

The Administrator oversees the daily operations of the Industrial Commission and is directly supported by four staff. The Administrator supervises the operational section heads, manages the agency's budget, acts as the personnel officer and legislative liaison, and oversees special projects. The Administrator's staff is responsible for handling personnel and accounting functions as well as contracting with court reporters to prepare transcripts of hearings.

The duties of the **Office of the Executive Secretary** include processing Compromise Settlement Agreements ("clinchers"), handling motions for all cases not assigned to a Deputy Commissioner for hearing, and assessing penalties to employers that do not carry required insurance coverage. The Executive Secretary is classified as an agency legal specialist and is assisted by an administrative secretary. The Office of the Executive Secretary also employs "special Deputy Commissioners," classified as agency legal specialists (one permanent and two temporary positions). They hold informal telephone hearings to determine if the employer's request to terminate benefits is justified. They are assisted by a clerk typist. In addition, the Executive Secretary supervises the Ombudsman program, consisting of four administrative officers and one clerk typist, which provides informational assistance to the general public through a toll free telephone line.

The **Dockets** section is staffed by an administrative officer, two clerk typists, and two records clerks. This section prepares the calendar for cases to be heard by the Full Commission and establishes a pool of cases available for setting on the hearing docket for the Deputy Commissioners upon receipt of a Request that Claim be Assigned for Hearing. The Dockets section also invoices hearing costs, transcript costs, and other administrative costs.

The **Claims** section is responsible for the administrative processing of non-contested cases. This section consists of a claims supervisor, six claims examiners, five records clerks, and an administrative assistant. The Claims section approves or rejects compensation agreements, verifies case file information, and refers claimants with occupational diseases to physicians for examinations.

The **Statistics** section enters case file information into the computer database. This section includes an information system liaison, four statistical assistants, three records clerks, two data entry operators, and a clerk typist. The Statistics section generates statistical data from a computer database for use by the agency as well as employers. In addition, the Statistics section publishes the *Biennial Report* which contains statistical and performance data for the Commission.

The **Medical Fees** section consists of a medical fee examiner, a clerical supervisor, and six records clerks. Using an automated bill review system, the Medical Fees section reviews and approves bills for medical services provided for workers' compensation claims, except in those instances where the private sector provides these services as prescribed by law. This section also helps the Commission to formulate a proposed medical fee schedule, which is approved and adopted by the Commission after public hearings. This fee schedule lists the maximum allowable fees for medical procedures. The fee schedule is updated periodically.

The **Safety Education** section prepares and presents courses and workshops directly to supervisors and employees throughout the state. The courses are aimed at accident prevention and workers'

compensation education. This section includes a safety director, four safety representatives, and a secretary. The safety representatives work in conjunction with eight regional safety councils. The safety councils are organizations sponsored by the Commission to promote safety. This section also conducts an annual Statewide Safety Conference.

The six **Workers' Compensation Nurses** and their two secretaries provide medical rehabilitation services for claimants within their districts throughout the state. This is accomplished through interviews and observations; assessment of needs; coordination with and referral to specialized facilities, professionals, and community resources; and support and counseling. This section concentrates its efforts on claimants with complicated medical rehabilitation problems, such as spinal or brain injuries, when either the parties or representatives of the private sector request special assistance, or when disagreements occur between the parties.

The **Fraud Investigation Unit** was created by the 1995 Session of the General Assembly and staffed with two investigators and an office assistant during May 1996. This unit is intended to investigate all potential cases of fraud relating to workers' compensation and administrative violations related to workers' compensation claims whether by the claimant, the employer, the insurer, medical providers, or others prescribed by law.

The **Files/Records** section is responsible for maintaining files for all claims. This section includes a files supervisor, three file clerks, and a clerk typist. The Files/Records section also sorts incoming mail for the Commission.

The **Data Processing** section provides computer support for the Commission. The section is headed by an applications analyst programmer who is assisted by a computer system administrator. These individuals are responsible for installation and maintenance of computer equipment. An information and communication specialist is responsible for creation and updating of the Commission's Internet homepage and the Commission's electronic bulletin board. This section also includes four persons to microfilm all closed files and scan all files for conversion to a "paperless" system.

TABLE 1
INDUSTRIAL COMMISSION
BREAKDOWN OF POSITIONS

SECTION	PERMANENT	PLUS TEMPORARY	LESS VACANT	TOTAL AVAILABLE
Commissioners	19	1		20
Deputy Commissioners	40	2		42
Administration	5			5
Claims	13	1		14
Statistics	11	1		12
Dockets	5			5
Medical	8		1	7
Data Processing	7			7
Files/Records	5	3	2	6
Nurses	8			8
Safety	6			6
Executive Secretary	9	3		12
Fraud Investigation	3		1	2
TOTALS	**139**	**11**	**4**	**146**

Sources: OSP records and Industrial Commission organizational chart as of 6/30/96

According to Office of State Personnel (OSP) records as of June 30, 1996, the Industrial Commission has 139 permanent full-time positions. (see Table 1) Total budgeted salaries equal $4,495,586 (average salary of $32,342). All positions are subject to the State Personnel Act except for the Chairman, the Commissioners, the Administrator, and the Executive Secretary.

FINANCIAL INFORMATION

Table 2 summarizes the financial data for the Industrial Commission for the past three fiscal years. The Industrial Commission receives general fund appropriations from the General Assembly and is authorized to collect revenues from sales of publications and forms, collect hearing costs, and assess and collect penalties and fines. The operating costs (expenditures) of the Industrial Commission are the cost to the State of administering the Workers' Compensation program for all employers doing business in this state, including the State of North Carolina as an employer, as well as administering the tort claims act and other responsibilities of the Industrial Commission.

TABLE 2
SUMMARY OF FINANCIAL DATA
NORTH CAROLINA INDUSTRIAL COMMISSION

	FYE 6/30/94	FYE 6/30/95	FYE 6/30/96
Expenditures:			
Personal Services	$4,166,380	$5,068,574	$5,495,079
Purchased Services	990,508	1,394,372	1,395,480
Supplies and Materials	64,269	71,566	132,477
Property, Plant, and Equipment	33,229	895,820	202,221
Other Expenditures	4,253	4,967	9,525
Transfers	716,830	1,819,904	1,442,820
Total Expenditures	**$5,975,469**	**$9,255,203**	**$8,677,602**
Revenues:			
Sales of Pubs and Forms	$ 43,623	$ 35,289	$ 39,020
Hearing Costs	1,092,007	1,366,271	1,390,500
Penalties and Fines	377	690	2,375
Transfers	462,690	716,412	1,724,582
Other Revenues	5,551	12,663	9,134
Total Revenues	**$1,604,248**	**$2,131,325**	**$3,165,611**
Appropriations	**$4,371,221**	**$7,123,878**	**$5,511,991**

Source: Monthly Budget Reports

Workers' compensation costs for the State as an employer include not only the benefits paid to employees but also the costs for managing the program. These costs include salary costs for workers' compensation administrators at the various state agencies. On page 53, we identify the benefit costs paid to state employees over the past three fiscal years. On page 41, we project the salary costs for all workers' compensation administrators. In total, the cost for managing the workers' compensation program for the State of North Carolina as an employer is shown in Table 3.

TABLE 3
TOTAL COST TO THE STATE AS EMPLOYER

	FYE 6/30/94	FYE 6/30/95	FYE 6/30/96
Benefits Paid to State Employees	$28,725,831	$29,301,931	$28,522,330
State Agency Administrators' Salaries (Projected)	681,308	681,308	681,308
TOTAL COST TO THE STATE	**$29,407,139**	**$29,983,239**	**$29,203,638**

Sources: Monthly Budget Reports by agency, Workers' Compensation Program survey (see page 41)

CLAIMS PROCESS

The processing of a claim is accomplished by filing a variety of forms at different stages. Exhibit 3, page 12, lists the official forms. Below, we describe the flow for processing these forms. A flowchart is included as Exhibit 4, page 13, to further explain this process.

Files/Records section

The Files/Records section receives, opens, and sorts all mail for the Commission; prepares a file jacket for every new claim received; and maintains all claim files. A claim file is created when the Commission receives an injury report (form 18 or form 19). All injury reports are transferred to the Statistics section.

Statistics section

The Statistics section reviews each injury report received from claimants and verifies the claim has not previously been reported. If previously reported, the report is forwarded to the Claims section. The Statistics section enters data for all *new* claims into the computer system, assigns the claim a file number, and returns the forms to the Files section.

The Statistics section also reviews reports of compensation paid. These reports are required to be submitted by the insurance carrier within sixteen days following final payment to the claimant. If there are no discrepancies in tabulating the total compensation paid and all necessary documents are located in the claim file, the file is marked closed and the computer system is updated. If there are discrepancies or additional documents are needed, the Claims section requests the necessary information from the appropriate party. In addition, the Statistics section updates the computer system as other compensation information is reported to the Commission.

Claims section

The Claims section reviews and verifies various information submitted to the Commission such as claims for benefits, compensation agreements, earnings data, and return to work information.

Dockets section

When a request for hearing is received, the Dockets section updates the computer system. The request can be filed by either party when an agreement cannot be reached between the two parties. If the request for hearing is completed by the claimant, the insurance carrier or self-insured employer submits a response to the Dockets section. In addition, the Dockets section receives all appeals of Deputy Commissioner decisions and schedules the court calendar for Full Commission hearings.

Medical Fees section

The Medical Fees section updates the computer system with information reported on medical charges. The on-line system audits the medical charges entered to ensure the charges agree with information from the initial injury reports. If there is a discrepancy, the corresponding bills are forwarded to the Statistics section for review. Following the review, the Statistics section returns the bill adjustments to the Medical Fees section. The Medical Fees section updates the computer system with the adjustments.

Office of the Executive Secretary

The Office of the Executive Secretary reviews and approves applications to terminate or suspend payments of compensation after holding informal telephone hearings, provides certified copies of Industrial Commission files, and reviews and completes applications for appointments of guardians ad litem.

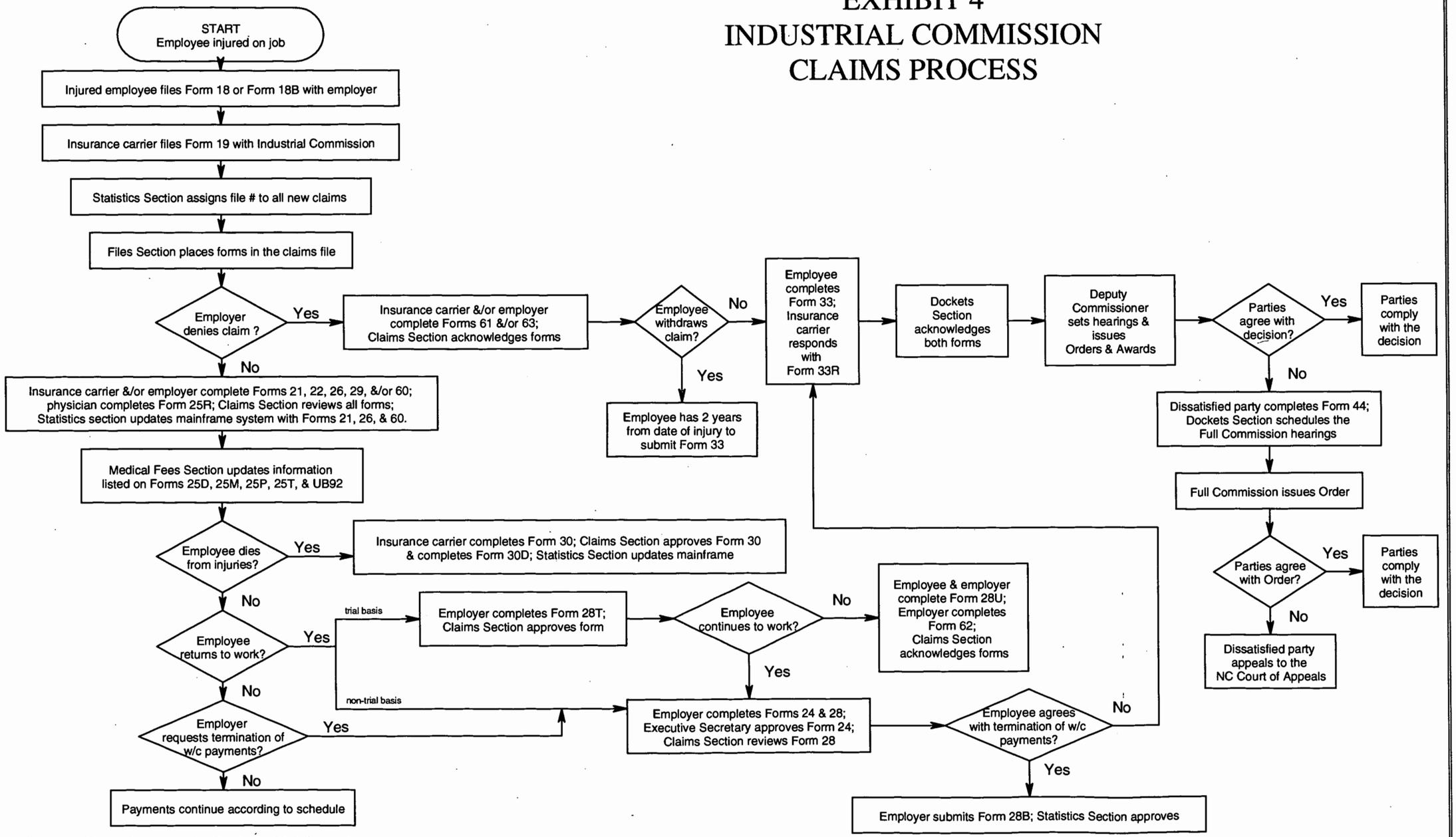
EXHIBIT 3
OFFICIAL FORMS

The Industrial Commission will supply, on request, forms identified by number and title as follows:

Form 17	Workers' Compensation Notice
Form 18	Notice of Accident to Employer (NC Gen. Stat. 97.22) and Claim of Employee or His Personal Representative or Dependents (NC Gen. Stat. 97-24)
Form 18B	Claim by Employee or His Personal Representative or Dependents for Worker's Compensation Benefits (NC Gen. Stat. 97-53)
Form 18M	Employee's Claim for Additional Medical Compensation
Form 19	Employer's Report of Injury to Employee
Form 21 rev.	Agreement for Compensation for Disability Pursuant to NC Gen. Stat. 97-82
Form 22	State of Days Worked and Earnings of Injured Employee (Wage Chart)
Form 24 rev.	Application to Terminate or Suspend Payment of Compensation Pursuant to NC Gen. Stat. 97-18.1
Form 25D	Dentist's Itemized Statement of Charges for Treatment and Certification of Treatment of Disability
Form 25M	Physician's Itemized Statement of Charges for Treatment and Certification of Treatment
Form 25N	Assignment of Rehabilitation
Form 25R rev.	Evaluation for Permanent Impairment
Form 25T	Itemized Statement of Charges for Travel
Form 25P	Itemized Statement of Charges for Drugs
Form UB 92	Hospital Bill
Form 26 rev.	Supplemental Agreement as to Payment of Compensation Pursuant to NC Gen. Stat. 97-82
Form 26D	Agreement for Compensation Under NC Gen. Stat. 97-37
Form 28 rev.	Return to Work Report
Form 28B rev.	Report of Employer or Carrier/Administrator of Compensation and Medical Compensation Paid and Notice of Right to Additional Medical Compensation
Form 28T	Notice of Termination of Compensation by Reason of TrialReturn to Work Pursuant to NC Gen. Stat. 97-18.1 (b) and NC Gen. Stat. 97-32.1
Form 28U	Employee's Request that Compensation be Reinstated After Unsuccessful Trial Return to Work Pursuant to NC Gen. Stat. 97-32.1
Form 29	Supplementary Report for Fatal Accidents
Form 30	Agreement for Compensation for Death
Form 30D	Notice of Death Award (Approval of Agreement)
Form 31	Application for Lump Sum Award
Form 33	Request that Claim be Assigned for Hearing
Form 33R	Response to Request that Claim be Assigned for Hearing
Form 36 rev.	Subpoena for Witness and Subpoena to Produce Items or Documents
Form 42	Application for Appointment of Guardian Ad Litem
Form 44	Application for Review
Form 50	Itemized Statement of Charge for Nursing
Form 51	Consolidated Fiscal Annual Report of "Medical Only" and "Lost Time"
Form 60	Employer's Admission of Employee's Right to Compensation Pursuant to NC Gen. Stat. 97-18 (b)
Form 61	Denial of Workers' Compensation Claim Pursuant to NC Gen. Stat. 97-18 (c) and (d)
Form 62	Notice of Reinstatement of Compensation Pursuant to NC Gen. Stat. 97-32.1 and NC Gen. Stat. 97-18 (b)
Form 63	Notice to Employee of Payment of Compensation Without Prejudice to Later Deny the Claim Pursuant to NC Gen. Stat. 97-18 (d)
Form IZ-51-	Medical Bill Analysis Used for Approval and Reduction of Medical Bills
T-1	Claim for Damages Under Tort Claim
T-3	Release of Tort Claim
T-4	Answer, Demurrer or Other Pleading of Defendants to Plaintiffs Affidavit
T-44	Application for Review

Source: Industrial Commission

EXHIBIT 4
INDUSTRIAL COMMISSION CLAIMS PROCESS



Source: Compiled from data supplied by Industrial Commission.

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OPERATIONAL ISSUES

THE AGENCY DOES NOT HAVE FORMALIZED INTERNAL POLICIES AND PROCEDURES.

At the beginning of the audit, management supplied policies and procedures consisting of a series of memoranda, a copy of the Department of Commerce's travel regulations, and information from the Commission's Internet homepage. Most staff indicated that their only access to policies and procedures was through receipt of the memos. Furthermore, each section did not have specific, step-by-step operating procedures. We did, however, receive formalized procedures for three sections: the Office of the Executive Secretary, the Files/Records section, and the Fraud Investigations section. Written procedures are critical to guide employees in the performance of their job duties. A review of personnel data shows that 65% of the Commission's employees have been in their current positions for less than two years. Therefore, the lack of formalized procedures may lead to inconsistent application of policies.

RECOMMENDATION

The agency should develop a comprehensive internal policies and procedures manual as well as step-by-step procedures for each section within the Commission. These manuals will serve as a reference guide. A standard procedure for updating and distributing should be developed. Management should require strict adherence to the policies and should apply them consistently.

EXISTING STATISTICAL REPORTS ARE NOT CONSISTENT, RELIABLE, OR STANDARDIZED.

The Commission provides various information on the workers' compensation program to the general public, businesses, state agencies, and the General Assembly. Currently, the Systems Development Division of the State Information Processing Services (SIPS) generates most statistical reports for the Commission. SIPS also provides programming and systems analysis support for the Commission. For fiscal year 1996, the Commission incurred $123,789 for technological support from SIPS. In addition, the Commission expended $155,785 during the same period for contractual services from a computer consulting firm. The consulting firm developed the technology plan for the Commission, assisted in selecting a vendor to develop and install the electronic data management system (EDMS)[1], and provided programming support for special projects.

[1] The EDMS is an imaging system that will allow case files to be viewed on-line and will allow statistical information to be retrieved by section heads, eliminating the need for separate reports.

The Commission has to utilize outside sources (SIPS personnel and a consulting firm) because it does not have adequate staff to meet its data processing needs. However, SIPS programmers are not familiar enough with the specific data needs of the Commission to identify all elements which should be captured in the reports. Our examination of reports and statistical data revealed discrepancies in reports generated on the same day showing the same data elements. Specific problems noted include:

- Reports generated from the computer system showing the number of processed medical bills, closed cases, reported cases, continued cases, cases heard, and cases set for hearing did not agree with data published in the *Biennial Reports* for fiscal year 1991 through 1994.
- Statistical information is not verified for accuracy and completeness by section supervisors.
- Statistical data does not agree from report to report because similarly titled line items do not necessarily capture the same data elements.
- Copies of reports are not maintained, making it necessary to rerun the report when that information is needed again, thus increasing the costs to the Commission.
- The computer system is not programmed to generate the statistical reports needed by the sections.
- A standardized computer program log is not maintained so programs may be redesigned each time the same report is requested.

Overall, the results have been poor system design, apparent unnecessary costs, and the generation of reports and statistics which do not accurately reflect the activities of the workers' compensation program. Since workers' compensation data is used by the public, businesses, state entities, and in the performance evaluations of Commission staff, it is essential that it be accurate. Based on our review, we do not believe the statistical data generated by the Commission can be relied upon.

RECOMMENDATION

The Commission should continue to request from the General Assembly additional resources to meet its data processing needs and reduce its reliance on costly outside sources. We recommend the addition of two analyst programmer positions ($121,550.00 in total annual salaries and benefits). The Data Processing section should concentrate its efforts on redesigning programs to adequately capture and report statistical information. The report designs should be standardized to ensure consistency of data reported, and a log should be maintained showing changes in reporting methodology whenever this occurs. In addition, section heads should be responsible for verifying statistical data and maintaining copies of statistical reports.

THE "BACKLOG" IS OVERSTATED.

The definition of the "backlog" at the Deputy Commissioner level varies among the Commission, the legal profession, and the general public. Officially, the Commission considers the backlog to be **cases ready for hearing that have not been heard.** However, this definition is not supported by the Commission's data. Statistical data for June 30, 1996, showed there was a reported backlog at the Deputy Commissioner hearing level of 6,643 cases. This amount included all cases "pending" (2,283) and cases "to be calendared" on the hearing docket (4,360). Table 4 shows a detailed breakdown of the status of cases. As can be seen from this information, the reported backlog contains cases which do not conform to the official definition. We also learned that the backlog may be further distorted by requests for a formal hearing before the cases are actually ready to be heard.

TABLE 4
STATUS OF CASES AT JUNE 30, 1996

	CURRENT BACKLOG COMPOSITION	PROPOSED BACKLOG COMPOSITION
CASES PENDING:		
Cases set tentative calendar	558	
Cases set final calendar	258	
Cases heard pending action	1,039	
Cases ready for Opinion and Award (within 180 days)	375	
Opinion and Award overdue 180 day limit	53	53
TOTAL PENDING CASES	2,283	53
CASES DOCKETED		
Cases not set in June	422	422
Cases to be calendared as of 6/30/96*	3,938	3,938
TOTAL CASES ON DOCKET	4,360	4,360
TOTAL BACKLOG (AT THE DEPUTY LEVEL)	6,643	4,413

*Includes continued cases, could not identify the number of continued cases.
Source: Industrial Commission records

In our opinion, the term "backlog" should be used only for those cases which have requested hearings but have not been calendared on the hearing docket and those cases for which the formal hearing process is completed but the opinion and awards have not been rendered within the established time guidelines. Cases that have been continued by the parties are not completely under the control of the Commission and, therefore, should not be considered backlogged. Cases set on the calendar and cases pending further action from the parties should not be considered in the backlog but should be regarded as normal work-in-process. Using these criteria, it is our opinion that the backlog at June 30, 1996, was overstated by a minimum of 2,230 cases.

RECOMMENDATION

The Commission should clearly define the backlog. We believe the backlog should be revised to include only cases not set for hearing and the cases where opinions and awards are overdue. All remaining cases should be considered as active files within the normal operations of the formal hearings process and tracked accordingly. Further, the General Assembly should consider granting the Commission statutory authority to impose sanctions when requests for hearings are filed but the cases are not ready to be heard.

THE COMMISSION'S SYSTEM OF ASSIGNING AND HEARING CASES PRIOR TO OCTOBER 1996 WAS INEFFECTIVE.

Historically, case assignments at the Deputy Commissioner level were made based on a "lottery system." The Chief Deputy Commissioner selected hearing locations based upon a combination of factors, including the age of cases, whether hearings had been held recently in that area, and the number of cases in that area. From these selected locations, deputies were allowed to choose in which county they wanted to hear cases. The order of selection was based on a seniority system, with the twelve Deputy Commissioners with the most tenure each allowed first choice on a rotating basis.

Commission management realized that this method of assignment was ineffective in addressing the increasing number of contested claims. Therefore, in October 1996, management implemented an interim plan that divides the twenty Deputy Commissioners into five teams of four, each with a designated team leader. Each team is assigned to a geographic region of the state for a six month period and is responsible for cases within the region. The teams will be responsible for determining how they will schedule and hear cases. At the time of the audit, no written detailed procedures had been developed by the individual teams regarding their approach to the caseloads in their regions. Among the new methods that may be used are calendar calls and continuance of cases to specific dates. Monthly reports will be required from each team to update management on case status. Plans are to periodically review the effectiveness of the regional assignments.

RECOMMENDATION

We support the Commission's effort in developing the regional team concept. To be most effective, the teams should establish detailed plans of action to identify how they will schedule and hear cases and to set goals for the team. These plans should provide the necessary information to document and evaluate the work performed by each team and individual team members. We recommend the Commission closely monitor the procedures and evaluate this plan quarterly to determine whether the team concept should continue.

CASES CAN BE RESOLVED MORE QUICKLY THROUGH MEDIATION THAN THE FORMAL HEARINGS PROCESS.

Mediation is the process of resolving disputes through informal meetings between the parties and a trained, independent mediator. The overall purpose of mediation is to avoid the formal hearings process and to accelerate the resolution of cases. The Commission's mediation program was patterned after the State court's mediation program. Since the program's implementation in September 1994, the Commission has placed 100 to 125 cases in mediation each month by randomly selecting cases pending on the hearing docket.

Through June 1996, 2,608 cases have been placed in mediation. Of these, 1,008 were resolved, 426 were removed from the process at the request of the parties, 406 failed to settle in mediation, and 768 were still in the mediation process at the end of the audit fieldwork. Informally, agency personnel are expecting a 50-60% settlement rate for cases using mediation.

Based on these results, and as part of the special effort to deal with the hearing backlog, the Commission expanded the mediation program effective October 9, 1996. Now, all new requests for hearings are ordered into mediation. Upon receipt of a request for hearing, the Commission sends an "Order for Mediated Settlement Conference" to the parties. Under current procedures the parties have up to 55 days following the order to mediate to mutually select a mediator; failing that, the Commission appoints one. The parties are required to complete the mediation conference within 120 days of receipt of the mediation order. The parties must submit their finalized agreement within 20 days of the mediation conference. Barring delays, cases should be resolved within 141 days of the request for hearing. (See Table 5) This process is contrasted with the formal hearing process. Excluding delays or continuances, the total time to complete the formal hearing process is 405 days from receipt of the request for hearing to the issuance of the opinion and award.

TABLE 5
TIME IN PROCESS FOR MEDIATION AND FORMAL HEARINGS

EVENT	MEDIATION		FORMAL HEARING	
	DAYS TO COMPLETE	DAY IN PROCESS	DAYS TO COMPLETE	DAY IN PROCESS
Request for hearing received		1		1
Mediation order sent	1	2		
Hearing response received			45	46
Mediation conference	120	122		
Agreement received	20	142		
Hearing date			120	166
Record closed			60	226
Opinion and award due			180	406
TOTAL	141		405	

After review of the Commission's pilot program and review of other states' mediation programs, we believe the mediation program will significantly improve the timeliness of handling contested claims. The Commission's Mediation Coordinator has distributed an updated "users' guide". However, specific goals and amendments to the Commission's mediation rules have not been formally developed for this expanded program.

RECOMMENDATION

We support the Commission's efforts to improve the timeliness of cases by expanding the mediation program. Written procedures should be developed and goals should be identified to evaluate the expansion of the program in six to twelve months. If mediation is successful in meeting those goals and reducing the caseloads on the hearing dockets, the Commission should consider reducing the number of Deputy Commissioners, training Deputy Commissioners in mediation to allow

transferring of resources, or using Deputy Commissioners for other adjudicative functions.

CLAIM FILES ARE NOT BEING ADEQUATELY MAINTAINED BY THE VARIOUS SECTIONS.

We randomly selected for review a sample of 156 workers' compensation claims filed during November 1993, 1994, and 1995. We noted the following concerns during our review:

- Nineteen claims (12%) were not properly coded according to the status code descriptions provided by the Commission.
- Thirty-three claims (21%) which were either removed, dismissed, or denied during 1994, 1995, and 1996 were still classified as *open* because form 28B (acknowledging final payment by the insurance carrier or employer) had not been completed.
- Sixty-one claim files (39%) lacked supporting documentation that would provide a complete history of the claim.
- Opinions and awards were not completed within 180 days from the date the record was closed for three claims. (1.9%)
- Employers who denied an employee's right to workers' compensation did not notify the Commission within fourteen days of the employee's injury as required by GS §97-18 in 123 claims (79%).
- Seven (4.5%) claim files were classified as open although a completed form 28B was located in the file.

We identified earlier in this report a major concern relative to the validity of statistical data on workers' compensation claims and the reported "backlog." Specifically, the Statistics section is responsible for updating files and for classifying claims as open or closed. Since the Commission maintains statistics on a closed file basis, the untimely closing of files distorts the data. Examination of workload data indicated that lack of sufficient personnel prevented the section from updating the files on a timely basis.

RECOMMENDATION

The Commission should ensure the proper coding of each claim and the completeness of each claim file. All opinions and awards should be completed within the 180 day limit. The Commission should consider assessing penalties to employers that do not submit injury reports within the required time frames, and if statutory authority is needed to accomplish this, the General Assembly should consider such legislation. Finally, the Statistics section should prioritize the closing of claim files. To accelerate the closing of claim files and improve claim file management, we recommend the addition of an administrative assistant position in the Statistics section ($28,600 in annual salary and benefits).

THE COMMISSION DOES NOT HAVE THE STATUTORY AUTHORITY TO SET INPATIENT HOSPITAL FEES.

Historically, the Commission has set all medical fees for workers' compensation including reducing the itemized bill for inpatient hospital costs by 5% for room charges and 8% for ancillary charges. However, Senate Bill 906, passed in 1994, tied workers' compensation inpatient hospital costs to the State Health Plan's inpatient hospital costs beginning July 1, 1995. The State Health Plan uses Diagnostic Related Group (DRG) amounts to determine the approved charge. The DRG system is designed to pay by course of treatment, rather than individual services, and thus discourages overutilization. However, Commission management reported that using the DRG amounts resulted in some payments far exceeding the actual hospital bill and other payments below the actual charges. Because the software used to review and approve DRG amounts does not keep a history of individual payments, we were unable to verify the effect on individual payments.

To resolve complaints from employers about using DRG amounts, a temporary compromise solution was adopted in May 1996 (House Bill 1088). Under the compromise, bills for hospital admissions from July 1, 1995, to March 31, 1996, were processed using DRGs approved by the State Health Plan. Bills for hospital admissions from April 1, 1996, through June 30, 1997, will follow the DRG methodology of the State Health Plan except that charges will be no lower than 90% nor higher than 100% of the itemized hospital bill. Interviews with Commission management revealed the revised reimbursement method is operating properly although the hospitals and insurers are litigating over pre-compromise DRG billings. However, the compromise expires on June 30, 1997, and no specific plan for approving hospital charges for admissions after that date has been developed.

RECOMMENDATION

The General Assembly should consider eliminating the tie-in of workers' compensation inpatient hospital charges to the State Health Plan and returning the responsibility for setting these fees to the Commission. The Commission should develop a reimbursement method for inpatient hospital charges that disallows charges over 100% of the itemized bill.

Auditor's Note: *We learned the Commission is not performing audits on any of the provider claims. The State Health Plan conducts provider audits and has found this to be a useful tool in correcting medical bill problems. Commission management acknowledged that provider audits should be performed, but stated they do not have the personnel to perform this function nor the funds to outsource the function. Since the providers are the same, the Commission should contact the State Health Plan to determine procedures for incorporating workers' compensation claims in the existing provider audits.*

TRAVEL REIMBURSEMENTS DID NOT COMPLY WITH BUDGETARY REGULATIONS.

Section 5X. of the *State Budget Manual* outlines the regulations for reimbursing employees traveling on official state business. To assess compliance with these regulations, we examined a sample of 321 travel reimbursements and attached supporting documentation, totaling $145,439.72, from the fiscal years 1993-94 through 1995-96. The sample was selected judgmentally after reviewing a complete listing of travel reimbursements for those years.

As summarized in Table 6, the following areas of non-compliance with the budget manual were found:

- Travel reimbursements were not submitted within 30 days after the travel period ended, where "travel period" is defined as being the month during which the travel occurred.
- Lodging reimbursements were not supported with original receipts.
- Meals were reimbursed that were unallowable because the meals were provided at conferences, departure/arrival times were not furnished or did not support claim, or workdays were not extended to warrant a meal allowance.
- Authorizations to use privately owned vehicles and budget authorizations were approved after the dates of travel.

We also noted other questionable reimbursements for hotel rooms which were not canceled timely resulting in payment for the unused rooms ($572.04), and extra mileage amounts claimed ($65.10) over what should have been reimbursed.

Finally, we noted other internal control errors by the Department of Commerce-Fiscal Management such as reimbursement requests not being stamped "Paid", mathematical errors causing overpayments, and expenditures being coded to the wrong object account.

The Commission is responsible for ensuring its personnel are aware of the requirements involving travel reimbursements. The Commission and the Department of Commerce-Fiscal Management are responsible for ensuring controls are in place to prevent and detect errors and ensuring compliance

TABLE 6
TRAVEL REIMBURSEMENT ERRORS

TYPE OF ERROR	NUMBER OF INSTANCES	% ERRORS IN SAMPLE	AMOUNTS
Untimely submissions	26	8.1%	13,727.55
Unsupported lodging	2	0.6%	*96.32
Unallowable meals	33	10.2%	*405.75
Privately Owned Vehicle Authorizations	40	12.5%	4,330.65
Budget Authorizations	7	2.2%	2,666.24
Late hotel room cancellation	1	0.3%	572.04
Extra mileage	3	1.9%	65.10
Travel requests not properly canceled	9	2.8%	4,940.26
Mathematical errors	2	0.6%	*17.00
Coding errors	52	16.2%	12,409.07
TOTAL	175	--------	$39,229.98

* Reimbursement should be requested for these amounts.
--A detailed list of these errors has been provided to Commission management.

with budgetary regulations. From the concerns noted, it appears personnel are not properly informed of the budget manual requirements and procedures in place are not working properly.

RECOMMENDATION

Commission management should institute procedures to ensure all personnel are properly informed of the *State Budget Manual* requirements concerning travel. Additionally, the Commission and the Department of Commerce-Fiscal Management should review the controls in place for weaknesses that have allowed the errors noted. For costs that were improperly reimbursed ($519.07), management should request employees repay the Commission.

THE COMMISSION IS PAYING THE SAFETY DIRECTOR TO COMMUTE FROM HOME TO HIS PRIMARY WORK SITE.

The *State Budget Manual* defines duty station as "the job location at which the employee spends the majority of his or her working hours." The current safety director was promoted from safety representative on July 1, 1994. As a safety representative, his duty station was listed as his home, Graham. The office for the Safety Director is in Raleigh, and the Safety section's pamphlet lists the director's location as Raleigh. Further, GS §138-6(a)(1) requires agency management to review and approve annually the designation of an employee's home as duty station. We found no documentation that the duty stations were reviewed and approved annually.

Analysis of travel reimbursements shows that the Safety Director spent 163 days (63%) working in Raleigh during fiscal year 1995 and 159 days (61%) during fiscal year 1996. The Safety Director is required to travel throughout the state as part of his job. Taking this into account, we found that this employee was reimbursed $2,699.60 for 13,498 miles of travel exclusively between Graham and Raleigh in fiscal year 1995 and $2,843.20 for 14,216 miles in fiscal year 1996. (see Table 7 below) Essentially, the Commission is paying the Safety Director to commute to his primary work site. This situation still existed at the end of the fieldwork for this audit.

TABLE 7
SAFETY DIRECTOR TRAVEL/WORKDAYS IN RALEIGH

FISCAL YEAR	EXCLUSIVE TRAVEL BETWEEN RALEIGH AND GRAHAM		ROUND-TRIP MILEAGE TO RALEIGH	AMOUNT MILEAGE REIMBURSED	OTHER TRAVEL TO RALEIGH		TOTAL TRAVEL TO RALEIGH	
	# OF DAYS	% OF DAYS			# OF DAYS	% OF DAYS	# OF DAYS	% OF DAYS
1995	121	47%	13,498	$2,699.60	42	16%	163	63%
1996	128	49%	14,216	$2,843.20	31	12%	159	61%

Note: Percentages based on 260 workdays per year.
Source: Industrial Commission records

RECOMMENDATION

The Safety Director's duty station should immediately be changed to Raleigh. The Commission should discontinue reimbursing him for commutes from his home to his primary work site. Commission management should institute procedures to review and approve the designation of employees' homes as duty stations on an annual basis to comply with GS §138-6(a)(1).

ORGANIZATIONAL ISSUES

As part of the audit, we examined the organizational structure and staffing levels of the Commission. Analysis of workload indicators for each section as well as staff interviews, observations of operations, and review of similar functions within state government and in the private sector revealed areas where we believe restructuring would enhance operations. Our organizational recommendations include relocation or coordination of duties with other state agencies and realignment of functions within the Industrial Commission. Our proposed changes are summarized below.

THE WORKERS' COMPENSATION NURSES MAY BE MISCLASSIFIED.

The Nurses section was established in 1973 to assist injured employees in obtaining medical rehabilitation services when all other sources have been exhausted. The duties, as described to us by the nurses, include assessing an injured employees' health status and developing a rehabilitation plan to achieve optimum recovery. According to Commission management, the nurses provide certain other services that are extremely valuable in obtaining settlements for workers' compensation claims. The nurses act as medical experts for the Commission, assisting in interpreting levels of impairment, necessary treatment, and evaluation of diagnoses. The nurses also provide objective referrals for independent medical examinations. However, job descriptions and position classifications for the nurses do not list these duties as the primary focus for the nurses. The duties most needed by the Commission fall more in line with medical consultation as opposed to traditional nursing services.

RECOMMENDATION

Management should request OSP to undertake a position classification study* to review the duties and responsibilities of the workers' compensation nurses. Based on our review, the consultation and referral services performed by the nurses are proper administrative functions of the Commission. However, we question whether all duties as described by the nurses should be handled by the Commission. The direct case management functions may be more properly handled by

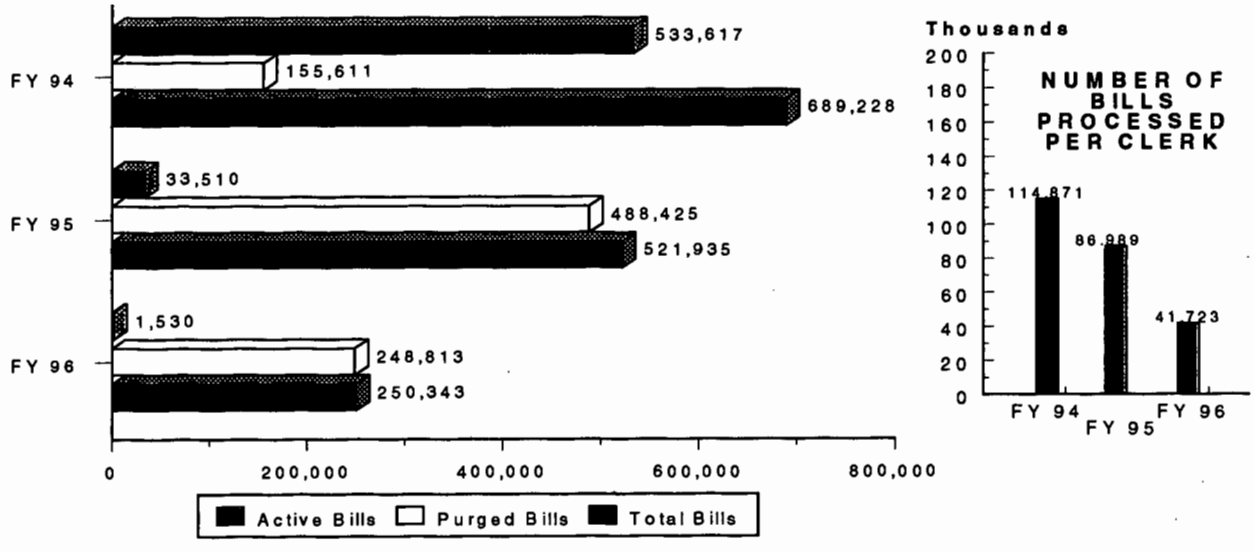
private physicians and medical rehabilitation specialists responsible for the treatment of injured employees.

**Auditor's Note: We learned at the conclusion of the fieldwork that OSP is in the process of a position classification study for all nursing positions in state government. Commission management should contact OSP to assure that the nurses positions are included in this study.*

THE MEDICAL FEES SECTION IS UNDER UTILIZED.

On February 15, 1995, the Commission granted insurance carriers, self-insured administrators, third-party administrators, and health care providers the authority to calculate and approve medical bills pursuant to the medical fee schedule established by the Commission. Currently, sixty-nine insurance carriers approve medical bills. As a result, the workload of the Medical Fees section was reduced by 24% between fiscal year 1994 and 1995. It was further reduced by 52% between fiscal year 1995 and 1996. (see Exhibit 5) However, the staffing of the Medical Fees section has remained stable with eight total positions; six are records clerks who actually process these bills. The decreased workload warrants a reduction in staffing for this section.

EXHIBIT 5
MEDICAL FEES WORKLOAD
BILLS PROCESSED



Source: Industrial Commission records

RECOMMENDATION

The Medical Fees section should be reduced by three positions to correspond to the reduced workload. This staff reduction would provide savings of $83,655 in salaries and benefits. However, some of these positions could be transferred to other sections within the

Commission where additional personnel are needed. (See discussion on page 20 and Auditor's Note on page 21.)

THE NEW TEAM APPROACH DOES NOT SUPPORT THE RATIO OF ONE LEGAL SECRETARY FOR EACH DEPUTY COMMISSIONER.

At the time of the audit, there was one secretary for each Deputy Commissioner. The rationale for a one-to-one ratio was to improve case management. However, the backlog at the Deputy Commissioner level indicates that improved case management has not occurred. As noted earlier, Commission management recently implemented the team concept at the deputy level. This change is redefining the duties and workloads of the legal secretaries. For example, rather than performing all tasks for their assigned deputy, one team's secretaries rotate some tasks which are performed for the entire team. Under the team concept, the justification for the one-to-one ratio may no longer be valid and as the teams define their roles and solidify their procedures, they may find they no longer have a need for as many legal secretary positions.

RECOMMENDATION

Management should evaluate the revised use of the legal secretaries. Based on workload and the redefined duties, we believe an appropriate staffing level would be three legal secretaries for each team of four Deputy Commissioners. This would allow for a reduction of five positions and would save $152,653 annually in salary and benefits. If not needed to support the Deputy Commissioners, these positions could be transferred to other sections within the Commission where additional personnel are needed.

THE SAFETY EDUCATION SECTION DOES NOT TARGET EMPLOYERS WITH HIGH ACCIDENT RATES.

The Safety Education section prepares and presents accident prevention and safety courses to businesses in North Carolina. We learned during the audit that the section does not target industries with high accident rates, nor does it receive statistics on the businesses that have workers' compensation claims filed against them. The section has sixteen standardized courses that are available to businesses *upon request*. These courses focus on the tasks the employees perform in carrying out their jobs.

The Bureau of Education, Training, and Technical Assistance (ETTA) within the Department of Labor's Division of Occupational Safety and Health (OSHA) does target specific businesses with a history of violating OSHA's rules. ETTA offers a variety of safety and educational courses, several of which address the same topics as those offered by the Industrial Commission. ETTA's courses are directed to management and geared

toward the setup of machinery and the layout of work sites. The Safety Education section, in contrast, deals more directly with the workers and their supervisors. The types of instruction provided by the Safety Education section and ETTA should act to complement one another. However, information regarding the businesses contacted and the courses taught is not shared on a routine basis between the two entities. If both sections were located within the same agency, improved communication, coordination, and concentration of efforts could be achieved.

RECOMMENDATION

The General Assembly should consider transferring the Safety Education section to the Division of Occupational Safety and Health in order to consolidate business-related safety training courses offered by the State. This should improve concentration of efforts towards high risk employers since OSHA already has procedures in place to target those employees. If the Safety Education section remains within the Commission, the section should take a more proactive approach by utilizing information collected by the Commission about employers with high accident rates and then targeting these employers. Additionally, the Commission should develop a joint plan with ETTA for training both employers and employees in businesses which have a high number of workers' compensation claims.

THERE IS A LACK OF COORDINATION FOR FRAUD INVESTIGATIONS BETWEEN THE COMMISSION AND THE DEPARTMENT OF INSURANCE.

GS §97-88.2 authorizes the Industrial Commission to investigate suspected fraud and violations related to workers' compensation claims. However, GS §58-2-163 and GS §58-2-161 require insurance companies to notify the Department of Insurance of suspected fraudulent insurance claims under any insurance policy including workers' compensation. We learned that while the Fraud unit of the Commission was set up in May 1996, the Department of Insurance continues to receive and investigate alleged fraudulent workers' compensation claims without referring the cases to the Commission. The Department of Insurance estimated fifteen percent of its investigations involve alleged workers' compensation fraud, with an estimated twenty-five workers' compensation complaints received during 1996.

RECOMMENDATION

The General Assembly should consider transferring the workers' compensation fraud investigation function (consisting of two investigator positions) to the Department of Insurance to eliminate the potential for duplicated investigations. To ensure workers'

compensation cases are adequately investigated, any positions transferred should remain devoted to workers' compensation fraud. All suspected workers' compensation fraud should then be referred by the Commission to the Department of Insurance.

THE COMMISSION IS NOT IN COMPLIANCE WITH CERTAIN OFFICE OF STATE PERSONNEL REGULATIONS.

To audit compliance with state personnel regulations, we examined a sample of 73 personnel files for Commission employees. The sample was selected judgmentally based on a review of records obtained from the Office of State Personnel (OSP). We reviewed in detail supporting documentation located in the personnel files including applications, applicant selection forms, personnel action forms, and performance evaluations. Specific problems noted were:

- The Commission does not have standardized hiring procedures from section to section.
- We noted performance evaluations where the overall summary ratings had been changed by the Chairman without adequate documentation. *(see note)*
- Two temporary employees were employed beyond the twelve month limit allowed by personnel regulations.

Auditor's Note: The non-compliance with the performance management system regulations has been reported to OSP for review and action.

RECOMMENDATION

To remove the appearance of bias, the Commission should develop and implement standardized procedures for the interviewing and hiring process. We recommend using a three person committee to conduct interviews, the use of standardized questions, and a ranking of candidates forwarded to the Administrator for his review and approval. Copies of the ranking sheets and interview questions should be maintained in the personnel file of the hired applicant as well as in the position applicant file. The Commission should follow the grievance policy and procedures established for the performance management system. Any changes made to the evaluations should be supported with adequate written documentation. Finally, the Commission should comply with OSP policy regarding the time limit for temporary employment. To ensure compliance, the Commission should develop a system for tracking the hire dates of temporary employees.

SALARY STUDY

Background and Overview:

This section of the report contains the results of a salary study for selected positions at the Industrial Commission. Commission staff sought a salary study based on their belief that the turnover rate for certain positions at the Commission was excessively high. Of specific concern was the salary range for the Deputy Commissioner level.

Senate Bill 5346 directed the Office of the State Auditor (OSA) to incorporate the salary study in the on-going performance audit. OSA was directed to consult with the Office of State Personnel, the North Carolina Industrial Commission Advisory Council, and the North Carolina Bar Association. Senate Bill 5346 also directed that the compensation of industrial commissioners and staff in other southeastern states be reviewed.

We began the study by reviewing personnel information for the period August 1, 1994, through August 1, 1996. This data revealed that 65% of Commission employees (90 out of 139) have been in their current positions less than two years. During this same period, 36 new positions were created and 25 promotions were given. In total, 42 employees have left the Commission during the last two years, for an average turnover rate of 15.1%. (OSP data indicates that the average turnover rate for all state agencies is approximately 12.2%.) Examination of personnel records for each of the 42 individuals shows that of these, only 6 of the 20 Deputy Commissioners have left the employment of the Commission. Records indicate 4 of the 6 Deputies left for "better employment". Therefore, the average annual turnover rate for the Deputy Commissioner level is 15.0%.

We contacted the Office of State Personnel (OSP) and worked cooperatively with staff to develop an audit plan for the salary study. We first looked for similar positions within State government. We identified a number of other commissions and reviewed the job descriptions and educational/experience requirements for their staffs. Because of varying requirements, we were only able to compare the salaries of the commission chairs to that of the Chairman of the Industrial Commission. See Table 8.

TABLE 8
SALARIES FOR STATE COMMISSION CHAIRS

COMMISSION	ACTUAL SALARY
Chair, ABC Commission	$77,365
Chair, Parole Commission	73,822
Chair, Utilities Commission	91,000
Banking Commissioner	80,846
Chair, Employment Security Commission	77,365
Average	**$80,080**
Chair, NC Industrial Commission	$72,638

Source: Office of State Personnel Database, 10/17/96

Observation: The salary for the Chair of the NC Industrial Commission is $7,442 below the average salary for like positions in other North Carolina commissions.

OSA and OSP personnel also reviewed salary data for the North Carolina judiciary since the Commissioners hear workers' compensation cases. That data is contained in Table 9. It is the joint conclusion of OSP and OSA staff that these are inappropriate salary comparisons due to the special labor market for the judiciary. While we agree that the workers' compensation laws are very complex and that the Commissioners are in fact acting as judges in contested cases, we were unable to confirm a direct comparison to the myriad of duties required of our state judiciary.

TABLE 9
JUDICIAL SALARIES

POSITION	SALARY
District Court Judge	$79,943
Chief, District Court Judge	82,555
Superior Court Judge	90,915
Senior Resident Superior Court Judge	93,528
Justice, Appeals Court	96,140
Chief Justice, Appeals Court	97,812
Supreme Court Justice	100,320
Chief, Supreme Court	103,012
Commissioner, Industrial Commission	$70,869
Chair, Industrial Commission	72,638

Source: Administrative Office of the Courts, 10/17/96

As directed by Senate Bill 5346, the Office of the State Auditor contacted the North Carolina Bar Association and the Industrial Commission Advisory Council to discuss salary issues. The Bar Association supplied a copy of its annual salary survey for attorneys in North Carolina. The survey did not contain any data specific to attorneys who specialized in workers' compensation cases. Therefore, it is the opinion of OSP and OSA personnel that this data does not lend itself to use in the study of salaries for Industrial Commission staff.

Interviews with members of the Industrial Commission Advisory Council revealed that, while they had concerns relative to the salary levels for Commission staff, they were unable to supply any specific salary data. Additionally, OSA personnel conducted research to locate any reports from other states which might contain information pertinent to the issue of salaries for industrial commissions. This information was shared with OSP and considered in the recommendations contained in the following report.

OSP developed and conducted a survey to obtain data from the southeastern states. (See Appendix B, page 47.) OSP compiled and analyzed the data from the survey and developed tentative recommendation options for discussion. Jointly, OSP and OSA personnel reviewed all data obtained from the various sources and reached conclusions relative to the appropriateness of the salary ranges for the positions in question. The final recommendations from OSP are presented here in their entirety.* OSA concurs with the recommendations. Where appropriate, we have added an auditor's note to provide additional information or to clarify a point.

* The report from OSP has been reformatted to conform with the style and format of the rest of the audit report. However, no data has been changed.

STATE OF NORTH CAROLINA
OFFICE OF STATE PERSONNEL
116 WEST JONES STREET
RALEIGH 27603-8004

JAMES B. HUNT JR.
GOVERNOR

RONALD G. PENNY
STATE PERSONNEL DIRECTOR

October 21, 1996

The Honorable Ralph Campbell
State Auditor
State Auditor's Office
Legislative Office Building

Re: **Studies of Industrial Commission Salaries**

Dear Mr. Campbell:

In accordance with Senate Bill 5346, the State Auditor's Office contacted the Office of State Personnel to conduct a study of salaries of the Chairman and members of the North Carolina Industrial Commission, the Deputy Commissioners, the Executive Secretary, and the Administrator. The legislation directed our Offices to review compensation of these roles in the southeastern states. The results of this survey are attached for your review.

This report consists of a southeastern states survey summary and specific survey information for each of these roles with salary recommendations.

We appreciate the assistance of Ms. Janet Hayes during this review. Should you have further questions, please feel free to contact Mr. Thom Wright, Position Management Division, at (919) 733-3182.

Sincerely,

Ronald G. Penny

RGP:tp

Directors Office	733-7108	Employee Assistance	733-9545	Employee Service	733-7112	Performance Management	733-7108
Commission Staff	733-7112	Employee & Mgmt. Tng. Div.	733-2474	Employment Practices	733-7922	Position Management	733-3182
Administrative Services	733-7934	Employee Risk Control	733-6316	Equal Opportunity Svcs.	733-0205	Temporary Solutions	733-7927

An Equal Opportunity Employer

SENATE BILL 5346 - INDUSTRIAL COMMISSION SALARY LEVELS STUDY

SOUTHEASTERN STATES SURVEY SUMMARY

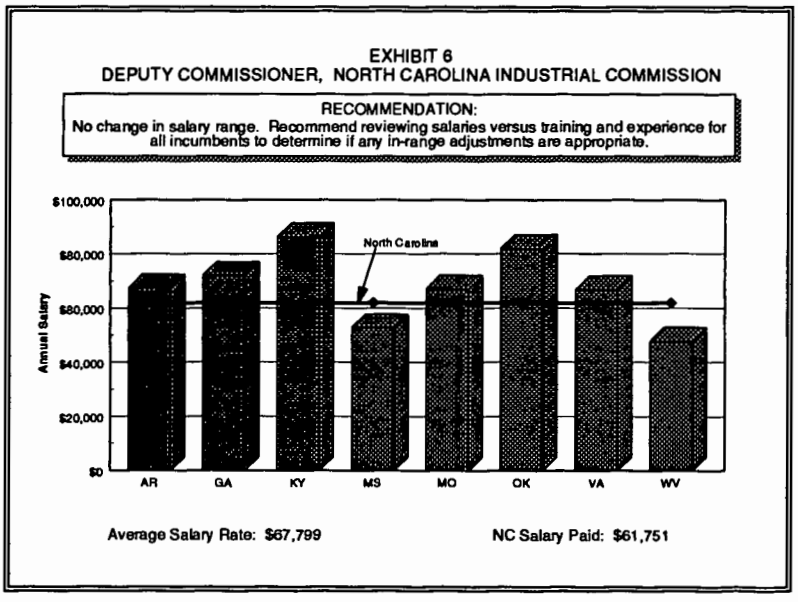
In accordance with Senate Bill 5346 (Second Session 1996), the State Auditor's Office contacted the Office of State Personnel (OSP) to conduct a study of salaries of the Chairman and members of the North Carolina Industrial Commission, as well as that of the Deputy Commissioners, the Executive Secretary, and Administrator of the North Carolina Industrial Commission. The legislation directed OSP to review the compensation of these roles in the southeastern states.

The Office of State Personnel staff met with the State Auditor's Office and the Chairman, Administrator and other Industrial Commission staff to define the roles to be surveyed and to identify similar workers' compensation programs in the southeastern United States. The fourteen southeastern states in the survey included: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

The survey tool was sent to these states on August 29, 1996. The survey information was received and compiled by Office of State Personnel in mid-September.

The southeastern states survey is summarized with recommendations in the attached documents. Key points are as follows:

1. Deputy Commissioner, North Carolina Industrial Commission (see Exhibit 6)



a. The Office of State Personnel recommends no change in the salary grade for this class. The class of Deputy Commissioner, North Carolina Industrial Commission (salary grade 83 with a range of $50,143 - $84,512) was found to be competitive at the hiring rate and the maximum of this range, with eight states having comparable roles.

b. Several of the Deputy Commissioner salaries could be adjusted to a higher salary within the assigned salary range based on their training and experience. The North Carolina **actual average** salary paid for the Deputy Commissioners is $61,751. The Department of Commerce's In-Range Salary Adjustment Plan (effective May 1, 1996) can be used to implement salary adjustments up to 10% within a one year period.

It should also be noted that other state classifications in the legal profession are closely related to this labor market. If changes are made in the salary grade of the Deputy Commissioner, North Carolina Industrial Commission, it could impact the equity relationship with these other classes.

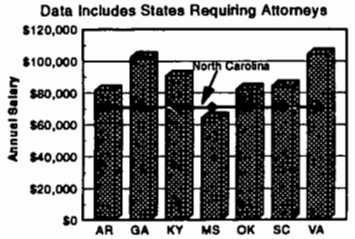
2. Commissioner, North Carolina Industrial Commission (see Exhibit 7)

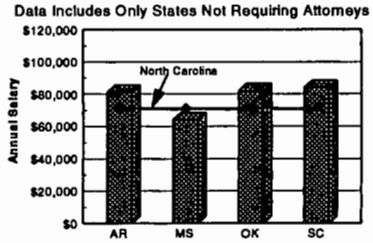
It is recommended that the salaries of the members of the North Carolina Industrial Commission (current salary set by the Legislature at $70,869) be adjusted to $86,752. This change is based upon the finding that the states of Georgia, Kentucky and Virginia require Commission members to be licensed attorneys with experience in the practice of law. The average salary rate of all states participating in the survey, including those requiring licensed attorneys, is $86,752. The average salary rate of the states not requiring licensed attorneys is $77,750.

EXHIBIT 7
COMMISSIONER, NORTH CAROLINA INDUSTRIAL COMMISSION

RECOMMENDATION - OPTION 1: Increase Commissioner Salary rate to survey average rate of $86,752.

RECOMMENDATION - OPTION 2: Increase Commissioner salary rate to survey average rate of $77,750.





Average Salary Rate: $86,752 | NC Salary Paid: $70,869

Average Salary Rate: $77,750 | NC Salary Paid: $70,869

Georgia, Kentucky, and Virginia require licensed attorneys.

The North Carolina Statutes do not require a legal background for Commission members; however, five of the current Commissioners are attorneys. Commission members are appointed by the Governor, with the Statutes requiring that backgrounds be balanced in the areas of the legal, business and labor professions. The General Assembly could require that all Commission members be licensed attorneys, with their experiences balancing the areas of the legal, labor and business profession requirements.

3. Chairman, North Carolina Industrial Commission (see Exhibit 8)

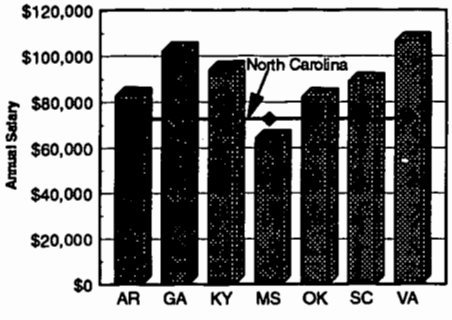
It is recommended that the salary of the Chairman, North Carolina Industrial Commission (current salary set by the Legislature at $72,638) be adjusted to $88,460. The Chairman in the states of Georgia, Kentucky and Virginia is required to be a licensed attorney. The average salary rate of all states participating in the survey, including those requiring licensed attorneys, is $88,460. The average salary rate of the states not requiring a licensed attorneys is $79,293.

EXHIBIT 8
CHAIRMAN, NORTH CAROLINA INDUSTRIAL COMMISSION

OPTION 1:
A. Increase Chairman's salary rate to survey average rate of $88,460.
B. Increase Chairman's salary rate to $95,427, 10% higher than rate recommended for Commissioner.

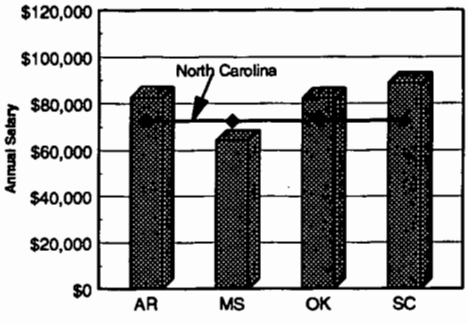
OPTION 2:
A. Increase Chairman's salary rate to survey average rate of $79,293.
B. Increase Chairman's salary rate to $85,525, 10% higher than rate recommended for Commissioner.

Data Includes States Requiring Attorneys



Average Salary Rate: $88,460
NC Salary Paid: $72,638

Data Includes Only States Not Requiring Attorneys



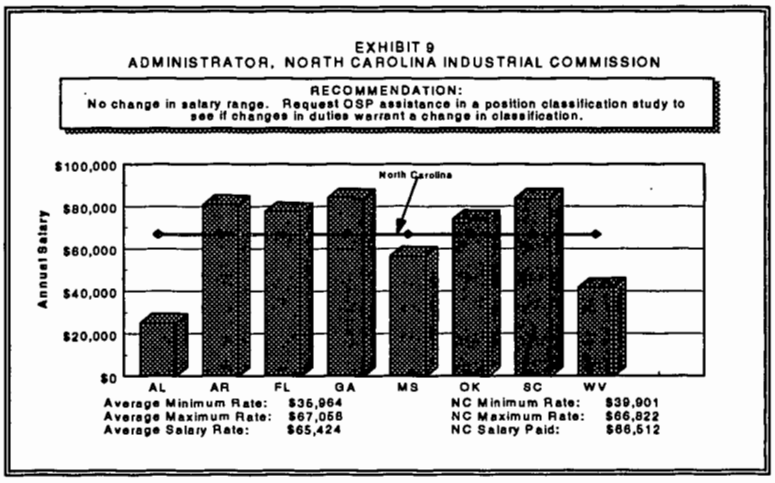
Average Salary Rate: $79,293
NC Salary Paid: $72,638

Georgia, Kentucky, and Virginia require licensed attorneys.

In North Carolina, the Chairman is appointed by the Governor. The North Carolina Statutes do not require a legal background; however, the Chairman has often been an attorney. The Statutes encourage a balanced background in law, labor, and/or business with extensive knowledge in the area of workers' compensation. The North Carolina incumbent is a licensed attorney.

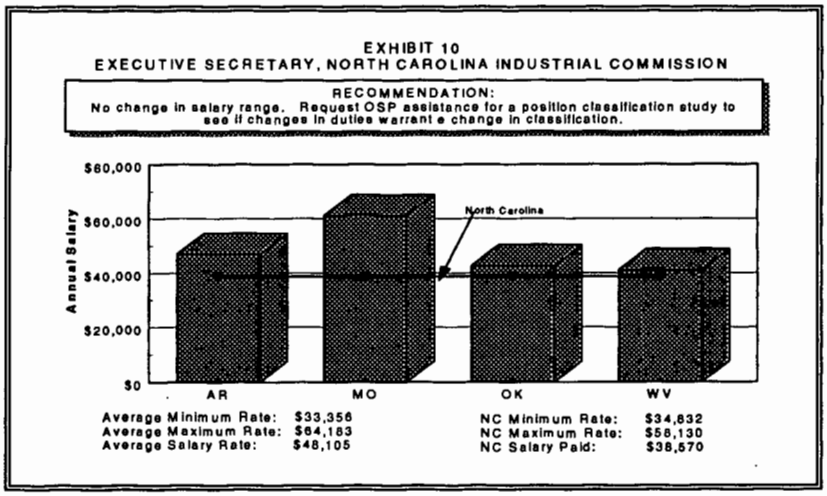
Another guide would be to set the salary of the Chairman, the North Carolina Industrial Commission 10% above the salary set for the members of the Industrial Commission.

4. Administrator, North Carolina Industrial Commission (see Exhibit 9)



No changes are recommended to this class. The Administrator, North Carolina Industrial Commission (salary grade 78 with a range of $39,901 - $66,822) was found to be competitive at the hiring rate and the maximum of the range. The incumbent's salary is $66,512, which is slightly above the average salary rate paid in the market of $65,424. Based upon recent changes in the duties for this position noted by the Chairman, it is recommended that management request from OSP a classification study of the position.

5. Executive Secretary, North Carolina Industrial Commission (see Exhibit 10)



No changes are recommended to this class. The Executive Secretary, North Carolina Industrial Commission (classified as an Agency Legal Specialist II at salary grade 75 with a range of $34,832 - $58,130) was found to be competitive. (Only four states noted a comparison to this position.) Based upon our review of the position during the salary survey process, we observed the possibility of a job change. Therefore, management could consider an in-range salary adjustment for the incumbent based on job change or request from OSP a classification study of the position.

Auditor's Note: We noted during the audit that the Executive Secretary now performs a number of quasi-judicial functions such as informal hearings on disputed applications to terminate or suspend payment of compensation. Additionally, the Executive Secretary has responsibility for all motions and orders on cases not assigned to Deputy Commissioners. We concur with OSP's recommendation for a position classification study. We further recommend Commission management consider reassigning the Ombudsman function, now overseen by the Executive Secretary, to the Administrator to more closely align administrative functions. We believe, because of its quasi-judicial nature, the Office of the Executive Secretary should be reassigned to the Chairman or one of the Commissioners to assure the proper level of legal oversight.

Additional points noted from the Southeastern Salary Survey:

1. Georgia, Kentucky and Virginia require that the Commissioners and Chairmen be licensed attorneys, elevating salaries to the level of judges. Virginia's Commissioners are appointed to six-year terms.

2. Arkansas, Missouri, and Virginia assign Deputy Commissioners/Administrative Law Judges to regional offices, reducing travel and some case assignment issues.

3. Virginia uses a geographical pay difference for attorneys in the Washington, D. C. area.

4. Alabama uses mediation as an alternative dispute resolution process. If cases are not settled through mediation, the case goes to Circuit Court. South Carolina also uses a claims mediator.

5. The State of Oklahoma uses a trial court administrator who oversees the entire court and staff, advises claimants not represented and approves settlements, hears requests for certification for "own risk" insurers, and assists the presiding judge in monitoring all court functions.

6. The State of Mississippi uses a trial court administrator to docket the calendar, not monitor the courtroom.

Source: NC Office of State Personnel
Date: October 4, 1996

STATE AGENCY PROGRAMS

STATE AGENCY WORKERS' COMPENSATION CLAIMS ARE NOT PROCESSED IN A UNIFORM MANNER.

Each agency designates a Workers' Compensation Administrator (WCA) to process and review claims and maintain statistics for the agency. Most of the administrators work in their agency's personnel section and perform duties in addition to workers' compensation. Our survey of WCA's showed 70% of these administrators spend less than 20% of their time on workers' compensation functions. In addition, the WCA often has little experience or training in workers' compensation. (See Appendix A, page 41.) While the Office of State Personnel (OSP) does provide a *State Government Workers' Compensation Manual* and offers technical assistance, each agency determines its own methods for processing claims. As a result, the amount of work performed to investigate or verify a claim varies from agency to agency.

In April 1996, the State began a pilot project in which a third-party administrator, Key Risk Management Services, Inc., processes claims for seventeen state agencies. Services provided include determination of liability, investigation, statistical reporting, case management, and payment to employees and medical providers. Key Risk pays employees and providers from a reserve fund equal to two months estimated expenditures (over $1.5 million) for the participating agencies. This project was undertaken in an attempt to reduce workers' compensation costs and improve claim management. Indications are that the contracted service changes the roles of the WCA's and that costs may be reduced.

RECOMMENDATION

In our opinion, the processing of state agency claims should be centralized either (1) within an existing state agency such as OSP or (2) by outsourcing services with a private third-party administrator. The State should closely evaluate the pilot project and its future costs when determining the appropriate method for centralized claims processing. Centralization would ensure consistent application of the workers' compensation law to all State employees and provide a knowledge base for more effective claims administration.

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APPENDICES

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A	Worker's Compensation Program Survey	41
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C	State "Self-Insurance" for Workers' Compensation Claims	53
D	Response to Audit	55

APPENDIX A

WORKERS' COMPENSATION PROGRAM SURVEY
--SUMMARY OF RESPONSES FROM STATE AGENCY WORKERS' COMPENSATION ADMINISTRATORS--

As part of the audit, we mailed opinion questionnaires to all state agency workers' compensation administrators, as identified by the Office of State Personnel. The surveys were designed to identify how state agencies are handling workers' compensation claims, who in the agency is handling the claims, and how much specific workers' compensation training the administrator has had, and to offer administrators an opportunity to make suggestions for needed changes to the program.

Responses were compiled and analyzed for each question. The percentage responses are included on the following pages. Additionally, respondents were given the opportunity to comment on all questions. Specific results of which the reader should be made aware are:

- The Office of State Personnel identified a total of 52 state agency workers' compensation administrators. The Department of Human Resources notified us that it had an additional 40 administrators working in its various programs. These individuals were included in the total mailing of 92.
- We received a total of 61 responses--a 66.3% rate of return.
- Fifty-six of the respondents included details on salary. The average annual salary for persons assigned the duties of workers' compensation administrator for state agencies is $30,883.
- Data from the survey shows total salary costs related to workers' compensation administration to be approximately $421,730 for the 56 respondents. This projects to be a total salary cost to the state for all workers' compensation administrators of $681,308 annually.
- The majority (48.3%) of the respondents are classified as "administrative" personnel, with 82.0% of those being in the Personnel section of the agency.
- Approximately ninety-eight percent (98.3%) of the administrators have job duties other than handling workers' compensation claims.
- Only 18 of the respondents (29.5%) reported spending more than 20% of their time processing workers' compensation claims; however, the average time required for workers' compensation for these 18 was 58.3%.
- The State is currently sponsoring a pilot project whereby Key Risk, Inc. is serving as a third party administrator for 17 agencies, one of which was DHR whose 40 sites were included in the survey. Twenty-two of the respondents were participating in the pilot project.

- ∇ Most training for workers' compensation administrators has been offered through the Office of State Personnel (51 respondents), with a concentration on methods of processing claims (85.2%).
- ∇ The majority (96.4%) of respondents said they had found information provided by the Industrial Commission staff to be useful and accurate, with most (83.6%) respondents communicating with the Claims section of the Commission.
- ∇ The majority (50.8%) of funds to pay workers' compensation claims come from lapsed salaries.
- ∇ The workers' compensation program would operate more efficiently if all claims were processed by a central service agency in the opinion of 70.9% of the respondents, with smaller agencies benefiting more than larger.
- ∇ Overall, the major concerns expressed by respondents were that claims were not handled in the same manner from agency to agency and that persons assigned the duties of workers' compensation administrators have not been given adequate training on how to handle claims.

We wish to thank all the respondents who supplied extensive and thoughtful comments on the survey.

OFFICE OF THE STATE AUDITOR
AUDIT OF WORKERS' COMPENSATION PROGRAM

SUMMARY DATA

Purpose: *The Office of the State Auditor is conducting a performance audit of the workers' compensation program administered by the North Carolina Industrial Commission. As part of our procedures, we are gathering information regarding how workers' compensation claims are processed by the individual state agencies. This questionnaire will allow us to assemble this information in the most efficient manner. Please direct this questionnaire to the* ***individual who handles workers' compensation claims for your agency.*** *Please complete and return this questionnaire in the enclosed envelope no later than* ***September 3, 1996.***

Agency: _____ **Name of Person Completing Survey:** _____

Position/Title: _____ **Annual Salary:** _____

PLEASE CHECK YOUR ANSWERS. ATTACH ADDITIONAL SHEETS IF YOU NEED MORE SPACE FOR ANY RESPONSE.

1. How is your position classified? 60 RESPONSES

☐A. Administrative		☐B. Professional		☐C. Clerical/Support	
29	48.3%	13	21.7%	18	30.0%

2. In which section within your agency do you work? 61 RESPONSES

☐A. Senior Management		☐B. Accounting/Budget		☐C. Personnel		☐D. Other (please specify)	
3	4.9%	6	9.8%	50	82.0%	5	8.2%

3. How long have you handled workers' compensation claims for your agency? 61 RESPONSES

☐A. 0-2 years		☐B. 2-5 years		☐C. 5-10 years		☐D. more than 10 years	
22	36.1%	11	18.0%	16	26.2%	12	19.7%

4. Do you have job duties aside from handling workers' compensation claims? If yes, please list. 60 RESPONSES

☐A. Yes		☐B. No	
59	98.3%	1	1.7%

OTHER DUTIES INCLUDED:

BENEFITS	43.8%	SAFETY & HEALTH	22.9%	OFFICE SUPPORT	12.5%
PERSONNEL	50.0%	TRAINING	18.8%	PAYROLL/ SALARY ADM.	27.1%
DISABILITY/TESTING	22.9%	ACCOUNTING/ BUDGET	14.6%	MISCELLANEOUS	8.3%

5. What percentage of your time is spent processing, reviewing, or investigating workers' compensation claims? 61 RESPONSES

☐A. 1% - 2%		☐B. 3% - 5%		☐C. 6% - 10%		☐D. 10% - 20%		☐E. more than 20% (please specify percentage)	
13	21.3%	8	13.1%	10	16.4%	12	19.7%	18	29.5%

6. What procedures do you normally follow for processing a workers' compensation claim? 61 RESPONSES

☐A. Check for completion of Forms 18 & 19	57	93.4%	☐F. Establish claim file	52	85.2%
☐B. Check for completion of accident investigation report	52	85.2%	☐G. Maintain statistical data	40	65.6%
☐C. Contact Attorney General's Office	15	24.6%	☐H. Forward claim to Industrial Commission	42	68.9%
☐D. Contact Employee Safety & Health Division, OSP	17	27.9%	☐I. Other (explain)	26	42.6%
☐E. Forward to designated agency supervisory personnel for approval	9	14.8%			

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7. How do you determine whether a claim is valid? 44 RESPONSES

☐A. Forward to Industrial Commission- - do not determine	2	4.5%	☐E. Talk with workers' comp administrator at OSP	28	63.6%
☐B. Compare claim to liability determination guidelines	40	90.9%	☐F. Talk with agency's legal counsel	14	31.8%
☐C. Talk with individual filing claim	44	100.0%	☐G. Other (please list)	24	54.5%
☐D. Talk with individual's supervisor	43	97.7%			

8. Does your agency use the services of individuals or companies outside state government to assist with processing or investigating workers' compensation claims? 59 RESPONSES

☐A. Yes		☐B. No (Skip to questions # 11)	
34	57.6%	25	42.4%

9. If answered "yes" to question 8, what service providers do you use? 41 RESPONSES

☐A. Key Risk, Inc.		☐B. Other claims processing firms (please specify)		☐C. Private investigators (please specify)		☐D. Other (please specify)	
22	53.7%	4	9.8%	7	17.0%	8	19.5%

10. What services do these persons provide? 42 RESPONSES

☐A. Investigation		☐B. Processing/Filing Forms		☐C. Statistics		☐D. Other (please specify)	
20	47.6%	21	50.0%	15	35.7%	14	33.3%

11. From which state agencies have you received training regarding workers' compensation? 51 RESPONSES

☐A. Industrial Commission	40	78.4%	☐D. Other (please specify)	23	45.1%
☐B. Attorney General's Office	14	27.5%	☐E. Have received no training (Skip to question #13)	1	0.2%
☐C. Office of State Personnel	51	100.0%			

12. If you received training, what type of training did you receive? 61 RESPONSES

☐A. Education on workers' compensation laws	45	73.7%	☐C. Procedures for investigating the validity of claims	36	59.0%
☐B. Methods of processing workers' compensation claims	52	85.2%	☐D. Other (please specify)	15	24.6%

13. With which sections of the Industrial Commission have you interacted? 61 RESPONSES

☐A. Commissioners (includes law clerks)	10	16.4%	☐ D. Safety	15	24.6%	☐ G. Statistics	24	39.3%
☐B. Deputy Commissioners	14	23.0%	☐ E. Claims	51	83.6%	☐ H. Medical Fees	40	65.6%
☐C. Ombudsman	10	16.4%	☐ F. Nurses	14	23.0%	☐ I. Fraud Investigation	2	3.3%

14. Have you found the information provided by the Industrial Commission to be useful and accurate?
56 RESPONSES

☐A. Yes		☐B. No	
54	96.4%	2	3.6%

15. To what other sources have you referred for information on workers' compensation claims? Check all that apply.
61 RESPONSES

☐A. State Workers' Compensation Manual	56	91.8%	☐ D. Attorney General's Office	44	72.1%
☐B. Your agency's policies and procedures manual	44	72.1%	☐ E. Department of Insurance	4	6.6%
☐ C. Office of State Personnel	48	78.7%	☐ F. Other (please specify)	23	37.7%

16. When a claim is to be paid for your agency, from where does your agency get the funds? 61 RESPONSES

☐A. Budget transfer from lapsed salaries	31	50.8%	☐D. Specific line item for workers' comp claims	27	44.3%
☐B. Budget transfer from other line-item (please specify)	3	4.9%	☐E. Other (please specify)	5	8.2%
☐C. Special appropriations from the Contingency and Emergency Fund	0	0.0%			

17. In your opinion, would the workers' compensation program operate more efficiently if all state agency claims were processed by a central service agency? Please explain your answer. 55 RESPONSES

☐A. Yes	☐B. No
39 70.9%	16 29.1%

Positive Comments:

- Key Risk is doing a good job.
- Central processing would allow for consistency and a pool of knowledgeable administrators; current method is too fragmented.
- Would allow for more uniform handling of claims.
- Personnel officer should continue to work with employees and centralized service.
- Program would be more efficient and organized with centralized processing.
- Central agency is not prejudiced in denying or accepting claims since they are not state employees.
- Central agency would be dedicated to WC work; more efficient use of time and energy; overall cost savings and better service to employees.
- All state agencies are not processing claims the same way.
- Would offer fairness, accurate processing, cost effectiveness, and proper medical monitoring.

Negative Comments:

- Would lose the personal touch.
- Would add an additional layer of administrators since claims adjustment functions would remain at the agency.
- Would cause more delays in validating WC claims, especially in areas where there are few medical providers.
- Safety issues would fall through the cracks.
- Third party could not conduct incident investigation at the work site.
- Communications with employee would not be as efficient and could cause increased delays.
- Third party would present lack of personalized service, lack of knowledge on employee issues, staffing.
- Third party too removed from incident.

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18. How many workers' compensation claims has your agency processed during the past three fiscal years?

TOTALS REPRESENT ALL CLAIMS FILED BY THE 61 AGENCIES RESPONDING.

A. Fiscal year ending 6/30/94 7,946
B. Fiscal year ending 6/30/95 7,965
C. Fiscal year ending 6/30/96 7,342

19. Please note any concerns you have regarding the workers' compensation program. (Attach additional sheets if necessary.) 20 RESPONSES

- Agency personnel responsible for processing WC claims don't have necessary level of knowledge and experience.
- Claims are not processed uniformly from agency to agency.
- WC efficiency can only be achieved by medical management; medical providers must interact with job rehabilitation service and employers.
- Third party administrator has increased delays in processing claims; increased workload for agency staff.
- WC is unorganized now; no specific patterns to do things; so many questions that the WC administrator has to answer.
- WC legislation needs to be revamped; not set up to be best for employee and employer as now written.
- Third party administration, whether through a state agency or an outside party, would not be able to provide "swift and sure compensation to employees injured in the course of employment."
- WC administrators need more in-depth training.
- Major delays in the process come from delays in waiting for hearings and decisions.
- Compensation determination doesn't include denials or a system for closing claims; factors critical for case management.
- The State needs to recognize Workers' Compensation costs more like private industry.
- Too time consuming and tedious; too much paperwork regardless of extent of injury.
- A tremendously complicated system with many legal pitfalls and problems which small agencies are not staffed to handle.
- Ever increasing tendency of Industrial Commission to deny employers some rights; almost impossible for an employer to prevail in any litigation brought as a result of claim denial or non-compliance by employees.

APPENDIX B

OFFICE OF STATE PERSONNEL
INDUSTRIAL COMMISSION SALARY SURVEY

Approximately 90,000 to 100,000 claims are filed with the N.C. Industrial Commission each year; 5-7% of these are contested cases are assigned to the Deputy Commissioners who act as judges in trials, finding facts as a jury and applying the appropriate legal standards in written judgments in cases prosecuted under the Workers' Compensation Act and several other laws administered by the Commission. North Carolina currently assigns contested cases to 20 Deputy Commissioners, attorneys licensed to practice law in N. C. The Deputies are divided into five teams of four attorneys and assigned to a geographical area of the State. Each team has a group appointed team leader who will monitor work and case management, and train new Deputies. We are not currently using a Chief Deputy; a Full Commissioner is supervising the process at this time.

North Carolina has a seven member Industrial Commission, all appointed by the Governor, who hear appeals from the Deputy Commissioners' decisions. The Commissioners sit in panels of three. Currently, six of these Commissioners are licensed attorneys, but the Statute does not make this a requirement. (The Statute suggests that the Commission be comprised of membership from the legal, labor, and business professions.) The Full Commission meets as needed, usually once or twice a month. Also, the Commission acts as a rule-making body for the Industrial Commission, establishing agency policy and procedure.

1. Does your state have an appellate level for appeals within the Industrial Commission or other named entity? ( ) Yes ( ) No

   If yes, please describe:

   _____
   _____
   _____
   _____
   _____

2. Does your state have a hearing process for handling contested cases by Deputy Commissioners or judges? ( ) Yes ( ) No

   If yes, please describe:

   _____
   _____
   _____
   _____
   _____

3. Does your state use a Chief Deputy to supervise and assign work of Deputy Commissioners? ( ) Yes ( ) No

4. How are cases assigned to Deputy Commissioners who determine contested cases?

5. What is the timeline for docketing cases and approximate length of time to complete a case from the time a request for hearing is filed until an opinion and award or decision are written?

6. Do you use a trial court administrator? ( ) Yes ( ) No

   If yes, please describe

Chairman, The North Carolina Industrial Commission - The Chairman, appointed by the Governor, serves as the chief judicial officer and chief executive officer of the North Carolina Industrial Commission (GS §97-77) which administers the Workers' Compensation Act, Childhood Vaccine-Related Injury Compensation Program, and the Law Enforcement Officers', Fireman's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act. The Commission is also constituted a court by Statute for the purpose of hearing and passing upon tort claims against State Agencies and Departments. The Chairman has the authority to oversee and direct the Commission to ensure proper management.. The Chairman appoints three Commissioners to sit in panels to hear appeals, establishes the dates the Full Commission will be held, and monitors the process. The Chairman appoints and chairs the Advisory Council to give input to the Commission on policy and legislative issues. The Chairman provides leadership to the Commission, establishes priorities, and works with staff and others to achieve goals and objectives. The Chairman responds to the media, and testifies and provides expertise to legislative committees.

Minimum Training and Experience - The Chairman is appointed by the Governor. The Statutes do not require a legal background, however, the Chairman has often been an attorney. The Statutes encourage a balanced background in law, labor, and/or business with extensive knowledge in the area of workers' compensation.

Current Salary: _____ Salary Range Minimum_____ Salary Range Maximum _____

Comparison: ( ) Less Than ( ) Equal To ( ) Greater Than

Commissioner, North Carolina Industrial Commission - The six members of the Industrial Commission are appointed by the Governor. The members of the Commission serve as an appellate body, with 25-30% of their time in reviewing decisions made by Deputy Commissioners which are appealed to the Full Commission. The Chairman assigns cases to the Commissioners who sit in panels of three members, typically one to two weeks each month. The Commissioners render decisions with the assistance of legal specialists. By Statute, the Full Commission can reconsider evidence, receive further evidence, rehear parties, and amend awards.

The Commission is also the rule-making body for the Industrial Commission, establishes policy, and establishes the medical fee schedule for medical providers. Each Commissioner is also responsible for sections of the agency, reporting back to the Full Commission on operations and policy. The Full Commission reports to the Chairman of the N.C. Industrial Commission.

Minimum Training and Experience - Commissioners are appointed by the Governor of North Carolina, balancing backgrounds from the legal, business and labor professions. The Statutes do not require a legal background, although Commissioners are attorneys. Work requires extensive experience in the area of workers' compensation with the ability to uphold the laws of the State, to understand the facts of cases, and to deliver a fair decision based upon the facts and the law.

Current Salary: _____ Salary Range Minimum_____ Salary Range Maximum _____

Comparison: ( ) Less Than ( ) Equal To ( ) Greater Than

Deputy Commissioner, Industrial Commission - This is professional legal work, presiding as a judge in non-jury trials, making findings of fact and applying the appropriate laws in written opinions and awards in cases under the Workers' Compensation Act and other statutory responsibilities. The Deputies also render decisions in a court that has heard and passed upon tort claims against State Agencies and Departments.

Work involves determining if cases are in a proper posture for trial, scheduling and sending notices of dates and times, handling all correspondence and telephone communication regarding pre-trial issues, ruling on motions regarding cases set for trial, researching points of substantive and procedural law which are likely to arise during the trial, holding pre-trial conferences when necessary and reviewing for appropriateness any settlements which are made prior to a case coming to trial. During the course of the trial, the Deputy Commissioner sits as both judge and jury, makes evidentiary rulings throughout the trial, ensures that all facts have been disclosed and enters a binding judgment determining the liability of parties. Work is performed independently under the administrative supervision of the Full Commission and may include related duties as required. When called upon to sit as a member of the Appeals panel, the work involves hearing and determining appeals and writing Opinions and Awards or Decisions.

Minimum Training and Experience - Graduation from an accredited law school and three years of legal experience, or an equivalent combination of training and experience. The Commission requires the Deputy Commissioner to be licensed to practice law in North Carolina as set forth in Rules Governing Admission to the Practice of Law and N.C. GS §84-24.

Current Salary: _____ Salary Range Minimum_____ Salary Range Maximum _____

Comparison: ( ) Less Than ( ) Equal To ( ) Greater Than

Administrator, Industrial Commission - This is administrative and managerial work in directing the activities of the North Carolina Industrial Commission staff in the administration of the North Carolina Workers' Compensation Act and other statutory responsibilities. The employee is the agency's chief operating officer, responsible for managing the Commission's $8.2 million budget and overseeing 139 employees. The employee is responsible for: structuring and managing operations devoted to claims processing, medical bills processing, statistical reporting, safety consultation and related areas; the provision of support services including docket management and legal stenography to the hearings process; the provision of all administrative services including budget development and administration, procurement, and personnel. The employee determines the need for modifications or exceptions to established policies and procedures based on input from subordinate managers, and is responsible for ensuring that such decisions do not compromise the mission of the Commission. The employee reports to the Chairman of the Industrial Commission.

Minimum Training and Experience - Graduation from a four year college or university with a degree in business administration, public administration, or related field and four years of supervisory/managerial experience involving responsibility for administratively directing the delivery of services, two of which must have involved participation in workers' compensation issues; or an

equivalent combination of training and experience. Graduation from an accredited school of law may be substituted for the required two years of general administration experience.

Current Salary: _____ Salary Range Minimum_____ Salary Range Maximum _____

Comparison: ( ) Less Than ( ) Equal To ( ) Greater Than

Executive Secretary, Industrial Commission -The Executive Secretary acts in a quasi-judicial capacity, designated by the Chairman as a Special Deputy Commissioner, with responsibilities for ruling and issuing orders on various Motions presented by plaintiffs/defendants counsel, approving clincher settlement agreements, following-up on non-insured employers, supervising Agency Legal Specialists in ruling on termination of benefits, and providing supervision, training and direction for the Ombudsman program which provides public information on the workers' compensation claims process. The employee provides management, legal direction and supervision of the Office of the Executive Secretary, Ombudsmen, and the Industrial Commission's Informal Hearing Program. The employee reports to the Administrator of the Industrial Commission, and to the Chairman of the Industrial Commission on legal and policy matters.

Minimum Training and Experience - Graduation from an accredited law school and three years of related professional legal or workers' compensation/programmatic experience, or an equivalent combination of training and experience.

Current Salary: _____ Salary Range Minimum_____ Salary Range Maximum _____

Comparison: ( ) Less Than ( ) Equal To ( ) Greater Than

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APPENDIX C

STATE "SELF-INSURANCE" FOR WORKERS' COMPENSATION CLAIMS.

"Self-insurance" is defined as an entity's retention of risk of loss arising out of the ownership of property or from some other cause, rather than transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term "self-insurance" is a misnomer. (Governmental Accounting Standards Board, C50.528)

In North Carolina, all state employees are covered under the Workers' Compensation Act. Each state agency is responsible for accepting employer liability for the State and paying workers' compensation claims from its operating budget. The Department of Transportation is the only state agency that maintains a reserve against which workers' compensation costs may be charged. All other agencies must use funds budgeted for other purposes, usually lapsed salaries, to pay employees' claims. If an agency does not have available funds in its operating budget, it must request a special appropriation from the Governor's Contingency and Emergency Fund. Table 10 shows total benefit costs and claims files for fiscal years 1993-94 through 1995-96. Table 11 shows data on the ten agencies with the highest benefit expenditures for the past three fiscal years.

TABLE 10
STATE AGENCY WORKERS' COMPENSATION STATISTICAL DATA

	FYE 6/30/94	FYE 6/30/95	FYE 6/30/96
Benefit Costs	$28,725,831	$29,301,931	$28,522,330
Claims Filed	12,404	12,791	13,509

Sources: NC Comprehensive Annual Financial Reports (Benefit Costs) and Office of State Personnel Annual Statistical Reports (Claims Filed)

TABLE 11
STATE AGENCY WORKERS' COMPENSATION COSTS
AGENCIES WITH HIGHEST BENEFIT EXPENDITURES

	FY94		FY95		FY96	
RANK	AGENCY	AMOUNT	AGENCY	AMOUNT	AGENCY	AMOUNT
1	Public Instruction	$10,996,853.10	Public Instruction	$11,564,729.48	Public Instruction	$9,870,494.97
2	Div of Mental Health	4,335,583.93	Div of Mental Health	4,096,216.71	Div of Mental Health	3,119,044.26
3	Dept of Corrections	3,262,603.67	Dept of Corrections	2,989,358.51	Dept of Corrections	2,569,417.40
4	Env, Health, Nat Res	661,717.60	Env, Health, Nat Res	831,346.28	UNC-Greensboro	1,404,922.65
5	UNC-Greensboro	597,728.58	Community Colleges	787,908.47	Community Colleges	843,041.89
6	Dept of Justice	545,278.67	Crime Control	557,115.85	UNC-Chapel Hill	812,527.75
7	Community Colleges	466,596.76	Dept of Justice	548,175.17	Env, Health, Nat Res	617,585.48
8	NC State University	412,008.58	Div of Youth Services	533,364.81	NC State University	551,514.99
9	NC A&T University	379,025.50	NC State University	389,391.77	Div of Youth Services	450,973.32
10	UNC Hospitals	342,380.19	Dept of Administration	351,762.74	Crime Control	420,615.79

Source: Monthly Budget Reports by Agency

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James B. Hunt Jr., Governor
J. Howard Bunn Jr., Chairman

Commissioners
Bernadine Ballance
Thomas J. Bolch
Laura K. Mavretic
Dianne Sellers
Coy Vance
J. Randolph Ward

North Carolina
Industrial Commission

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Internet Address: http://www.comp.state.nc.us/

January 27, 1997

Honorable Ralph Campbell, Jr.
State Auditor
300 North Salisbury Street
Raleigh, NC 27603

Dear Mr. Auditor:

The Industrial Commission has reviewed your draft of the performance audit entitled *Workers' Compensation Program Administered by the North Carolina Industrial Commission*. Our response is attached.

Our agency appreciates the time and detail with which your staff reviewed the operation, organization and programs of the Industrial Commission and worked with the Office of State Personnel in a study of agency salary levels. We commend you on your review of the handling of workers' compensation claims by state agencies for the State of North Carolina as an employer, an area that we believe has warranted for some time close examination and evaluation.

Our goal is to provide employers and employees in our state simplified workers' compensation claims procedures and swift resolution of claims. Our agency is proud of the accomplishments it has made in serving the people of North Carolina.

We believe that the suggestions and recommendations of your office contained in this audit, coupled with our agency's goals and objectives and the continued dedication of our hard-working staff, will allow our agency to meet the challenges of the future and help us continue to serve the people of the state more effectively and efficiently.

Sincerely,

J. Howard Bunn, Jr.

J. Howard Bunn, Jr.
Chairman

The response from the Industrial Commission has been reformatted to conform with the style and format of the rest of the audit report. However, no data has been changed.

THE NORTH CAROLINA INDUSTRIAL COMMISSION

RESPONSE

TO THE STATE AUDITOR'S PERFORMANCE AUDIT

BACKGROUND

CREATION OF THE WORKERS' COMPENSATION SYSTEM

The 1929 General Assembly, responding to the growing complexities of industrialization, passed the North Carolina Workers' Compensation Act to compensate injured workers.

This legislation had a two-fold purpose:

1. swift compensation for the worker; and
2. limited liability for the employer.

The Act was a compromise between employers and employees: the employee gave up the right to common law damages in exchange for guaranteed, though limited, compensation; the employer traded unlimited liability for damages being limited to the employee's loss of earning capacity.

The workers' compensation system was initially designed to prevent injured workers from being thrust into poverty and to prevent the lengthy, expensive court proceedings necessary to prove fault on the part of the employer. The system was not designed to provide general health and accident insurance for workers.

North Carolina's system has evolved, through court interpretation and changes in the law, to cover only injuries that arise out of or are in the scope of employment. Exclusions such as the following have been added: only employers with three (3) or more regular employees are required to provide coverage and farm workers are excluded unless the farm employer has ten (10) or more full time non-seasonal workers.

North Carolina, in passing the Workers Compensation Act, made a decision to adopt a form of no-fault social insurance that would treat the productive worker, who had wage loss because of a work-related injury, as "an honorable veteran of the workforce" and provided compensation and medical benefits for that worker in a manner necessary to maintain the worker's dignity.

THE WORKERS' COMPENSATION SYSTEM TODAY

Sixty-eight years after the passage of this legislation, the North Carolina Industrial Commission administers one of the top workers' compensation systems in the country...but a far different system than ever envisioned by its founders.

Today, the Industrial Commission operates as a quasi-judicial system and claims agency for work related injuries and illnesses.

It is a system that handles an average of 90,000 workers' compensation claims annually and approves over $206 million in medical charges and over $319 million in Compensation payments. Workers' Compensation is said to now be a "billion dollar" business in North Carolina if all medical, compensation and legal charges are taken into account.

And, the system that was designed to avoid litigation has become a system dominated more and more by the legal process.

The percentage of workers' compensation claims resolved without a hearing has sharply declined in recent years. Today, eighty five percent (85%) of all claims reviewed by the agency are claims agreed to by employers and employees and routinely approved for compensation by the Industrial Commission. But, the other fifteen percent (15%) are contested by the parties and go either to mediation or to a hearing first before a deputy commissioner with the right to appeal to a panel of Commissioners with further appeal rights to the North Carolina Court of Appeals and in certain instances to the North Carolina Supreme Court.

As the number of contested cases has increased so has legal maneuvering and resulting backlogs and slowdown. Our challenge is to return the system to its original plan: swift compensation and simplicity of claims procedure.

RECENT ACCOMPLISHMENTS OF THE INDUSTRIAL COMMISSION

By 1993, the Industrial Commission was severely backlogged with cases, not responsive to the public, and riddled with criticism. There was a lack of sufficient staff (even though the 1992 General Assembly had made an appropriation for 15 additional staff positions), lack of equipment, lack of space and resulting inefficiency.

The agency had reached the critical point in its history. It was time to "roll up our sleeves" and get to work changing the direction of the agency.

With the strong support of Governor Jim Hunt, the positive response of the General Assembly, the hard work of a committed staff and vigorous citizen involvement, we can today proudly say "what a difference four years make." Although there is more to be done, including many of the suggestions of the State Auditor, we are proud of the following major accomplishments in improving and streamlining the Industrial Commission:

- Eliminated a backlog of 900 cases on appeal to the Full Commission by forming 2 extra appeals panels, using former Commissioners and former Deputy Commissioners, funded from the Contingency and Emergency Fund.
- Recognized gross underfunding and understaffing of the Commission and received General Assembly approval to
    (a) expand the Commission from 3 to 7 members, allowing 2 panels of Commissioners to sit simultaneously thus expediting the appeals process and preventing appeals backlogs from recurring--today the Full Commission is current with its case load;
    (b) add 4 Deputy Commissioners to facilitate increased hearings and expedite the contested case process--twenty (20) Deputy Commissioners now hold hearings across the state.
- Requested and received funding from the General Assembly to develop an "Information Strategic Plan", which built upon an earlier appropriation for an Optical Disk System. The

implementation of both of these efforts resulted in the following:

(a) the installation of personal computers for all employees tied together with a Local Area Network and tied to the State Computer Center with a Wide Area Network; and

(b) the installation of an Electronic Document Management System (presently in the final stages of installation) that will result in the millions of paper documents received by the Commission being scanned, converted to an electronic image file, condensed and stored on permanent 12" laser disks.

- Implemented a Mediation Program, approved by the 1993 General Assembly, staffed by one employee with part time clerical help. Industrial Commission Mediation now handles more than 175 cases per month with almost two-thirds being settled, providing claimants with faster resolution of cases and avoiding scheduling of hearings and freeing contested case dockets. Mediation is a key to limiting litigation and swiftly resolving cases.
- Created, with General Assembly funding, an Ombudsperson Program, which provides information and assistance to the general public on workers' compensation matters--four (4) Ombudspersons now receive up to 200 calls per day; a toll free line(1-800-688-8349) has been installed to make the program more accessible to the public.
- Chairman Howard Bunn chaired a group of business, labor and other interest groups that developed the first major rewrite of the Workers' Compensation Act since 1974 when Chairman Bunn previously headed the Commission. This 1994 rewrite was passed into law without opposition. It provided, among other things, for coverage under Managed Care Organizations, allowed employers to begin paying claims faster under a "payment without prejudice" provision, initiated a "trial return to work" system for injured workers, and allowed the Commission to revise rehabilitation rules.
- Appointed an Advisory Council, composed of representatives of all segments involved with workers' compensation issues, allowing the Commission to hear concerns, discuss issues and seek solutions to problems at the earliest possible time, and to provide the legislature with expertise on legislative proposals and to suggest legislative initiatives when needed.
- Won legislative approval during the 1995 General Assembly Session for the creation of a Fraud Investigation Unit to investigate workers' compensation fraud, estimated to be as

much as $60 million annually (10% of the total premium dollars for workers' compensation coverage).

- Won approval from the 1995 General Assembly for additional claims and legal support staff to help expedite handling of the 90,000 workers' compensation claims filed on average annually.
- Acquired expanded office space for the Industrial Commission to better organize the Commission's work flow and provide adequate space for all agency sections.
- Revised (downward) the workers' compensation medical fee schedule. The Commission found that Georgia and South Carolina had fee schedules 12 to 16% lower than North Carolina's, that the six states with similar costs of producing medical services had fee schedules 13 to 27% lower that ours, and the two major private payers in the state had schedules that average 14% lower. The Commission adopted a Fee Schedule that will result in an overall reduction in medical fees of 11% (reducing surgery charges by 8% and Radiology by 20%). This reduction, estimated to be between $40-50 million, will impact employers with future lower workers' compensation rates.
- In March, 1996, North Carolina Workers' Compensation Insurance Base Rates were reduced by 15% and were further reduced by 13.9% in October 1996. The state now enjoys the 8th lowest workers' compensation costs in the country (according to *National Underwriter* magazine)---and continued cost containment and medical fee schedule reductions should see this downward trend continue.
- Offered during the year ending June 30, 1996, through the Industrial Commission Safety Education Section, accident prevention courses to 18,447 workers. These courses, offered to business and industry by request, are designed to help reduce the number of work related injuries and disabilities which impact on overall costs.
- Provided, through our agency's Workers' Compensation Nurses, professional coordination for 125 new workers' compensation cases in 1996, in addition to an average of 133 cases in progress handled annually, ensuring that claimants receive the best possible medical and rehabilitation services in these often complicated and catastrophic cases that seek to return injured workers to their pre-injury potential.
- Crafted an agreement with the North Carolina Hospital Association to stabilize on a temporary basis a DRG system for hospital charges, thus ending a nightmare of enormously increased hospital fees where one major employer had

received billings of $104,000 more than the actual hospital bill for 20 injured employees. This agreement strongly advocated by the Industrial Commission and adopted by the 1996 Session of the General Assembly as a "temporary measure" allows payments to hospitals for inpatient services of not less than 90% of itemized charges nor more than the hospital's actual itemized charges.

- Adopted new procedures in our Claims Section for dealing with agreements for payments that were submitted incorrectly. By calling and faxing carriers and self insurers, delays have been eliminated and our claims section is current in dealing with agreements.
- Completed a major reorganization of the Deputy Commissioner unit to facilitate the elimination of a backlog of cases at the initial hearing level. Organizing and deploying teams of hearing officers (Deputy Commissioners) in five regions of the state creates greater accountability of the hearing process and allows Deputies to develop strategies resulting in faster resolution of cases.
- Established COMP.net, the Industrial Commission's electronic Bulletin Board System and Internet World Wide Web site, that provides a host of workers' compensation information online, including Commission Decisions, Court Decisions, Commission Forms (available to download), a Commission staff directory, general information and an extensive library of national workers' compensation information. Workers' compensation experts from across the nation have described our system as "one of the best workers' compensation Web sites in the country."
- Included as part of every Industrial Commission section head's annual work plan a "service orientation" requirement, mandating that each manager pays attention to constituents, exhibits empathy, follows through, is courteous, and agrees and acts on a clear course of action. Section heads have been instructed to include this requirement in the work plan of every employee in their section. Our goal is "service to the public."
- Organized and conducted the First Annual Workers' Compensation Educational Seminar in September 1996 which offered in-depth training and information on the North Carolina Workers' Compensation claim process to employers, employees, insurers, medical providers, and other interested parties.

The Industrial Commission is proud of its accomplishments; however, the future is filled with challenges.

CHALLENGES FOR THE INDUSTRIAL COMMISSION

As we move toward a new century the Industrial Commission faces new challenges brought about by a growing and changing economy. To continue to meet the needs of North Carolina's work force, the Industrial Commission has identified three areas for major emphasis:

1. Mediation. Moving more contested cases to mediation will result in swifter disposition of cases and limiting litigation. Each Deputy and Commissioner will be trained in mediation and the agency will continue to recruit private sector mediators. Our goal is to move the mediation program to the forefront of the Commission thus speeding and simplifying the claims process.

2. Computerization. The completion of the installation of our agency's electronic document management system and continued computer training of our staff will speed claims handling and improve efficiency. Our goal is to achieve a paperless agency that is responsive and highly efficient.

3. Education and Information. The Ombudsperson program provides the business community and employees a ready source of information and help. Our First Annual Workers' Compensation Educational Seminar, held in the Fall of 1996, was the beginning of our commitment to expanding educational and training seminars to inform and train employers and carriers on proper procedure. Our goal is to expand the education and information function of the Industrial Commission and increase workers' compensation training to insure swifter compensation and added simplicity of claims procedure.

Seven decades after the passage of North Carolina's Workers' Compensation Act, we look to the future seeing North Carolina surging economically, growing and moving into a new era of change.

Our goal is to continue improving a system that has provided North Carolina's industry and laborers protection and stability to successfully move through the changing era of industrialization into the Computer Age and now into a new century.

Our challenge remains to direct the system on its original course: swift compensation, and simplicity of claims procedure.

AUDIT RESPONSE

The Industrial Commission appreciates the suggestions and recommendations of the State Auditor which will help the agency meet its challenge and achieve its goals. Below are the Commission's responses to the Auditor's Findings and Recommendations:

OPERATIONAL ISSUES

Response to Recommendation # 1: "The Agency Does Not Have Formalized Internal Policies and Procedures"

The Commission agrees that written procedures are critical to guide employees in the performance of their job duties. The Industrial Commission has a detailed document, "Navigating Through The Industrial Commission", which outlines duties and procedures for each section of the Commission in administering the workers' compensation program. This document is in hard copy as well as on the Internet (all staff have Internet access through the Commission's Local Area Network).

The Commission's new Electronic Document Management System (EDMS), effective in the Spring of 1997, will provide detailed procedures by containing instructions to each employee concerning the handling of "paperwork" by the individual employee. While not contained in a manual, this is the equivalent in that it is electronically stored and available to each employee who needs it. Additionally, these "workflow" instructions provide for consistent treatment of the Commission's work.

The agency will develop an internal policies manual, which will also reside on the Commission's Intranet. The "workflow" instructions in the new EDMS will serve the function of step-by-step procedures for each section within the Commission. A standard procedure for updating and distributing the manual and procedural "workflow" instructions will be developed.

Response to Recommendation # 2: "Existing Statistical Reports Are Not Consistent, Reliable, or Standardized."

The agency concurs with the Auditor's findings that the agency "has had to utilize outside sources (State Information Processing Services [SIPS] personnel and a consulting firm) because it does not have adequate staff to meet its data processing needs."

With the completion of the installation and the final implementation of the agency's new Electronic Document Management System (EDMS), the agency's capability to generate accurate statistical reports will improve. For example, the new EDMS provides technology allowing reports to be saved in COLD (Computer Output to Laser Disc), which can be imported to various software programs and used to compare one or more periods with other periods.

The Commission will continue to request from the General Assembly additional resources to meet its data processing needs and reduce its reliance on costly outside sources.

In addition to the positions recommended by the State Auditor, the Industrial Commission believes the addition of a Computer Support Technician II ($27,183.00 in total annual salaries and benefits) is needed to help users with the new EDMS. This position will allow the data processing manager and the LAN administrator to perform higher-level functions such as training of Commission personnel on the use of data processing equipment and software thus impacting positively on the generation of statistical reports.

Response to Recommendation # 3: "The 'Backlog' is Overstated."

The agency concurs with the Auditor's finding that the "backlog" at the Deputy Commissioner level (first level hearing) should be more clearly defined.

The Industrial Commission believes that cases fit into two distinct categories: "hearing backlog" and "decision backlog."

The term "hearing backlog" should be used for those cases which have requested hearings but have not been

calendared on the hearing docket. Cases that have been continued by the parties, though not completely under the control of the Commission, should be considered a part of the "hearing backlog."

Cases set on the calendar and cases pending further action from the parties should not be considered in the backlog but should be regarded as normal work-in-process.

In our opinion, the term "decision backlog" should be used only for those cases for which the formal hearing process is completed but the opinion and award has not been rendered within the established statutory period of 180 days from close of evidence.

The Commission will work to further refine the definition of "backlog."

The Commission also concurs with the recommendation that the General Assembly should consider the need for granting the Commission statutory authority to impose sanctions when requests for hearings are filed but the cases are not ready to be heard.

Response to Recommendation # 4: "The Commission's System of Assigning and Hearing Cases Prior to October 1996 was Ineffective"

The agency appreciates the Auditor's support of the Commission's development of a regional team approach for assigning and hearing cases at the Deputy Commissioner level. The Commission will continue to monitor and evaluate this approach on a regular basis and will develop plans of action for each team.

We do want to point out, however, that Commission management realized more than a year ago that the "lottery system," historically used by Deputy Commissioners for case and hearing assignments, was ineffective in addressing the increasing number of contested claims. Therefore, in the Spring of 1996, the Commission began to explore alternative methods of hearing cases in order to reduce the backlog at the Deputy level. After consultation with the Industrial Commission Advisory Council and representatives of the NC Bar Association's Workers' Compensation Section Council, the Commission in October 1996 implemented an interim plan that divides the twenty Deputy Commissioners into

five teams of four, each with a designated team leader. Initially, each team is assigned to a geographic region of the state for a six month period and is responsible for cases within the region. The teams will be responsible for determining how they will schedule and hear cases.

Our initial reports indicate that the regional team concept is working well. When the team concept was initiated, the hearing backlog was over 4000 cases. As of January 17, 1997, the backlog had been reduced to approximately 700 cases--a reduction of some 3400 cases in four months.

Auditor's Note: See discussion of unreliability of data and questions relative to the backlog on pages 15-17.

The Commission will closely monitor the new system over the next several months to determine whether the team concept should continue.

Response to Recommendation # 5: "Cases Can Be Resolved More Quickly Through Mediation Than The Formal Hearing Process"

The agency appreciates the support of the State Auditor for its mediation program.

We believe that mediation will result in swifter disposition of cases and will limit litigation. The Commission intends to make mediation a cornerstone of the workers' compensation process.

Response to Recommendation # 6: "Claim Files Are Not Being Adequately Maintained By The Various Sections"

We concur with the Auditor's finding that "...the lack of sufficient personnel prevents the section [Statistics Section] from updating the files on a timely basis." The addition of a position as recommended is needed.

In addition, the Commission's new Electronic Document Management System (EDMS) will aid in the orderly handling of claim files and routine "paperwork" by providing individualized instructions to each employee concerning the handling of "paperwork" for which they are responsible.

The initiation of the new regional team concept at the Deputy Commissioner level has produced increased accountability for each Deputy and is allowing the agency to better manage cases and better track the time for completing decisions.

The Commission will study the need for statutory authority to assess penalties to employers that do not submit injury reports in the required time frames.

Response to Recommendation # 7: "The Commission Does Not Have the Statutory Authority to Set Inpatient Hospital Fees."

The Industrial Commission concurs with the State Auditor's Recommendation.

The agency will review ways to perform provider audits including utilizing personnel in the medical fee section now under utilized because of medical bill processing changes as noted on page 25 and 26 of the report.

Response to Recommendation # 8: "Travel Reimbursements Did Not Comply With Budgetary Regulations"

Employees of the Industrial Commission have been informed of *State Budget Manual* requirements concerning travel. To ensure that all employees who travel fully understand and comply with Budget policy, a copy of *Department of Commerce Fiscal Management Guidelines* was again distributed and explained in detail at meetings in October, 1996.

In addition, a Memorandum from the Industrial Commission Administrator, dated November 15, 1996, was distributed to all employees to emphasize further the agency's policy and to outline measures that will be taken if guidelines are not followed.

Among policies outlined were:

(a) All travel reimbursement requests must be filed for approval and payment within 30 days after the travel period ends. Travel requests filed later than 30 days after the travel period ends will NOT be paid.

(b) All budget authorizations for travel must be submitted and approved prior to the date of travel.

(c) All private vehicle authorization requests must be submitted and approved prior to the date of travel.
(d) Exact time of departure and return must be shown on all reimbursement requests in order for the request to be processed. Reimbursement for meals must meet the guidelines outlined in the document *Fiscal Management Guidelines*.

(NOTE: (i) The finding that "Travel reimbursements were not submitted within 30 days after the travel period ended...." involves 26 reimbursement requests with documented actual and legitimate expenses for travel that were necessary and required in the line of duty for the employee and in many cases travel and expenses for which the employee had made personal expenditures in anticipation of reimbursement.
(ii) The finding that certain "...meals were reimbursed that were unallowable because the meals were provided at conferences...." appears to be in conflict with Department of Commerce policy. The Fiscal Management Division of the Department of Commerce responded to this type of reimbursement in an earlier fiscal audit: "The reimbursement of a breakfast claim, though a continental breakfast was provided, is consistent with Department of Commerce and OSBM policy. The continental breakfast was provided by corporate sponsors and did not represent a portion of any registration fee paid by the employee. Therefore the employee was not obligated to participate in this particular breakfast.")

Auditor's Note: *Questioned meals were provided as part of the conference per documentation attached to the requests for reimbursement. OSBM has indicated a change will be made to the "continental breakfast" policy; however, as of the completion of the fieldwork for this audit, the policy still states that "costs of meals furnished with other related activities . . . may not be duplicated in reimbursement requests."*

The Fiscal Management Division of the Department of Commerce has determined that processing errors identified were attributable to one accounts payable clerk. Rather than identifying a systemic problem, this suggests an individual weakness that will be corrected by remedial training and close review of this employee's work product by the Commerce Department's Chief Fiscal Officer.

The Commission believes that the steps outlined above, along with increased monitoring by agency management, will result in employees complying with all fiscal management and budget requirements.

Response to Recommendation # 9: "The Commission Is Paying the Safety Director to Commute From Home to His Primary Work Site."

The Safety Director's duty station has been changed to Raleigh.

The Commission will annually review the designation of employees' homes as duty stations. Currently, eleven (11) employees who are assigned specific geographical areas of responsibility have their home designated as duty station.

ORGANIZATIONAL ISSUES

Response to Recommendation # 1: "The Workers' Compensation Nurses May Be Misclassified."

The agency concurs with the State Auditor's recommendation that OSP should undertake a position reclassification study to review the duties and responsibilities of the workers' compensation nurses. In fact, the Chairman of the Commission had previously requested such a study.

Since 1973, the involvement in rehabilitation by the private sector has increased dramatically due to statutory and case law changes. Consequently, the duties of the Industrial Commission's workers' compensation nurses have shifted focus from that of direct case management to a role of liaison with the private sector in complicated and catastrophic cases and of problem solver when impasses between the parties occur. The nurses provide coordination and guidance in problematic workers' compensation medical rehabilitation cases.

The direct case management functions of workers' compensation rehabilitation cases are generally handled by private physicians and medical rehabilitation specialists responsible for the treatment of injured employees. The Commission's workers' compensation

nurses should get involved in these cases only on a selective basis approved by the Commission when the private sector requests assistance in the resolution of certain cases or if the Commission for good cause orders the workers' compensation nurses to intervene in the proper resolution of a pending case.

Response to Recommendation # 2: "The Medical Fee Section is Under Utilized"

Because of the change in the method in which medical bills are approved in workers' compensation cases, the workload in the Medical Fee Section has been impacted. Employees of this section have been assigned duties in other sections of the agency on days when the work load in the section is light.

The agency believes that it is premature to reduce personnel in the section. Rather, the staffing of the Medical Fee Section should continue to be evaluated by the agency to determine overall agency needs. The agency, in the meantime, will continue to assign these employees to other sections on days when their work load is light.

The decreased workload may warrant a permanent reassignment of personnel in this section to other areas of the Commission in need of additional help, especially the Commission's Statistics Section (See discussion on page 20 of Auditor's Findings and Recommendations.)

Also, if the agency implements provider audits as a result of the approval of medical bills by insurance carriers, self insured administrators, third party administrators and health care providers, these positions could be best utilized to perform these provider audits since these individuals are trained in medical fee billing procedure. (See Auditor's Note on page 21 of Auditor's Findings and Recommendations.)

Response to Recommendation # 3: "The New Team Approach Does Not Support The Ratio of One Legal Secretary For Each Deputy Commissioner."

The Commission disagrees with the Auditor's findings that the backlog at the Deputy Commissioner level indicates

that the rationale for the one-to-one legal secretary to Deputy ratio has not improved case management. The legal secretaries have an active, constructive role in case management at the Deputy Commissioner level. The hearing backlog developed at the Deputy Commissioner level for reasons that go beyond the control and daily case management by the legal secretaries.

The Commission believes that under the team approach, the ratio of one legal secretary for each Deputy Commissioner should be evaluated on an ongoing basis as the teams define their roles and solidify their procedures.

Currently, secretaries are assigned, in addition to their primary responsibility of assisting a designated Deputy, to tasks which are performed for the entire team or to provide needed backup support to other team Deputies.

If determined not to be needed to support the Deputy Commissioners, these positions could be transferred to other sections within the Commission where additional personnel are needed.

Response to Recommendation # 4: "The Safety Education Section Does Not Target Employers With High Accident Rates."

The Industrial Commission disagrees with the Auditor's recommendation that consideration should be given to transferring the Safety Education Section to the Department of Labor.

The House Appropriations Committee's Natural and Economic Resources Subcommittee debated such a transfer during the 1995 session and rejected the proposal.

There are differences in the mission and functions performed by the Industrial Commission's Safety Education Section and the Division of Occupation Safety and Health in the Department of Labor. The Safety Education Section concentrates on the safe performance by employees of job related tasks. OSHA concentrates more on worksite and workplace machinery safety.

The Safety Education Section has no enforcement arm while OSHA may impose penalties for safety infractions found.

Employers are often reluctant to request assistance from an agency with the power to impose penalties.

The Commission's Safety Education Section concentrates on helping businesses and industry remain safe and not become a "statistic." The eight Safety Councils from around the state refer businesses and industries to the Safety Education Section that they believe need assistance. The section also receives requests for safety training directly from employers.

The Commission does agree that the Safety Education Section should, along with its current work, direct additional attention to employers with high accident rates. The Commission will make information on employers with high accident rates available to the Safety Education Section to target such employers for safety training.

The Commission believes that more sharing of information between the Safety Education Section and OSHA should be accomplished so that better use can be made of limited resources.

Response to Recommendation # 5: "There Is A Lack of Coordination For Fraud Investigations Between The Commission and The Department of Insurance."

The Industrial Commission disagrees with the State Auditor that consideration should be given to transferring workers' compensation fraud investigations to the Department of Insurance.

The General Assembly during its 1995 Session debated this issue and resolved that workers' compensation fraud investigations should be under the control of the Industrial Commission. Previously, the Industrial Commission referred all cases of suspected fraud and all violations related to workers' compensation claims to the Department of Insurance.

Since the establishment of the Workers' Compensation Fraud Unit of the Industrial Commission in May 1996, one hundred twenty one (121) cases of suspected fraud and

violations related to workers' compensation claims have been received and investigated. (The Department of Insurance estimated fifteen percent of its investigations involve alleged workers' compensation fraud, with an estimated twenty-five workers' compensation complaints received during 1996.)

The Industrial Commission and the Department of Insurance should coordinate fraud investigative efforts to eliminate the potential for duplicated investigations. The two agencies should share investigative information concerning alleged fraudulent workers' compensation claims to ensure that workers' compensation fraud cases are adequately investigated.

Response to Recommendation # 6: The Commission Is Not In Compliance With Certain Office of State Personnel Regulations."

The Commission will develop and implement additional standardized procedures for its interviewing and hiring process. The agency will evaluate the use of group interviews, use of standardized questions and other professional personnel management techniques for inclusion in the agency's interviewing and hiring process.

The Commission will provide additional supporting documentation if changes are required in future performance appraisals.

The Commission is tracking the hire dates and tenure of temporary employees.

SALARY STUDY

Senate Bill 5346--Industrial Commission Salary Level Study

1. Deputy Commissioner Salary Study

Response: The In-Range Salary Adjustment Plan depends on the availability of "salary reserves." Consequently, sufficient funds are not available to make all necessary adjustments to achieve salary equity based on training and experience. Many of the inequities here are the result of deficiencies in the overall State Personnel Act. A plan designed to address specifically the salary

needs of the Deputy Commissioners would be more appropriate.

2. Commissioner Salary Study

Response: The Commission concurs with the findings of the Office of State Personnel that the salaries of Commissioners should be increased.

3. Chairman Salary Study

Response: The Commission concurs with the findings of the Office of State Personnel that the Chairman's salary should be increased.

4. Administrator Salary Study

Response: The position of Administrator has recently undergone changes and has been assigned additional management and supervisory responsibility. The Commission concurs with the finding of the Office of State Personnel that a classification study of the position of Administrator be requested. A request will be forthcoming.

5. Executive Secretary Salary Study

Response: The Commission concurs with the finding of the Office of State Personnel and the State Auditor's Note that a classification study of the position of Executive Secretary be requested. A request will be forthcoming.

6. Additional Points

Response: The Southeastern Salary Survey by the Office of State Personnel noted that the States of Oklahoma and Mississippi have "trial court administrators." (See Page 36 of the Auditor's Findings and Recommendations)

The Industrial Commission asks the General Assembly to consider funding the position of Trial Court Administrator for the Industrial Commission. The Trial Court Administrator ($45,922 in annual salary and benefits) will set cases for hearing before the appropriate Deputy, prepare case calendars for the 20 deputies, receive and rule on continuances, communicate with parties and attorneys concerning the readiness of cases to be heard, help resolve issues to allow cases to be heard, actively manage and bring closure to older cases on the hearing docket, and set goals and standards for the hearing process. This position, by consolidating the management and scheduling of contested case hearings,

would allow for more effective and efficient handling of cases and expedite the hearing process.

STATE AGENCY PROGRAMS

Response to "State Agency Workers' Compensation Claims Are Not Processed In A Uniform Manner"

The Commission concurs with the findings and recommendation of the State Auditor.

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February 6, 1997

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Joint Appropriations Committee on
Natural and Economic Resources

March 10, 1997

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Secretary's Remarks
   Norris Tolson
   Secretary, North Carolina Department of Commerce

3. Budget Analysis

   Department of Commerce

   International Trade Division
   Jennifer Herrera
   Fiscal Research Division

   Wanchese Seafood Industrial Park
   Mark Trogdon
   Fiscal Research Division

   North Carolina Alliance for Competitive Technologies (NC ACTS)
   Mark Trogdon
   Fiscal Research Division

   Division of Community Assistance
   Jennifer Herrera
   Fiscal Research Division

4. Committee Discussion

5. Instructions to Staff

Minutes

Joint Appropriations Sub-Committee on

Natural and Economic Resources

March 10, 1997 - 3:00 p.m.

The Joint Appropriations Sub-Committee on Natural and Economic Resources met on Monday, March 10, 1997 at 3:00 p.m. in Room 423 of the Legislative Office Building. Senator R. L. "Bob" Martin, Senate Chair, called the meeting to order at 3:05 p.m. House members present were Representatives Mitchell, Baker, Culp, Fox, Hall, Hunter, Owens, Tolson, Weatherly, and Wilkins.

After introductions, Norris Tolson, Secretary of Commerce, addressed the Sub-Committee. He reviewed the objectives for the Department. He discussed the need to retain, recruit, and expand industry in the State, and train the workforce. Representative Tolson asked the Secretary about the Department's role in working with the Department of Community Colleges. Secretary Tolson replied there is a need for structure, sound management, and adequate funding in workforce training in the Community College System that the Department is addressing. Representative Hall voiced his concern that funds for job training were going directly to the employer in which Secretary Tolson wasn't aware of. Representative Culp asked about the status of exports versus imports. Bill King, Director of the International Trade Division, responded the State will be even with 1996 figures. Secretary Tolson remarked that the State should be more aggressive in this area. Senator Martin asked if there is a move to have joint offices for the State's import-export business. Secretary Tolson replied there are planned meetings with Commissioner Graham concerning agriculture and there are already joint efforts with the furniture industry but noted there is a great need for this that would make a greater impact for the State. Representative Baker asked how the current state of the ports in North Carolina affects the State's commerce. Secretary Tolson replied the State has viewed the ports as an expense instead of being competitive with other ports on the East Coast. Representative Weatherly asked what emphasis will the Department have concerning the regional economic development commissions. Secretary Tolson replied the Department will concentrate on making the commissions work. He continued by asking if the commissions would be encouraged to be self-sufficient. Secretary Tolson replied he wouldn't but the State could encourage improvement. Senator Cochrane asked how can the approach on venture capital be changed to make it successful. Stuart Dickenson, Finance Officer in the Department, responded more outside venture capital will be used. Secretary Tolson noted that this could be risky but should work. Representative Weatherly added he was interested in more private and local investments for the regional commissions, and less dependence on State funds. Representative Baker asked if there will be financial inducements for venture capital. Secretary Tolson replied he will know later. Representative Mitchell asked about the future of the Global Transpark. Secretary

Tolson responded the environmental impact study is pending which will trigger $45 million in federal funds. He noted that another business is being recruited. Senator Martin commented the original concept was a combination of the Transpark being a port of entry, manufacturing, and warehouse facilities. Senator Martin remarked about the need for funding the rail system in North Carolina, and how this will impact the funding for the ports.

At this point, Senator Jenkins began to preside.

Jennifer Herrera of the Fiscal Research Division continued with an overview of the International Trade Division in the Department of Commerce. She reviewed the Division's mission and budget, a pie chart of the expenditures by category, a comparison chart of FY 1996-97 authorized versus FY 1997-98 recommended expenditures by category, objectives of the outcome and performance measures, an overview of budget actions for 1995-97, proposed recommendations, and items for possible committee discussion (COM 62-68). Representative Baker asked what is the status of the reserve. Leo Tilley, Assistant Secretary of the Department, replied the reserve was not used in 1996. Representative Baker noted the reserve was set aside for currency problems which the Division didn't have the need to use, and asked that the item be flagged. Bill King, Director of the Division, commented the working relationship with other state agencies and non-profits was complimentary not duplicating services.

Mark Trogdon of the Fiscal Research Division continued with an overview of the Wanchese Seafood Industrial Park in the Department of Commerce. He reviewed the Park's mission and budget expenditures, an overview of budget actions for 1995-97, and proposed recommendations (COM 69-71). Senator Cochrane asked will the receipts be adequate to match $183,000. Mr. Trogdon replied they will be able to match the amount by funds received from rent leases of the tenants. She continued by asking how many tenants were there in which Mr. Trogdon replied there are 17 tenants. Representative Baker asked is there a reason for the State to continue to own the Park since it is self-supporting. Mr. Tilley replied it has paid for itself as an enterprise fund, and the State has funded the Park to this point. He continued by asking what was the value of the property on the open market. Mr. Tilley replied the property hasn't been appraised recently. Representative Baker asked that this item be flagged for further discussion. Representative Mitchell asked Mr. Tilley to find out what the appraisal value of the property is on the open market in which Mr. Tilley said he would.

Mr. Trogdon continued with an overview of the North Carolina Alliance for Competitive Technologies (NC ACTS) in the Department of Commerce. He reviewed their mission and budget expenditures, an overview of budget actions for 1995-97, objectives of performance and outcome measures, proposed recommendations, and items for possible committee discussion(COM 72-75). Senator Martin asked what would be competitive strategy for the hosiery industry (given as an example). Walt Facila, Director of the Alliance, responded they work with industries that want to improve their competitiveness and worker skills. Representative Hunter asked if this could be done

through universities or the community colleges.. Mr. Facila replied the strategy for the hosiery industry is being developed by the College of Textiles at North Carolina State University (gave as an example). Senator Martin asked what was done prior to the support given by NC ACTS. Mr. Facila responded the industries worked together to address their problems. Representative Baker asked what was the source of their receipts. Mr. Facila replied the source has come from federal grants over the last three years. He continued by asking how much of the $500,000 budget request would go toward salaries. Mr. Trogdon replied that salaries and benefits total approximately $250,000. He noted that $500,000 is less funding for NC ACTS, and wasn't sure if salaries would be reduced. Representative Baker asked if that still applied to three positions in which Mr. Trogdon replied it did. Representative Mitchell asked if there were problems that deal with propriety with some industries. Mr. Facila replied the technology they work with is universal. Senator Cochrane requested this item be flagged for further consideration.

Ms. Herrera continued with an overview of the Division of Community Assistance in the Department of Commerce. She reviewed the Division's mission, activities and budget expenditures, a pie chart of fund sources for FY 1996-97, a comparison chart of expenditures by category for FY 1996-97 (authorized) versus FY 1997-98 (recommended), objectives of the performance and outcome measures, an overview of the budget actions, proposed recommendations for 1997-99, and items for possible committee discussion (COM 76-85). Bill McNeil, Director of the Division, explained how the Division's regional offices work with regional council of governments. Representative Weatherly asked what is the status of the C.O.G.s because their activities aren't publicized. Mr. McNeil replied the C.O.G.s are working with local governments in their region. Other than salaries, Senator Cochrane and Representative Owens asked what is $48,000 used for. Mr. McNeil responded he didn't know but would be responsible for the accountability in the future. He went on to say that most of $48,000 was budgeted for salaries. John Dorman, Deputy Director of State Planning, remarked some of the $48,000 is used to help draw federal funds into the regions across the State. Representative Owens continued by asking is there a synopsis of how much is used in salaries versus how much is used to draw federal dollars. Mr. Dorman replied that the C.O.G.s are required to provide an yearly audit of how money is spent. Senator Martin gave a brief history of the C.O.G.s, and how they have worked across the State. Regarding the funding transferred to the Office of State Planning, Representative Baker asked if they have reduced the amount of funds. Ms. Herrera replied they have been reduced. Representative Baker remarked the funds should be allocated by need. Representative Weatherly felt there is duplication in the counties he is familiar with. Senator Martin asked what is the federal funds received. Ms. Herrera replied the chart shows the amount of funding sources (COM 77). Senator Martin wanted a comparison of federal funds received from 1995 through 1997 in which Ms. Herrera replied the staff would provide. Representative Owens asked if each of the C.O.G.s received $48,000 in which other members replied they do receive the same amount. Representative Baker asked for an assessment of the 5% decrease in federal funding in which Mr. McNeil explained the Division anticipates a 2-3% decrease in federal funds. Representative Hunter asked how many municipalities are receiving federal funding. Mr. McNeil replied

that 23 municipalities or urban areas are receiving funds (21 cities and two counties). He continued by asking if the State is contributing any funding along with the federal funds. Mr. McNeil replied the State is not. Senator Martin asked if Charlotte is a member of the LRO in which Mr. McNeil replied they are a member of the Centralina Council of governments (Centralina). He further gave an update of the Year of the Mountain planning initiative. Senator Jenkins noted the Year of the Mountain program is no longer active. Representative Baker asked how much of the funding was spent on planning. Ms. Herrera replied part of the funding was for temporary staff, and the rest went for grants to the counties involved. Mr. McNeil noted the projection was the program was to continue for another two years. Senator Cochrane asked why was the program called "Year of the Mountain" when the program was to continued for more than one year. Mr. McNeil replied the study that was conducted suggested the program be called "Year of the Mountain."

As a follow-up, Mona Moon of the Fiscal Research Division explained a pie chart of the categories and budget of the cumulative expenditures of the Low Level Radioactive Waste Site Development from 1988 to 1996. Senator Jenkins asked if public monies are used to pay Chem Nuclear's legal fees in which Ms. Moon replied technically they are but the State has hired them to oversee and manage some of the activities associated with the site. Representative Owens noted his disgust that the State has spent $100 million on the project that hasn't progressed any further than it has. Representative Hall asked if the site hasn't been chosen to build the facility why is the cost involved. Ms. Moon replied the primary site has been designated in Wake County and the preliminary designs are being worked on at this time to construct the facility. Representative Mitchell asked if land has been purchased in Wake County. Ms. Moon responded she didn't know but would find out. Senator Cochrane asked was the cost ($13 million) only for engineering and design. She continued by asking if the regulatory cost include salaries in which Ms. Moon replied it did include salaries. Senator Cochrane asked if this included funds being paid to State employees. Ms. Moon clarified that part of the regulatory cost which is $8 million ($4.3 million) was agency money paid to DEHNR. She continued by asking if DEHNR was also asking for funding to cover this project. Ms. Moon replied that specific positions in the Environmental Division of DEHNR are noted to be working on the project but she wasn't sure if DEHNR had requested funds to cover this project. Senator Martin asked how close is the project to construction. Ms. Moon replied that Mr. Fry had stated a new work plan was in place which would take four years but there was no target date to start. Representative Owens remarked that government should get out of it. Ms. Moon noted that is why Chem Nuclear was hired. Senator Cochrane remarked that legislation would have to be passed to get North Carolina out of the Compact. Representative Owens asked why the State should be involved. Ms. Moon replied that DEHNR's involvement is to oversee the impact of the environment, and to protect public health. Representative Baker asked if there are any provisions set in place to recoup any cost that the State has spent. Ms. Moon replied there are. He continued by asking if there are any State laws that will require companies to use the facility. Ms. Moon replied she would have to check.

The meeting adjourned at 4:55 p.m. to reconvene on Tuesday, March 11, 1997 at 8:30 a.m.

Respectfully submitted,

R. L. Martin
Senate Chair

Susan Thomason
Clerk

Joint Appropriations Committee on
Natural and Economic Resources

March 10, 1997

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Secretary's Remarks
   Norris Tolson
   Secretary, North Carolina Department of Commerce

3. Budget Analysis

   Department of Commerce

   International Trade Division
   Jennifer Herrera
   Fiscal Research Division

   Wanchese Seafood Industrial Park
   Mark Trogdon
   Fiscal Research Division

   North Carolina Alliance for Competitive Technologies (NC ACTS)
   Mark Trogdon
   Fiscal Research Division

   Division of Community Assistance
   Jennifer Herrera
   Fiscal Research Division

4. Committee Discussion

5. Instructions to Staff

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/10/97

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
El Regan	N.C. Assoc. of Co Comm.
Maurice Bellamy	OSBA
Johnny Gray	OSBA
J W Reel	OSBM
Shelley Vatteri	OSBM
Dottie Ciccarelli	Commerce
Phillip R. Wilson	Commerce
Leo Lilley	"
Angie Harris	"
John Berndt	"
Laura Hartsell	MCIC
David Simmons	Zels Rilley, PA
David Herlong	State Planning
John Domen	OSPL
Sheila Chavis	" "
Stewart Dickinson	Commerce Finance Center
~~Walt~~ Plosila	NCACTS
Paul Fogleman	Carolina Hosiery Assn.

Department of Commerce

COM-62

International Trade Division							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	2,508,263	2,507,077	2,541,095	2,497,697	-1.7%	2,497,697	-1.7%
Less Receipts	(80,380)	(76,989)	(66,863)	(66,863)	0.0%	(66,863)	0.0%
State Appropriations	*2,427,883*	*2,430,088*	*2,474,232*	*2,430,834*	-1.8%	*2,430,834*	-1.8%
Positions	14.00	14.00	14.00	14.00		14.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The purpose of the International Trade Division is to foster the growth of exports for North Carolina manufacturers and service companies, particularly small and medium size firms.

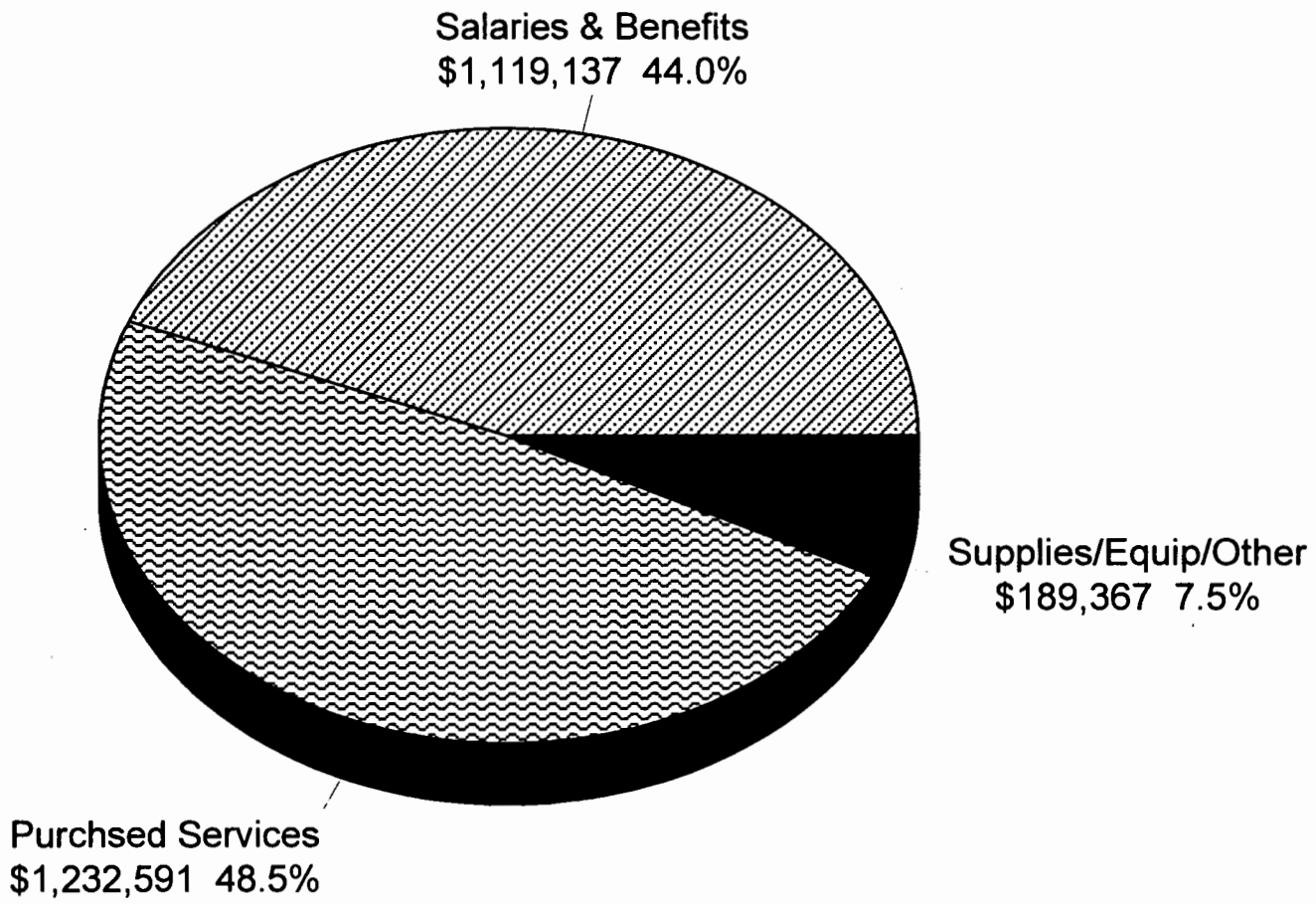
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp X-27 to X-29
Performance/Program Analysis, Volume 7a, pp 6-45 to 6-49

International Trade Division

Com-63

FY 1996-97 (Authorized) Expenditures By Category



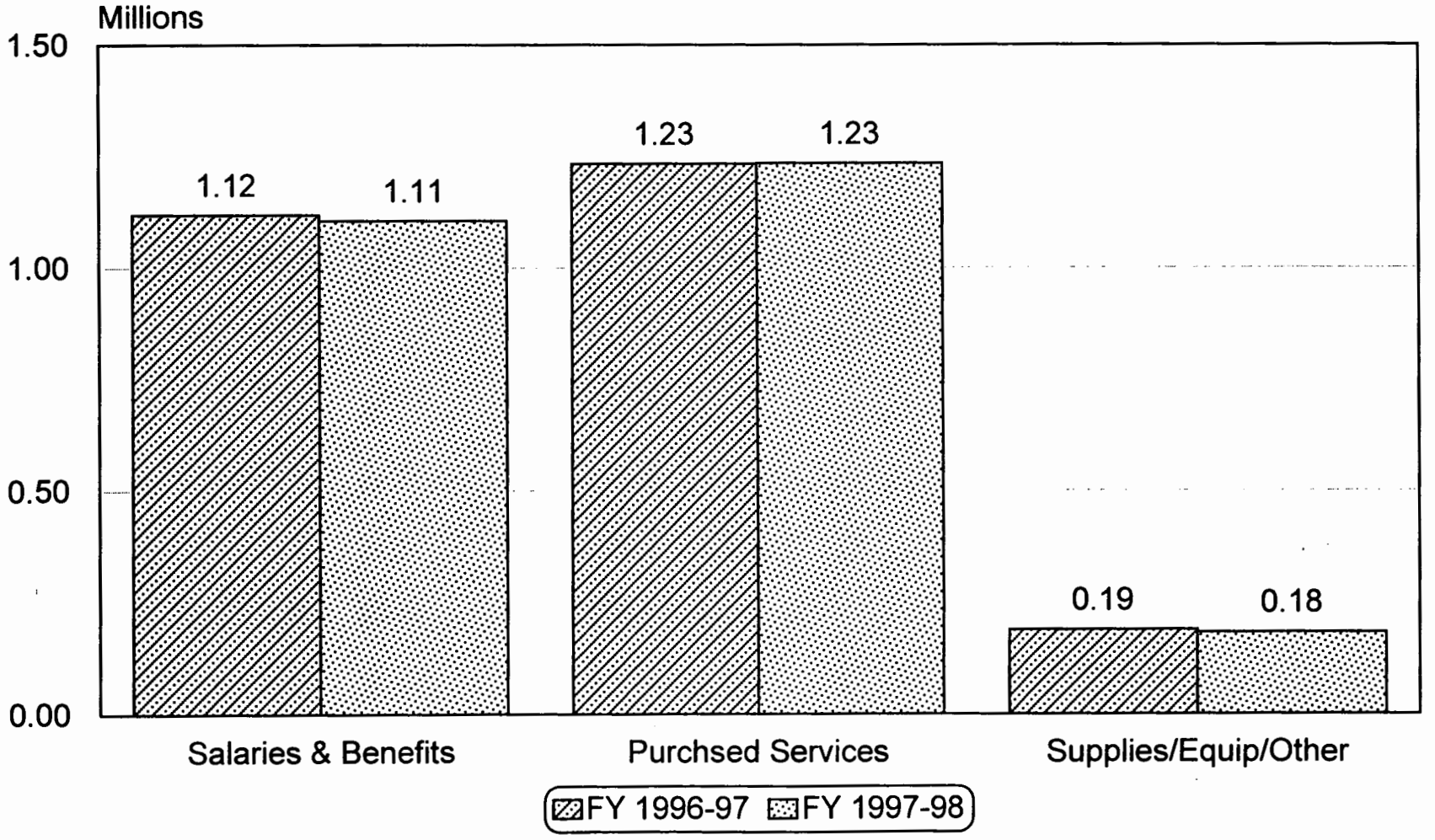
Fiscal Research Division March 1997

COM-64

International Trade Division

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 1: Increase the number of new North Carolina firms that begin exporting.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of new firms exporting (as identified from having participated in ITD Trade Events programs)	51	69	26	61	68	*75*	*80*	*85*
Performance Measures:								
Potential dollar value of N.C. Shared Foreign Sales Corporations activities (in millions)	$10	$12	$14	$18	n/a	*n/a*	*n/a*	*n/a*
Number of new jobs related to exports (based on formula by USDOC, i.e., 17,000 new jobs per $1 billion increase in exports)	n/a	n/a	n/a	40,800	51,000	*39,100*	*32,300*	*52,700*
Total value of North Carolina imports (in millions)	$7,943.0	$8,951.3	$9,670.3	$13,100.0	n/a	*n/a*	*n/a*	*n/a*
Total value of North Carolina exports (in millions)	$8,539.0	$10,073.4	$9,889.0	$13,700.0	n/a	*n/a*	*n/a*	*n/a*

Current Situation:

The international marketplace is growing at an explosive pace. The state of North Carolina needs the resources to effectively represent and assist the companies within this state to become and stay globally competitive.

Funds:

4600 COMMERCE
1541 International Trade Division

Objective 2: Actual export sales from client firms will increase at a rate greater than the rate of increase for all export sales from Southeast region firms.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Ratio of the annual rate of change in exports of manufactured commodities from North Carolina to the annual rate of change in the Southeast region (currently developing data collection method)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Number of new N.C. firms exporting (as identified from having participated in ITD Trade Event Program)	51	69	26	61	68	*75*	*80*	*80*
Trade fairs attended by potential exporters	8	11	11	12	11	*14*	*16*	*18*
Number of new jobs related to exports (based on formula by USDOC, i.e., 17,000 new jobs per $1 billion increase in exports)	n/a	n/a	n/a	40,800	51,000	*39,100*	*32,300*	*52,700*
Investigative missions conducted	0	0	0	40	33	*25*	*20*	*18*
Trade missions conducted	2	0	0	3	4	*4*	*3*	*4*

Current Situation:

Funds:

4600 COMMERCE
1541 International Trade Division

INTERNATIONAL TRADE DIVISION
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Close Canadian Office	($ 75,000)	($ 75,000)
2) Reduce Grant-in-Aid to the Research Triangle International Visitors Center	($ 10,000)	($ 10,000)
3) Supplies and Equipment	($ 5,278)	($ 5,278)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

1) International Office reserve to cover underbudgeted costs in foreign Commerce offices due to the devaluation of the dollar and foreign country inflation.	$ 100,000 NR

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $20,977
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded entirely with state appropriations.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The Committee may wish to have the Department discuss its working relationship with other state agencies and non-profit organizations on behalf of promoting North Carolina goods and services in the international arena.

DEPARTMENT OF COMMERCE

Wanchese Seafood Industrial Park							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	181,043	296,388	209,604	183,646	-12.4%	183,646	-12.4%
Less Receipts	(147,501)	(180,713)	(87,010)	(183,646)	111.1%	(183,646)	111.1%
State Appropriations	*33,542*	*115,675*	*122,594*	-	-100.0%	-	-100.0%
Positions	3.00	3.00	3.00	3.00		3.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The Wanchese Seafood Industrial Park is designed to be a commercial seafood and marine industrial facility that supports the state's commercial fishing and seafood processing industries.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. X-33 to X-35
Performance/Program Analysis, Volume 7B, p. 6-8

COM-70

WANCHESE SEAFOOD INDUSTRIAL PARK
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	1995-96	1996-97
1) Restore Governor's Base Budget Reduction	$100,301	$116,512

REPAIRS AND RENOVATIONS

The Wanchese Seafood Industrial Park received $25,800 from the 1996-97 Reserve for Repairs and Renovations.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $3,607
Incorporates the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $2,552 in state appropriations and $1,055 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

CONTINUATION BUDGET CHANGES	1997-98	1998-99
1) Shift operating support to receipt funding.	($122,594)	($122,594)

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

None.

North Carolina Alliance for Competitive Technologies							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	329,402	715,116	1,080,210	-	-100.0%	-	-100.0%
Less Receipts	(728,668)	(699,624)	(730,210)	-	-100.0%	-	-100.0%
State Appropriations	-	*15,492*	*350,000*	-	-100.0%	-	-100.0%
CashBalance=/-	399,266						
Positions	3.00	3.00	3.00	-		-	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The North Carolina Alliance for Competitive Technologies (NC ACTs) was established by executive order on September 26, 1994 by the Governor. The Agency's primary mission is to develop technology and manufacturing competitiveness strategies for certain state based industries. Currently, NC ACTs has developed competitiveness strategies for the hosiery, communications and environmental technology sectors, and is beginning additonal strategies in the manufactured housing, bioscience, software and metal working industries. In addition, the agency is working to maximize the amount of federal funds received by the state for conducting manufacturing extension services to industry and establishing a technology grant program.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. X-20 to X-22
Performance/Program Analysis, Volume 7B, p. 6-73

Com-13

NORTH CAROLINA ALLIANCE FOR COMPETITIVE TECHNOLOGIES
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	1995-96	1996-97
1) Federal Funds match	$100,000 NR	$350,000 NR

REPAIRS AND RENOVATIONS

None.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $8,850
Incorporates the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $8,850 in receipts.

Objective 5: Increase economic return to industry through creating partnerships between state-supported technology-based economic development organizations including higher education institutions and industry.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Economic return to industry resulting from partnerships (millions) (baseline data for this measure have not been developed)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Customer satisfaction rating by industry with state technology delivery system	n/a	n/a	n/a	n/a	n/a	*50 - 75%*	*n/a*	*n/a*
Number of actions in State Technology Strategy showing significant progress in implementation (cumulative)	n/a	n/a	n/a	n/a	8	*11*	*n/a*	*n/a*
State to non-state resources leveraged (ratio of non-state to state)	n/a	n/a	n/a	n/a	2:1	*5:1*	*n/a*	*n/a*
Number of joint projects established among state supported organizations (cumulative)	n/a	n/a	n/a	n/a	3	*7*	*n/a*	*n/a*
Number of industry competitiveness strategies completed by industry with state support (cumulative)	n/a	n/a	n/a	n/a	2	*5*	*n/a*	*n/a*

Current Situation:

N.C.ACTS has worked with state-supported technology-based economic development organizations to increase referrals, improve industry access and awareness and initiating joint efforts, guided by N.C. ACTS strategies and coordination efforts.

Funds:

4600 COMMERCE
1514 N.C. ACTS

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

CONTINUATION BUDGET CHANGES

The non recurring funding support for NC ACTs expires with the current fiscal year. The Governor's expansion budget does include a $500,000 request to continue the program.

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1) The Committee may wish to have NC ACTs provide the results of this three year funded effort, especially examples of their efforts to effect the transfer of technology from state funded university research to the production line in state based private enterprises.

Department of Commerce

Division of Community Assistance

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized (January)	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	43,243,704	51,164,935	52,646,039	52,488,027	-0.3%	52,478,785	-0.3%
Less Receipts	(41,102,800)	(48,846,791)	(50,262,946)	(49,244,380)	-2.0%	(49,244,380)	-2.0%
State Appropriations	*2,140,904*	*2,318,144*	*2,383,093*	*3,243,647*	36.1%	*3,234,405*	35.7%
Positions	73.00	73.00	73.00	73.00		73.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

- Local Planning Assistance Programs
- Community Development Block Grant Program
- HUD Consolidated Plan
- Main Street and Main Street Financial Incentive Fund

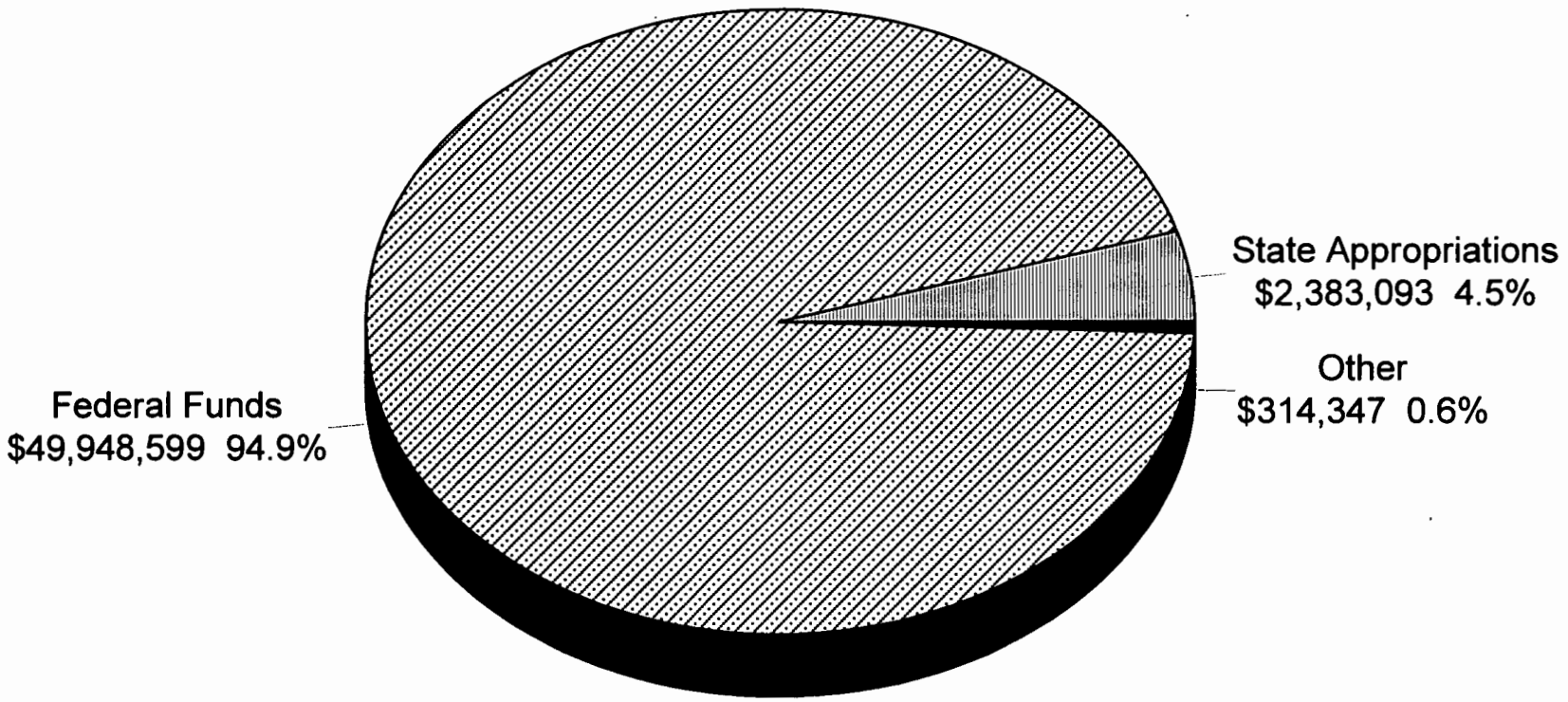
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp X-40 to X-44
Performance/Program Analysis, Volume 7b, pp 6-117 to 6-126

Division of Community Assistance

Com-77

FY 1996-97 (Authorized) Fund Sources



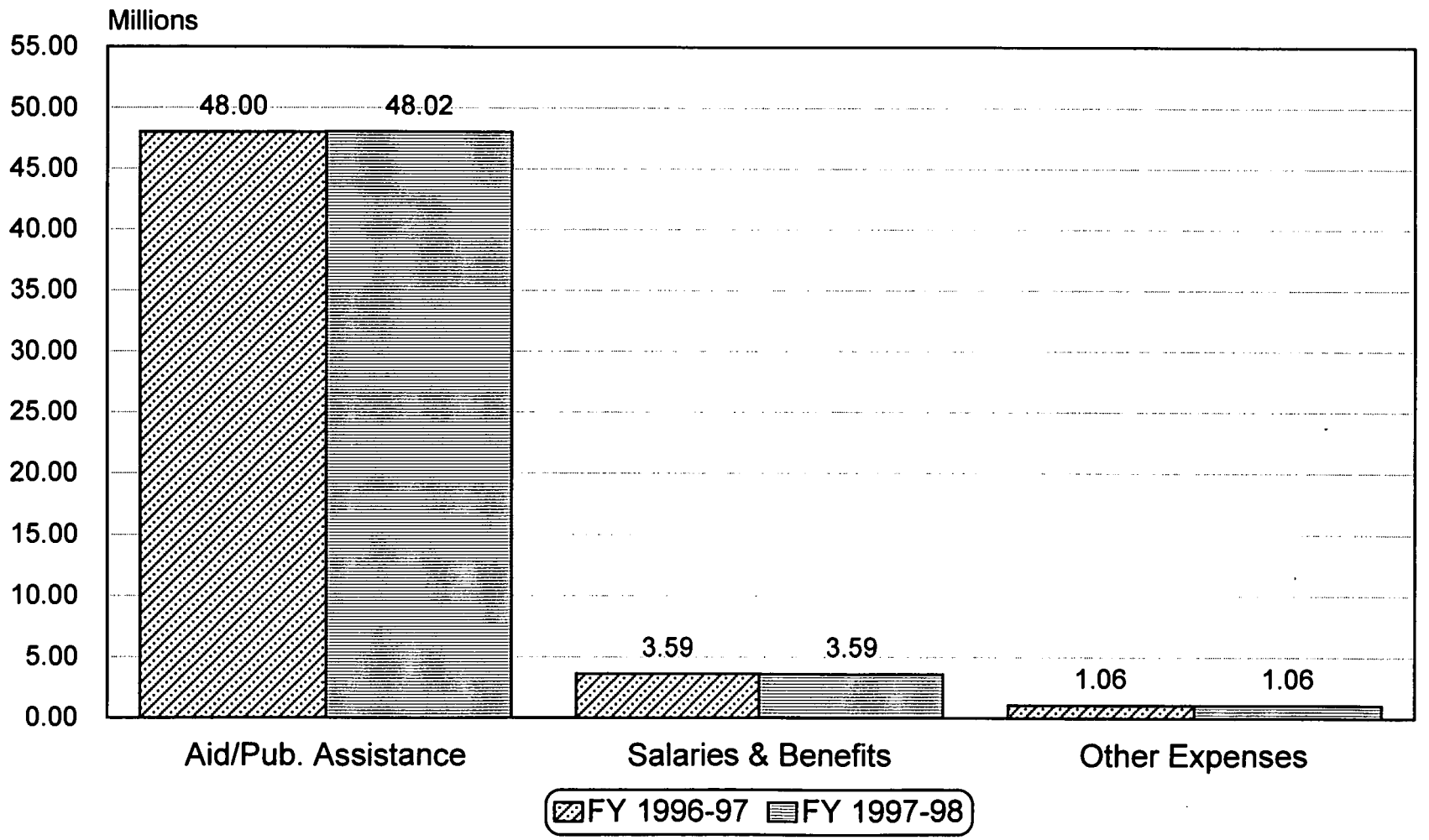
Fiscal Research Division March 1997

Division of Community Assistance

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. 1997-98 Recommended

COM-78



Fiscal Research Division March 1997

Objective 2: Provide development assistance to at least 10% of all counties and municipalities each year by putting into place new or revised economic or community development tools.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of counties and municipalities that put into place updated growth management tools (baseline data for this measure have not been developed)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Number of local governments assisted with growth management	n/a	n/a	203	171	181	*175*	*170*	*170*
Number of local governments assisted with economic development	n/a	n/a	n/a	n/a	72	*75*	*75*	*75*
Number of local governments assisted with strategic planning	n/a	n/a	n/a	n/a	27	*25*	*20*	*20*
Number of local governments assisted with infrastructure planning	n/a	n/a	n/a	n/a	21	*25*	*25*	*25*
Number of local governments assisted with information technology	n/a	n/a	n/a	n/a	22	*30*	*35*	*40*

Current Situation:

Citizens in some communities are demanding more sophisticated growth management tools to grapple with issues such as hog and poultry production, traffic congestion, protection of water supplies, scenic vistas, and other natural resources and amenities. At the same time, demands are being heard for less government regulation and greater private property rights. DCA and communities face daunting challenges in dealing with these competing demands. Also, local governments are being required by state and federal rules and regulations and asked by residents to provide increasingly sophisticated and costly services without increased funding from state or federal government. It is exceedingly difficult for localities to meet these demands, especially in tax base deficient, distressed rural counties and in rapidly growing small towns on the urban fringe.

Funds:

4600 COMMERCE
1620 Local Planning & Management

Objective 5: A minimum of 1,000 substandard housing units will be rehabilitated annually using Community Development Block Grants (CDBG) funds.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of substandard housing units rehabilitated per year using CDBG funds (declining federal resources may impact the number of houses rehabilitated)	1,196	993	1,216	867	882	*838*	*794*	*750*
Performance Measures:								

Current Situation:

The projections given assume an annual reduction in federal funding, which will result in an approximate 5% decrease in the achievement of outcome measures.

Funds:

4600 COMMERCE
1631 Community Development Block Grant

Objective 6: A minimum of 150,000 linear feet of water and sewer lines to benefit low and moderate income persons will be installed each year using Community Development Block Grants (CDBG) funds.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures								
Linear feet of water and sewer lines installed per year using CDBG funds	159,371	230,408	199,285	234,988	223,239	*212,078*	*201,475*	*191,402*
Performance Measures:								

Current Situation:
The projections given assume an annual reduction in federal funding, which will result in an approximate 5% decrease in the achievement of outcome measures.

Funds:
4600 COMMERCE
1631 Community Development Block Grant

Objective 7: A minimum of 50 new jobs will be created/retained annually for low and moderate income people using Community Development Block Grant (CDBG) funds.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of new jobs created/retained per year using CDBG funds	1,054	854	1,954	1,412	1,342	*1,262*	*1,199*	*1,140*
Performance Measures:								

Current Situation:

The projections given assume an annual reduction in federal funding, which will result in an approximate 5% decrease in the achievement of outcome measures.

Funds:

4600 COMMERCE
1631 Community Development Block Grant

DIVISION OF COMMUNITY ASSISTANCE
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Abolish 2 positions	($104,792) -2.00	($104,792) -2.00

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

1) Reserve for planning initiatives – Year of the Mountain — $300,000 NR

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $147,903
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $109,703 in state appropriations and $38,200 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

CONTINUATION BUDGET HIGHLIGHTS

The Governor's Recommended Continuation Budget includes $864,270 to fund approximately 18 regional councils of government/lead regional organizations. Funding for this effort has been transferred from the Office of State Planning to the Division of Community Assistance.

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1) The Committee may wish to have the Department describe the grants program for Councils of Government/Lead Regional Organizations, including explaining the funding formula and elaborating on appropriate uses of the funding.

2) The Committee may wish to have the Department provide an update on the Year of the Mountain planning initiative funded in the FY 1996-97 budget.

COM-85

Requested by: Senators Warren, Davis, Representatives Ives, Lemmond, Culpepper

COUNCIL OF GOVERNMENT FUNDS

Sec. 9.4. (a) Of the funds appropriated in this act to the Office of State Planning, eight hundred sixty-four thousand two hundred seventy dollars ($864,270) for the 1995-96 fiscal year and eight hundred sixty-four thousand two hundred seventy dollars ($864,270) for the 1996-97 fiscal year shall only be used as provided by this section. Each regional council of government or lead regional organization is allocated up to forty-eight thousand fifteen dollars ($48,015) for each fiscal year, with the actual amount calculated as provided in subsection (b) of this section.

(b) The funds shall be allocated as follows: A share of the maximum forty-eight thousand fifteen dollars ($48,015) each fiscal year shall be allocated to each county and smaller city based on the most recent annual estimate of the Office of State Budget and Management of the population of that county (less the population of any larger city within that county) or smaller city, divided by the sum of the total population of the region (less the population of larger cities within that region) and the total population of the region living in smaller cities. Those funds shall be paid to the regional council of government for the region in which that city or county is located upon receipt by the Office of State Planning of a resolution of the governing board of the county or city requesting release of the funds. If any city or county does not so request payment of funds by June 30 of a State fiscal year, that share of the allocation for that fiscal year shall revert to the General Fund.

(c) A regional council of government may use funds appropriated by this section only to assist local governments in grant applications, economic development, community development, support of local industrial development activities, and other activities as deemed appropriate by the member governments.

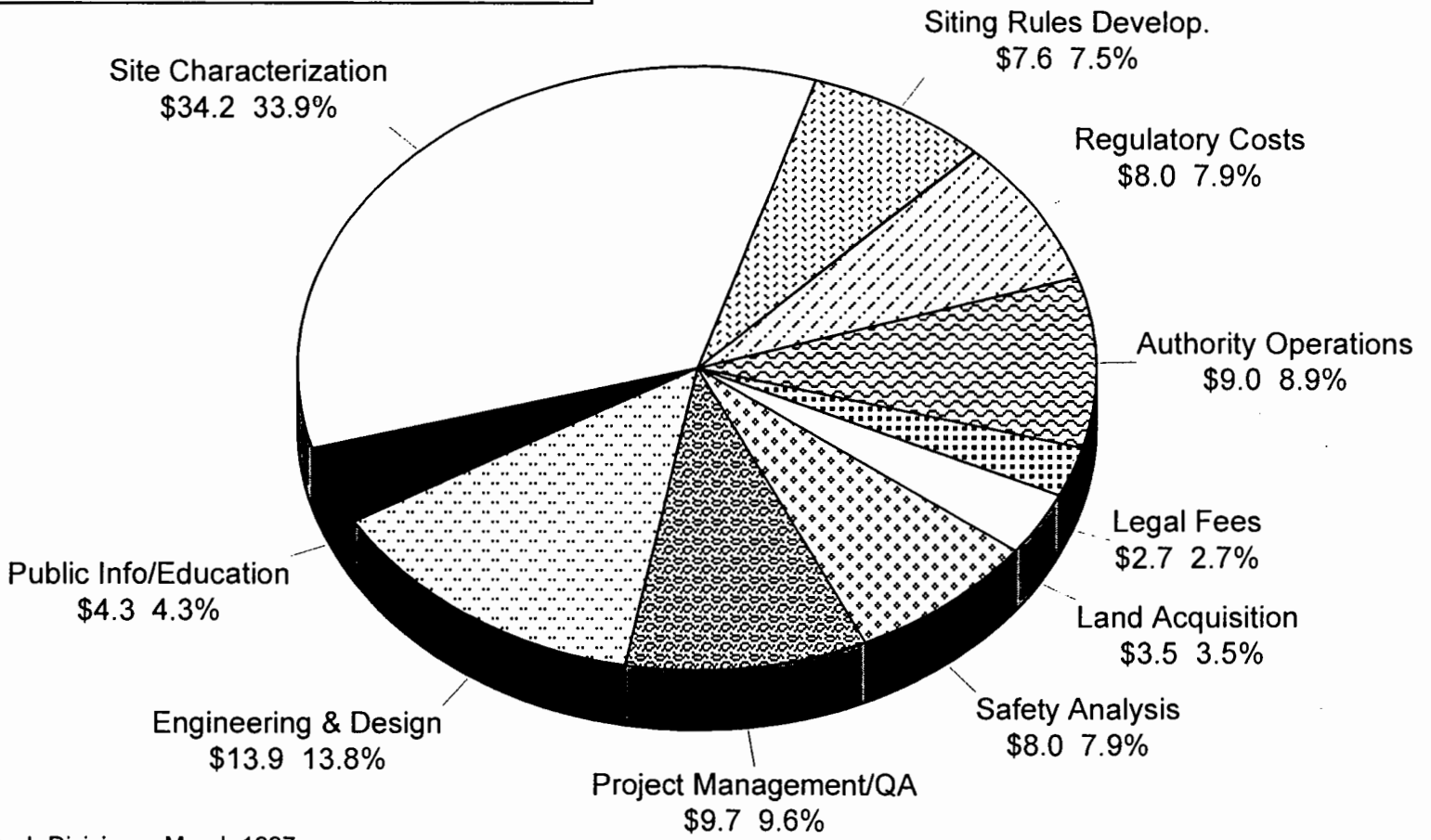
(d) Funds appropriated by this section may not be used for payment of dues or assessments by the member governments and may not supplant funds appropriated by the member governments.

(e) As used in this section, "Larger City" means an incorporated city with a population of 50,000 or over. "Smaller City" means any other incorporated city.

Low Level Radioactive Waste Site Development

Cumulative Expenditures 1988 to 1996 (millions)

Total Expenditures $100,888,683
State Appropriations $28,893,018



Fiscal Research Division -- March 1997

Minutes

House Appropriations Sub-Committee on

Natural and Economic Resources

March 11, 1997 - 8:30 a.m.

The House Appropriations Sub-Committee on Natural and Economic Resources met jointly with the Senate Appropriations Sub-Committee on Natural and Economic Resources on Tuesday, March 11, 1997 at 8:30 a.m. in Room 423 of the Legislative Office Building. Representative James Carpenter, House Co-Chair, called the meeting to order at 8:35 a.m. Members present were Representatives Carpenter, Baker, Mitchell, Owens, Culp, Fox, Tolson, Hall, Wilkins, and Hunter, and Senators Martin, Weinstein, Shaw, Horton, and Cochrane.

After introductions, Mark Trogdon of Fiscal Research Staff continued the Budget Analysis for the Department of Commerce with an overview of the Global TransPark Marketing Project (see attachments). He also announced that a public hearing on the project and the Environmental Impact Statement would be held later in the day in Kinston, NC, the site of the project. Mr. Jim Surghue fielded questions from the committee after providing a brief overview, including an update on the progress of the EIS, and a handout on the current status of the project. He included information about prospective clients as well as plans for application for federal funding. Rep. Baker asked several questions concerning the economics of the project, including the portion of the budget which went to salaries and rent, as well as whether a state audit had been performed in the past year. Mr. Surghue answered Rep. Baker's questions, explaining that there were two salaries funded from the requested allocation, one being the director of marketing and another being an administrative assistant, that he was unsure about the amount of the rent, and that while a state audit would be performed later this year, the project had been independently audited every year, with no discrepancies being found. Rep. Baker also inquired as to how much of the $25 million fund the project had access to had been used, and Mr. Surghue responded that around $ 1 million of the money had been used for land purchases. Rep. Culp then inquired if businesses in the development would buy or rent their land from the government. Mr. Surghue explained that while in certain cases the land would only be leased from the government, such as certain parcels near the runway, most land would be privately owned either by the individual companies or by an established private foundation similar to the Research Triangle Park foundation. He explained that this project was simply another form of infrastructure to improve the state, and what was being provided was not an unusual role for government. Rep. Carpenter then asked what the prospects were for gaining the three businesses that Mr. Surghue had mentioned earlier. Mr. Surghue explained that while all were interested in the concept, there were many factors involved and they could not be sure of any of the businesses, though they were working to get all three. Rep. Culp then inquired about the difficulty in obtaining the Environmental Impact Statement, the time involved, and the

high cost. Mr. Surghue explained there were no stumbling blocks in getting the EIS, the process was simply long and costly to complete. Rep. Mitchell asked if the runway was a large factor in the prospective businesses consideration of the site, to which Mr. Surghue relied that it was. Rep. Mitchell inquired as to what attractions other sites these businesses might be considering might have, and Mr. Surghue explained that the other sites also had nearby airports, or were facilities near the current operation where little capital improvement would be needed, but that none of these were NC sites. He also noted that NC had typical state incentives to those of other states for attracting new business, but the infrastructure being created would make this site more attractive to business. Rep. Owens asked how many employees the current on-site client had, and Mr. Surghue estimated the business, Mountain Air Cargo, had about 100 employees with plans to expand to about 300. The other potential clients would employ about 200-300 people each, with plans to grow to the 500-600 range. Rep. Owen then asked about what the state match for federal funding for this project would be, and upon learning that this would be 10%, inquired as to why this funding was not being currently requested during the budgeting process. Mr. Surghue explained that because they did not have this funding from the federal government yet, they did not want to request state funding until they were sure about the federal money, and that they would not need the funding within the next year. Sen. Shaw then commented that NC had moved to the top ranking in Site Selection Magazine yet there still seemed to be difficulty in attracting businesses, and asked if the marketing strategy was ineffective that was being employed. Mr. Surghue responded that a very limited marketing strategy had been employed while the EIS was being completed, but they intended to pursue a more aggressive marketing campaign as the project got further under way. Rep. Fox inquired about the $6 million budgeted for the Education and Training Center, and Mr. Surghue explained that this money had been requested because focus groups with industry had revealed that there was a need for on-site training, so a program had been developed as a further incentive for business there. The project hopes to develop links with the eleven community colleges in the area to develop various training and education programs. Rep. Baker then asked about the unemployment rate of trainable workers in the area, to which Mr. Surghue replied that he was not sure on the exact number, but that a study had shown there was underemployment and a solid base of workers in the area. He explained that there was a high rate of manufacturing in the area, but a smaller professional element than in the Piedmont Crescent. Rep. Baker asked if the project had gotten feedback from the business community about their reaction to the potential loss of employees, to which Mr. Surghue responded that they had contacted businesses about this issue and had found no resentment over this turn of events, rather that there were continued good relations.

The next item of the agenda concerned State Aid to Non-State Entities, and was presented by Jennifer Herrera, of Fiscal Research Staff (see attachment). The issue of making these non-recurring items recurring was discussed at several points. Sen. Cochrane commented that she was concerned about making the funding from these programs recurring, because she felt that as non-recurring programs, they were more proactive and it allowed reevaluation of the programs on a regular basis. She then asked for an explanation of the Coalition of Farm and Rural

Families program. Dr. Carol Prince, Director of the Coalition, provided the answer. She explained that this group provided technical assistance to framers. She provided the example of one initiative where the Coalition was networking individual family farms to provide a volume of produce and make them more attractive to large buyers such as supermarket chains. Sen. Horton asked how many families were involved in this program, and Dr. Prince estimated about 100, though they hoped to expand. Sen. Horton then asked for an explanation of the $100,000 budget reduction in the previous year and its effect of the group. Dr. Prince explained that this had put an extreme hardship on the group because they had lost two positions and were not able to serve as many families as they would have liked because of these reductions. Sen. Horton then asked what areas were served, noting that he had not heard of the group being in his area, Forsyth County. Dr. Prince explained that they had not expanded to Forsyth County, but hoped over time as their resources grew to serve more areas. Rep. Baker then asked what percentage of the allotment went to salary. Dr. Prince replied that $75,000 of the requested amount went to salary. Rep. Baker then asked for a salary breakdown for each of the noted organizations. This was provided by Jennifer Herrera. Ms. Herrera noted that the Institute for Minority Development allocated 232,000 for salaries of seven employees, The NC Minority Support Center allocated 150,000 for salaries of five employees, the Land Loss Prevention Project funding supported seven positions, not including the Director, for a total cost of $275,000, and no funds were used for salary by the Center for Community Self-Help. Ms. Herrera was unsure about the Technological Development Authority funding. Rep. Owens then returned to the debate about recurring versus non-recurring funding, and commented that this type of funding should be made recurring to alleviate the anxiety from these groups concerning the fear of losing their funding each year. Rep. Owens continued that the programs could be reevaluated and removed from the program during budget evaluation, even after they had been made recurring, with line item budgeting. Sen. Shaw then asked if there was any duplication of programs by these different groups, and could they work together to alleviate this and better serve their clientele. Rep. Hunter commented that in this case, the programs of Coalition of Farm & Rural Families and the Land Loss Prevention Program were not redundant, but served different functions. David Harris, from the Land Loss Prevention Program, further explained that the purpose of his group was to provide farmers with legal assistance to prevent the foreclosure of the farms by banks, and to help then stay in business. He further noted that this program had been very effective with a 90% success rate. Rep. Carpenter then asked if the group provided legal assistance in dealing with such agencies as the DEHNR and the EPA, to which Mr. Harris replied that they did. Sen. Horton asked Ms. Angela Harris, with the NC Minority Support Center, about the growth of minority and female owned businesses across the state. Ms. Harris responded that while there were some improvements, general economic conditions of mega-suppliers forcing out small business in NC was harming their progress and destroying jobs for many with lower-income backgrounds. She further added that her group was trying to work with these large suppliers to help improve relations for the small businesses. Rep. Culp then asked who were the primary lenders to the distressed farmers. Mr. Harris replied that the Farmer Service Agency, Farm Credit Bank, and private lenders were some of the sources. Rep. Culp then asked what the group could do for a farmer who couldn't pay their money

back, and Mr. Harris explained that they would work out a negotiation plan with a lender to forestall a foreclosure, or work within the court system if negotiation was not an option. Rep. Baker then commented on the issue of recurring versus non-recurring funds with an analogy to Dean Smith's Tarheels, to express his belief that these funds should remain non-recurring. Rep. Owens responded to this comment by asking Rep. Baker what percentage of state jobs he felt were funded by recurring money versus non-recurring money, and suggested the figure of 95%, to which Baker agreed. Owens then suggested that it would be more fair to make all recurring. Rep. Fox then inquired which group had helped the most in gaining minority loans, and Ms. Harris responded that she believed all of the programs had worked together on this effort. Sen. Shaw commented that he believed these programs served a good purpose for a minimum amount of money. Sen. Cochrane then asked for a overall comparison of the funding for non-state entities which were recurring versus those that were non-recurring. Ms. Herrera responded that there was a 1994 State Auditor's Report on this subject which they could provide, and Sen. Cochrane requested that this information be presented to establish criteria for classification. Rep. Culp then asked about the requested funding for Items 5-9 on COM 90, since no sums were listed. Ms. Herrera explained that because these items were one-time moneys, they were not listed as part of the continuation budget, though a few would be covered in the Governor's expansion budget.

Mr. Trogdon then proceeded to begin the overview of the Commerce Finance Center (see attachments). Rep. Hunter asked which counties had benefited from the Utilities Fund, and what other sources of funding were drawn upon in these cases. Mr. Trogdon explained that Richmond, Halifax, and Hyde had received these funds and used money from a variety of other sources for funding as well. Rep. Owens then asked for more information about the rankings of counties in the Enterprise Tiers on handout COM 94, specifically the number value assigned to each county. Mr. Trogdon explained that this was the average weekly wage for each county. Sen. Cochrane then asked if the CDGB assistance overlapped with another entity. Mr. Trogdon explained that the moneys were distributed through Commerce, which accounted for the different listings of the programs. Rep. Hunter asked what were the criteria used for ranking the counties in the five tier system, and Mr. Trogdon explained three factors, population growth, per capita income, and unemployment, were used to rank the counties. Some discussion then occurred about the problems with the current ranking system and a brief discussion followed concerning a bill to reform this system which had been introduced by Rep. Owens. Mr. Stewart Dickinson of the Commerce Department also commented briefly on Rep. Owens bill.

Rep. Carpenter then adjourned the meeting at 9:50 a.m., after the announcement that the Natural and Economic Resources Sub-Committee would not be meeting on Thursday, March 13, 1997, but would reconvene fifteen minutes after session on Tuesday, March 11, 1997 in Room 432 of the Legislative Building.

Note: The afternoon meeting for the Natural and Economic Resources Sub-Committee was canceled due to the length of the House Session on March 11, 1997.

Respectfully submitted,

Rep. Jim Carpenter
House Co-Chair

Kara McCraw
Committee Clerk

Joint Appropriations Committee on
Natural and Economic Resources

March 11, 1997 (morning)

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

Department of Commerce

Global TransPark Marketing
Mark Trogdon
Fiscal Research Division

State Aid to Non-State Entities
Jennifer Herrera
Fiscal Research Division

Commerce Finance Center
Mark Trogdon
Fiscal Research Division

Economic Development Program
Mark Trogdon
Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

DEPARTMENT OF COMMERCE

Global TransPark Marketing (Transfer)							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	523,623	413,680	322,036	322,036	0.0%	322,036	0.0%
Less Receipts	-	-	-	-	0.0%	-	0.0%
State Appropriations	*523,623*	*413,680*	*322,036*	*322,036*	0.0%	*322,036*	0.0%
Positions	2.00	1.00	-	-		-	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The funding provided under this activity is used to promote and market the Global TransPark concept as a unique form of national and international intermodal cargo transportation in combination with on-site manufacturing facilities utilizing just-in-time production methods. The funding is also used to recruit industries to locate at the Global TransPark facility. This activity is funded with a general fund transfer from the Department of Commerce to the Global TransPark Authority which is housed under the Department of Transportation.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. X-25 to X-27
Performance/Program Analysis, Volume 7B, p. 6-8

COM-87

GLOBAL TRANSPARK MARKETING (TRANSFER)
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	1995-96	1996-97
1) Abolish one position.	($65,527) -1.00	($65,527) -1.00
2) Reduce promotional advertising & other costs	($103,589)	($103,589)

REPAIRS AND RENOVATIONS

None.

SELECTED BUDGET REVISIONS FY 1996-97

None.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

None.

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The Committee may wish to have the Global TransPark Authority update the committee on the status of the Environmental Impact Statement needed to begin construction of the runway extensions at the facility.

NORTH CAROLINA
Global TransPark®

EIS Questions & Answers

Who prepared the Draft Environmental Impact Statement?

The U.S. government. The Federal Aviation Administration is the lead agency and the U.S. Army Corps of Engineers a cooperating agency in the process. The FAA selected URS Greiner, Inc. to develop the Draft Environmental Impact Statement.

How will the FAA and the Corps of Engineers use the EIS?

As part of the Environmental Impact Statement process, the Global TransPark Authority will ask the Federal Aviation Administration to:

1. Approve the Authority's request to assume the local sponsor role for the Kinston Regional JetPort facility and expanded cargo airport facilities;
2. Approve a revised Airport Layout Plan for the Cargo Airport, including a number of specific improvements;
3. Approve new flight procedures into and out of the airport;
4. Proceed with processing an application for federal funding of eligible improvements.

The Global TransPark Authority will also ask the U.S. Army Corps of Engineers for a permit to develop some wetland areas and to approve the Authority's plan to compensate for loss of wetlands.

What is the permit area?

The Permit Area covers a 5,775 acre development area. This area includes the existing airport plus additional land to accommodate a runway of up to 11,500 feet, industrial sites, central cargo operations and improved road and rail infrastructure. The Permit Area also includes surrounding areas where public and private development is expected to occur over the next 10 years.

Will the Global TransPark eventually be larger than the 5,775 acres being developed in the first 10 years?

Yes, the Global TransPark's Master Plan projects that the park will eventually encompass about 15,700 acres.

What is the role of the Global TransPark Authority in the EIS process?

The Global TransPark Authority is the project proponent, and, as such, the Authority provides information as directed by the FAA. The Authority is not permitted "to discuss, review, modify or edit" the work of the contractor or subcontractors prior to submission to the FAA. The Authority cannot influence the objectivity of the Draft Environmental Impact Statement.



®

Has it taken a long time to prepare the EIS for the Global TransPark?

Yes, but not an unusually long time. Environmental Impact Statements are by law and design lengthy processes. The National Environmental Policy Act requires that the project sponsor (the FAA in the case of the Global TransPark) consider impacts on the environment, peoples' lives and public and private resources when deciding on the best course of action.

The Environmental Impact Statement provides a record of the decision process and the research that went into it. An EIS is often required as part of the application process for federal funding for airports, highways and other public works projects.

Two to three years to complete an Environmental Impact Statement is not unusual -- consider the proposed 300-foot extension of the Bridgeport (NJ) Airport where the EIS process is now in its 30th month.

URS Greiner began work on the Global TransPark EIS in February 1995. Under the FAA's current projected timetable, the Final EIS should be completed by the summer of 1997.

The process is lengthy because of a number of factors. More than 30 federal laws, regulations and presidential executive orders must be considered. The process includes collection of data in 22 impact categories; coordination of analyses of policy and regulations among federal, state and local government agencies; collection of public comment; examination of alternatives, etc.

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
P.O. Box 27406 ■ 225-125 Hillsborough Street ■ Raleigh, North Carolina 27611-7406
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www.globaltranspark.com

The Global TransPark is a unique project. It is more than an airport -- it is a unique industrial and transportation complex. The time required for the Environmental Impact Statement has been influenced by the comprehensive nature and scope of the project.

What does an Environmental Impact Statement cost?

That varies widely from project to project, whether for roads or airports or other public projects. A recent EIS for the addition of two new runways on existing airport property at St. Louis cost $2 million. That project is far less complicated than the Global TransPark because 1) it covers land already owned by the airport and 2) it does not include the added dimension of manufacturing/ distribution development. The cost of preparing the EIS for the Global TransPark will be about $2.5 million. That outlay is eligible for federal reimbursement when the project is approved.

What geographical area does the Environmental Impact Statement cover?

It covers both the GTP site and outlying areas, including surrounding counties. Direct, indirect and induced effects of the project are documented in the EIS.

What concerns does an Environmental Impact Statement address?

Here are some of the topics: air quality, wetlands, water resources, water quality, stormwater, floodplains, wastewater, wildlife, plants and trees, noise, relocation of residents, businesses, schools, churches and cemeteries, roads, historical sites, school enrollments, crime, natural gas, electricity, chemical storage and handling, solid waste and impervious surfaces.

Does the EIS include projections about the economic impact of the Global TransPark?

Yes. The EIS includes projections on job creation, manufacturing investment, air cargo shipments and other economic activity.

What is the Global TransPark Authority's vision for the project?

By the turn of the century, the Global TransPark will be fully operational, with its initial core capabilities in place and industrial development under way. As it grows, cargo from factories and farms across North Carolina and the entire East Coast will be transported through the GTP, destined for countries in the Global TransPark Network and beyond. Components and parts from around the world will arrive at the GTP to be assembled and processed into finished goods. The GTP will be acknowledged as a national and international leader in this type of innovative infrastructure development.

What makes the GTP concept likely to succeed?

The first and foremost indicator of success is the strong, positive response the GTP marketing team has received from business and industry.

There are a number of other reasons:

- The GTP is designed to meet the present and emerging needs of global commerce.
- Projects similar to the GTP are demonstrating success.
- Air cargo shipments are growing at a rate five times greater than air passenger service.
- Manufacturers are adapting just-in-time manufacturing and distribution practices to meet customer demand. These new GTP strategies are gaining in popularity rapidly because they reduce inventory costs for manufacturers and customers.
- Numerous trends and studies demonstrate convincingly that initiatives like the Global TransPark are necessary to compete in the 21st century—and that they will succeed.
- National Transportation Policy promotes the intermodal systems offered by the Global TransPark. The policy says systems such as the Global TransPark "will enhance the ability of industry in the United States to compete in the global marketplace."

When will further extension of the current runway begin?

That depends on the FAA's timing after the Environmental Impact Statement is completed. The Global TransPark Authority would like to secure FAA funding and begin extending the runway from 8,600 feet to 10,500 feet in 1997 or 1998.

What is the outlook for private business investment at the Global TransPark?

The Global TransPark has its first tenant, Mountain Air Cargo/Mountain Aircraft Services, which began operating in its new $8.5-million facility beside the current runway in August. Several other companies are discussing location at the TransPark. Most location decisions at the Global TransPark will be made after the Federal Aviation Administration's record of decision and project funding. Private sector development is expected to quickly eclipse government spending. That has been the case with similar projects.

For example, the FAA fully funded construction of the runway at Alliance Airport in Texas at a cost of $167 million. In the six years since that runway was completed, private investment at Alliance has exceeded $2 billion. That's a 12-to-1 return on public investment to date, and Alliance will gain many more private sector investments in the years ahead.

When will the airport begin cargo flights?

The runway was strengthened and extended this summer, increasing its full strength structural pavement to 8,600 feet. A number of carriers are expressing an interest in using the airport for cargo service and are awaiting the outcome of the EIS. The improved runway is now a viable base of operations for loaded DC-8 class cargo aircraft.

What happens if the Global TransPark does not work?

The North Carolina Global TransPark has been responsible for:

- A much-improved airport capable of increased passenger and cargo service.
- An exciting and viable new air cargo and aircraft services business at the airport.
- A new $6.3 million Education and Training Center as an asset to area education and expanding industry.
- A Foreign Trade Zone designation by the U.S. Department of Commerce.
- New training alliances with Reserve and National Guard air units.

These assets will remain in place and help the region continue to attract new manufacturing and commercial investment.

Why did the authority decide to improve and lengthen the current runway?

The planned extension is the quickest and least expensive way to meet the runway requirements of large cargo aircraft.

The U.S. Department of Defense funded improvements to the current runway to improve its utility as a pilot training site. The runway has been strengthened and lengthened to 8,600 feet. The longer runway and safety improvements enable the Department of Defense to keep KC-135 crews closer to their base stations during training exercises. The resulting higher quality landing surface and a greater load-bearing capacity benefit all airport users. Now that the existing runway has been improved, extension is the best way to get to a runway that can handle large cargo aircraft.

How will the Global TransPark affect the Neuse River?

The Global TransPark Authority understands the importance of the Neuse River and has always taken steps to protect it through proper environmental planning.

Stormwater management and planned mitigation measures at the TransPark will control runoff; at present, it is often uncontrolled. Off-site mitigation will provide additional benefits. Also, the City of Kinston has committed to high standards in wastewater treatment. Together with other steps taken throughout the region, these measures will ensure that the highest possible quality surface water is maintained.

How will the Global TransPark affect wetlands?

State and federal laws require that wetland impacts be avoided where possible and minimized where they must take place. Wetlands lost to construction must be replaced under an approved plan.

The Global TransPark Authority's Mitigation Plan will include substantial protection and enhancement of wetlands. The Plan will place particular emphasis on preserving and protecting quality wetlands near streams and improving off-site wetlands. There will be a net gain of quality wetlands. About 871 acres of wetlands may be altered by development in the Permit Area.

How immediate are the wetland impacts?

Impacts to wetlands in the Permit Area are expected to occur gradually over a 10-year period. The first impacts will occur as part of the runway extension. Impacts to wetlands in the Global TransPark beyond the Permit Area will occur over several decades and will be properly mitigated.

How will wetland impacts in the Permit Area be mitigated?

The Global TransPark Authority will plant trees and streamside shrubs on-site. The Authority will remove man-made ditches and restore streams to their natural condition. A new wetland-wildlife refuge will run through the 5,775-acre permit area. Riverine wetlands along Stonyton Creek will be restored. Area tributaries will be altered to provide steady-state stream and floodplain conditions. Erosion control measures will be implemented by seeding slopes and installing silt fences. A stormwater management site on the upper reaches of Stonyton Creek will reduce sedimentation.

Off-site, the Global TransPark Authority will create a wetland-wildlife refuge by planting trees, backfilling man-made ditches and removing windrows of trash left from timbering and clear-cutting. The Authority will reintroduce wildlife to the off-site area.

Will people have to be relocated because of the Global TransPark?

Yes. Relocations will occur over time as the project is developed.

The government will be required to pay fair market value for any land acquired for the public purposes. Residential relocation assistance must be provided to people who live on land that is purchased by the government.

Most relocations will result from privately negotiated purchases of land to be used for manufacturing and business purposes.

The exact number and timing of relocations will be determined once the FAA approves the final design of the extended runway and the state completes its design of access roads, a rail spur and other infrastructure.

How much will the Global TransPark cost?

Through the Global TransPark Authority, North Carolina has invested $17 million in planning, engineering, environmental assessment and the Environmental Impact Statement. The Department of Defense has spent $5 million to improve the current runway. North Carolina has appropriated $3.3 million and the federal government $3 million for an educational and training center. The Global TransPark Authority will seek about $35 million from the Federal Aviation Administration to extend the current runway to 10,500 feet and provide proper navigational aids. Subsequent investment will be driven by private investment and demand for expanded facilities.

What federal funding is available for the project?

The FAA utilizes an airport development trust fund for new and existing airport projects. The trust fund accrues through fees paid by the users public airports.

A $5 annual license plate fee is being levied in the counties in the Global TransPark region. Is that money being used to develop the Global TransPark?

No. The license plate fee is being used by the 13 counties to stimulate economic development in the counties. By law, the license plate fee cannot be used for development of the TransPark itself.

Why doesn't the private sector do the whole project?

The roles of the public and private sectors in developing the Global TransPark is in keeping with long-standing policy in North Carolina: Government supports economic development through such things as infrastructure and education, while business investment creates new jobs.

This public/private approach has been the nature of economic development in the state and it has a solid record of success. It is important to note that public/private partnering has worked well on major projects, in addition to being the general rule.

For example, it is safe to say that without public involvement, North Carolina would not have the Research Triangle Park. The RTP has benefited greatly from public investment in roads, water and sewer infrastructure and Raleigh-Durham International Airport. Additionally, the RTP has grown through federal investments in facilities for public agencies such as the Environmental Protection Agency and the National Institute of Environmental Health Science.

What is the role of the Department of Defense in the project?

The Department of Defense has shown strong interest in using the Global TransPark in its global distribution of supplies and equipment to the military. The Department's Defense Logistics Agency, which annually distributes more than $30 billion in military supplies globally, views the Global TransPark as a model for reducing inventories and speeding distribution. The Master Plan sets aside more than 200 acres for the Department of Defense.

State Aid to Non-State Entities

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized (January)	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Institute of Minority Econ. Dev.	700,000	780,000	780,000	780,000	0.0%	780,000	0.0%
Coaltion of Farm & Rural Families	250,000	245,000	145,000	145,000	0.0%	145,000	0.0%
NC Minority Support Center	300,000	275,000	275,000	275,000	0.0%	275,000	0.0%
Land Loss Prevention Project	300,000	275,000	275,000	275,000	0.0%	275,000	0.0%
Other Non-Profits/Projects (see page COM-90)	3,575,000	3,950,000	6,450,000	-		-	
State Appropriations	***5,125,000***	***5,525,000***	***7,925,000***	***1,475,000***	**-81.4%**	***1,475,000***	**-81.4%**

%Δ = **Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.**

The Institute of Minority Economic Development was established in 1986 as a research, information and resource expansion based organization that provides technical support and research activities in business development, community economic development and educational/leadership development.

The Coalition of Farm and Rural Families utilizes state funds to foster economic development within the state's rural farm communities by offering marketing and technical assistance to small and limited resource farmers.

The North Carolina Minority Support Center provides technical assistance and capital support to community development credit unions throughout North Carolina.

The Land Loss Prevention Project was founded in 1989 to provide free legal assistance to financially distressed family farmers in North Carolina. Land Loss operates out of the North Carolina Central University's School of Law with satellite offices in Wilson and Ahoskie.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp X-54 to X-56
Performance/Program Analysis, Volume 7b, pp 6-131

STATE AID TO NON-STATE ENTITIES
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED EXPANSION	1995-96	1996-97
1) Institute of Minority Economic Development	$ 780,000 NR	$ 780,000 NR
2) Coalition of Farm and Rural Families	$ 245,000 NR	$ 145,000 NR
3) NC Minority Support Center	$ 275,000 NR	$ 275,000 NR
4) Land Loss Prevention Project	$ 275,000 NR	$ 275,000 NR
5) Technological Development Authority	$1,000,000 NR	$2,000,000 NR
6) Center for Community Self-Help	$1,000,000 NR	$3,000,000 NR
7) World Trade Center North Carolina	$ 200,000 NR	$ 200,000 NR
8) Transfer to National Institute for Statistical Sciences (NISS)	$1,000,000 NR	$1,250,000 NR
9) Transfer to Columbus County for grant for industrial/economic development	$ 750,000 NR	

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

CONTINUATION BUDGET HIGHLIGHTS

The Governor's Recommended Continuation Budget includes recurring funding for several non-profits traditionally appropriated by the General Assembly on a nonrecurring basis.

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The Committee may wish to discuss the benefits and appropriateness of recurring versus nonrecurring funding for non-profits that work on behalf of economic and rural development.

DEPARTMENT OF COMMERCE

Commerce Finance Center (Industrial Finance)

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized (January)	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	2,297,003	2,253,743	4,269,235	2,264,954	-46.9%	2,265,593	-46.9%
Less Receipts	(900)	(300)	-	-		-	
State Appropriations	*2,296,103*	*2,253,443*	*4,269,235*	*2,264,954*	-46.9%	*2,265,593*	-46.9%
Positions	6.00	6.00	6.00	6.00		6.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The Commerce Finance Center assists both private enterprise and local governments through the following activities: infrastructure financing by administering the Industrial Development Fund and a share of the department's Community Development Block Grant Funds; qualifying certain private enterprises for the states business tax credits authorized under the William S. Lee Act; administering the Industrial Revenue Bond program as well as the Business Energy Loan program.

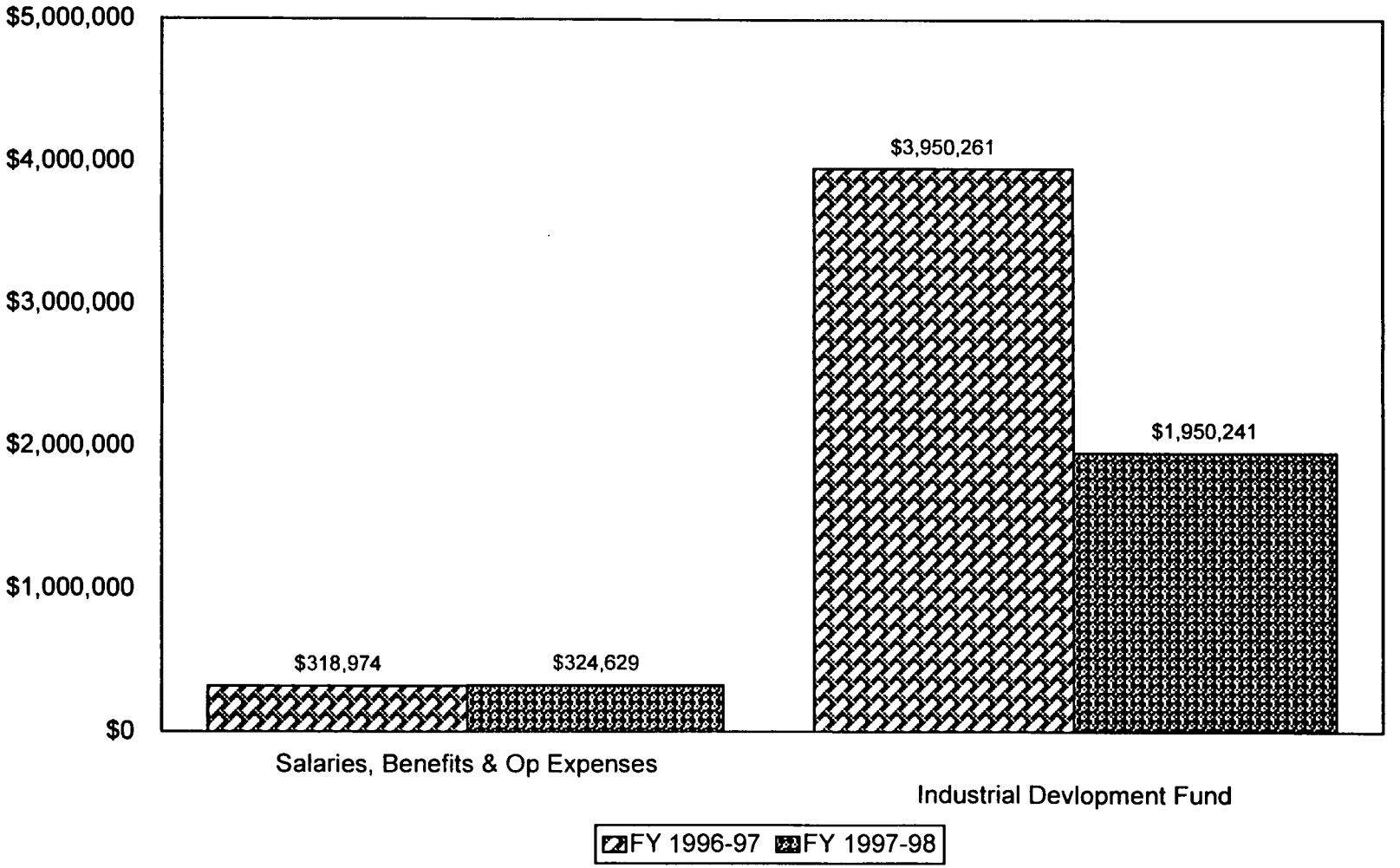
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. X-37 to X-39
Performance/Program Analysis, Volume 7B, p. 6-8

Commerce Finance Center

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

COM-94

Tier	110%	Tier 2	110%	Tier 3	110%	Tier 4	110%	Tier 5	110%
SWAIN	308	HYDE	265	COLUMBUS	445	PERSON	453	CATAWBA	479
RICHMOND	387	BERTIE	339	MCDOWELL	430	JONES	352	DAVIE	432
GRAHAM	352	TYRRELL	273	CHEROKEE	366	CRAVEN	429	YADKIN	428
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WARREN	336	ROBESON	394	CLAY	337	CALDWELL	417	LEE	464
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ANSON	415	BEAUFORT	424	STANLY	432	PENDER	337	RANDOLPH	427
HERTFORD	370	VANCE	403	CASWELL	381	DUPLIN	390	FORSYTH	586
		SCOTLAND	478	WILSON	461	SAMPSON	404	BUNCOMBE	476
		MARTIN	507	AVERY	344	HARNETT	397	DURHAM	725
		ONSLOW	320	JACKSON	357	BURKE	435	NEW HANOVER	472
		BLADEN	379	CHOWAN	400	GREENE	337	GUILFORD	555
		YANCEY	375	LENOIR	440	CARTERET	319	IREDELL	481
				WAYNE	408	FRANKLIN	433	MOORE	439
				CLEVELAND	480	WATAUGA	364	CABARRUS	490
				HOKE	391	NASH	486	HENDERSON	489
				PASQUOTANK	367	MACON	377	UNION	476
				BRUNSWICK	463	LINCOLN	454	JOHNSTON	413
				WILKES	422	TRANSYLVANIA	517	POLK	378
				GASTON	491	DARE	328	CHATHAM	445
				ROCKINGHAM	470	ROWAN	482	MECKLENBURG	655
				CAMDEN	328	PITT	437	ORANGE	464
				HAYWOOD	468	ALEXANDER	417	WAKE	544

COMMERCE FINANCE CENTER
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Reduce Industrial Development Fund	($49,759)	($49,759)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	1995-96	1996-97
1) Fund the Utility Account within the Industrial Development Fund		$2,000,000 NR

REPAIRS AND RENOVATIONS

None.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $9,916
Incorporates the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with state appropriations.

6100 Assist business and industry to expand operations and aid and encourage the location of enterprises

Objective 1: At least 25 % of the expanding manufacturing companies that locate somewhere in the South Atlantic states will locate in North Carolina.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcomes Measures:								
Percentage of expanding manufacturing companies locating in South Atlantic states that choose North Carolina (Comparative data obtained from "Site Selection" magazine survey)	n/a	n/a	n/a	40.6%	35.9%	*30.0%*	*30.0%*	*30.0%*
Performance Measures:								
Number of expanding manufacturing companies locating in South Atlantic states that choose North Carolina	n/a	n/a	n/a	186	203	*200*	*210*	*220*
Advertising campaign budget to promote investment in manufacturing and non-manufacturing or service industries	$789,359	$510,813	$454,131	$355,625	$541,212	*$540,000*	*$540,000*	*$540,000*
Number of actual manufacturing and non-manufacturing or service industry visits made by retention and expansion staff (first year of program was 1989-90)	2,377	2,780	2,203	1,882	1,813	*2,039*	*2,293*	*2,579*
New recruitment projects to promote investment in manufacturing and non-manufacturing or service industries (* 1994 data)	679	741	943	862*	676	*650*	*900*	*1,000*
Number of companies (projects) assisted in Department of Commerce Community Development Block Grant (CDBG) Program	18	13	25	35	28	*34*	*40*	*47*
Number of companies (projects) assisted in Department of Commerce Industrial Revenue Bonds (IRB) Program	169	180	250	295	396	*435*	*479*	*527*

Current Situation:

Funds:

4600 COMMERCE
1531 Business/Industry
1581 Industrial Finance

6100 Assist business and industry to expand operations and aid and encourage the location of enterprises

Objective 2: At least 25 % of the new manufacturing companies that locate somewhere in the South Atlantic states will locate in North Carolina.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percentage of new manufacturing companies locating in South Atlantic states that choose North Carolina (Comparative data obtained from "Site Selection" magazine survey)	n/a	n/a	n/a	35.3%	32.1%	*30.0%*	*30.0%*	*30.0%*
Performance Measures:								
Number of new manufacturing companies locating in South Atlantic states that choose North Carolina	n/a	n/a	n/a	153	139	*135*	*145*	*150*
Number of actual manufacturing and non-manufacturing or service industry visits made by retention and expansion staff (first year of program was 1989-90)	2,377	2,780	2,203	1,882	1,813	*2,039*	*2,293*	*2,579*
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Number of companies (projects) assisted in Department of Commerce Industrial Revenue Bonds (IRB) Program	169	180	250	295	396	*435*	*479*	*527*
Number of inquiries for information regarding financing alternatives for new industries	2,500	3,000	3,030	2,990	3,168	*3,326*	*3,659*	*4,025*

Current Situation:

Funds:

4600 COMMERCE
1531 Business/Industry
1581 Industrial Finance

COM-94

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1). The Commerce Finance Center is the agency responsible for qualifying private enterprises for the business tax credits passed by the General Assembly under the William S. Lee Act. The committee may wish to have the Center discuss the response by private enterprises to the passage of these tax credits.

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/11/97
Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Stewart Dickinson	Commerce Finance Center
Rick Webb	NC Department of Commerce
Leo Tilley	" "
Angie Harris	" "
Phillip R. Wilson	" "
Shelby Wattieri	OSBM
JW Reed	OSBM
Johnny Gray	OSBM
JIM SUGGS	
Sheila W. Chavis	OSPL
Katie O. Early	NC REAL Enterprises
Rick Larson	REAL Enterprises
Amanda Davis	Sierra Club
MARY ROSA	NC ACTS
Andy Ellen	NC Farm Bureau
Backie Strut	PPAB
Susan Brotherton	UNC General Admin - NC State - Ag Pgms.
SUSAN PEREY C/C	Commerce
Joshua Stein	NC Minority Support Center
Dr. Carolyn Prince	NC Coalition of Farm and Rural Families
David Harris	LLPP
Bradley Fitzgerald	OSPL
Charles Hayes	NC Institute of Min. Eco. Dev.
Heather Lyon	REDC
Patricia A. Greene	LLPP

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources

Name of Committee

Date 3/11/97

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
George Howe	MCWC
Laura Hartsell	MCIC
David Simmons	265 Alley, PA

Joint Appropriations Committee on
Natural and Economic Resources

March 12, 1997 (Morning)

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

Department of Commerce

Finish Commerce Finance Center
Mark Trogdon
Fiscal Research Division

Business and Industry Division
Mark Trogdon
Fiscal Research Division

Regional Economic Development Commissions
Mark Trogdon
Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

Joint Appropriations Subcommittee
On
Natural and Economic Resources

Wednesday, March 12, 1997 at 8:30 a.m.

Minutes

The Joint Appropriations Subcommittee on Natural and Economic Resources met on Wednesday, March 12, 1997 at 8:30 a.m. in Room 423 of the Legislative Office Building. Five Senate members attended the meeting, including Senator Bob Martin, who presided. Ten House members were present. They were as follows: Representative Mitchell, Representative Baker, Representative Carpenter, Representative Culp, Representative, Fox, Representative Hall, Representative Owens, Representative Tolson, Representative Weatherly, and Representative Wilkins.

Senator Martin called on Mr. Mark Trogdon of the Fiscal Research Division to finish presenting the budget analysis of the Department of Commerce. (Attachment A). Mr. Trogdon explained that the Commerce Finance Center is the agency responsible for qualifying private enterprises for the business tax credits passed by the General Assembly under the William S. Lee Act. Mr. Trogdon then introduced Mr. Stuart Dickinson from the Commerce Finance Center to explain the business tax credits. Mr. Dickinson stated that the center had processed up to date approximately two hundred fifty applications, representing a little over three thousand jobs, and an investment of four hundred eighty one million dollars. Seventy of those companies were applying for a research and development tax credit. There were over three thousand companies that could also take tax credits for 1996. A copy of the amended William S. Lee Act (HB368) was handed out. (Attachment A-2).

The next handout (Attachment B) was the Department of Commerce, Business and Industry Division. Mr. Trogdon explained that the Business and Industry Division is responsible for the state's industrial recruitment efforts aimed at relocating new industries to the state, and with assisting the state's existing industries with expanding capital investment and job creation. The division is also responsible for recruiting foreign based

firms to the state and maintained offices in Dusseldorf, Hong King, and Tokyo. He went on to say that 1997-98 recommended requirements were a little over four and one half million with no receipts and is completely funded by state appropriations. He state that there were sixty four positions in the division. The items for possible committee discussion were explained in the following statement. The division had recently selected developers to specialize in recruiting industries from the following three sectors: Life Sciences/Biotech, Automotive, and Microelectronics/Information Technology. The committee may wish to have the division discuss this new recruiting emphasis, and explain the role of the North Carolina Biotechnology Center and MCNC in this effort since these state funded agencies also provided economic development assistance in two of the three areas highlighted. After some questions and answers from Assistant Secretary, Mr. Rick Webb the committee moved on to the next item of business.

Mr. Mark Trogdon provided the next handout (Attachment C), Regional Economic Development Commissions. He explained the 1994 Session of the General Assembly directed the Department of Commerce to develop a "program for promoting the expansion of economic development efforts such that all counties in the State participate in and benefit from organized regional economic development activities [and to] encourage county participation in public/private partnerships for economic development through membership in regional economic development commissions." The Governor's continuation request for 1997-98 was $4.8 million. The proposed recommendations for the 1997-99 biennium was none. Mr. Trogdon stated the items for possible committee discussion would be to have the Department of Commerce provide an update on the accomplishments of the Regional Economic Development Commission Specifically, the committee may want to discuss the following items: (1) selected efforts and accomplishments by each individual regional commission; (2) examples of private leveraging of funds; and (3) discuss how the department and the commissions coordinate on a common message in marketing, presentations at trade shows, and in prospect handling.

The meeting adjourned at 9:33 a.m. to reconvene fifteen minutes after Session.

Carolyn M. Gooden, Committee Clerk

Senator R.L. "Bob" Martin, Chairman

Handout A

DEPARTMENT OF COMMERCE

COM-92

Commerce Finance Center (Industrial Finance)							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	2,297,003	2,253,743	4,269,235	2,264,954	-46.9%	2,265,593	-46.9%
Less Receipts	(900)	(300)	-	-		-	
State Appropriations	*2,296,103*	*2,253,443*	*4,269,235*	*2,264,954*	-46.9%	*2,265,593*	-46.9%
Positions	6.00	6.00	6.00	6.00		6.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The Commerce Finance Center assists both private enterprise and local governments through the following activities: infrastructure financing by administering the Industrial Development Fund and a share of the department's Community Development Block Grant Funds; qualifying certain private enterprises for the states business tax credits authorized under the William S. Lee Act; administering the Industrial Revenue Bond program as well as the Business Energy Loan program.

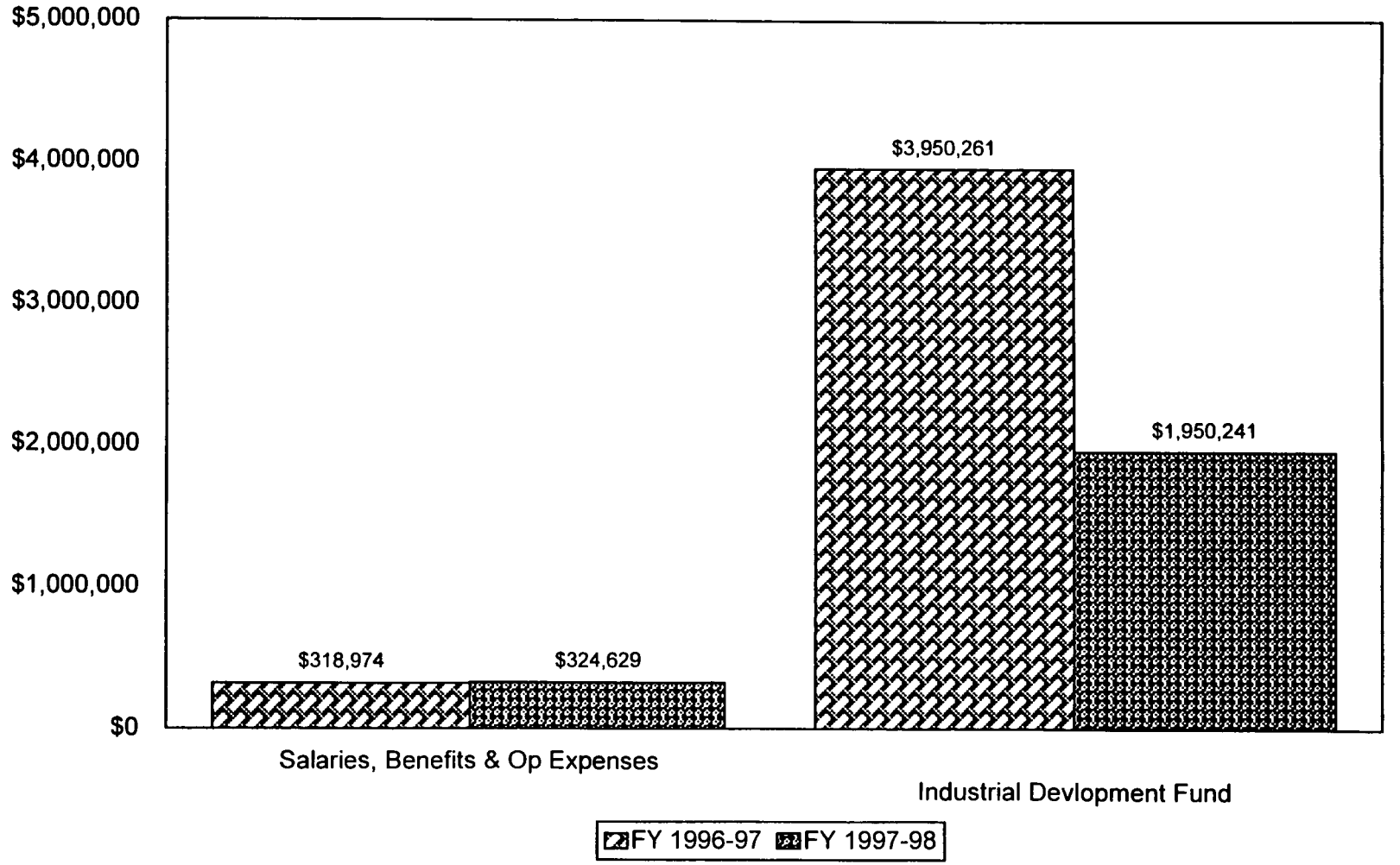
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. X-37 to X-39
Performance/Program Analysis, Volume 7B, p. 6-8

Commerce Finance Center

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

COM-941

Tier	110%	Tier 2	110%	Tier 3	110%	Tier 4	110%	Tier 5	110%
SWAIN	308	HYDE	265	COLUMBUS	445	PERSON	453	CATAWBA	479
RICHMOND	387	BERTIE	339	MCDOWELL	430	JONES	352	DAVIE	432
GRAHAM	352	TYRRELL	273	CHEROKEE	366	CRAVEN	429	YADKIN	428
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		SCOTLAND	478	WILSON	461	SAMPSON	404	BUNCOMBE	476
		MARTIN	507	AVERY	344	HARNETT	397	DURHAM	725
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		BLADEN	379	CHOWAN	400	GREENE	337	GUILFORD	555
		YANCEY	375	LENOIR	440	CARTERET	319	IREDELL	481
				WAYNE	408	FRANKLIN	433	MOORE	439
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				GASTON	491	DARE	328	CHATHAM	445
				ROCKINGHAM	470	ROWAN	482	MECKLENBURG	655
				CAMDEN	328	PITT	437	ORANGE	464
				HAYWOOD	468	ALEXANDER	417	WAKE	544

COMMERCE FINANCE CENTER
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Reduce Industrial Development Fund	($49,759)	($49,759)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	1995-96	1996-97
1) Fund the Utility Account within the Industrial Development Fund		$2,000,000 NR

REPAIRS AND RENOVATIONS

None.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $9,916
Incorporates the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with state appropriations.

6100 Assist business and industry to expand operations and aid and encourage the location of enterprises

Objective 1: At least 25 % of the expanding manufacturing companies that locate somewhere in the South Atlantic states will locate in North Carolina.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcomes Measures:								
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Advertising campaign budget to promote investment in manufacturing and non-manufacturing or service industries	$789,359	$510,813	$454,131	$355,625	$541,212	*$540,000*	*$540,000*	*$540,000*
Number of actual manufacturing and non-manufacturing or service industry visits made by retention and expansion staff (first year of program was 1989-90)	2,377	2,780	2,203	1,882	1,813	*2,039*	*2,293*	*2,579*
New recruitment projects to promote investment in manufacturing and non-manufacturing or service industries (* 1994 data)	679	741	943	862*	676	*650*	*900*	*1,000*
Number of companies (projects) assisted in Department of Commerce Community Development Block Grant (CDBG) Program	18	13	25	35	28	*34*	*40*	*47*
Number of companies (projects) assisted in Department of Commerce Industrial Revenue Bonds (IRB) Program	169	180	250	295	396	*435*	*479*	*527*

Current Situation:

Funds:

4600 COMMERCE
1531 Business/Industry
1581 Industrial Finance

6100 Assist business and industry to expand operations and aid and encourage the location of enterprises

Objective 2: At least 25 % of the new manufacturing companies that locate somewhere in the South Atlantic states will locate in North Carolina.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
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Current Situation:

Funds:

4600 COMMERCE
1531 Business/Industry
1581 Industrial Finance

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1). The Commerce Finance Center is the agency responsible for qualifying private enterprises for the business tax credits passed by the General Assembly under the William S. Lee Act. The committee may wish to have the Center discuss the response by private enterprises to the passage of these tax credits.

Handout A2

H 368. AMEND BILL LEE ACT. *TO AMEND THE WILLIAM S. LEE QUALITY JOBS AND BUSINESS EXPANSION ACT.* Provides that the Sec'y of Commerce shall use a county's average rate of unemployment and per capita income for the preceding three years when assigning the enterprise factor that is used to determine each county's annual enterprise tier designation. Also Provides that a county designated as an enterprise tier one area may not be redesignated as a higher tier area for at least two years (applies retroactively to designations for the 1997 and subsequent calendar years). Provides that a taxpayer is eligible for the credit for creating jobs, providing worker training, or for investing in equipment or research and development in a tier one area. Provides that the average weekly wage used to determine a county's wage standard is the lower of (1) the average wage for all insured private employers in the county, (2) the average wage for all insured private employers in the state, or (3) the average wage for all insured private employers multiplied by the county per capita income ratio. The per capita income ratio is the average per capita income in the county for the preceding three years divided by the average state per capita income for the preceding three years. Provides that a taxpayer may be eligible for a credit for leasing machinery and equipment as well as for purchasing the equipment. Makes other clarifying technical changes. Effective for tax years beginning on or after Jan. 1, 1997.
Intro. by Owens.
Ref. to Commerce GS 105

Amendment B

COM-103

DEPARTMENT OF COMMERCE

Business & Industry Division			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	12,883,108	9,604,489	8,285,496	4,542,721	-45.2%	4,545,353	-45.1%
Less Receipts	(1,391,777)	(3,214,249)	(2,669,271)	-	-100.0%	-	-100.0%
State Appropriations	*11,491,331*	*6,390,240*	*5,616,225*	*4,542,721*	-19.1%	*4,545,353*	-19.1%
Positions	64.00	64.00	64.00	64.00		64.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The Business and Industry Division is responsible for the state's industrial recruitment efforts aimed at relocating new industries to the state, and with assisting the state's existing industries with expanding capital investment and job creation. The division is also responsible for recruiting foreign based firms to the state and maintains offices in Dusseldorf, Hong Kong, and Tokyo.

Cross References For Budget Volumes

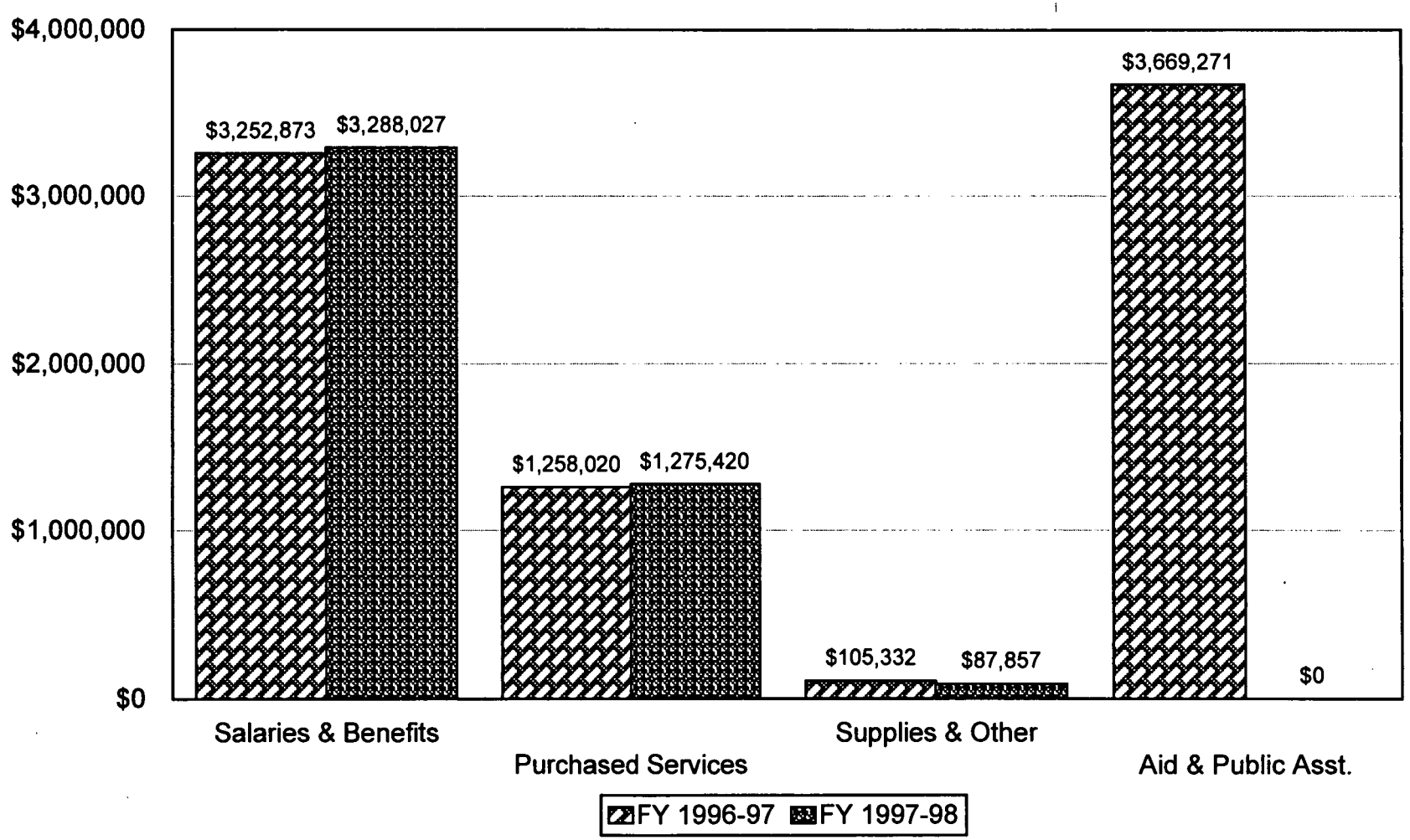
Governor's Budget, Volume 5, pp. X-22 to X-25
Performance/Program Analysis, Volume 7B, p. 6-8

Business & Industry Division

Com-104

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

Com-105

ASSIST. SECRETARY
Rick Webb
Director of Regional Operations

DIRECTOR
Gary Carlton

Administrative Assistant
Kay Langston

National Secretaries
Mattie Benforado
Pat Steinbock
Stephanie McLamb
Saronda Woods

DEPUTY DIRECTOR
Bill Stephens

Research Triangle
Vic Rains, Econ. Dev. Rep.
Vivian Powell, Econ. Dev. Rep.

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Todd Tucker
Julie Snee, Analyst

Secretaries
Brenda Stroud
Mary Stascak

Europe
Forrest Rogers, Director
Brigitta Kanand, Secretary

Japan
Hideji Kurihara, Director
Izumi Kawakami, Secretary

North Carolina Department of Commerce Business / Industry Development Division
301 N. Wilmington Street, P.O. Box 29571, Raleigh, NC 27626-0571 (Please note: Use post office box for postal delivery)
919 733 4151 fax 919 733 0265

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BUSINESS & INDUSTRY DIVISION
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Close California Office. Remaining Funds ($75,000) were reallocated to fund three to four recruitment missions annually.	($75,000) -1.00	($75,000) -1.00

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	1995-96	1996-97
1) Industrial Recruitment Competitive Fund	$2,000,000 NR	$1,000,000 NR

REPAIRS AND RENOVATIONS

None.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $108,583
Incorporates the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with state appropriations.

6100 Assist business and industry to expand operations and aid and encourage the location of enterprises

Objective 1: At least 25 % of the expanding manufacturing companies that locate somewhere in the South Atlantic states will locate in North Carolina.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcomes Measures:								
Percentage of expanding manufacturing companies locating in South Atlantic states that choose North Carolina (Comparative data obtained from "Site Selection" magazine survey)	n/a	n/a	n/a	40.6%	35.9%	*30.0%*	*30.0%*	*30.0%*
Performance Measures:								
Number of expanding manufacturing companies locating in South Atlantic states that choose North Carolina	n/a	n/a	n/a	186	203	*200*	*210*	*220*
Advertising campaign budget to promote investment in manufacturing and non-manufacturing or service industries	$789,359	$510,813	$454,131	$355,625	$541,212	*$540,000*	*$540,000*	*$540,000*
Number of actual manufacturing and non-manufacturing or service industry visits made by retention and expansion staff (first year of program was 1989-90)	2,377	2,780	2,203	1,882	1,813	*2,039*	*2,293*	*2,579*
New recruitment projects to promote investment in manufacturing and non-manufacturing or service industries (* 1994 data)	679	741	943	862*	676	*650*	*900*	*1,000*
Number of companies (projects) assisted in Department of Commerce Community Development Block Grant (CDBG) Program	18	13	25	35	28	*34*	*40*	*47*
Number of companies (projects) assisted in Department of Commerce Industrial Revenue Bonds (IRB) Program	169	180	250	295	396	*435*	*479*	*527*

Current Situation:

Funds:

4600 COMMERCE
1531 Business/Industry
1581 Industrial Finance

6100 Assist business and industry to expand operations and aid and encourage the location of enterprises

Objective 3: Of the assigned recruitment projects that located somewhere in the U.S., 35% will locate in North Carolina.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Of the assigned recruitment projects that actually located somewhere in the U.S., the percent that located in N.C. (comparative data obtained from "Site Selection" magazine survey)	n/a	n/a	n/a	46.7%	47.7%	*35.0%*	*35.0%*	*35.0%*
Performance Measures:								
Advertising campaign budget to promote investment in manufacturing and non-manufacturing or service industries	$789,359	$510,813	$454,131	$355,625	$541,212	*$540,000*	*$540,000*	*$540,000*
Number of actual manufacturing and non-manufacturing or service industry visits made by retention and expansion staff (first year of program was 1989-90)	2,377	2,780	2,203	1,882	1,813	*2,039*	*2,293*	*2,579*
New recruitment projects to promote investment in manufacturing and non-manufacturing or service industries (* 1994 data)	679	741	943	862*	676	*650*	*900*	*1,000*
Number of companies (projects) assisted in Department of Commerce Industrial Revenue Bonds (IRB) Program	169	180	250	295	396	*435*	*479*	*527*
Number of inquiries for information regarding financing alternatives for new industries	2,500	3,000	3,030	2,990	3,168	*3,326*	*3,659*	*4,025*

Current Situation:

Funds:

4600 COMMERCE
1531 Business/Industry
1581 Industrial Finance

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The division has recently reassigned selected developers to specialize in recruiting industries from the following three sectors: Life Sciences/Biotech, Automotive, and Microelectronics/Information Technology. The committee may wish to have the division discuss this new recruiting emphasis, and explain the role of the North Carolina Biotechnology Center and MCNC in this effort since these state funded agencies also provide economic development assistance in two of the three areas highlighted.

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DEPARTMENT OF COMMERCE

Regional Economic Development Commissions							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
State Appropriations	*5,850,000*	*4,680,000*	*4,680,000*	*4,680,000*	0.0%	*4,680,000*	0.0%

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

* The 1994 Session of the General Assembly directed the Department of Commerce to develop a "program for promoting the expansion of economic development efforts such that all counties in the State participate in and benefit from organized regional economic development activities [and to] encourage county participation in public/private partnerships for economic development through membership in regional economic development commissions."[1]

Cross References For Budget Volumes

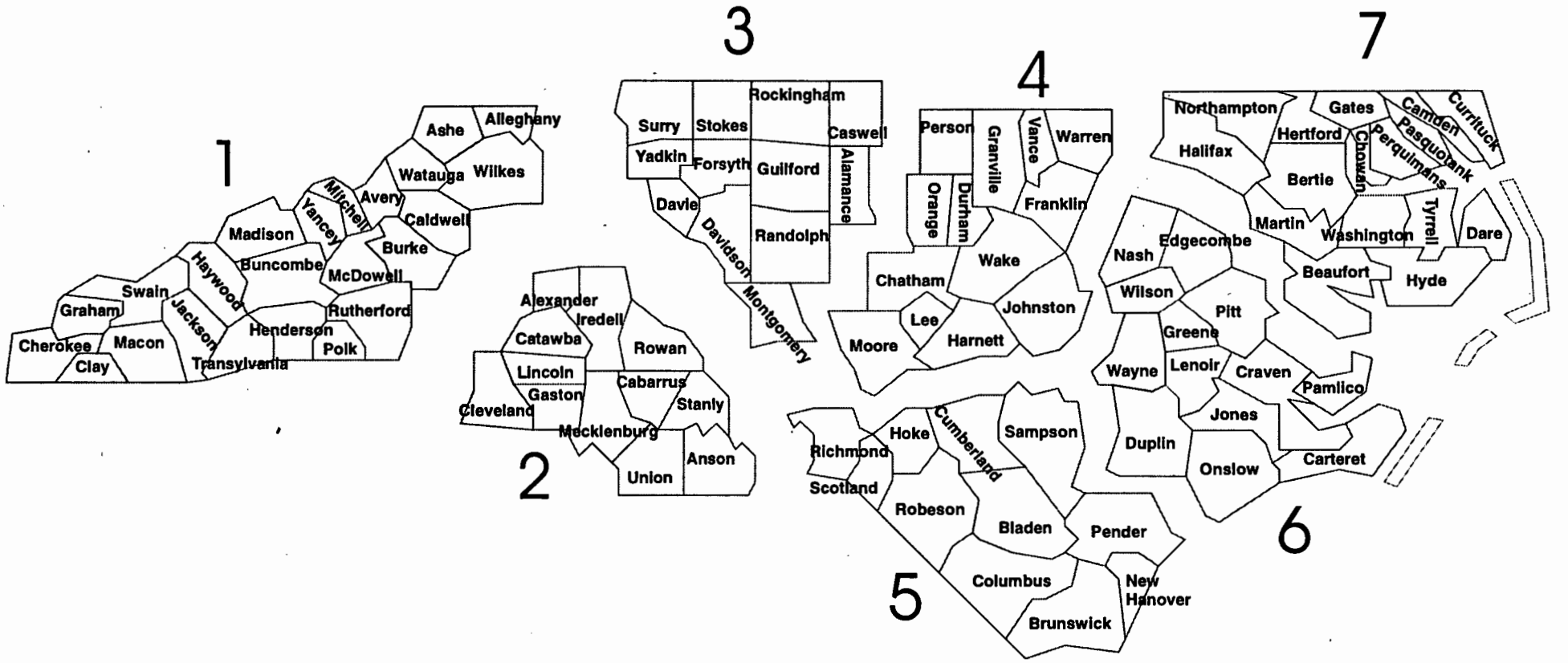
Governor's Budget, Volume 5, pp. X-33 to X-35
Performance/Program Analysis, Volume 7B, p. 6-8

[1] Chapter 769 of the 1993 Session Laws, Section 28.7

North Carolina Partnership for Economic Development

RICK WEBB President
NC Department of Commerce
301 N. Wilmington Street, Post Office Box 29571
Raleigh, North Carolina 27626-0571
Ph: 919-715-3782 Fax: 919-733-8356

COM-111



1 **AdvantageWest**

2 **Carolinas Partnership**

3 **Piedmont Triad Partnership**

4 **Research Triangle Regional Partnership**

5 **North Carolina's Southeast**

6 **Global TransPark Region**

7 **Northeastern Economic Commission**

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REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS
Funding History

	FY 1993-94	FY 1994-95	FY 1995-96	Current FY 1996-97	*Total*
West (Advantage West)	600,000	1,669,999	1,243,691	1,238,694	***4,752,384***
Northeast	600,000	1,250,000	1,036,921	1,093,954	***3,980,875***
Southeast	600,000	1,250,000	713,805	673,583	***3,237,388***
Carolina's Partnership	-	552,222	445,377	414,767	***1,412,366***
Piedmont Triad	-	554,344	437,514	431,581	***1,423,439***
Research Triangle	-	573,435	443,450	435,537	***1,452,422***
Global TransPark	-	-	359,242	391,884	***751,126***
Total	***1,800,000***	***5,850,000***	***4,680,000***	***4,680,000***	***17,010,000***

REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED EXPANSION	1995-96	1996-97
1) Reduce Funding to Regional Commissions	($1,170,000)	($1,170,000)

Fiscal Research Division -- March 1997

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ASSIST. SECRETARY
Rick Webb
Director of Regional Operations

DIRECTOR
Gary Carlton

Administrative Assistant
Kay Langston

National Secretaries
Mattie Benforado
Pat Steinbock
Stephanie McLamb
Saronda Woods

DEPUTY DIRECTOR
Bill Stephens

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North Carolina Department of Comm Business / Industry Development Division
301 N. Wilmington Street, P.O. Box 29571, Raleigh, NC 27626-0571 (Please note: Use post office box for postal deli
919 733 4151 fax: 919-733 0265

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Assistance to NCDOC and Local Economic Development Commissions by the Regional Partnerships and Commissions

	AdvantageWest	Carolina's	Piedmont Triad	RTPP	NC Southeast	NC's Northeast	GTP
Office Space for Regional DOC	yes	yes 1	yes	yes	no 2	yes	no 2
Transportation, entertainment, meals, lodging for clients	yes	yes	yes	yes	yes	yes	yes
Aerial Photography	yes	yes	yes	yes	yes	yes	yes
Maintain Site/Building Inventory	yes	yes	yes	yes	yes	yes	yes
Engineering Surveys/Site Evaluation	yes	yes	yes	yes	yes	yes	yes
Funds for Travel to Trade Shows for local developers	yes	yes	yes	yes	yes	yes	yes
Funds for Trade Shows for NCDOC Staff	yes	yes	yes	yes	yes	yes	yes
Helicopter or Air Transportation for Clients	yes	yes	yes	yes	yes	yes	yes
Notes:							
1 = Share same building							
2 = Willing to provide office space							
Other Initiatives:							
Support Regional Film Commission	yes	yes	yes	no	yes	no	no
Support Tourism through Grants or Direct Advertising	yes	no	no	no	yes	yes	no

SOURCE: DEPARTMENT OF COMMERCE

6100 Assist business and industry to expand operations and aid and encourage the location of enterprises

Objective 7: Increase the amount of investment in expanded and newly locating facilities in the seven regional partnerships.

Measure**	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	Estimated 1996-97	Expected 1997-98	Expected 1998-99
Outcome Measures:								
Investment in expanded and newly locating facilities in the Western region (millions)	n/a	n/a	n/a	$228	$297	*$250*	*$260*	*$270*
Investment in expanded and newly locating facilities in the Southeastern region (millions)	n/a	n/a	n/a	$513	$585	*$550*	*$565*	*$580*
Investment in expanded and newly locating facilities in the Northeastern region (millions)	n/a	n/a	n/a	$342	$119	*$120*	*$140*	*$160*
Investment in expanded and newly locating facilities in the Carolinas Partnership region (millions)	n/a	n/a	n/a	$636	$521	*$550*	*$570*	*$590*
Investment in expanded and newly locating facilities in the Piedmont Triad Partnership region (millions)	n/a	n/a	n/a	$712	$664	*$670*	*$690*	*$710*
Investment in expanded and newly locating facilities in the Global TransPark region (millions)	n/a	n/a	n/a	$276	$549	*$300*	*$310*	*$320*
Investment in expanded and newly locating facilities in the Research Triangle Partnership region (millions)	n/a	n/a	n/a	$656	$1,148	*$750*	*$800*	*$850*
Performance Measures:								
Number of jobs created in the Western region	n/a	n/a	n/a	3,279	2,151	*2,300*	*2,500*	*2,700*
Number of jobs created in the Southeastern region	n/a	n/a	n/a	3,310	3,267	*3,300*	*3,500*	*3,700*
Number of jobs created in the Northeastern region	n/a	n/a	n/a	347	115	*150*	*200*	*250*
Number of jobs created in the Carolinas Partnership region	n/a	n/a	n/a	7,061	5,903	*6,200*	*6,400*	*6,600*
Number of jobs created in the Piedmont Triad region	n/a	n/a	n/a	6,934	5,521	*5,600*	*5,800*	*6,000*
Number of jobs created in the Global TransPark region	n/a	n/a	n/a	3,3871	2,330	*2,500*	*2,700*	*2,900*
Number of jobs created in the Research Triangle region	n/a	n/a	n/a	5,015	6,048	*5,500*	*5,700*	*6,000*

Current Situation:

Funds:

4600 COMMERCE
1531 Business/Industry
1581 Industrial Finance
**1912 Reserves and Transfers (part) for the Western, Northeastern, and Southeastern Regional Economic Development Commissions, the Carolinas Partnership, the Piedmont Triad Partnership and the Research Triangle Partnership only.
** Budget figures for Commerce 1912 are shown in the section on "Reserves and transfers and other accounting funds, 6999."

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

None.

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The Committee may wish to have the Department of Commerce provide an update on the accomplishments of the Regional Economic Development Commissions since their organization into a statewide effort, and to identify any new strategies being implemented to improve the results of the commissions' in the department's strategic plan for recruiting new industries and expanding existing businesses. Specifically, the committee may want to discuss the following items:

- selected efforts and accomplishments by each individual regional commission;
- examples of private leveraging of funds;
- discuss how the department and the commissions coordinate on a common message in marketing, presentations at trade shows, and in prospect handling.

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
WALT PLOSILA	NC ACTs
George Howe	MCNC
Malcolm Blalock	DEHNR / DEH
Jeff Bm	NCED
Dana Tulbreth	" "
Joy Williams	" "
Tim Butler	" "
Ed Gibson	" "
DAVID HERRON	State Planning
Jan Stanfield	NC ED
J.W. Reed	OSBM
Shelle Altieri	OSBM
Dottie Ciccolla	Commerce
Phillip R. Wilson	Commerce
Leo Tilley	"
Angie Harris	"
Stewart Pierson	"
Luke Nutt	"
Jim Nichols	"
Dana Cope	Labor
Becky Brown	Labor
SUSAN PERRY	Commerce
Ed Regan	N.C.A.C.C.
John C	TDA
Sue Dewlin	DENR
TOM BEAN	NC Wildlife Federation

Joint Appropriations Committee on
Natural and Economic Resources

March 12, 1997 (Afternoon)

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

Department of Commerce

Finish Regional Economic Development Commissions
Mark Trogdon
Fiscal Research Division

Economic Development Program
Mark Trogdon
Fiscal Research Division

Energy Division
Jennifer Herrera
Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

JOINT APPROPRIATIONS SUBCOMMITTEE ON

NATURAL AND ECONOMIC RSOURCES

WEDNESDAY, MARCH 12, 1997 at 4:00 p.m.

MINUTES

The Joint Appropriations Subcommittee on Natural and Economic Resources met on Wednesday, March 12, 1997 at 4:00 p.m. in Room 423 of the Legislative Office Building. Three Senate members were present including Senator R.L. "Bob" Martin, Chairman. Representatives Baker, Carpenter, Fox, Owens, Tolson and Wilkins were present.

Chairman Martin called the meeting to order. Mr. Mark Trogdon, Fiscal Research Division, gave a budget analysis of the Economic Development Program. This is Attachment A of these minutes. The Economic Development Program funds the following responsibilities within the Department of Commerce: the Economic Development Board; the Entrepreneurial Development Board; the Office of Economic Policy, which is responsible for the Economic Strategic Plan, and is headed by the Governor's Economic Policy Advisor; the Economic Development Information System; and the Assistant Secretary/Director for Regional Operations and other administrative and technical assistance activities.

Mr. Ed Gibson, MIS Director, spoke to the Committee on the progress report of the implementation of the automated economic development information system with the department. He said since the initiative began, they have installed a network of 150 work stations. These have been installed in Raleigh for all developers and the Commerce Administrative staff. To support this initiative, four new position were created to handle the information system. This information system provide developers throughout the state with access to timely, detailed information and offers all local developers the opportunity to use sophisticated analysis, presentation, communications, and office tools. Senator Martin asked what the budget was for this system? Mr. Gibson said the budget was about $600,000 a year.

Ms. Jennifer Herrera, Fiscal Research Division, gave the budget analysis overview of the Energy Division. This is Attachment B of these minutes. The Energy Division provides support and recommendations to the Governor and the Energy Policy Council on Energy Policy and legislation. The Division activities include the State Energy Plan (SEP); it administers Residential Energy Conservation Assistance Program (RECAP); it administers various Petroleum Overcharge and federal energy funds; and staffs the State's Energy Policy Council.

Mr. Doug Culbreth, Energy Division, was recognized to answer any questions from the Committee. Senator Martin asked how did they know how many BTU's were saved? He said they do surveys for industry and point out the cost savings; they go back and survey again to see how much of the cost savings recommendation has been implemented. Representative Baker asked the status of the Petroleum Overcharge accounts and how much longer are these going to run? Ms. Herrera said through November of 1996 the state received about $153 million for Petroleum Overcharge and it expected the state will get about $5 to $10 million more before it finally finishes.

The meeting adjourned at 5:00 p.m.

Senator R.L. "Bob" Martin, Chairman

Carolyn M. Gooden, Committee Clerk

Handout A

DEPARTMENT OF COMMERCE

Economic Development Program							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	1,629,206	1,490,002	1,477,670	1,294,924	-12.4%	1,295,130	-12.4%
Less Receipts	(261,898)	(62,595)	(162,216)	-	-100.0%	-	-100.0%
State Appropriations	*1,367,308*	*1,427,407*	*1,315,454*	Same -	-100.0%	*1,295,130*	-1.5%
Positions	16.00	15.00	15.00	15.00		15.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

ACTIVITIES

The Economic Development Program funds the following responsibilities within the Department of Commerce:

- the Economic Development Board;
- the Entrepreneurial Development Board;
- the Office of Economic Policy which is responsible for the Economic Strategic Plan and is headed by the Governor's Economic Policy Advisor;
- the Economic Development Information System;
- the Assistant Secretary/Director for Regional Operations and other administrative and technical assistance activities.

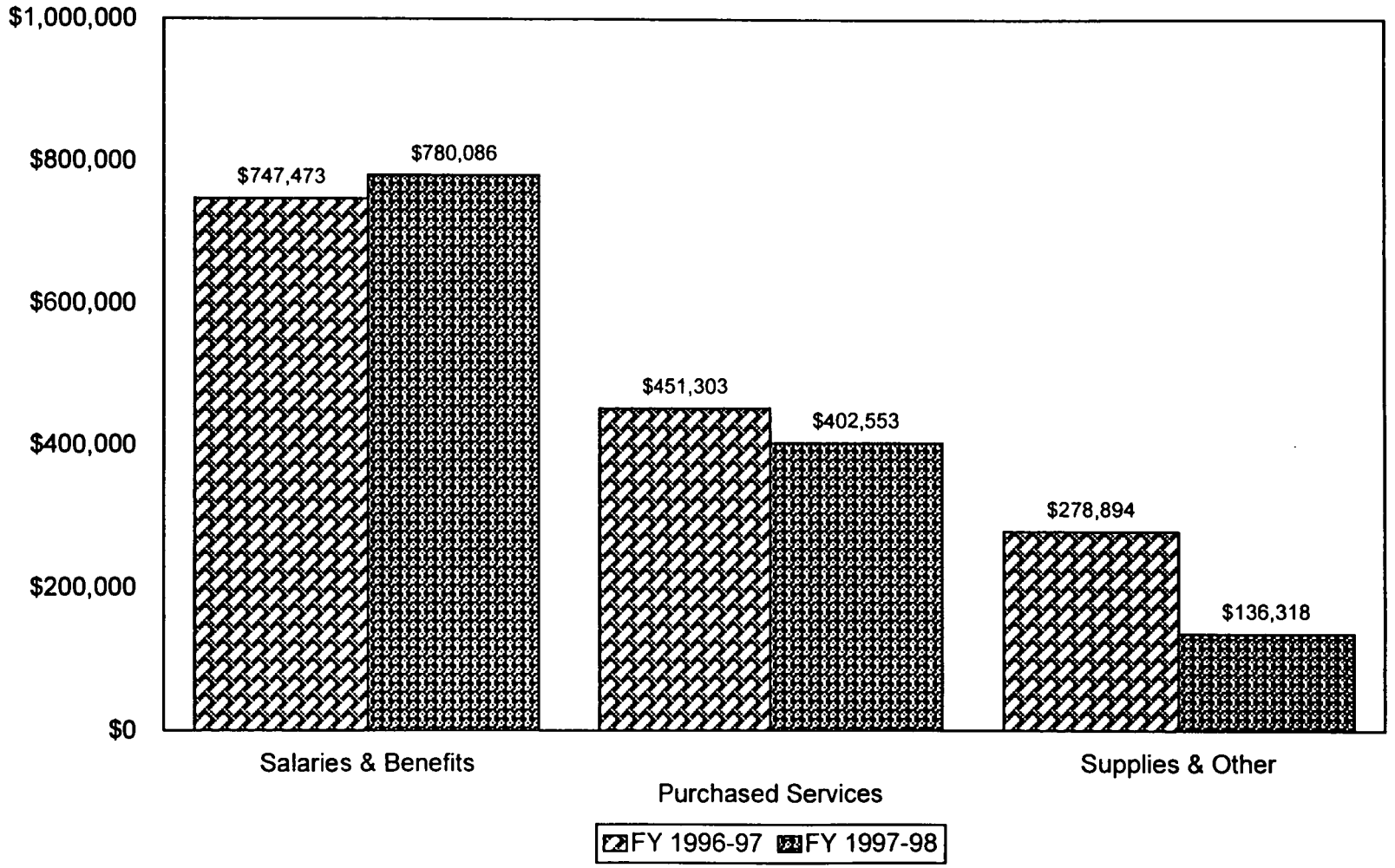
Cross References For Budget Volumes
Governor's Budget, Volume 5, pp. X-19 to X-20
Performance/Program Analysis, Volume 7B, p. 6-8

Economic Development Program

COM-100

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

ECONOMIC DEVELOPMENT PROGRAM
OVERVIEW OF BUDGET ACTIONS

COM-101

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Eliminate the Agriculture Advisor position.	($82,000) -1.00	($82,000) -1.00
2) Reduce start-up cost funding for the Economic Development Information System.	($51,000)	($208,000)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	1995-96	1996-97

None.

REPAIRS AND RENOVATIONS

None.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $24,033
Incorporates the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with state appropriations.

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The 1994 General Assembly funded the development of an automated economic development information system within the Department of Commerce. The design specifications for this system called for a "comprehensive economic development information system which provides developers throughout the state with access to timely, detailed information and which offers all local developers the opportunity to use sophisticated analysis, presentation, communications, and office operation tools."[1]

The committee may wish to have a progress report on the implementation of this system, its rate of utilization by state and local developers, and the value it contributes in assisting in identifying potential sites for industrial prospects.

[1] Still Current Design, Inc., Design Specification – North Carolina Economic Development Information System, p. 3, May 1, 1995.

Handout B

COM-117

Department of Commerce

Energy Division							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	12,228,565	12,548,387	26,046,663	26,002,352	-0.2%	26,003,837	-0.2%
Less Receipts	(11,775,422)	(12,189,133)	(25,845,487)	(25,786,760)	-0.2%	(25,788,245)	-0.2%
State Appropriations	*453,143*	*359,254*	*201,176*	*215,592*	7.2%	*215,592*	7.2%
Positions	29.00	29.00	29.00	29.00		29.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

- State Energy Plan (SEP)
- Residential Energy Conservation Assistance Programs (RECAP)
- Administer various Petroleum Overcharge and federal energy funds
- Staff the State's Energy Policy Council

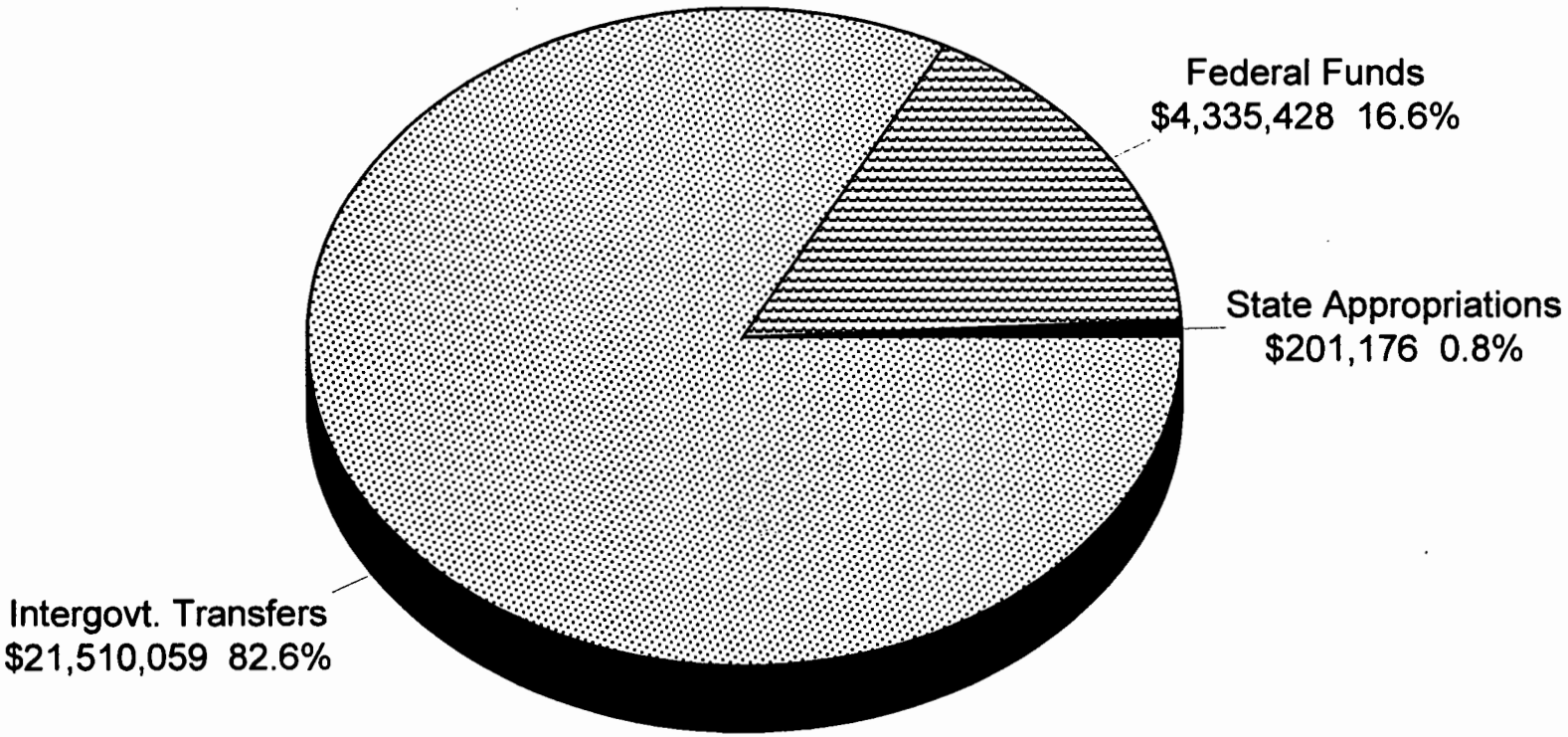
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp X-9 to X-18; X-47 to X-48; X-75 to X-84
Performance/Program Analysis, Volume 7b, pp 6-51 to 6-56

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Division of Energy

FY 1996-97 (Authorized) Fund Sources

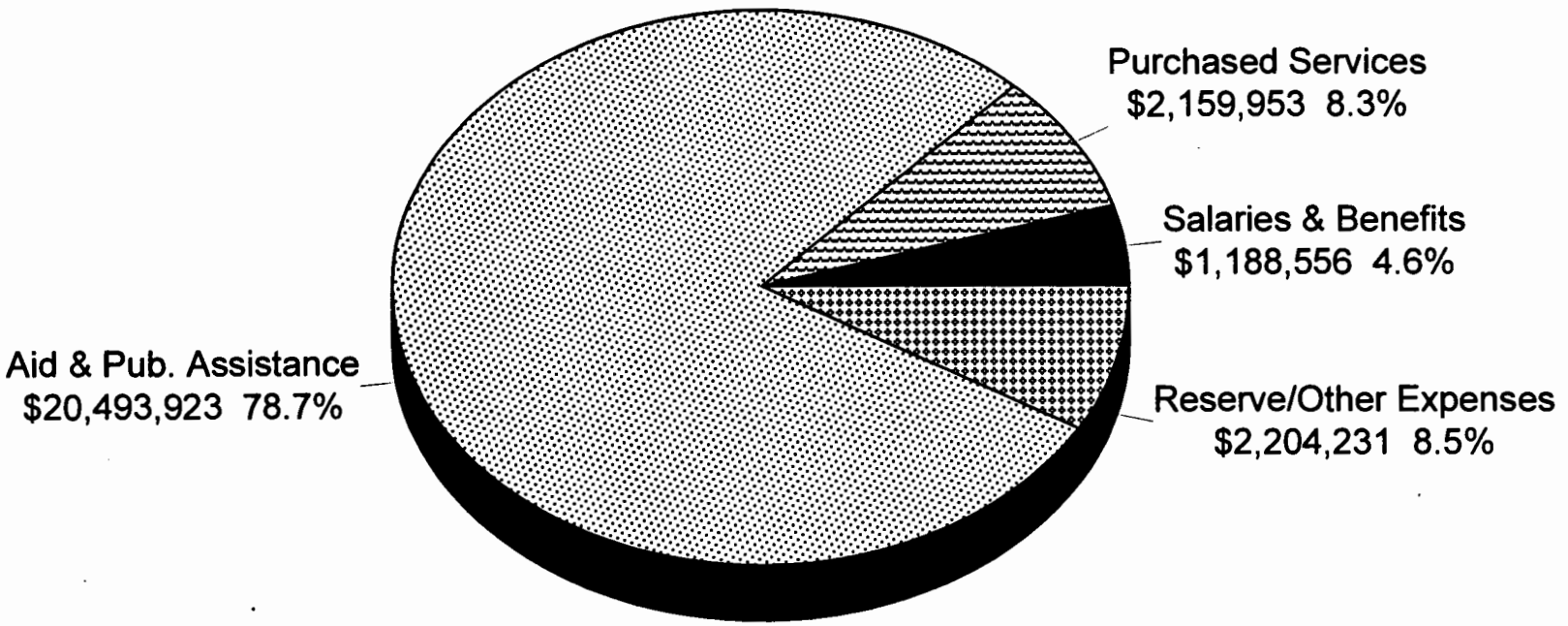


Fiscal Research Division March 1997

com-119

Division of Energy

FY 1996-97 (Authorized) Expenditures By Category



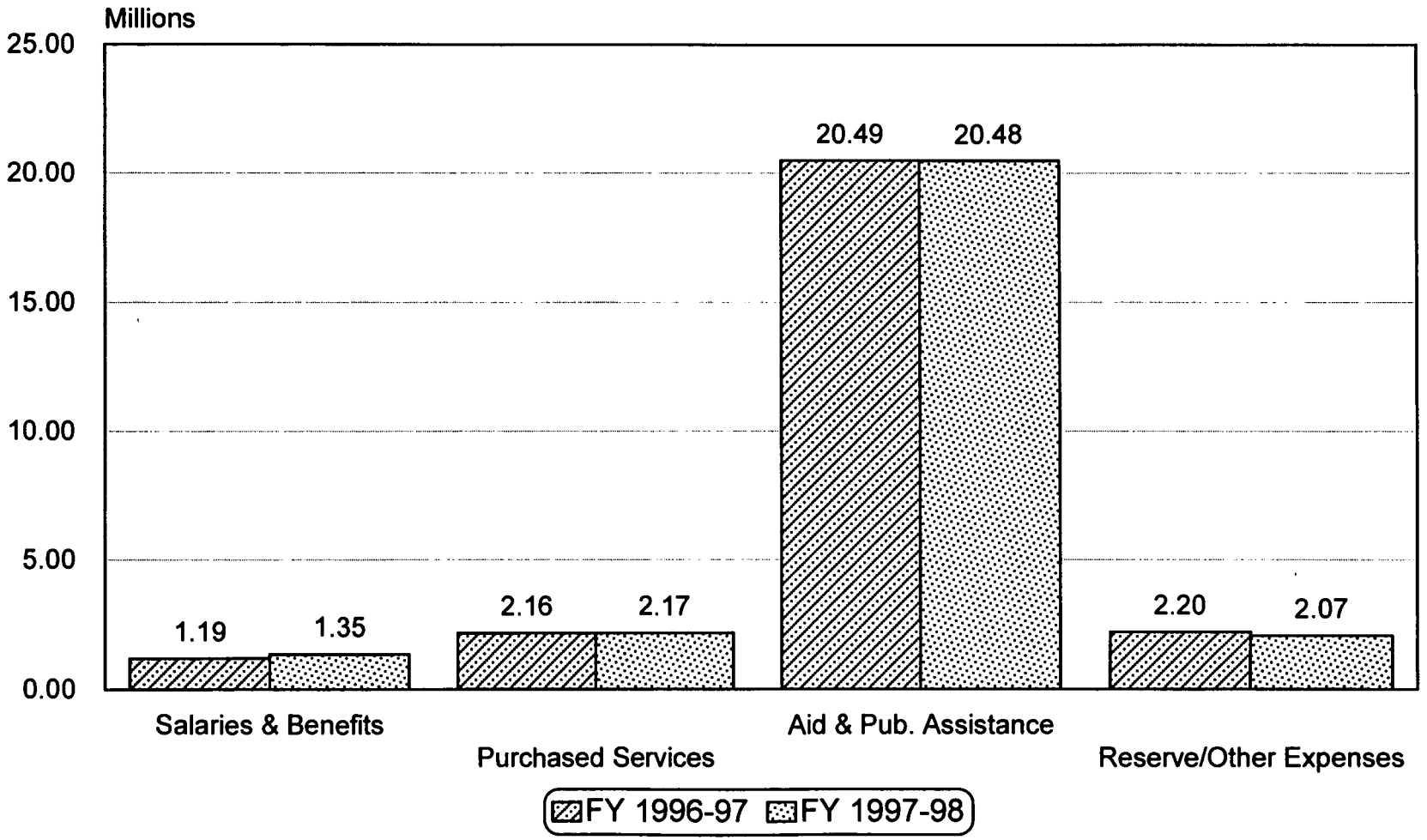
Fiscal Research Division March 1997

Division of Energy

COM-120

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Com-121

Objective 1-2: Reduce energy costs by 35% through use of energy efficiency and renewable energy measures by the year 2001.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Total annual cost savings for energy efficiency and renewable energy measures due to conservation projects (baseline data for this measure have not been developed)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Number of technical assessments such as energy audits for industries, local gov. and farms, traffic signal retiming and car care clinics, rebates, workshops and demonstrations	n/a	n/a	661	1,019	3,685	*1,500*	*1,500*	*1,500*
BTUs saved per year due to conservation programs (trillions)	197.86	203.19	207.86	213.33	220.90	*224.81*	*226.79*	*227.79*
Number of individuals trained at workshops/conferences/ meetings for the industrial, commercial, residential, agricultural, transportation, and local government sectors	n/a	n/a	n/a	n/a	7,687	*5,000*	*5,000*	*5,000*

Current Situation:

This is a new measure. Data will be included in the 1996-97 year.

Funds:

4600 COMMERCE
1422 Amoco II
1444 Exxon/ICP
1461 Secton 155 School/Hosp.
1467 Stripper Well
1468 Exxon/SECP
2630 State Heating Oil and Propane
2631 TVA-Travel
2632 TVA-SERBEP Waste Wood
2635 US EPA Climate Change Outr.
2645 North Carolina Energy Measure & Audits

Objective 1: Improve energy efficiency of an annual average of 4,300 homes through the year 2000 for low-income elderly and handicapped citizens.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of homes weatherized for low-income, elderly and persons with disabilities	4,097	4,026	4,360	3,997	3,603	2,888	2,810	2,736
Performance Measures:								
Average cost per home	$1,547	$1,600	$1,551	$1,675	$1,716	$1,800	$1,850	$1,900
Average yearly reduction in energy cost attributable to weatherization	15%	15%	24%	27%	33%	33%	33%	33%

Current Situation:

Number of homes weatherized varies with fluctuating federal funding.

Funds:

4600 COMMERCE
1441 Weatherization Program

Objective 2: Repair or replace an annual average of 900 inefficient, inoperable or unsafe heating systems for low income, elderly or handicapped citizens through the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of inefficient, inoperable or unsafe heating systems for low income, elderly and handicapped citizens repaired or replaced	n/a*	n/a*	111	269	475	*420*	*420*	*420*
Performance Measures:								
Average service cost per home	n/a*	n/a*	$2,200	$1,410	$1,312	*$1,500*	*$1,500*	*$1,500*
Estimated average yearly reduction in energy cost attributable to the Heating Appliance Repair and Replacement Program	n/a*	n/a*	24%	24%	18%	*18%*	*18%*	*18%*

Current Situation:

*Program was not established until 1993-94. Declining federal funds may impact the number of heating systems repaired or replaced.

Funds:

4600 COMMERCE
1441 Weatherization Program

Com-124

ENERGY DIVISION
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Transfer positions to receipt support	($138,113) -4.00	($138,113) -4.00
2) Eliminate reserve to match federal funds and shift dues/subscriptions to receipt support		($128,777)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $78,535
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $42,814 in state appropriations and $ 35,721 in receipts.

COM-125

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

None

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/12/97

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jim Nichols	NC Dept. of Commerce
[illegible]	"
Stewart Dickinson	Commerce Finance
Angie Harris	Commerce
Leo Tillery	"
Phillip R. Wilson	"
[illegible]	OSBM
JW Reed	"
Johnny Gray	"
Sheila Travis	State Planning
[illegible]	State Planning
[illegible]	Energy Div.
Tim Butler	" "
Joy Williams	" "
Doug Culbreth	" "
[illegible]	" "
[illegible]	NC ACTS
Jusan Perry Cole	Commerce
George Howe	MCNC
Becki Gray	PPAB

Minutes

Joint Appropriations Sub-Committee on

Natural and Economic Resources

March 17, 1997 - 2:00 p.m.

The Joint Appropriations Sub-Committee on Natural and Economic Resources met on Monday, March 17, 1997 at 2:00 p.m. in Room 423 of the Legislative Office Building. Representative Frank Mitchell, House Senior Co-Chair, called the meeting to order at 2:10 p.m. House members present were Representatives Mitchell, Baker, Carpenter, Hall, Owens, and Weatherly.

After introductions, Mona Moon of the Fiscal Research Division presented an overview of the Health Division of the Department of Environment, Health, and Natural Resources. She reviewed a pie chart that compares the general fund appropriations versus receipts (1996-97 authorized budget) of the health programs, a pie chart that compares the general fund appropriations by health programs in the Division, a pie chart that shows receipts received by each health program in the Division, the recommendation to transfer the public health functions and the reorganization of the Division, the proposed legislation (HB 478/SB 383) that will transfer the authority, a chart that shows the shift of responsibility, and issues concerning reorganization (EHNR 194-202). Senator Cochrane asked was the transfer statutory or a policy requirement made by the Department. Ms. Moon replied it was a policy requirement by the Department. She continued by asking if staff could provide on paper what sections are staying and what sections are moving. Ms. Moon replied that the two Departments are currently working together to determine what the administrative needs will be. Senator Cochrane voiced her concern over the cost of the move, being unfamiliar with the Department of Human Resources budget, and the possibility of the need for more funding. Representative Owens asked if there had been any discussion with the local health directors about their concern. Ms. Moon replied they had voiced their concern. Dr. Ron Levine, State Health Director, commented the local health directors have been invited to hear the proposal, and voice their reservations and concerns at a meeting scheduled for tomorrow. Joe McClees, lobbyist for the Septic Tank Association, voiced his concerns about the transfer on behalf of the industry. Representative Baker asked why was the industry opposed to the transfer in which Mr. McClees sighted the efficiency of the move, and the concern for regulation on the part of public health. Representative Carpenter pointed out that the general public doesn't trust DEHNR. Representative Hall asked Mr. McClees about his concern about the transfer. Mr. McClees clarified that industry is in favor of the move but the proposed bill leaves the on-site sewage section in DEHNR. Dr. Levine commented that there is no perfect organization, and the reason for leaving the on-site sewage section in DEHNR is for it to become a part of the water quality and pollution division. Representative Owens asked if Secretary Bruton would be attending tomorrow's meeting in which Dr. Levine responded

the meeting would allow everyone a chance to hear the proposal, and voice their concerns. Representative Owens remarked that Secretary Bruton should be in attendance to hear these concerns as well as both sides of the issues. Mr. McClees noted that Secretary Bruton was aware of the meeting.

Ms. Moon continued with an overview of the Office of the State Health Director including Local Health Services, Minority Health, Public Health Communications, and Public Health Nursing. She reviewed the Office's missions, budget expenditures and appropriations, a chart showing the expenditures by program for FY 1996-97, an overview of budget actions, and proposed recommendations (EHNR 203-206). Senator Horton asked why were the expenditures high in 1994-95. Ms. Moon explained that pass-through money from Medicaid was included in the figure.

Ms. Moon continued with an overview of the State Center for Health Statistics. She reviewed the Center's mission and budget expenditures, the Governor's recommendations, a pie chart that compares sources of funding, a pie chart that compares expenditures by category, a chart that compares expenditures by category (FY 1996-97 authorized versus 1997-98 recommended), objectives to performance and outcome measures, an overview of budget actions, proposed recommendations, and items for possible committee discussion (EHNR 207-214). Delton Atkinson, Director of the Center, reviewed the progress of the Central Cancer Registry. Representative Mitchell asked was the four positions part of the 134 positions, and were they located in Raleigh. Ms. Moon replied the four positions are a part of the 134 positions, and they are located in Raleigh. Senator Cochrane asked about the time factor in beginning the Registry. Mr. Atkinson replied the positions were in place in early 1996, data was collected from January 1, 1996 and throughout the year, and a yearly analysis was taking place began after the year ended. She continued by asking why the survey was changed. Mr. Atkinson replied the Registry is asking for more data to be provided. Senator Cochrane asked what are the responsibilities of the 134 positions. Ms. Moon replied these are positions in vital statistics, the Central Cancer Registry, the immunization registry, and the health policy information program. Representative Owens asked if medical schools could provide staff support for these positions instead of hiring someone in State government. Mr. Atkinson replied the staff provides support to the local health departments throughout the State. Representative Carpenter asked about the positions that are located in Western North Carolina. Mr. Atkinson replied one position provides training and technical assistance to the hospitals in Western N.C., and the other position is funded through a grant from the Centers for Disease Control. Mr. Atkinson continued by explaining the funding and the role of the Health Policy Information Program. Representative Carpenter asked who else receives this information. Mr. Atkinson replied the information (health statistics) is available to the citizens, state agencies and the federal government (by contract). He continued by asking if information is provided to private organizations, and is there a fee collected. Mr. Atkinson replied 48% of the total budget is collected through receipts, and a federal contract that pays for some of the staff and services. Representative Mitchell asked about the money received from the Robert Wood Johnson Foundation. Mr. Atkinson replied the Foundation provided a grant over a period of four years which

would expire in September, 1997. He noted these positions paid through grant money were limited to the time of the grant. Senator Horton felt the Center wasn't as productive as it could be and asked that this item be flagged.

Ms. Moon continued with an overview of the Division of Health Promotion. She reviewed the Division's mission and budget expenditures, a pie chart that shows sources of funding, a chart that compares fund sources (FY 1996-97 authorized versus FY 1997-98 recommended), a pie chart that shows expenditures by category, a chart that compares expenditures by category (FY 1996-97 authorized versus FY 1997-98 recommended), objectives of performance and outcome measures, an overview of the budget actions, proposed recommendations, and items for possible committee discussion (EHNR 215-226). Representative Mitchell asked about a grant to "Project Mecklenburg" (EHNR 223) in which Dr. Levine didn't know the details pertaining to the Project. Representative Weatherly asked if there were any funding requests for repairs. Ms. Moon replied that she could check to see if there were requests made that weren't funded. Regarding funds for public assistance, Senator Cochrane asked if $22 million was in addition to funds received from the private sector. Ms. Moon replied it is. She continued by asking if funds for breast cancer screening was for what the State pays. Ms. Moon replied the funds for breast cancer screening was for indigent patients.

Ms. Moon continued with an overview of the Office of the Chief Medical Examiner. She reviewed the Office's mission and budget expenditures, a pie chart that categorizes sources of funding, a pie chart that shows the expenditures by category, a chart that compares the expenditures by category from FY 1996-97 authorized versus FY 1997-98 recommended, objectives of performance and outcome measures, an over-view of budget actions, and proposed recommendations (EHNR 227-234). Concerning contracts pertaining to transportation, Representative Mitchell asked if local medical examiners and county coroners are locally funded. Ms. Moon replied they are locally funded but the State reimburses them for services provided by the State Medical Examiner's Office which Dr. John Butts, Director of the Office, further explained. Senator Horton asked how many autopsies are performed from the budget expenditures provided. Dr. Butts replied there are approximately 3,600 autopsies performed in the State. From that figure, 2,400 are performed by regional or contract pathologists, and 1,200 are performed at the Chief Medical Examiner's Office in Chapel Hill. He continued by explaining the expenditures cover transportation costs, billing and mailing services, and fees. Representative Owens asked if contract services are included in the number of the positions. Dr. Butts replied they are not included, and contract services are covered in the fees that the Office pays for regional pathologists. Representative Owens continued by asking about the technical position added in which Ms. Moon replied the number of positions shown didn't reflect the actual number of positions. Representative Weatherly asked what was the principal reason for performing autopsies. Dr. Butts replied the reason was to identify the cause of death, and to determine whether it was due to natural causes, a criminal act, violence, or trauma. Representative Mitchell asked about the role of physician's assistants in determining death. Dr. Butts explained some

counties utilize physicians' assistants and nurses as acting medical examiners which are trained in medical technology to handle such situations.

Ms. Moon concluded with an overview of the Division of Dental Health. She reviewed the Division's mission and budget expenditures, a pie chart that shows the sources of funding, a pie chart that shows expenditures by category, a chart that compares expenditures by category of FY 1996-97 authorized versus FY 1997-98 recommended, objectives of performance and outcome measures, an overview of budget actions, and proposed recommendations (EHNR 235-241). Representative Mitchell asked if the Division provided other services to school children. Ms. Moon replied that some services are provided but it is mostly preventive services that are provided. He continued by asking if all counties receive this service. Dr. Steve Cline, Director of the Division, replied that all counties receive this service which focuses on preventative issues to all students in Kindergarten and 5th grade. He further explained the students are assessed at this time, and recommended to a dentist in the area for further examination if needed. Representative Weatherly asked if the Division had been working with the Smart Start Program in which Dr. Cline replied they are.

The meeting adjourned at 3:45 p.m. to reconvene on Tuesday, March 18 at 8:30 a.m.

Respectfully submitted,

W. F. Mitchell

Representative Frank Mitchell
House Co-Chair

Susan Thomason

Susan Thomason
Clerk

Joint Appropriations Committee on
Natural and Economic Resources

March 17, 1997

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

   Department of Environment, Health, and Natural Resources

   Overview – Health Divisions
   Office of the State Health Director
   State Center for Health Statistics
   Division of Health Promotion
   Office of Chief Medical Examiner
   Division of Dental Health

      Mona Moon
      Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/17/97

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lee Devlin	DEHNR - DEH
Tony Beuts	DEHNR - DEHNR
Ron Levine	DEHNR
Jane Smith	DEHNR
Mary Lee	DEHNR
L. Rogers	DEHNR
Spelle Valtieri	OSBM
JW Reed	"
Johnny Gray	"
Barry Goldstein	DEHNR/OMCH
Alecia Levi L	DEHNR/OMCH
Joy Reed	DEHNR/OPHN
Laura Hartsell	
Malcolm Blalock	DEHNR / DEH
Jerry Perkins	DEHNR/DEH/ PWSS
Michael Moser	DEHNR/EPID
Steve Cline	DEHNR / Dental Health
BILL JETER	DEHNR/ENVIRONMENTAL HEALTH
PAT BECKWITH	PUBLIC HEALTH COMMUNICATION
ANNA TEFFT	OSBM
Delton Atkinson	DEHNR/SCHS
Barbara Fullen Smith	DEHNR/ OMH
Sherri Bra	DEHNR / DHP
Joe McCloos	N.C. Septic Tanks
Peter Andersen	DEHNR / Div. Health Promotion
Lou Turner	DEHNR / Lab Services
Wm G. McDowell	DEHNR - LAB SERVICES DIV

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/17/97

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ann Wolfe	DEHNR - DMCH
Barbara Sterrett	DEHNR / DMCH
Peggy Ryan	DEHNR / DMCH

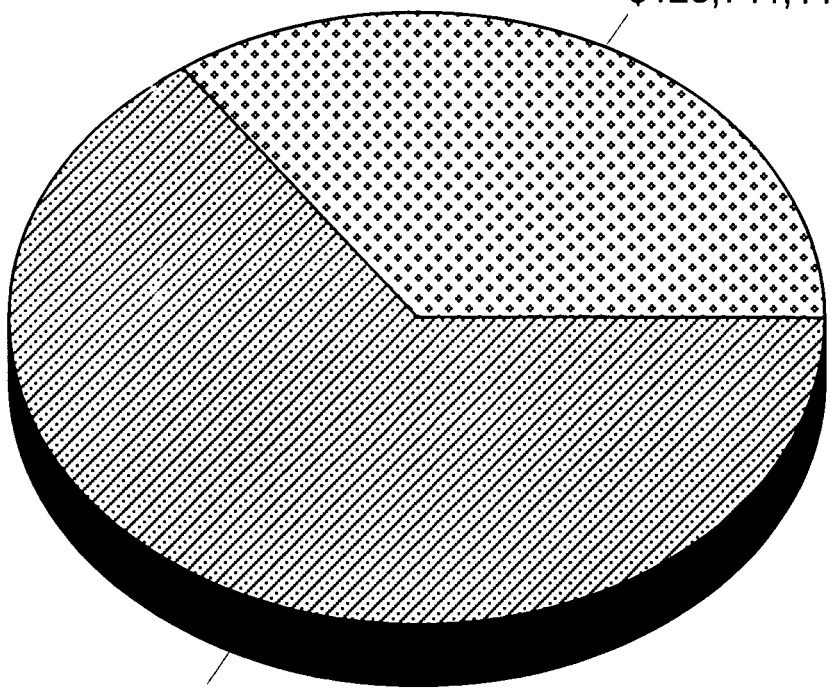
Environment, Health, and Natural Resources

EHNR-194

General Fund Appropriations vs. Receipts

1996-97 Authorized Budget

Total Requirements
$356,845,076

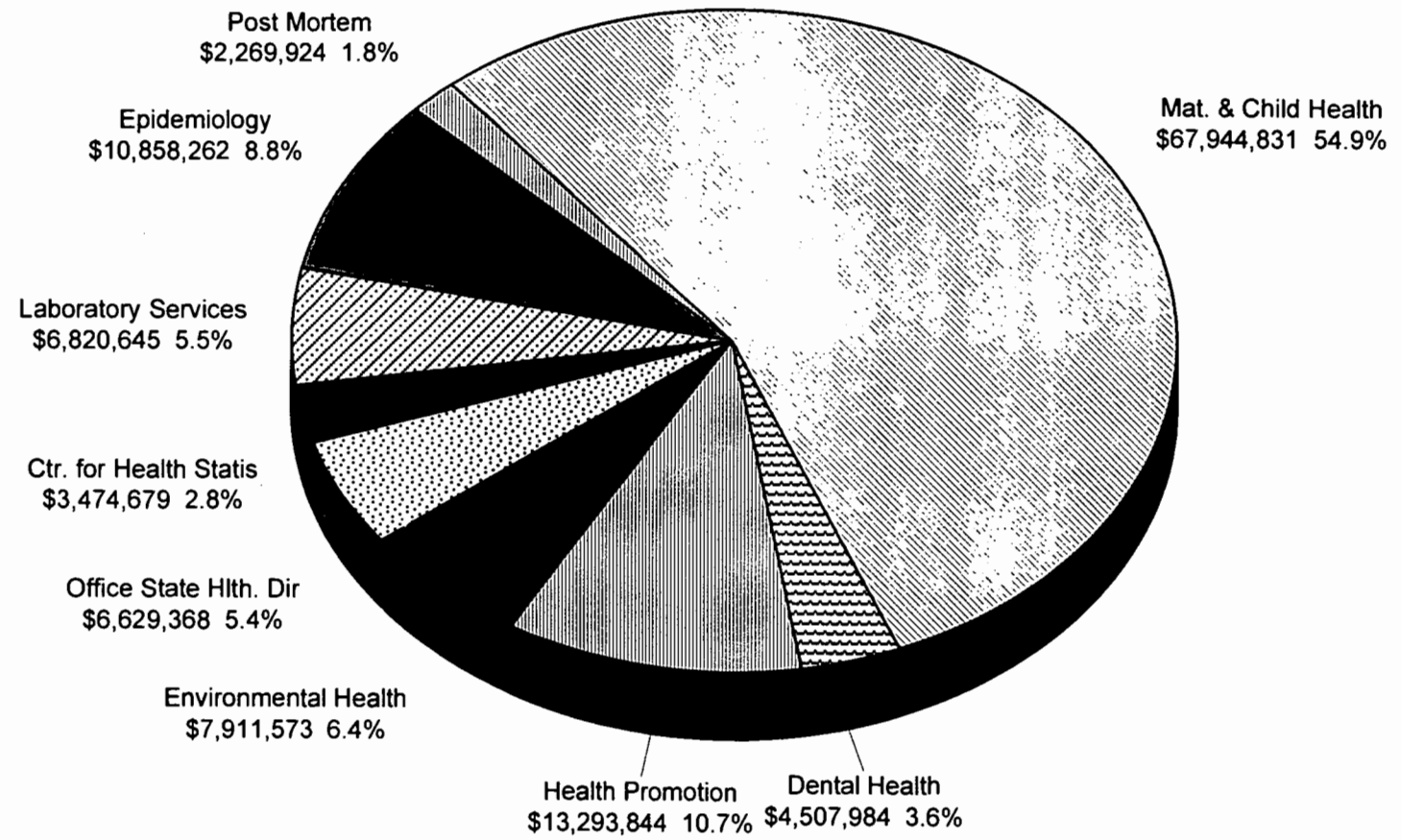


Health Programs

Fiscal Research Division March 1997

General Fund Appropriations
1996-97 Authorized Budget

EHNR-195



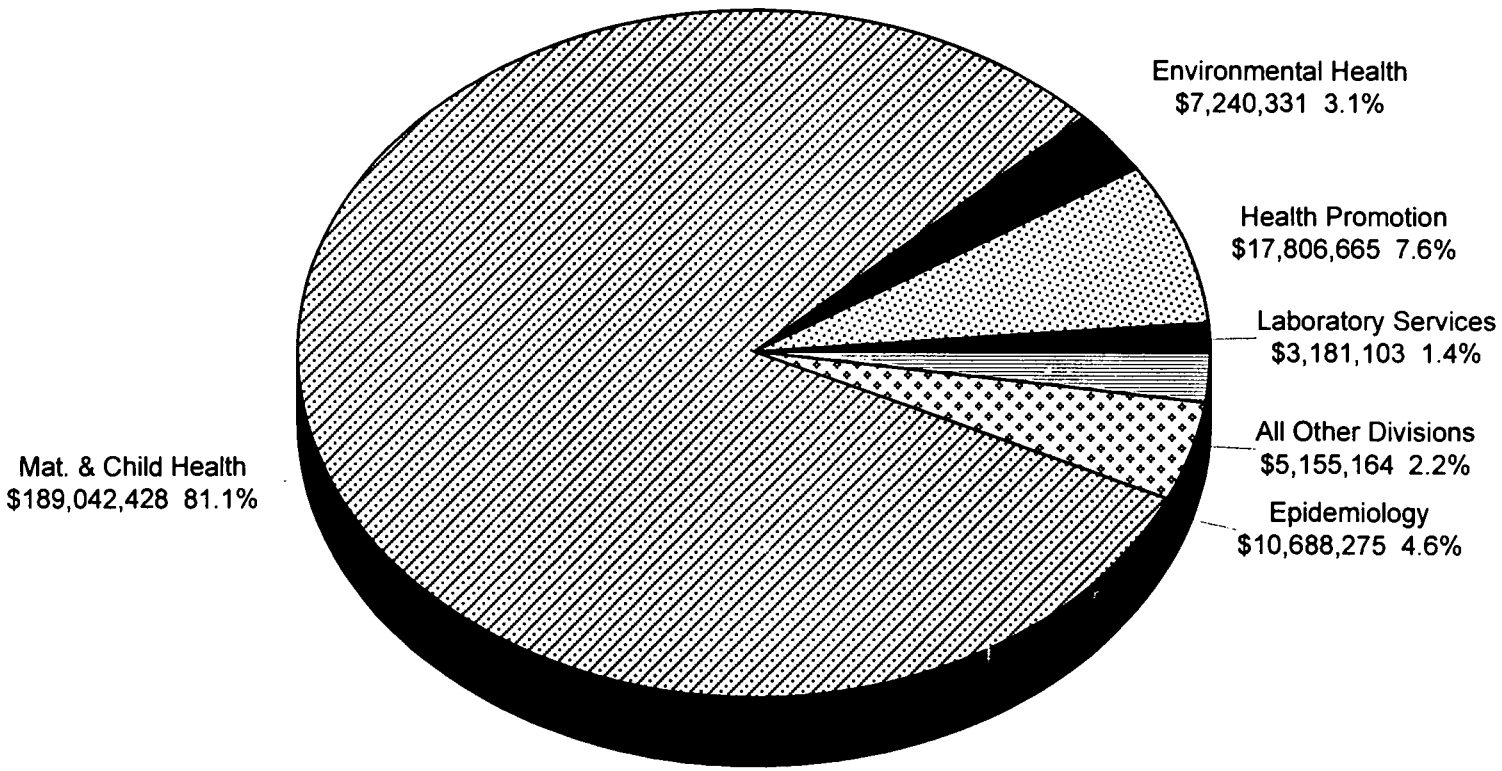
Health Programs By Division

Fiscal Research Division March 1997

EHNR-196

Receipts

1996-97 Authorized Budget



Health Programs By Division

Fiscal Research Division March 1997

EHNR-197

Transfer Public Health Functions

EHNR-198

N.C. State Budget, 1997-99:

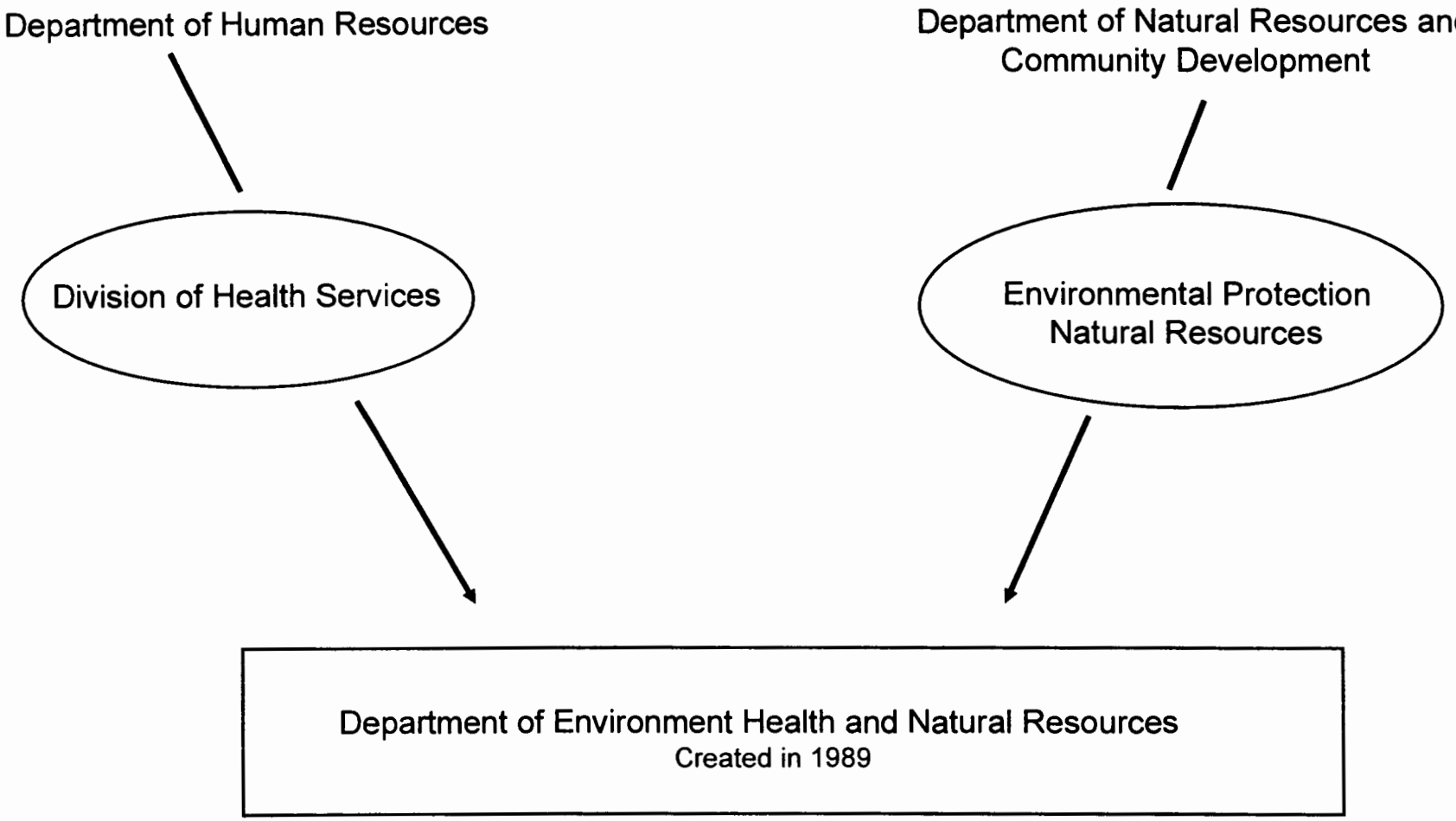
Special Recommendation

1. **Transfer Public Health Functions to the Department of Human Resources**

Cognizant of the immense importance of health status of North Carolina's citizens, it is recommended that Public Health functions currently residing in the Department of Environment, Health, and Natural Resources be combined with the health service and health care financing and regulatory responsibilities within the Department of Human Resources. The latter department will be charged with aligning all state efforts to promote, protect and preserve the health of all North Carolinians.

This action will enhance greatly the coherence and consistency of policies, statutes, rules and programs covering the entire health spectrum from the "core" public health functions (e.g. communicable disease control, environmental health, community health education, health statistics, etc.) to "hands-on" medical care (e.g. inpatient psychiatric care, developmental evaluation clinics, etc.), health care organizations and financing.

The effective date for implementation of this initiative will coincide with the beginning of the 1997-98 fiscal year.



Effort to Consolidate Environmental Programs

- Solid Waste Management
- Radiation Protection Services
- Regulation of Septic Tanks

EHNR-200

House Bill 478/Senate Bill 383

Health to DHR/DEHNR Name Change

- Transfers the powers and authority of the health divisions and the Commission for Health Services from the Department of Environment, Health and Natural Resources to the Department of Human Resources,

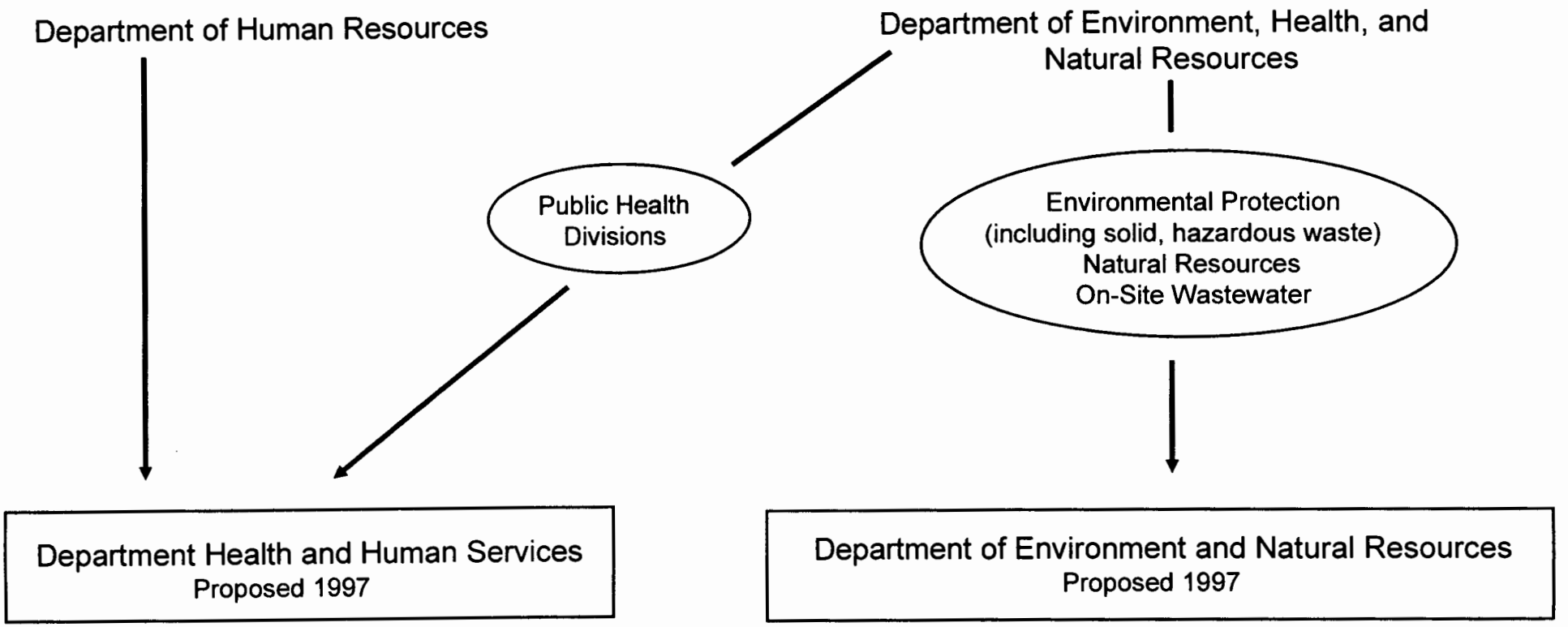
  except for the authority to regulate:

  1. solid waste
  2. hazardous waste management
  3. wastewater systems

- The new Department of Health and Human Services is required to report to the 1998 General Assembly on additional changes needed to implement the reorganization, including any changes requiring legislation.

- The new Department of Health and Human Services and the new Department of Environment and Natural Resources are required to enter into a Memorandum of Agreement to coordinate functions shared by the departments within 30 days of enactment.

EHNR-201



Effort to improve coordination and consistency of preventive programs, provision of health care services, financing and regulatory responsibilities.

Effort to maintain coordination of environmental programs.

EHNR - 202

Reorganization Issues

- Maintaining Coordination of Effort

  particularly with respect to water programs

- Regulatory Authority and Governance

  Commission for Health Services – solid waste and on-site wastewater

- Resource Allocation

  Administrative Functions and Support
  Programmatic Efforts

Department of Environment, Health, and Natural Resources

Office of the State Health Director

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized January	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	72,913,050	8,702,363	7,796,149	7,753,562	-0.5%	7,754,516	-0.5%
Less Receipts	(65,969,586)	(1,806,159)	(1,166,781)	(1,158,142)	-0.7%	(1,158,142)	-0.7%
State Appropriations	*6,943,464*	*6,896,204*	*6,629,368*	*6,595,420*	-0.5%	*6,596,374*	-0.5%
Positions	37.00	27.75	27.75	27.75		27.75	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

- Local Health Services – provides consultative and technical assistance to local health departments in the areas of Medicaid reimbursement and administration of aid-to-county funds.
- Minority Health – develops policy and supports programs to improve the health status of racial and ethnic minorities.
- Public Health Communications – supports the multimedia production and media training needs for the health divisions and local health departments.
- Public Health Nursing – promotes professional standards, offers educational activities, provides resource materials for state and local public health nurses and manages public health-related distance learning experiences.

Cross References For Budget Volumes

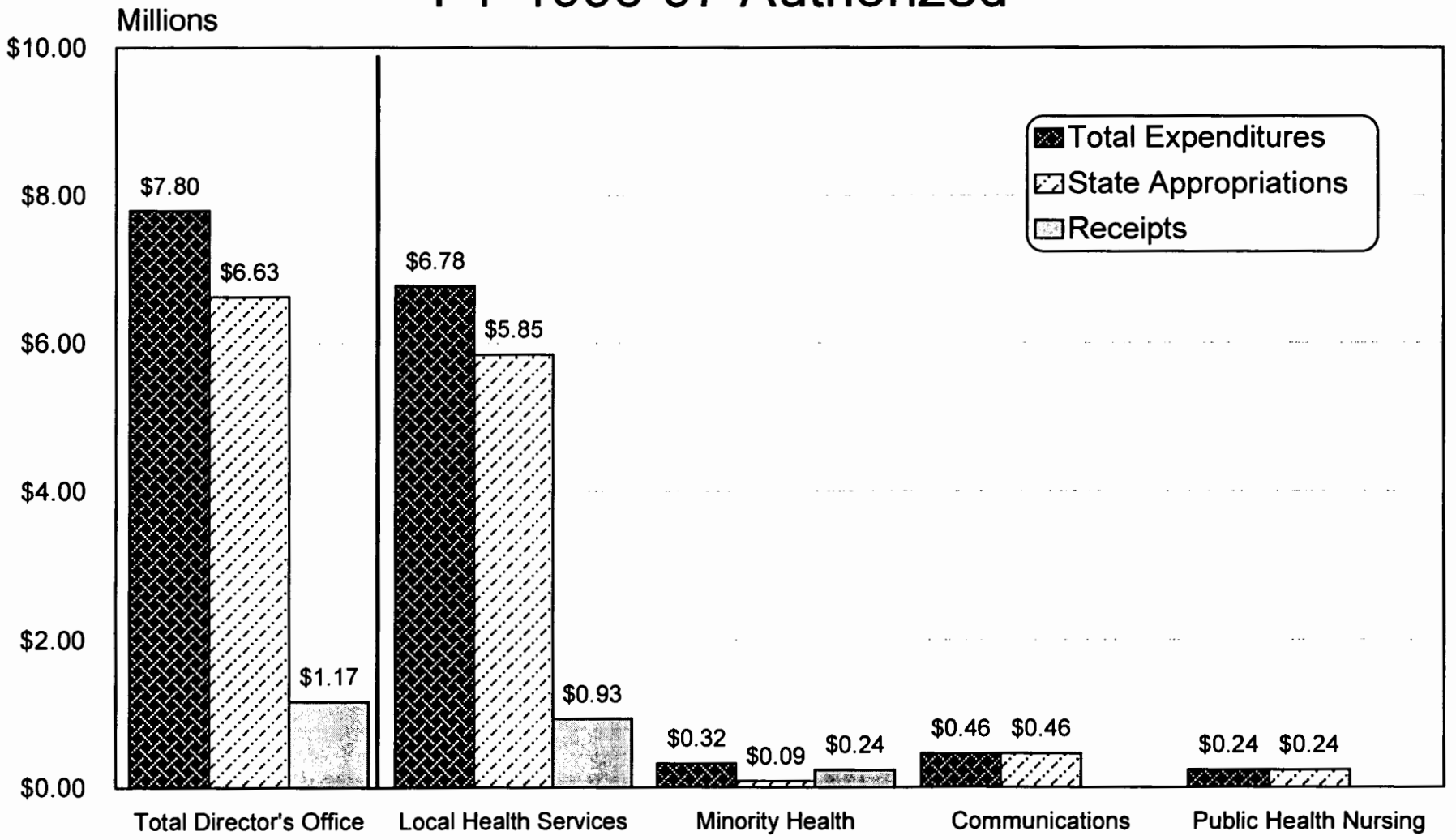
Governor's Budget, Volume 5, pp. Y-62 to Y-64; Y-67 to Y-70
Performance/Program Analysis, Volume 7A, pp. 1-191 to 1-193

Office of the State Health Director

EHNR-204

Expenditures by Program

FY 1996-97 Authorized



Fiscal Research Division -- March 1997

EHNR-205

OFFICE OF THE STATE HEALTH DIRECTOR
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97
Reduce Supplies and Equipment (LHS/PHN)	($2,104)	($2,104)
Reduce Contracts to Educational Institutions (LHS)		($2,441)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

The Office of Public Health Nursing received $271,400 for FY 1996-97 from the Reserve for Repairs and Renovations to renovate the Public Health Nursing Training Center.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $34,594

Incorporates the offices' share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $25,955 in state appropriations and $8,639 in receipts.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS | **FY 1997-98** | **FY 1998-99**

None

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for these programs.

Items for Possible Committee Discussion

None

Department of Environment, Health, and Natural Resources

State Center for Health Statistics *							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	5,056,273	5,967,859	6,669,216	6,375,854	-4.4%	6,378,103	-4.4%
Less Receipts	(2,154,167)	(2,848,019)	(3,194,537)	(3,027,552)	-5.2%	(3,027,552)	-5.2%
Cash Balance +/-	(26,395)	60,058	-	-		-	
State Appropriations	*2,875,711*	*3,179,898*	*3,474,679*	*3,348,302*	-3.6%	*3,350,551*	-3.6%
Positions	135.80	137.80	134.80	134.80		134.80	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

** formerly the State Center for Health and Environmental Statistics*

DIVISION ACTIVITIES

The State Center for Health Statistics is responsible for developing, maintaining and disseminating information and statistics on the health status of North Carolinians; evaluating and reporting on the impact of health-related programs and services; assisting state and local agencies in assessing and monitoring health, and administering the state's vital records functions.

Cross References For Budget Volumes

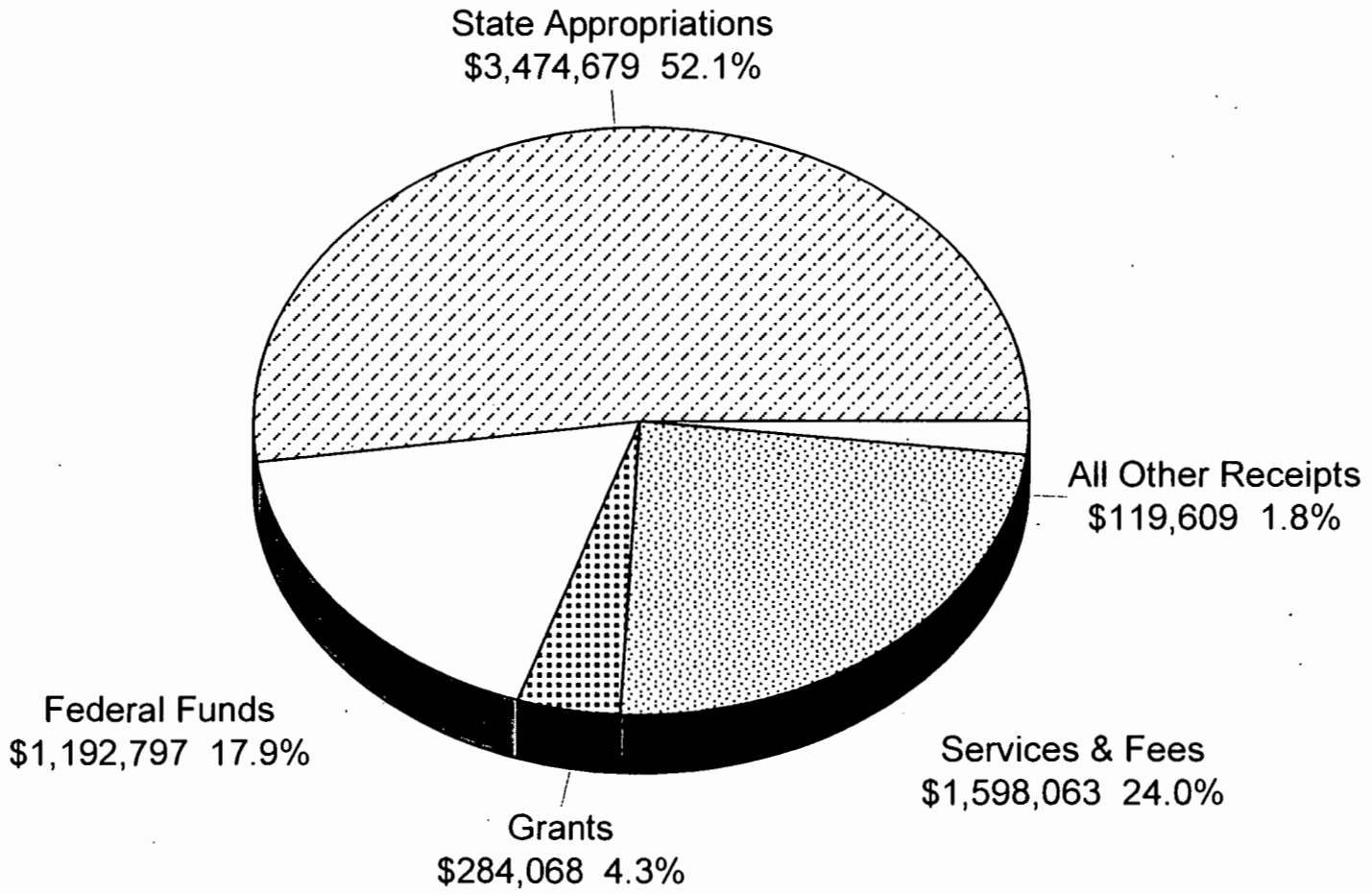
Governor's Budget, Volume 5, pp. Y-19; Y-83; Y-209
Performance/Program Analysis, Volume 7A, pp. 1-97 to 1-105

EHNR- 208

State Center for Health Statistics

Sources of Funding

FY 1996-97 Authorized



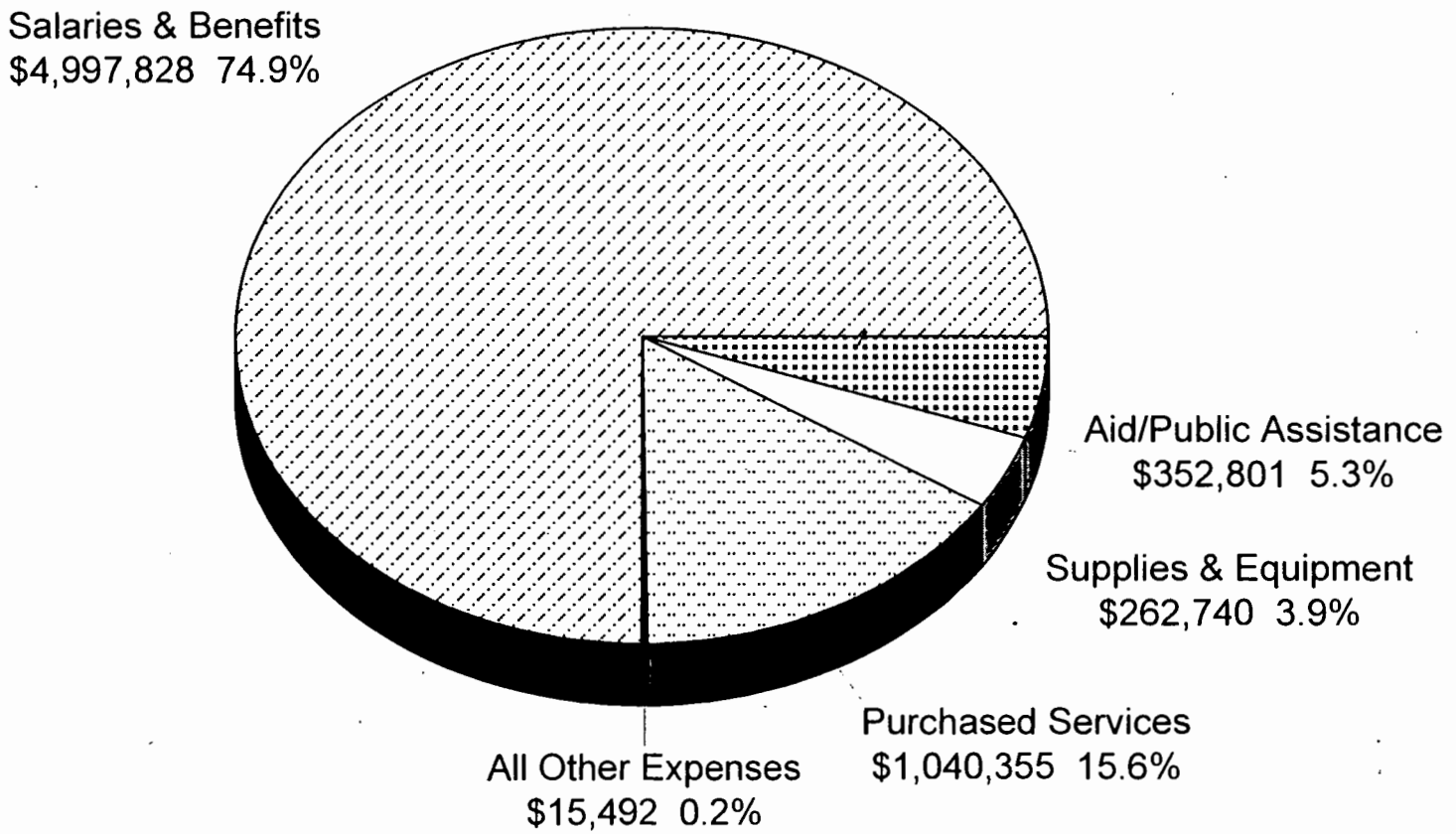
Fiscal Research Division -- March 1997

EHNR- 209

State Center for Health Statistics

Expenditures by Category

FY 1996-97 Authorized



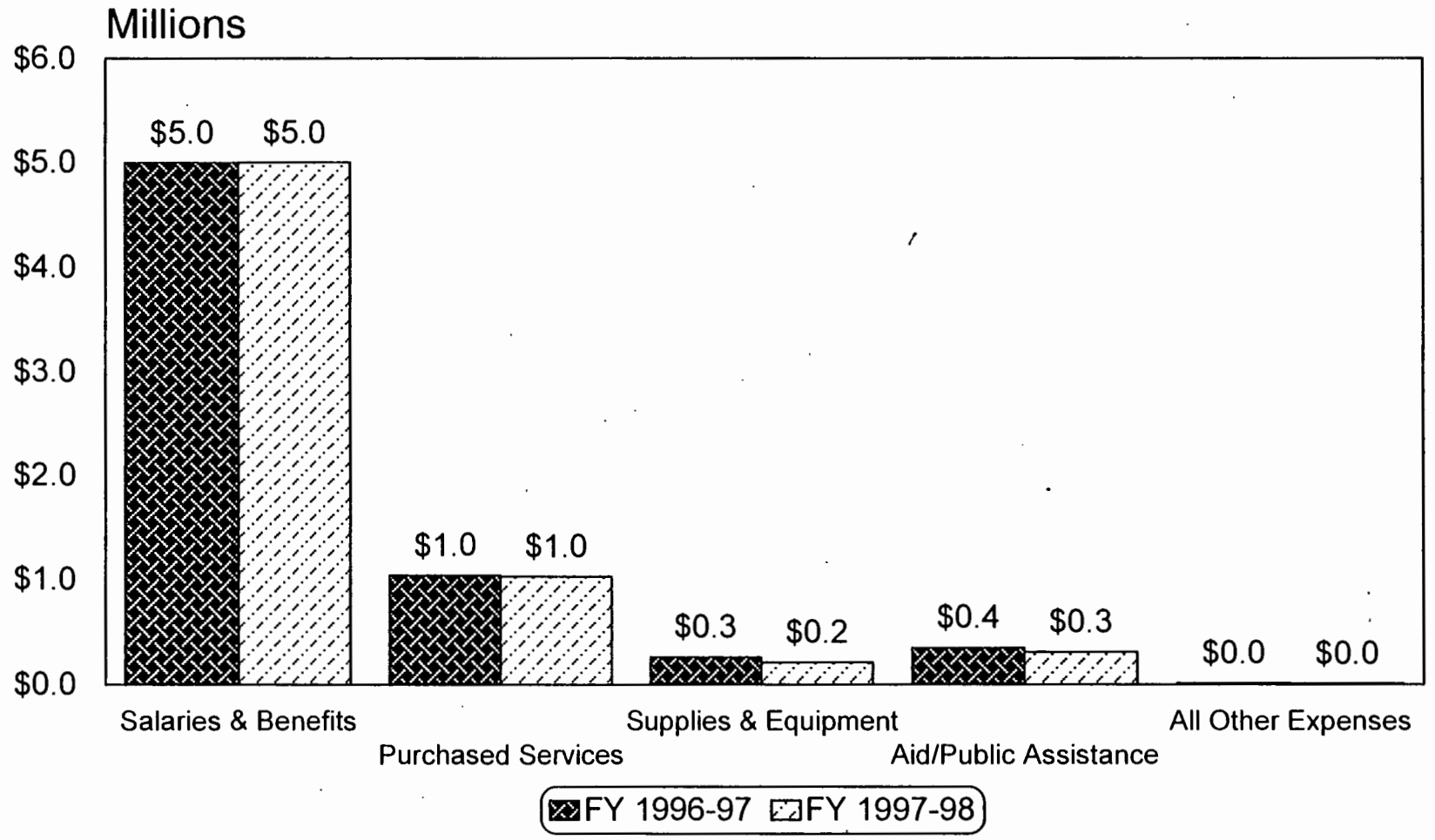
Fiscal Research Division -- March 1997

State Center for Health Statistics

EHNR-210

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

Objective 1: Improve the collection, registration, and issuance of the state's vital records, including births, deaths, abortions, marriages, and divorces/annulments.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of copies of vital records/certificates provided to individuals within fivedays	n/a	n/a	n/a	n/a	n/a	*85%*	*90%*	*90%*
Performance Measures:								
Percent of vital events registered within the required time (5 days)	n/a	n/a	50%	47%	59%	*60%*	*65%*	*65%*
Copies of vital certificates provided	n/a	77,179	89,093	71,329	75,516	*75,000*	*75,000*	*75,000*

Current Situation:

Funds:

4300 EHNR
1465 Vital Records

4300 EHNR
2410 Vital Records Automation Fund

Objective 2: Facilitate health decision making, health program evaluation, and health research through the documentation, dissemination and analysis of information on health status, health problems, and health services.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of statistical and other requests answered by the State Center for Health Statistics (SCHS)	4,579	4,589	5,545	6,672	6,169	*6,000*	*6,000*	*6,000*
Performance Measures:								
Number of GIS (Geographic Information System) requests answered	n/a	77	91	116	94	*90*	*85*	*80*
Number special studies completed by SCHS	12	5	14	15	5	*10*	*10*	*10*
Number of major publications produced by the SCHS	10	8	10	9	10	*9*	*10*	*9*

Current Situation:

Funds:

4300 EHNR
1160 State Center for Health Statistics

4300 EHNR
1465 Vital Records

4300 EHNR
2410 Vital Records Automation

EHNR-213

STATE CENTER FOR HEALTH STATISTICS
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97
Eliminate statistician assigned to the Environmental Indicators Report.	($39,628) -1.0	($39,628) -1.0

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

Central Cancer Registry Funds for the collection, analysis and dissemination of information on the treatment and follow-up of diagnosed cancer.	$250,000 4.0	$250,000 4.0

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Center in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $154,748

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $128,664 in state appropriations and $26,084 in receipts.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS

FY 1997-98 FY 1998-99

None

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the State Center for Health Statistics.

Items for Possible Committee Discussion

1. Central Cancer Registry

In 1995 the General Assembly appropriated funds to expand the Central Cancer Registry to include data and information related to the treatment and follow-up of diagnosed cancer, in addition to information collected by the state on the incidence of cancer. The committee may wish to have the Center provide an update on the implementation of these expansion funds.

2. Health Policy Information Program

North Carolina is one of seven states to receive funding through the Robert Wood Johnson Foundation to establish a Health Policy Information Program. The program seeks to enhance and improve the dissemination and marketing of health data for use in policy formulation; to expand policy-relevant information in the areas of child health and long-term care and to evaluate the state's health policy and information needs. The committee may wish to have the Center explain the role of the program in providing information to policy and decision makers, as well as discuss plans to support this program in the future.

Division of Health Promotion *							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	25,772,091	28,075,156	31,100,509	27,378,033	-12.0%	27,385,274	-11.9%
Less Receipts	(13,551,213)	(15,770,680)	(17,806,665)	(13,964,979)	-21.6%	(13,964,979)	-21.6%
State Appropriations	*12,220,878*	*12,304,476*	*13,293,844*	*13,413,054*	0.9%	*13,420,295*	1.0%
Positions	94.50	103.45	97.95	97.95		97.95	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

** formerly the Division of Adult Health Promotion*

DIVISION ACTIVITIES

The Division of Health Promotion seeks to improve the health of North Carolinians by administering prevention and health care treatment programs in the following areas: cancer prevention and control; heart disease and stroke prevention; diabetes; medical care, pharmaceuticals and support services for patients with epilepsy, cancer, kidney disease, and AIDS; home health services, and migrant and refugee health assessments.

Cross References For Budget Volumes

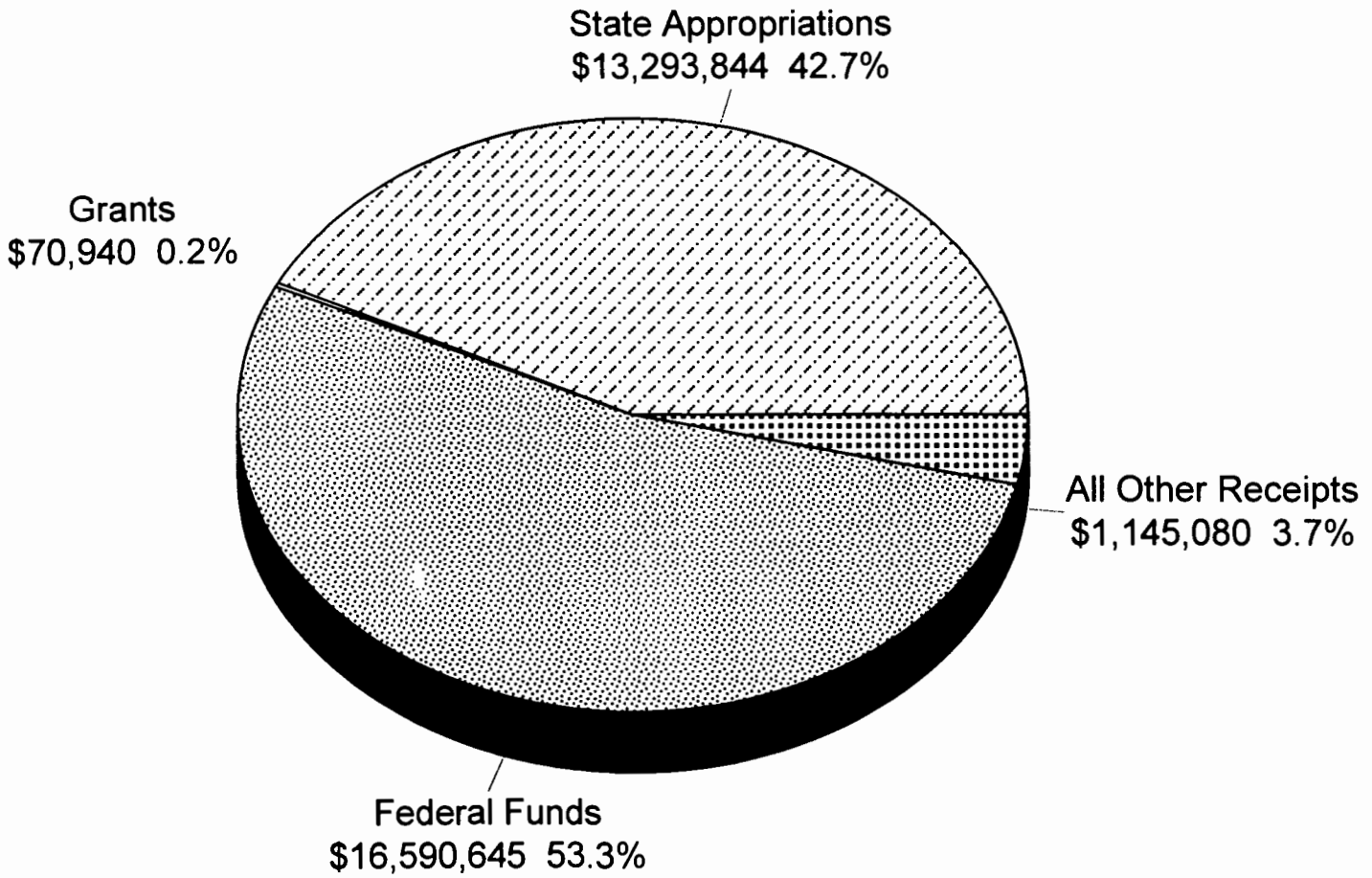
Governor's Budget, Volume 5, pp. Y-116 to Y-124
Performance/Program Analysis, Volume 7A, pp. 1-29 to 1-34

Division of Health Promotion

EHNR-216

Sources of Funding

FY 1996-97 Authorized



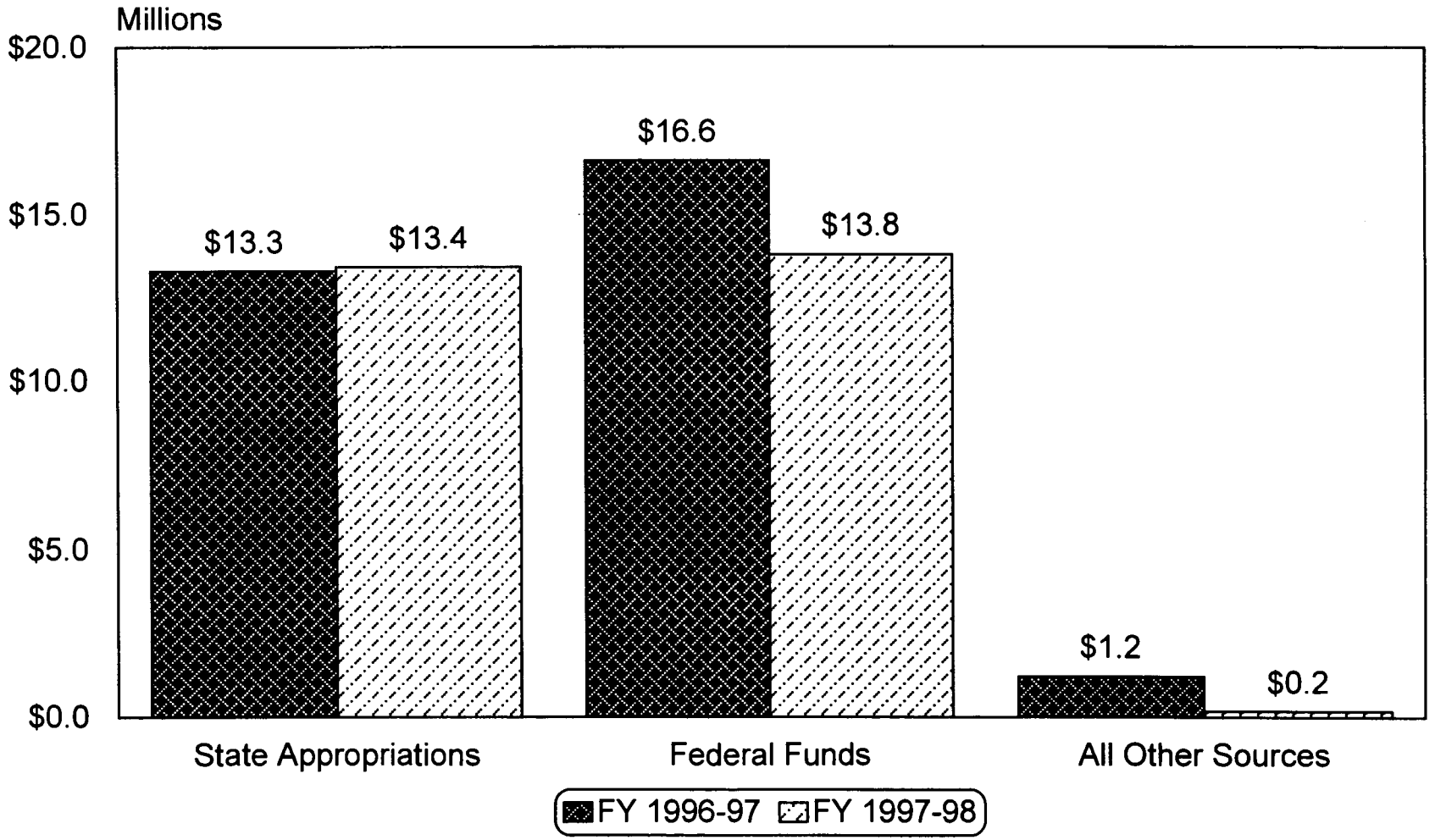
Fiscal Research Division -- March 1997

EHNR- 217

Division of Health Promotion

Comparison of Fund Sources

FY 1996-97 Authorized vs. FY 1997-98 Recommended



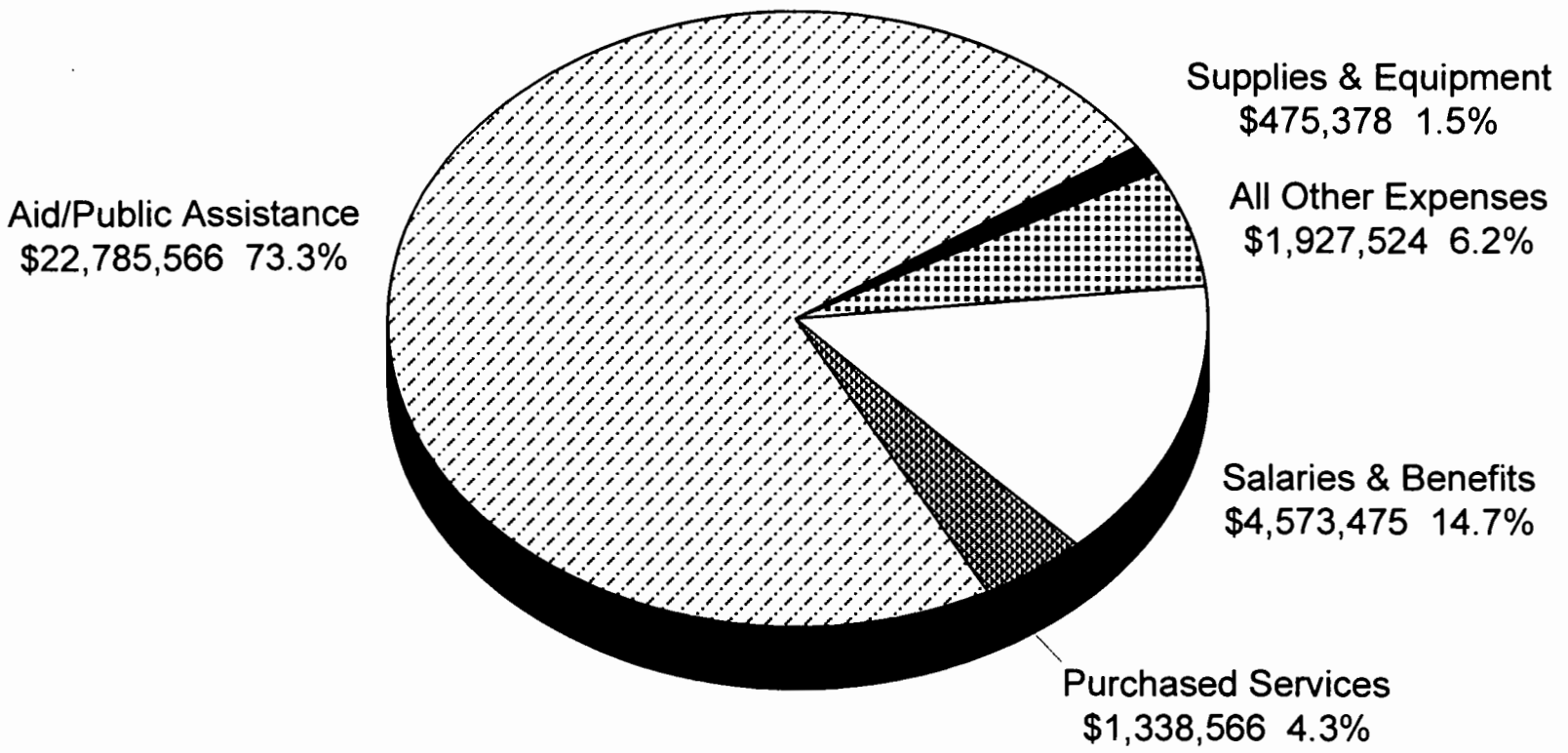
Fiscal Research Division March 1997

Division of Health Promotion

ETHNR - 218

Expenditures by Category

FY 1996-97 Authorized



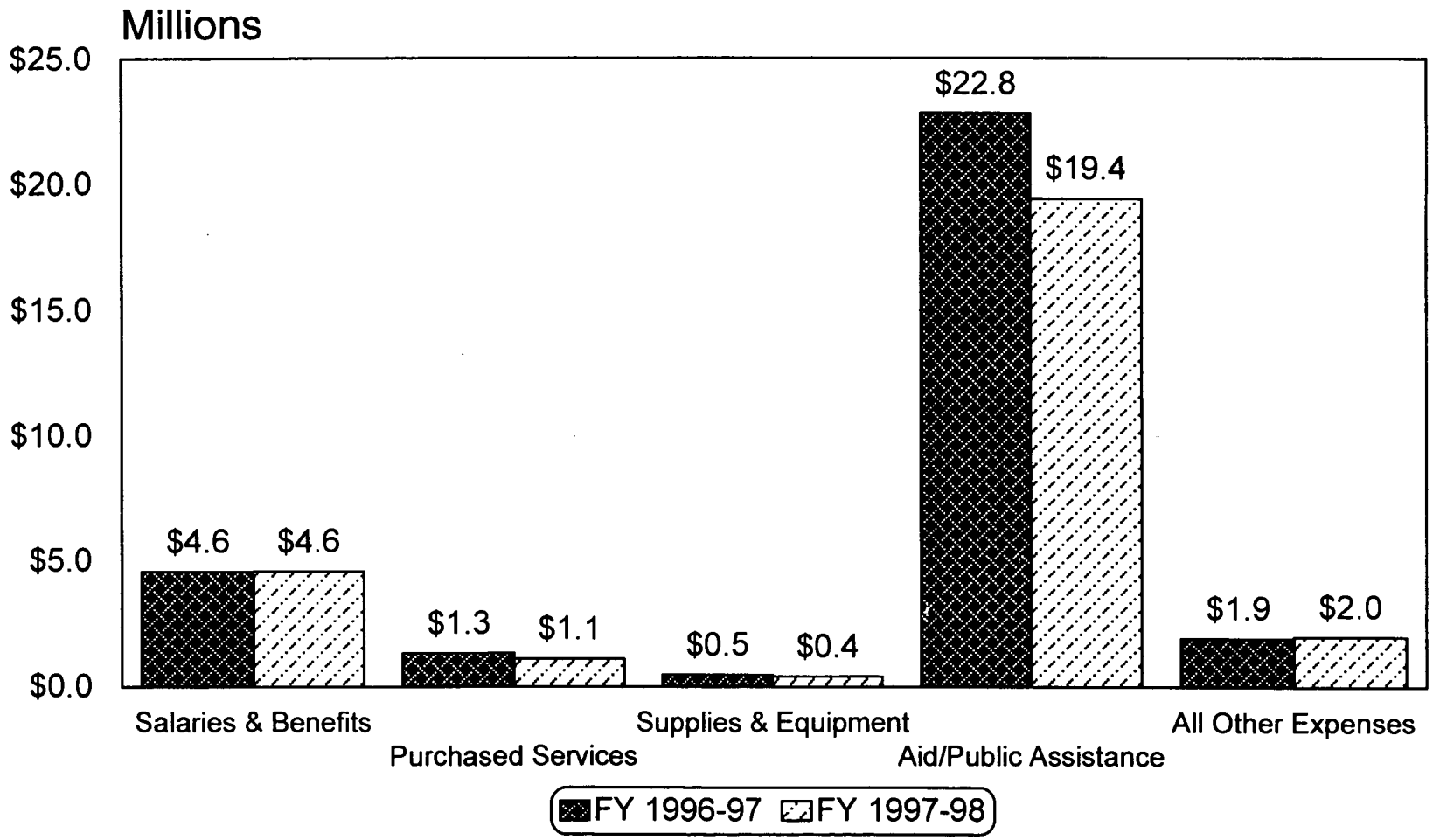
Fiscal Research Division -- March 1997

EHNR-219

Division of Health Promotion

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

Objective 1: Reduce coronary heart disease mortality to no more than 215 per 100,000 people by the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	Estimated 1996-97	Expected 1997-98	Expected 1998-99
Outcome Measures:								
Rate of death from heart disease per 100,000 (age, race and sex adjusted)	246.2	241.8	234.2	227.7	n/a	*225.0*	*223.0*	*220.0*
Performance Measures:								
Percent of adults who are current smokers	23.9%	26.3%	25.8%	27.7%	n/a	*27.0%*	*25.0%*	*23.0%*
Percent of adults who do not exercise regularly	61.0%	60.4%	n/a	70.0%	n/a	*82.0%*	*80.0%*	*70.0%*
Percent of adults who have had cholesterol checked within past 5 years	33.1%	68.2%	66.5%	n/a	n/a	*66.0%*	*69.0%*	*72.0%*
Percent of adults who are significantly overweight (greater than 120% of ideal body weight)	27.0%	28.4%	31.5%	33.2%	n/a	*26.0%*	*24.0%*	*24.0%*
Number of health departments providing the following services to at risk groups--heart attack, stroke, high blood pressure	87	86	86	86	86	*86*	*86*	*86*

Current Situation:

Funds:

4300 EHNR
1545 Chronic Diseases
1550 Adult Health Promotion
1555 Adult Health Care

Objective 2: Reduce cancer deaths to no more than 174 per 100,000 people by the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Rate of death from cancer per 100,000 (age, race and sex adjusted):	175.7	178.5	178.7	178.4	n/a	*178.0*	*177.0*	*176.0*
• lung cancer	52.3	53.4	53.9	54.3	n/a	*54.0*	*54.0*	*54.0*
• breast cancer	28.8	29.2	29.1	29.1	n/a	*28.0*	*28.0*	*27.5*
• cervical cancer	4.0	4.1	3.8	3.8	n/a	*3.7*	*3.7*	*3.6*
Performance Measures:								
Indigent patients served who are suspected of having cancer	1,200	1,278	1,400	1,717	2,230	*2,900*	*2,500*	*2,500*
Number of women given breast cancer screening	n/a	903	9,000	11,094	14,597	*13,000*	*15,000*	*15,000*
Percent of adults who do not exercise regularly	61.0%	60.4%	n/a	70.0%	n/a	*82.0%*	*80.0%*	*70.0%*
Number of health departments providing the following services to at risk groups--heart attack, stroke, high blood pressure	87	86	86	86	86	*86*	*86*	*86*

Current Situation:

Funds:

4300 EHNR
1545 Chronic Diseases
1550 Adult Health Promotion
1555 Adult Health Care

Objective 4: Reduce diabetes mortality to no more than 17.7 per 100,000 people by the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Rate of death from diabetes per 100,000 (age, race and sex adjusted)	17.4	18.4	18.6	18.7	n/a	*18.5*	*18.0*	*17.8*
Performance Measures:								
Number eligible kidney patients receiving assistance for dialysis services	65	69	72	75	84	*86*	*90*	*90*
Number of eligible kidney patients receiving assistance for pharmaceutical services	2,737	2,923	2,925	2,915	2,895	*2,900*	*2,900*	*2,900*
Percent of adults who do not exercise regularly	61.0%	60.4%	n/a	70.0%	n/a	*82.0%*	*80.0%*	*70.0%*

Current Situation:

Funds:

4300 EHNR
1545 Chronic Diseases
1550 Adult Health Promotion
1555 Adult Health Care

DIVISION OF HEALTH PROMOTION
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97
1. Eliminate 4 positions and shift 1.27 to federal funds.	($236,681) -5.27	($236,681) -5.27
2. Eliminate arthritis program.	($164,378)	($164,378)
3. Reduce aid to home health agencies.	($317,822)	($317,822)
4. Reduce contracts to educational institutions.		($34,617)
SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS		
1. Heart Disease & Stroke Prevention Task Force	$100,000 2.0	$100,000 2.0
2. State Games of North Carolina	$150,000 NR	$150,000 NR
3. Grant to private local project providing arthritis services to patients in Mecklenburg County.	$15,000 NR	$15,000 NR

	FY 1995-96	FY 1996-97
4. Pharmaceuticals to treat opportunistic infections associated with AIDS.	$100,000 NR	
5. Pharmaceuticals for medically indigent, non-Medicaid eligible persons infected with the human immunodeficiency virus. (691)		$400,000 NR

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Division of Health Promotion in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $132,501

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $57,196 in state appropriations and $75,305 in receipts.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS	FY 1997-98	FY 1998-99
1. Allowed inflationary adjustment for physician services.	$153,224	$157,776
2. Allowed inflationary adjustment for pharmaceuticals.	$20,902	$21,037
3. Eliminate nonrecurring items from continuation budget.	($165,000)	($165,000)

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Health Promotion.

Items for Possible Committee Discussion

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1. Advisory Council on Cancer Coordination and Control

The Advisory Committee on Cancer Coordination and Control was created by the General Assembly in 1993 to develop and recommend a comprehensive cancer control plan for the state. In June of 1996, the committee submitted a five year plan to serve as a working guide for action. The 1996-2001 Cancer Control Plan focuses on coordination and advancement of proven cancer control strategies in the areas of prevention, early detection and the provision of adequate care. For each strategy proposed, the committee has identified a primary or lead agency to coordinate efforts. The committee may wish to have the Advisory Council discuss plans to implement recommended strategies.

2. Heart Disease and Stroke Prevention Task Force

In 1995 the General Assembly established the Heart Disease and Stroke Prevention Task Force to develop a statewide comprehensive plan identifying strategies to prevent and control risks for heart disease and stroke. The task force was required to submit an interim report within the first week of the convening of the 1997 General Assembly and is to submit a final report by October 1, 1997. The committee may wish to have the Task Force provide an update on their progress and recommendations to date.

Bills have been introduced in both the House and the Senate to extend the Task Force and require a final report by June 30, 1999.

Department of Environment, Health, and Natural Resources

Division of Postmortem Medicolegal Examination
Office of the Chief Medical Examiner

			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	2,784,046	2,687,754	2,688,074	2,873,806	6.9%	2,688,470	0.0%
Less Receipts	(590,244)	(376,031)	(418,150)	(418,150)	0.0%	(418,150)	0.0%
State Appropriations	*2,193,802*	*2,311,723*	*2,269,924*	*2,455,656*	8.2%	*2,270,320*	0.0%
Positions	28.10	28.30	28.30	28.30		28.30	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The Division is responsible for overseeing the operation of the North Carolina Medical Examiner System to investigate and certify deaths within the state that are unattended, suspicious or the result of violence.

- medical death investigations
- autopsies
- toxicological testing
- data collection and reporting
- Child Fatality Prevention Team

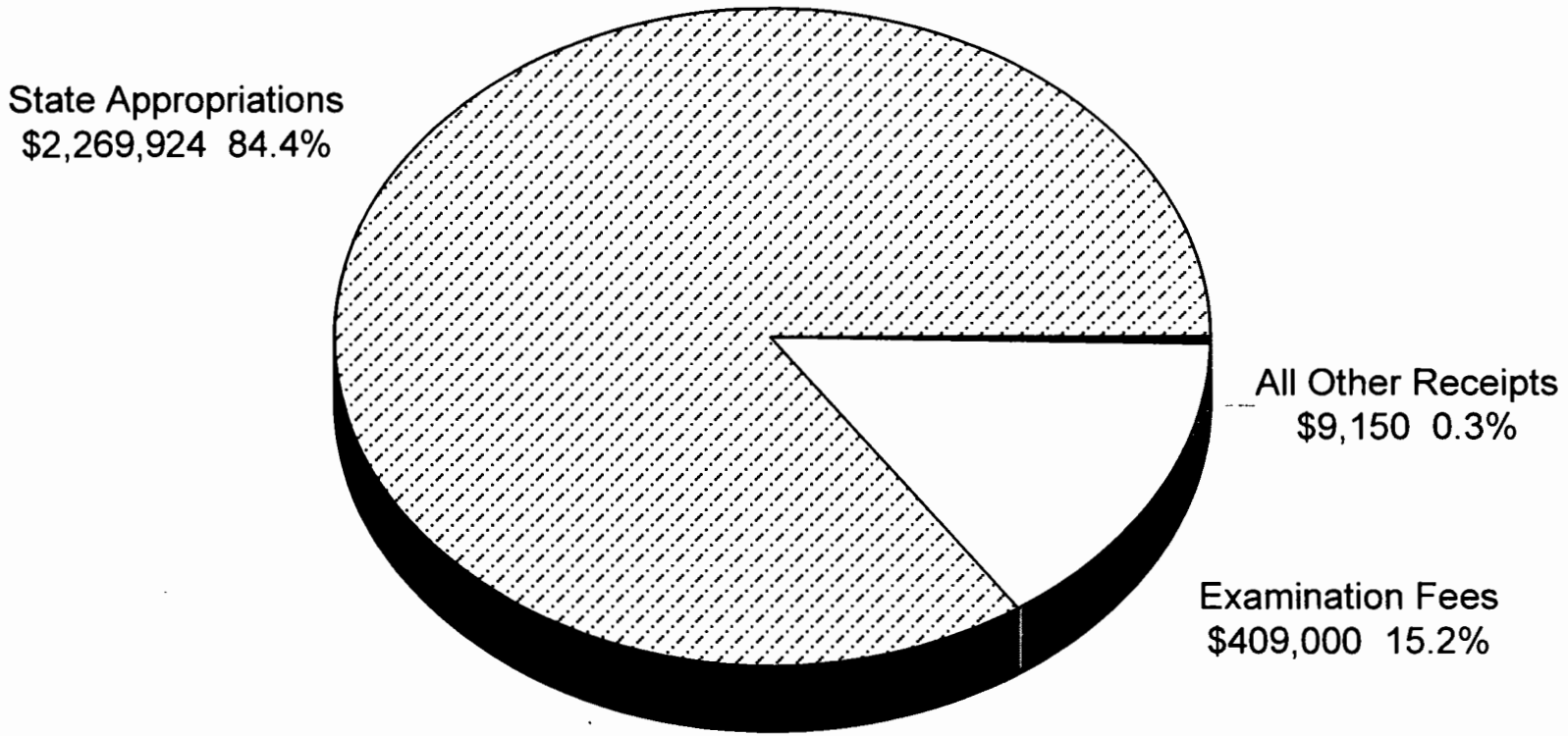
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Y-65 to Y-67
Performance/Program Analysis, Volume 7A, pp. 1-97 to 1-105

Division of Postmortem Medicolegal Examination

Sources of Funding

FY 1996-97 Authorized

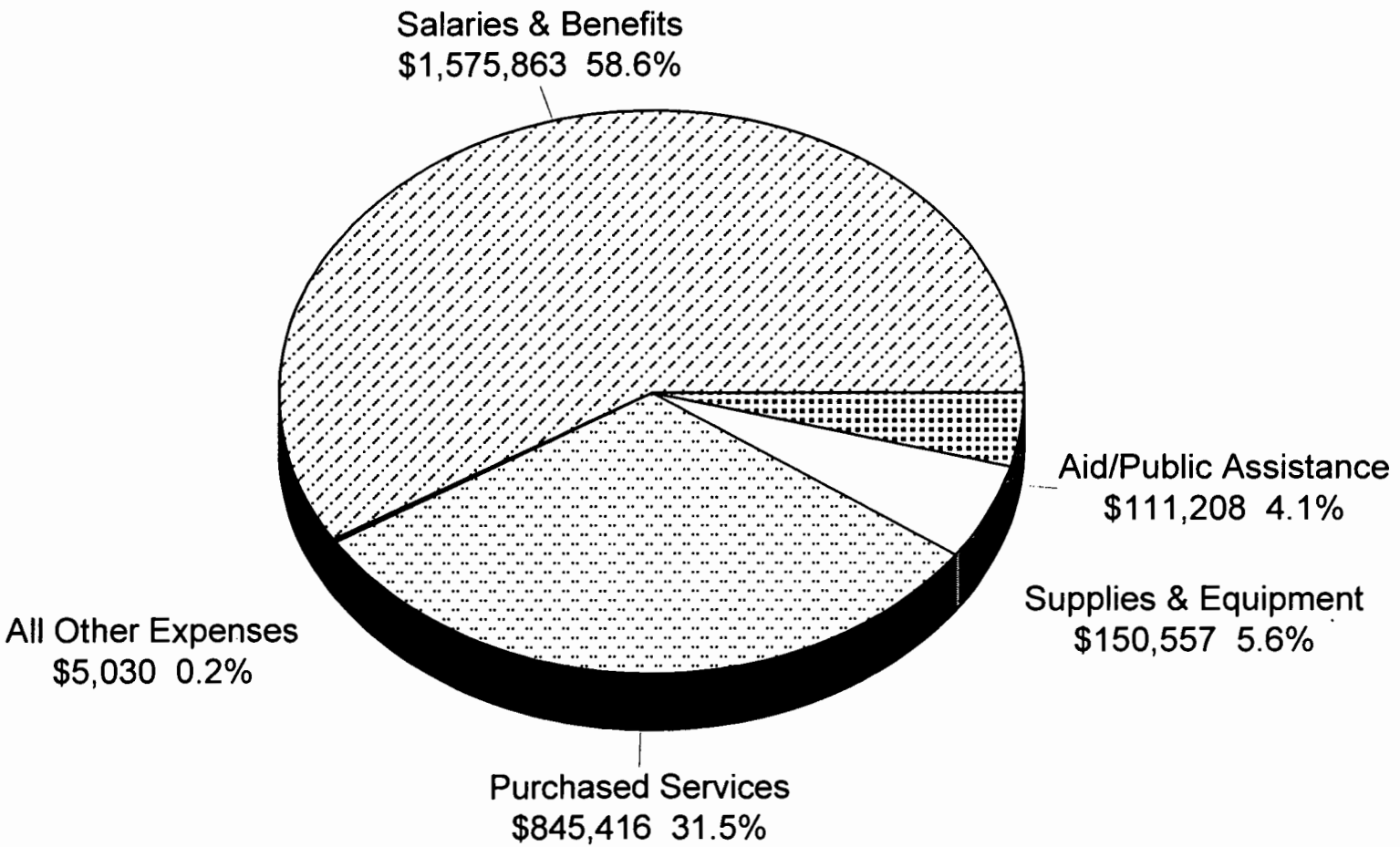


Fiscal Research Division -- March 1997

Division of Postmortem Medicolegal Examination

Expenditures by Category

FY 1996-97 Authorized

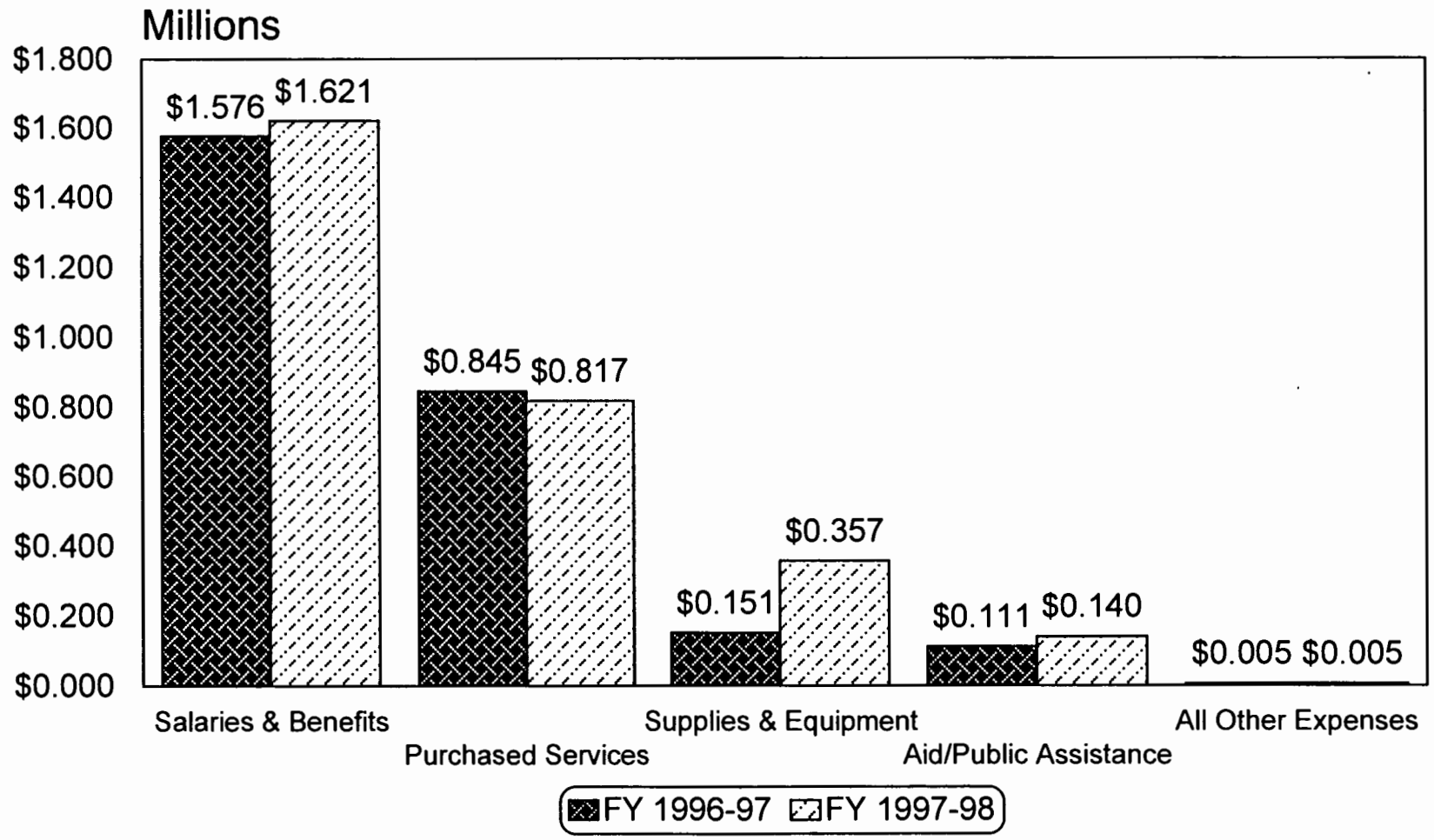


Fiscal Research Division -- March 1997

Division of Postmortem Medicolegal Examination

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

Objective 4: Maintain the timely and competent medical/legal investigation, certification and reporting of all deaths due to 1) violence (homicide, suicide, accident); 2) sudden, unexpected or suspicious means; or 3)not medically attended.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of deaths that should have been reported, investigated, and certified but were not (*The State Medical Examiner's Office is working with the State Center for Health Statistics to compile data for this measure)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Number of medical/legal death investigations performed by the statewide medical examiner system	8402	8,443	8,552	8,558	8,447	*8,447*	*8,447*	*8,447*
Number of toxicology tests to detect and quantitate the presence of drugs and poisons performed by the Office of the Chief Medical Examiner	7,731	8,443	12,916	12,882	14,470	*14,470*	*14,470*	*14,470*
Number of copies of completed medical examiner investigation, autopsy and toxicology reports provided to the public by the Office of the Chief Medical Examiner	n/a	n/a	32,757	34,394	36,806	*36,806*	*36,806*	*36,806*
Number of data and statistical requests responded to by the Office of the Chief Medical Examiner	n/a	n/a	n/a	n/a	n/a	*30*	*40*	*50*

Current Situation:

Funds:

4300 EHNR
1420 State Medical Examiner

DIVISION OF POSTMORTEM MEDICOLEGAL EXAMINATION
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97
Reduce Supplies and Equipment	($13,234)	($13,234)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the division in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $54,770

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with state appropriations.

Establish Evidence Technician Position $29,283

Funds budgeted for contracted personal services were used to establish an evidence technician position in the toxicology laboratory. The technician is responsible for recording and preparing blood and tissue specimens for testing and maintaining the proper chain of custody for specimens submitted to the state forensic toxicology laboratory. Previously the division used private laboratories to perform tests they felt should be completed by state chemists, and employed contract personnel to perform the duties of the evidence technician. The annual cost of analyses performed by private laboratories is approximately $13,000. The division expects to maintain this level of outsourcing. The annual cost of contract personnel employed prior to the creation of this position was $24,000.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS	FY 1997-98	FY 1998-99
1. Increase to replace outdated medical and laboratory equipment used to provide medical examination services, particularly in assisting law enforcement and criminal justice agencies.	$199,900	
2. Increase funding for state-county cooperative services agreement to pay for increased contractor costs associated with provision of examination services.	$28,792	$38,792
3. Allowed inflationary increase for drug and scientific supplies.	$6,077	$9,227

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the division.

Items for Possible Committee Discussion

None

Department of Environment, Health, and Natural Resources

Division of Dental Health

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized Janurary	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	4,458,124	4,503,942	4,883,680	4,725,759	-3.2%	4,736,834	-3.0%
Less Receipts	(418,092)	(437,422)	(375,696)	(315,125)	-16.1%	(315,125)	-16.1%
State Appropriations	*4,040,032*	*4,066,520*	*4,507,984*	*4,410,634*	-2.2%	*4,421,709*	-1.9%
Positions	85.50	84.75	83.75	83.75		83.75	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The Division of Dental Health promotes dental health through education, prevention and dental care initiatives including:

- dental health and oral hygiene education programs
- screening, referral and dental sealant programs
- fluoridation programs
- Dental Public Health Residency

Cross References For Budget Volumes

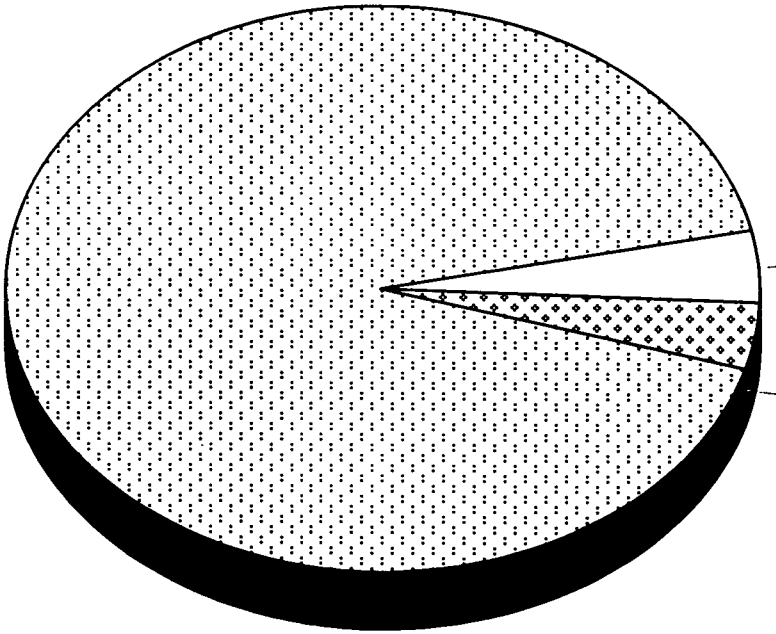
Governor's Budget, Volume 5, pp. Y-70 to Y-72
Performance/Program Analysis, Volume 7A, pp. 1-29 to 1-35

Division of Dental Health

EHNIR - 236

Sources of Funding

FY 1996-97 Authorized



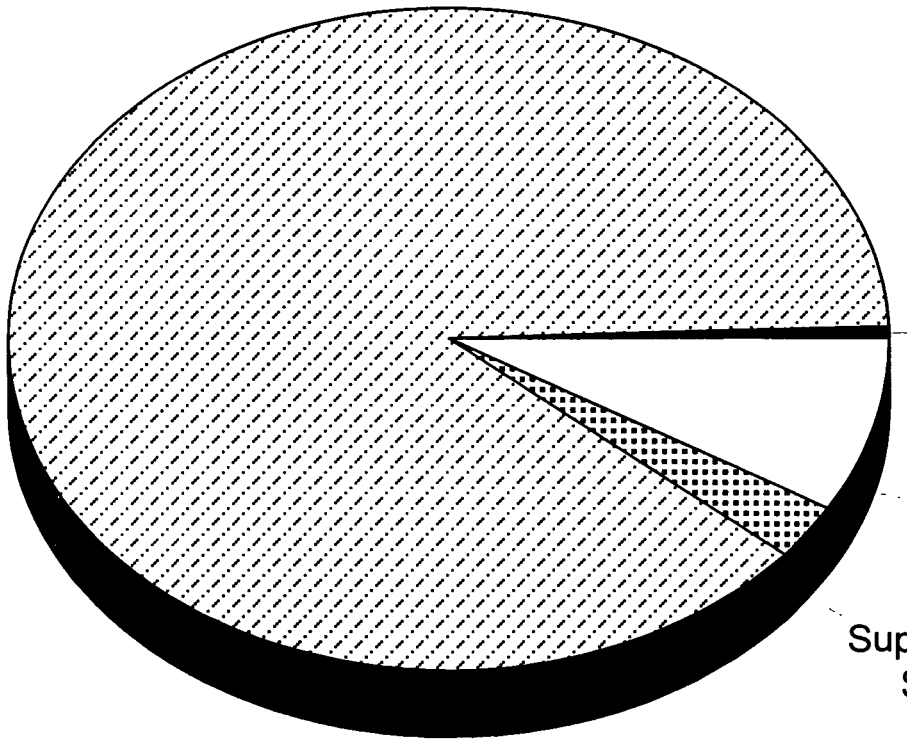
Fiscal Research Division -- March 1997

EHNR-237

Division of Dental Health

Expenditures by Category

FY 1996-97 Authorized



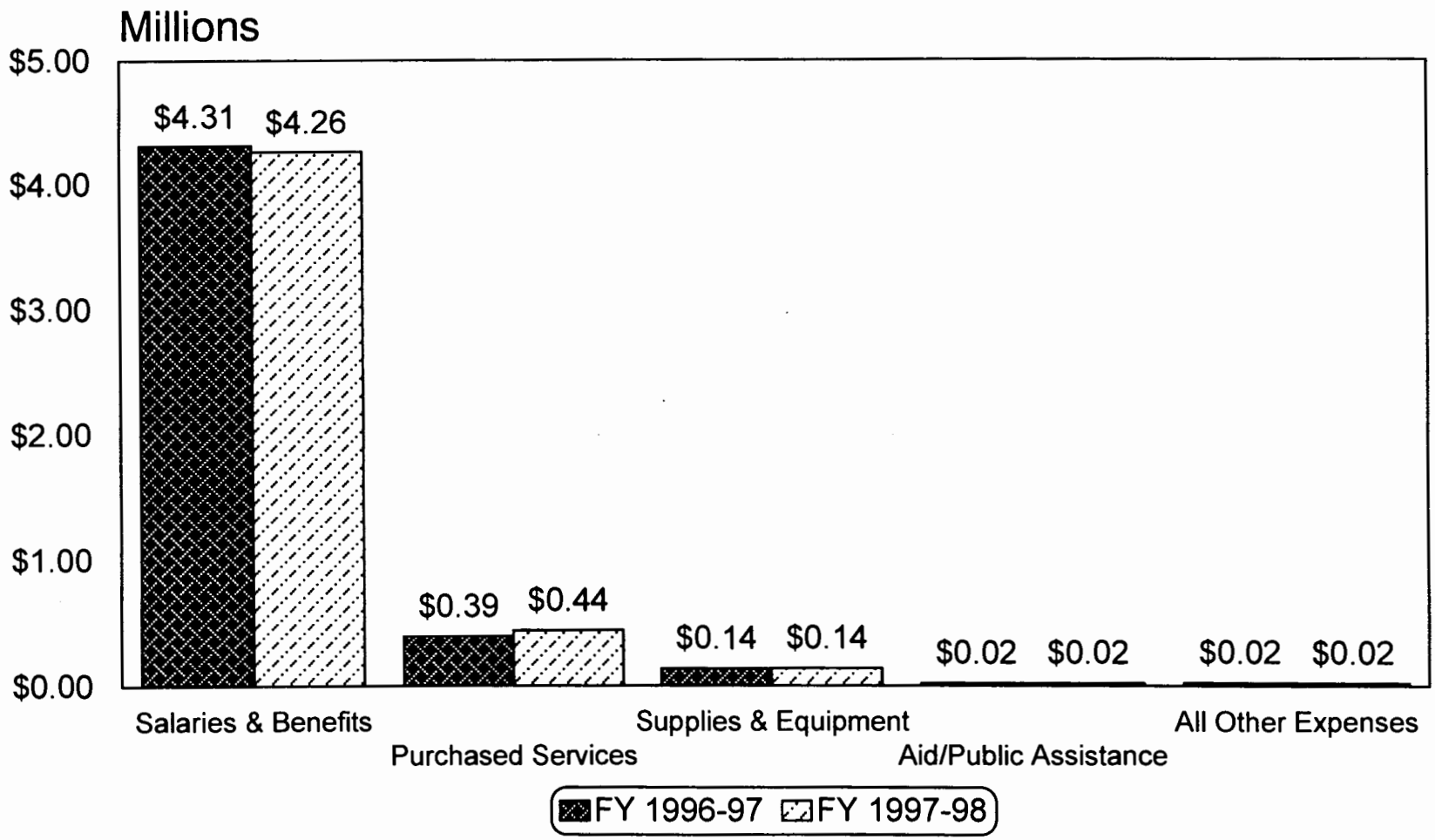
Fiscal Research Division -- March 1997

EHNR-238

Division of Dental Health

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

Objective 5: Increase to 75% the proportion of 11 year olds who have never had dental decay in permanent teeth by the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of 11 year olds who have never had dental decay in permanent teeth (1986-87 baseline: 49%)	n/a	n/a	n/a	n/a	n/a	*(Begin collecting county specific data September 1996)*		
Performance Measures:								
Percentage of population served by community water systems with optimally fluoridated water	72%	78%	78%	84%	85%	*86%*	*86%*	*87%*
Number of preventive pit and fissure sealants applied to targeted children	29,519	31,228	20,913	19,979	15,651	*20,000*	*20,000*	*20,000*
Number of targeted elementary school children receiving the preventive dental health services of fluoride mouthrinse	380,000	350,000	315,651	336,738	279,381	*270,000*	*270,000*	*270,000*
Number children provided instruction/promotion on dental care, sealants, nutrition, fluoride, and injury prevention	292,887	268,853	279,470	273,108	272,447	*275,000*	*275,000*	*275,000*
Number of targeted elementary school children screened	282,970	274,849	279,549	270,859	265,294	*250,000*	*250,000*	*250,000*
Number of preventive dental services provided to targeted children	24,857	46,043	35,183	28,934	21,504	*30,000*	*29,000*	*29,000*

Current Situation:

Funds:

4300 EHNR
1435 Dental Health Services

DIVISION OF DENTAL HEALTH
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97
1. Eliminate dental equipment technician positions.	($64,886) -2.0	($64,886) -2.0
2. Reduce Supplies and Equipment	($14,475)	($14,475)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Division of Dental Health in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $128,907

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $124,784 in state appropriations and $4,123 in receipts.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS **FY 1997-98** **FY 1998-99**

None

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Dental Health.

Items for Possible Committee Discussion

None

Joint Appropriations Committee on
Natural and Economic Resources

March 18, 1997

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

   Department of Environment, Health, and Natural Resources

   Division of Maternal & Child Health
   Division of Epidemiology
   Division of Laboratory Services
   Division of Environmental Health

   Mona Moon
   Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

Joint Appropriations Subcommittee
On
Natural and Economic Resources

Tuesday, March 18, 1997

Minutes

The Joint Appropriations Subcommittee on Natural and Economic Resources met on Tuesday, March 18, 1997 at 8:30 a.m. in Room 423 of the Legislative Office Building. Five Senate members attended the meeting, including Senator R. L. Martin, who presided. Nine House members were present. They were as follows: Representative Mitchell, Representative Carpenter, Representative Fox, Representative Hall, Representative Baker, Representative Tolson, Representative Weatherly, and Representative Wilkins.

Senator Martin recognized Ms. Mona Moon of the Fiscal Research Division to present and explain the budget analysis of the Department of Environment, Health and Natural Resources, Division of Maternal and Child Health. (Attachment A). Ms. Moon explained that the activities of the Division of Maternal and Child Health are aimed at improving the health status of women of childbearing age, infants, children, and youth. Program emphasis is on reducing maternal, infant and childhood mortality and morbidity, reducing the incidence of low birth weight infants and improving the health status of children with disabilities. The Governor' recommended continuation request was two hundred fifty two million dollars in expenditures, receipts to offset that were approximately one hundred and eighty five million, and state appropriations of sixty seven million. There were five hundred fifty six positions within the division. There were no recommended reductions for the Division of Maternal and Child Health.

The next handout by Ms. Moon (Attachment B), was the Governor's continuation request for the Division of Epidemiology. There were expenditures of twenty one million, less receipts of ten million two hundred fifty seven thousand, seven hundred forty seven dollars, leaving a state appropriation of ten million, seven hundred eighty three thousand, five hundred eighty one dollars. There were one hundred ninety eight positions. There were no recommended reductions for the Division of Epidemiology.

Ms. Moon state the division is responsible for collecting and evaluating information on communicable and occupational diseases and conditions; enforcing control measures for communicable diseases and hazardous substances, and promoting safety through the driver medical evaluation program and the chemical tests for alcohol program. Other activities include: disease surveillance and outbreak investigation, assessing health risks of communicable diseases and hazardous and toxic chemicals, technical assistance and consultation, and training and certification of law enforcement agencies in administration of intoxilyzer breath test.

Ms. Moon then went over the items for possible committee discussion. Section 26.4 of Chapter 324 of the 1995 Session Laws required the department to maintain a system for tracing local expenditures by disease category. Reports received from the department since October 1994 indicate local health departments need as much flexibility as possible in using these funds; however, funds continue to be allocated and expended categorically rather than through a block grant approach. The department again asked that this special provision be included in the 1997-99 budget bill. The committee may wish to have the department explain the need to continue to provide this flexibility given that it failed to be used during the last three fiscal years.

Ms. Moon then explained the Governor's continuation request for the Division of Laboratory (Attachment C). She explained that there were expenditures of ten million, three hundred thirty six thousand, two hundred twenty nine less receipts of three million, one hundred fifty nine thousand, eighty dollars leaving a state appropriation of six million nine hundred and four thousand, eight hundred and eleven dollars. There were one hundred and eight three positions.

Ms. Moon then explained the division's activities to provide medical and environmental laboratory services, including testing, consultation and training, for local health departments, physicians, other laboratories and health care providers. The division was also responsible for certifying environmental laboratories conducting business with the state. There were no recommended reductions for the Division of Laboratory Services.

Then meeting was adjourned at 9:41 a.m.

Carolyn M. Gooden, Committee Clerk

Senator R. L. Martin, Chairman

Handout A

Department of Environment, Health, and Natural Resources

EHNR - 242

Division of Maternal and Child Health							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	216,438,063	251,127,662	257,197,259	252,160,763	-2.0%	252,200,380	-1.9%
Less Receipts	(150,470,824)	(185,079,314)	(189,042,428)	(185,155,206)	-2.1%	(185,155,206)	-2.1%
State Appropriations	*65,967,239*	*66,048,348*	*68,154,831*	*67,005,557*	-1.7%	*67,045,174*	-1.6%
Positions	537.85	556.25	556.25	556.25		556.25	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The activities of the Division of Maternal and Child Health are aimed at improving the health status of women of childbearing age, infants, children and youth. Program emphasis is on reducing maternal, infant and childhood mortality and morbidity, reducing the incidence of low birth weight infants and improving the health status of children with disabilities.

Cross References For Budget Volumes

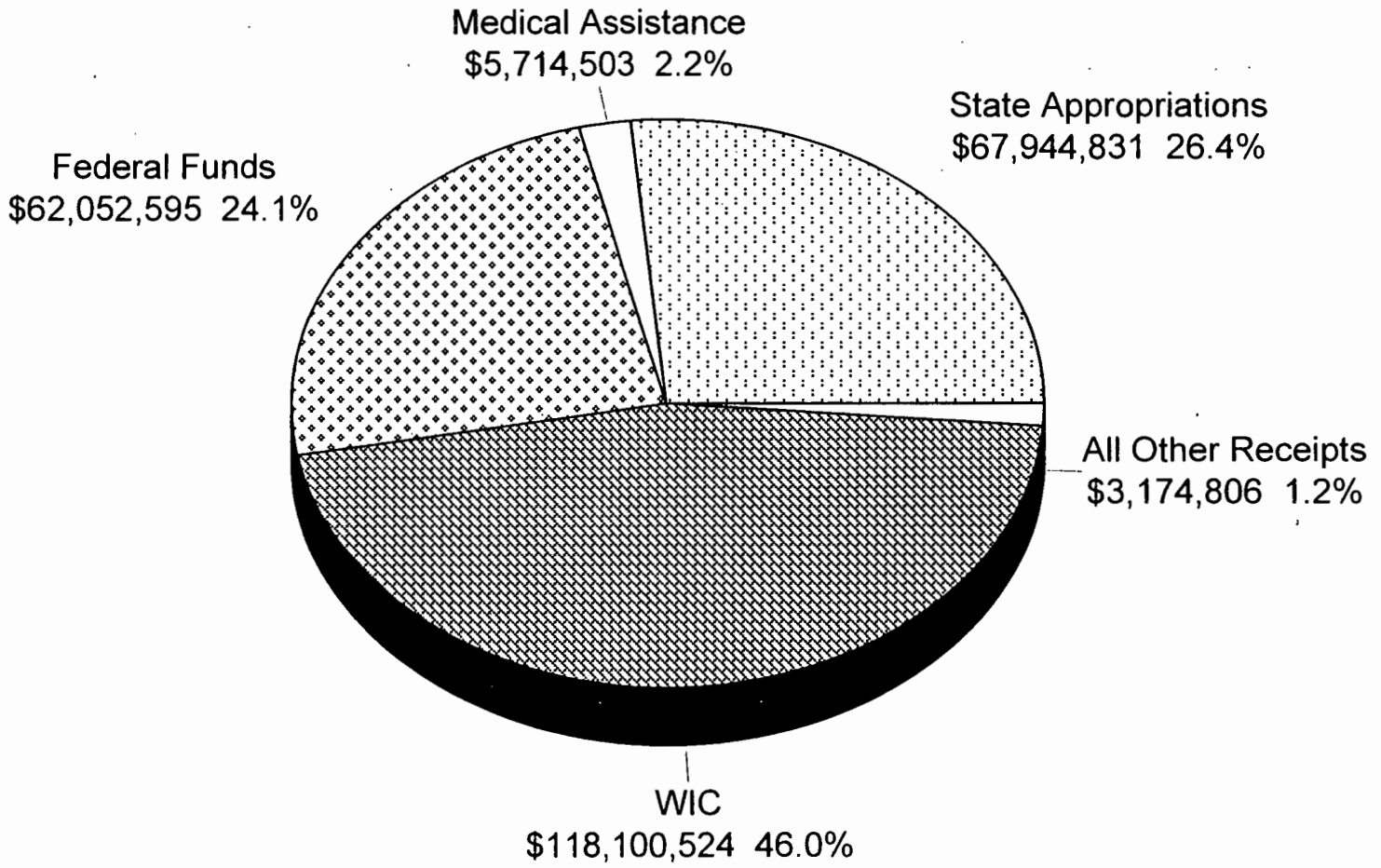
Governor's Budget, Volume 5, pp. Y-100 to Y-116; Y-126 to Y-130
Performance/Program Analysis, Volume 7A, pp. 1-9 to 1-16; 1-19 to 1-26

Division of Maternal and Child Health

EHNR-243

Sources of Funding

FY 1996-97 Authorized



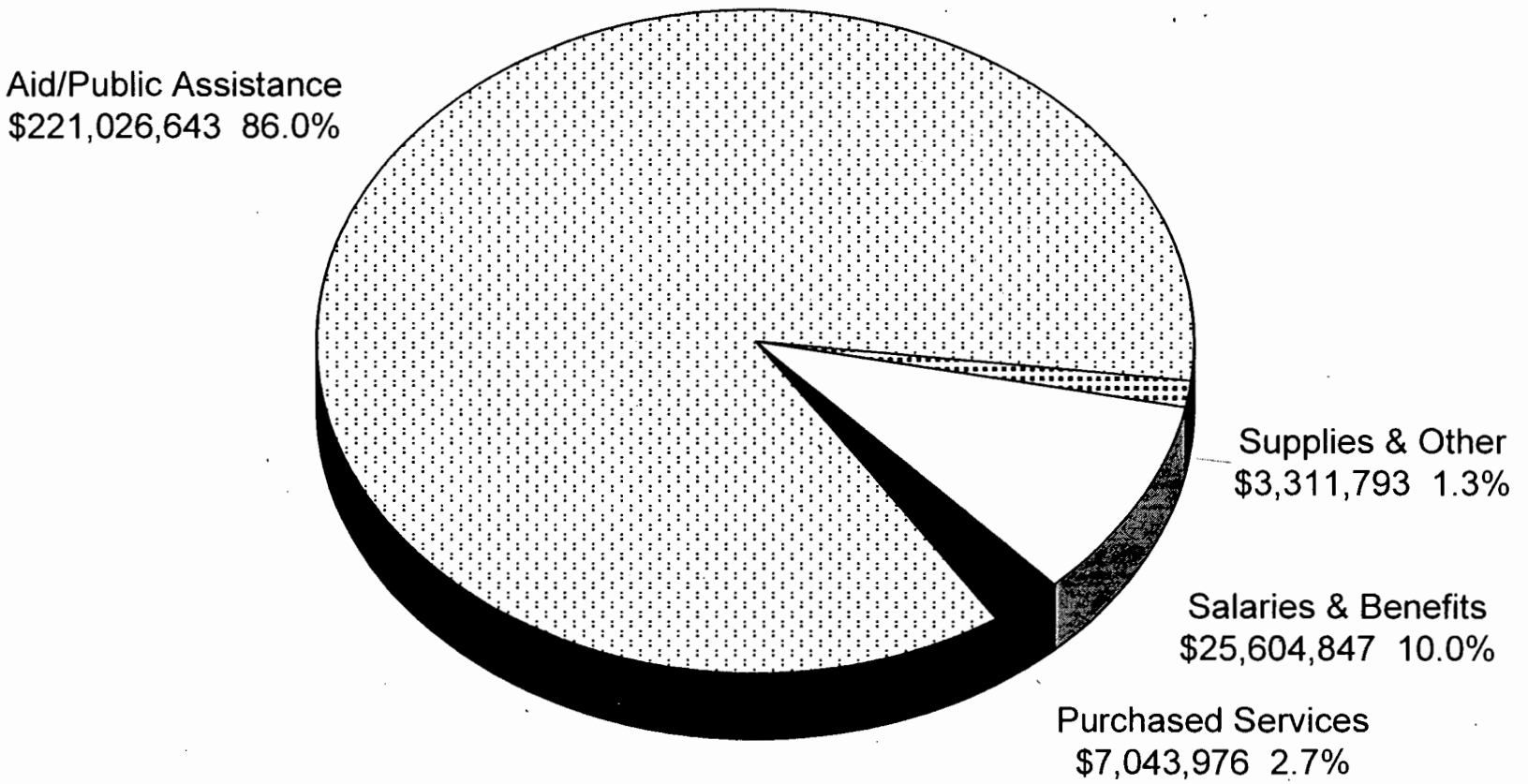
Fiscal Research Division -- March 1997

Division of Maternal and Child Health

EHNR-244

Expenditures by Category

FY 1996-97 Authorized



Fiscal Research Division -- March 1997

Objective 5: Through the year 2000, maintain or reduce the rate per 100,000 population of reportable vaccine preventable diseases.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Reportable disease rates per 100,000 population (there are 58 reportable diseases, including the following vaccine preventable diseases):	n/a	n/a	4.70	3.65	2.83	*2.20*	*2.20*	*2.20*
• Measles cases per 100,000	0.6	0.3	0.0	0.1	0.0	*0.1*	*0.1*	*0.1*
• Mumps cases per 100,000	3.9	3.2	3.3	1.0	0.6	*0.2*	*0.2*	*0.2*
• Rubella cases per 100,000	0.0	0.0	0.0	0.0	1.1	*0.3*	*0.1*	*0.1*
• Polio cases per 100,000	0.0	0.0	0.0	0.0	0.0	*0.0*	*0.0*	*0.0*
• Diphtheria cases per 100,000	0.0	0.0	0.0	0.0	0.0	*0.0*	*0.0*	*0.0*
• Tetanus cases per 100,000	0.0	0.0	0.0	0.0	0.0	*0.0*	*0.0*	*0.0*
• Whooping cough cases per 100,000	0.6	0.6	2.8	1.9	1.9	*0.1*	*0.1*	*0.1*
• Hepatitis B. cases per 100,000	8.1	6.2	4.5	4.0	4.2	*2.7*	*2.7*	*2.6*
Performance Measures:								
Percent of two-year-olds who are appropriately immunized	59%	59%	69%	83%	n/a	*87%*	*89%*	*90%*
Percent of children entering kindergarten and 1st grade who are in compliance with state immunization requirements	n/a	n/a	90%	90%	90.5%	*91%*	*91%*	*91%*
Percent of children entering day care who are in compliance with state immunization requirements	n/a	n/a	98%	98%	98%	*98%*	*98%*	*98%*
Percent of students entering college who are in compliance with state immunization requiremnts	n/a	n/a	n/a	n/a	98%	*98%*	*98%*	*98%*

Current Situation:

Funds:

4300 EHNR
1570 Immunization

Objective 1: Reduce the infant mortaility rate to 7 deaths per 1,000 births by the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Infant mortality rate per 1,000 births	10.9	9.9	10.6	10.0	9.2	*8.8*	*8.3*	*7.9*
Performance Measures:								
Number of low income women receiving prenatal care from state sponsored clinics	n/a	n/a	38,386	36,672	35,472	*35,000*	*35,000*	*35,000*
Number of low-income pregnant women receiving maternity care coordination services	n/a	n/a	41,893	43,491	44,327	*44,416*	*44,504*	*44,593*
Number of pregnant and postpartum women participating in WIC	n/a	n/a	n/a	146,553	181,075	*190,129*	*199,635*	*209,617*
Number of newborns screened for PKU, glactosemia, hypothyroidism, CAH and Sickle Cell	n/a	n/a	47,390	101,739	102,500	*103,500*	*104,000*	*104,500*
Number of clients receiving preventive health services from state sponsored clinics	n/a	n/a	83,177	85,529	86,948	*86,500*	*86,500*	*86,500*
Number of physicians and nurse midwives participating in the Rural Obstetrical Care Incentive Program	n/a	n/a	192	216	212	*220*	*220*	*220*

Current Situation:

Funds:

4300 EHNR
1505 Maternal and Child Health
1510 Maternal Health

4300 EHNR
1515 Women's Preventive Health
1520 Genetics/Sickle Cell

4300 EHNR
1540 Nutrition Services
1575 Child and Adult Food Program

Objective 4: Reduce the maternal mortality rate to 9.7 deaths per 100,000 live births by the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Maternal mortality rate per 100,000 live births	n/a	n/a	30.6	24.7	n/a	*18.0*	*15.0*	*12.0*
Performance Measures:								
Number of low-income women receiving prenatal care from state sponsored clinics	n/a	n/a	38,386	36,672	35,472	*35,000*	*35,000*	*35,000*
Number of visits by low-income women to state sponsored prenatal clinics	n/a	n/a	218,627	219,887	211,692	*210,000*	*210,000*	*210,000*
Number of low income women receiving maternity care coordination services	n/a	n/a	41,893	43,491	44,327	*44,416*	*44,504*	*44,593*
Number of clients receiving preventive health services from state sponsored clinics	n/a	n/a	83,177	85,529	86,948	*86,500*	*86,500*	*86,500*
Number of adolescents receiving preventive health services from state sponsored clinics	n/a	n/a	39,732	40,907	40,811	*38,000*	*38,000*	*38,000*
Number of pregnant women participating in WIC	n/a	n/a	74,000	77,148	80,281	*80,000*	*80,000*	*80,000*
Number of physicians and nurse-midwives participating in the Rural Obstetrical Care Incentive Program	n/a	n/a	192	216	212	220	220	220
Number of health care providers attending state sponsored perinatal training programs	n/a	n/a	10,538	10,650	10,866	10,000	10,000	10,000

Current Situation:

Funds:

4300 EHNR
1505 Maternal and Child Health

4300 EHNR
1510 Maternal Health

4300 EHNR
1515 Women's Preventive Health

Objective 5: Maximize the health and developmental status of children with disabilities and chronic illnesses.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
(**Note:** Data are not available for measuring the overall health and developmental status of children. Fulfillment of this objective can be estimated by reviewing the performance measures shown below)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Number of newborns screened for PKU, glactosemia, hypothyroidism, CAH and Sickle Cell	n/a	n/a	47,390	101,739	102,500	*103,500*	*104,000*	*104,500*
Number of newborns with PKU, glactosemia, hypothyroidism, CAH or Sickle Cell who received follow-up and treatment services	n/a	n/a	132	112	154	*158*	*158*	*158*
Number of at risk families receiving genetic evaluations	n/a	n/a	6,389	6,341	6,540	*6,650*	*6,670*	*6,680*
Number of women screened for neural tube defects	n/a	n/a	32,730	29,003	26,712	*26,000*	*26,100*	*26,200*
Number of children with developmental delays receiving services from Developmental Evaluation Centers	n/a	n/a	17,627	19,509	20,882	*21,000*	*21,000*	*21,000*
Number of developmentally at risk children less than 3 years of age who received periodic home visits by a public health nurse	n/a	n/a	10,069	15,586	16,009	*16,800*	*17,650*	*18,531*
Number of chronically ill or disabled children receiving specialty services from state sponsored clinics	n/a	n/a	12,924	12,814	11,991	*12,000*	*11,000*	*10,000*
Number of chronically ill or disabled children 3 and 4 years of age who received periodic home visits by a public health nurse	n/a	n/a	2,477	2,500	2,439	*5,700*	*5,995*	*6,250*

Current Situation:

Funds:

4300 EHNR
1505 Maternal and Child Health
1520 Genetics/ Sicdle Cell

4300 EHNR
1525 Developmental Evaluation Centers
1530 Children's Special Health Services

DIVISION OF MATERNAL AND CHILD HEALTH
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97
1. Eliminate 2.20 positions and shift 5 to federal funds.	($319,828) -7.20	($319,828) -7.20
2. Eliminate funding for newborn genetic screening project grant to Duke University.	($200,000)	($200,000)
3. Reduce supplies and equipment.	($66,985)	($66,985)
4. Reduce funds for case management services for women who do not meet Medicaid eligibility requirements. Don't know what happened to these women -		($170,900)
5. Reduce renovation funds for local WIC clinics.		($250,000)
6. Reduce contracts to educational institutions.		($212,666)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS				
1. Grant to UNC Craniofacial Center for diagnostic and treatment services.	$150,000	NR	$200,000	NR
2. Grant to Carolina Communicative Disorders Program to provide cochlear implants and other services to hearing impaired children.	$100,000	NR	$200,000	NR

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Division of Maternal and Child Health in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $828,623

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $651,278 in state appropriations and $177,345 in receipts.

PROGRAM NOTES

Child Nutrition Services

Effective October 1, 1995 the Child and Adult Food Program and the Summer Food Program were transferred from the Department of Public Instruction to the Division of Maternal and Child Health. The transfer included 18 positions and approximately $29.3 million in federal funds.

Adolescent Pregnancy Prevention Coalition of North Carolina

The expenditures and state appropriations for the Division of Maternal and Child Health include $150,000 in state aid for the Adolescent Pregnancy Prevention Coalition of North Carolina. The Coalition's mission is to assist individuals and community organizations in the implementation of programs to prevent adolescent pregnancy through educational conferences and training seminars, the development and dissemination of resource materials, and research efforts and data analysis of prevention strategies.

Bowman-Gray Neonatal Services Placement Program

The expenditures and state appropriations for the Division of Maternal and Child Health include $60,000 in state aid for the Bowman-Gray School of Medicine for a neonatal intensive care services information and placement program. Physicians and medical personnel use the service to identify beds for very low birth weight babies in need of specialty care.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS	FY 1997-98	FY 1998-99
1. Increase building rent/lease cost based on escalation clause in contract.	$13,757	$22,242
2. Eliminate nonrecurring items from continuation budget.	($400,000)	($400,000)

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Maternal and Child Health.

Items for Possible Committee Discussion

None

Handout B -

Department of Environment, Health, and Natural Resources

EHNR-252

Division of Epidemiology							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	18,694,818	20,290,589	21,546,537	21,022,411	-2.4%	21,041,328	-2.3%
Less Receipts	(8,861,995)	(10,247,290)	(10,688,275)	(10,257,747)	-4.0%	(10,257,747)	-4.0%
State Appropriations	*9,832,823*	*10,043,299*	*10,858,262*	*10,764,664*	-0.9%	*10,783,581*	-0.7%
Positions	206.25	198.25	198.25	198.25		199.25	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The division is responsible for collecting and evaluating information on communicable and occupational diseases and conditions; enforcing control measures for communicable diseases and hazardous substances, and promoting safety through the driver medical evaluation program and the chemical tests for alcohol program.

activities include:

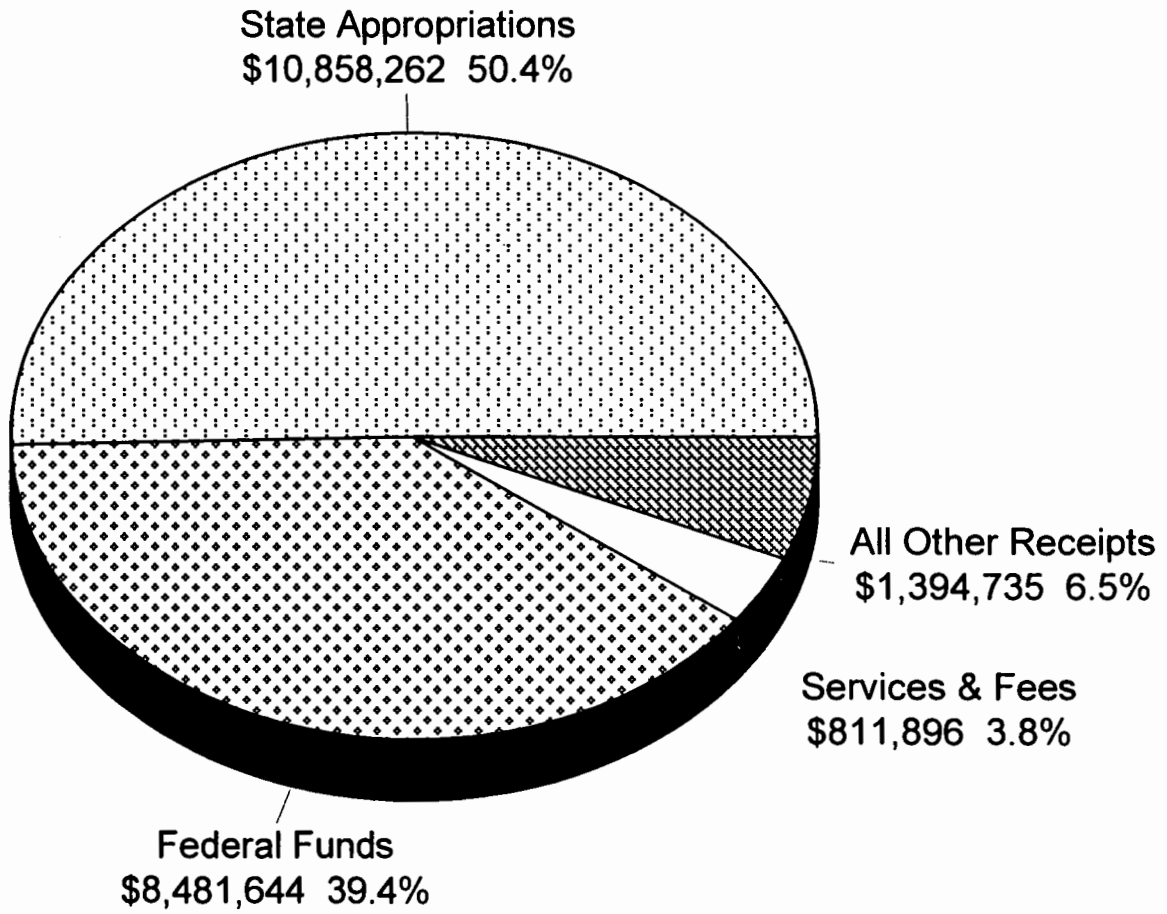
- disease surveillance and outbreak investigation
- assessing health risks of communicable diseases and hazardous and toxic chemicals
- technical assistance and consultation
- training and certification of law enforcement agencies in administration of intoxilyzer breath tests

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Y-72 to Y-83; Y-85 to Y-87
Performance/Program Analysis, Volume 7A, pp. 1-8 to 1-13; 1-36; 1-74; 1-103

EHNR-253

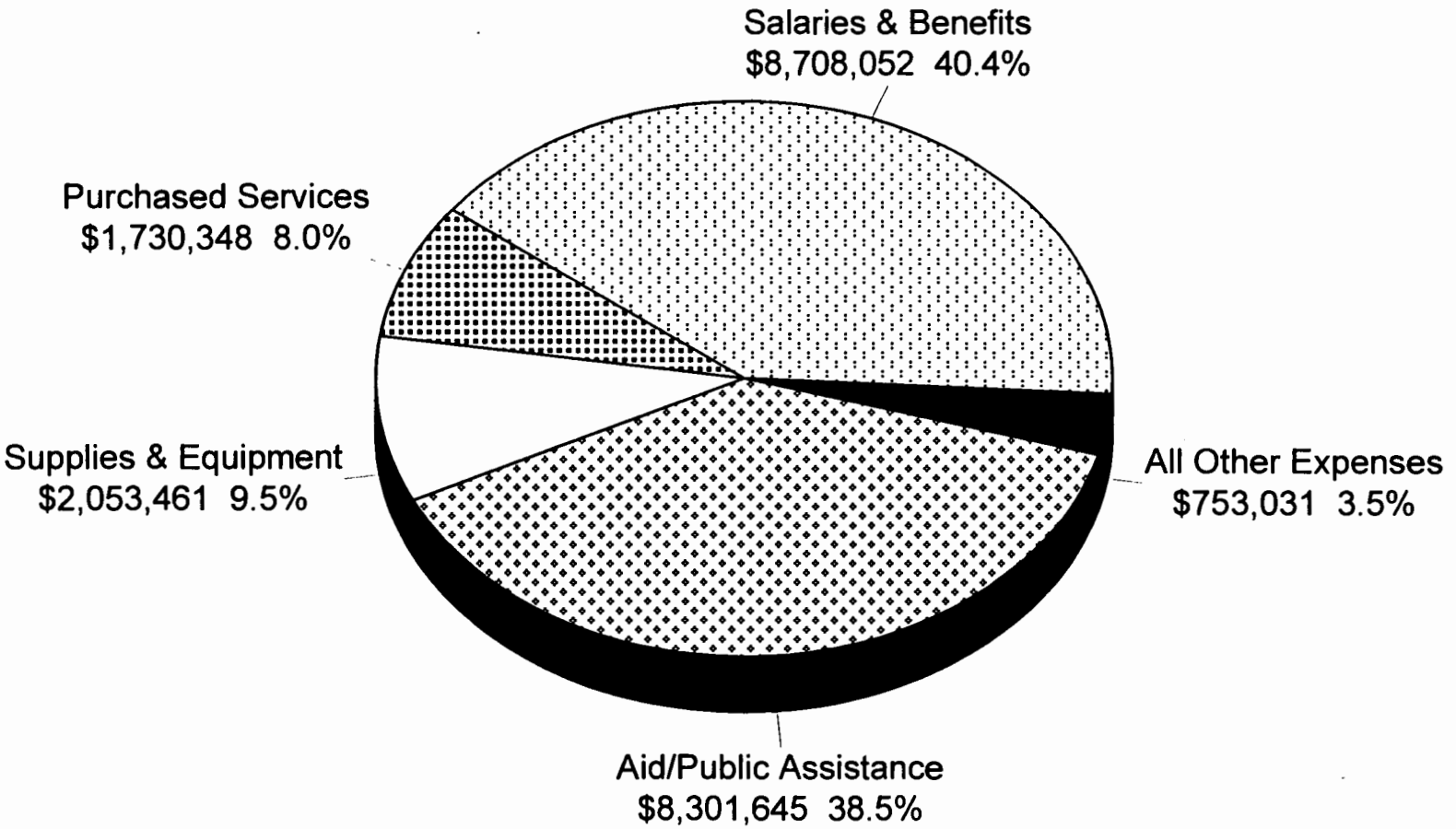
Division of Epidemiology
Sources of Funding
FY 1996-97 Authorized



Fiscal Research Division -- March 1997

EHNR-154

Division of Epidemiology
Expenditures by Category
FY 1996-97 Authorized



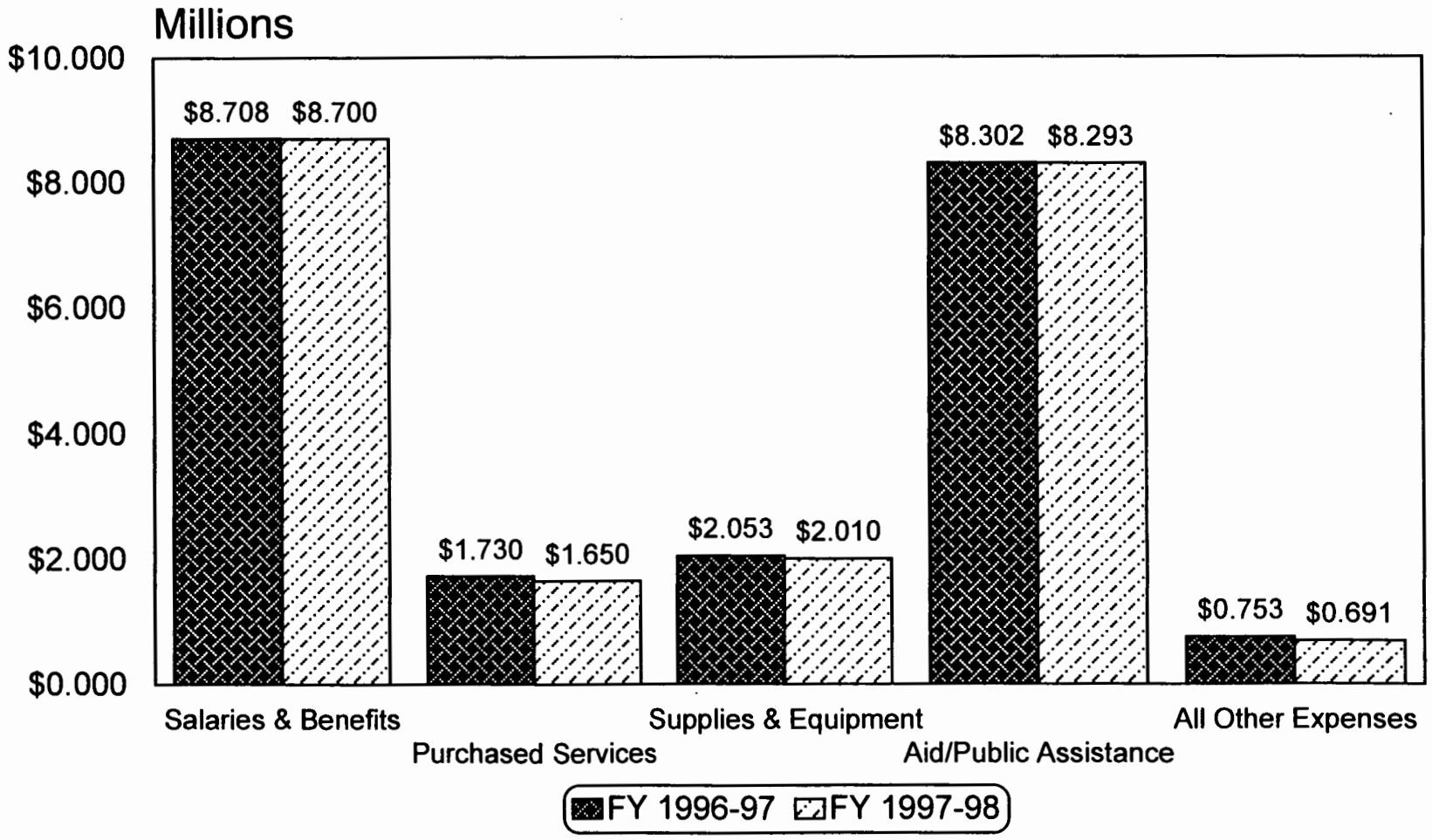
Fiscal Research Division -- March 1997

EHNR-255

Division of Epidemiology

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

Objective 1: The rate of primary and secondary syphilis in North Carolina in Year 2000 will approximate the national Healthy People Year 2000 goal of 10 cases per 100,000 people per year.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Primary and secondary syphilis cases per 100,000 population in North Carolina	33.6	31.9	25.4	19.1	15.3	*11.9*	*9.3*	*7.3*
Performance Measures:								
Number of reported cases of primary and secondary syphilis	2,297	2,218	1,795	1,372	1,122	*882*	*700*	*556*

Current Situation:

Funds:

4300 EHNR
1450 Acute Comm. Diseases

4300 EHNR
1460 Sexually Trans. Diseases

Objective 2: The rate of AIDS in North Crolina in the Year 2000 will be less than 50 percent of the National Healthy People Year 2000 goal (approximately 36 cases per 100,000 per year).

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
AIDS cases per 100,000 population	9.4	13.9	17.0	13.9	10.9	*12.8*	*13.3*	*14.3*
Performance Measures:								
Number reported AIDS cases (by date of report)	643	973	1,205	1,001	804	*950*	*1,000*	*1,100*
Number partners notified and counseled by HIV investigators	852	1,434	1,408	1,228	1,254	*1,350*	*1,450*	*1,450*
Number tested for HIV at counseling and testing sites	64,704	83,296	89,930	101,702	114,315	*123,500*	*135,000*	*144,500*

Current Situation:

Funds:

4300 EHNR
1450 Acute Comm. Diseases

4300 EHNR
1460 Sexually Trans. Diseases

Objective 3: The rate of tuberculosis in North Carolina will fall by over 35 percent (to below 500 cases per year) between 1990 and 1999.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Incidence of tuberculosis disease per 100,000 population	9.3	8.9	8.6	8.1	7.2	*7.0*	*6.8*	*6.6*
Performance Measures:								
Number reported cases of TB	624	604	594	566	519	*500*	*490*	*480*
Percent of persons who start on drugs and compelte therapy	94%	91%	91%	93%	95%	*95%*	*95%*	*95%*
Percent of close contacts to infectious TB cases examined within seven days after the health department is notified (*changed from 14 to 7 days in 1993-94)	94%*	94%	87%*	89%	90%	*90%*	*90%*	*90%*
Percent of persons who start on preventive therapy who complete treatment	73%	69%	78%	83%	77%	*80%*	*80%*	*80%*

Current Situation:

Funds:

4300 EHNR
1455 Tuberculosis Control

Objective 6: Reduce the number of injuries and deaths due to drivers who operate motor vehicles on N.C. roadways while impaired by alcohol, drugs or medical problems.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number injuries and deaths on North Carolina roadways (calendar year data)	n/a	130,919	140,224	149,050	n/a	*165,000*	*165,000*	*160,000*
Performance Measures:								
Number of medical evaluations of medically/chemically impaired drivers	23,121	21,573	20,080	14,680[1]	20,064	*21,500*	*21,500*	*21,500*
Number of chemical analysts trained and certified to conduct alcohol breath test	2,024	3,552	4,100	3,088[1]	2,456	*5,000*	*5,000*	*5,000*

Current Situation:

Funds:

4300 EHNR
1440 Injury Control

[1]Vacancies caused a backlog in cases and a reduction in training due to priorities on recertification training.

Objective 5: Reduce the incidence of illness related to occupational and environmental health hazards.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Rate of injury and illness per 100 full-time workers in private and public sectors (calendar year data)	7.4	8.2	7.7	7.5	NA	*7.5*	*7.0*	*7.0*
Performance Measures:								
Number of elevated blood levels of hazardous substances reported (New program, 1993-94)	NA	NA	92	333	325	*315*	*315*	*315*
Number of dusty trades workers screened	4,510	3,996	3,354	5,113	2,137	*3,000*	*3,000*	*3,000*
Number of asbestos removal permits issued	1,071	1,163	1,212	1,120	1,121	*1,200*	*1,200*	*1,200*
Number of new silicosis/asbestosis cases evaluated	NA	NA	70*	205	347	*325*	*325*	*325*
Number of hazardous substances emergency events reported	133	230	128	352	374	*350*	*350*	*350*
Number of occupational health consultations	2,700	1,929	3,500	2,693	2,138	*3,000*	*3,000*	*3,000*

Current Situation:

Funds:

4300 EHNR
1445 Occupational Health

*New program in 1993-94

Objective 5: Prevent human illness due to environmental and zoonotic hazards by providing medical risk consultations and assessments.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of medical risk consultations and assessments (cummulative--see detail below)	4,550	3,910	5,420	11,120	11,620	*11,620*	*11,620*	*11,620*
Performance Measures:								
Number of animal bite (rabies) consultations	1,700	1,800	2,000	7,500	7,800	*7,800*	*7,800*	*7,800*
Number of public and private water supply contamination medical risk assessments	2,300	2,500	2,700	2,900	3,100	*3,100*	*3,100*	*3,100*
Number of toxic substance and environmental site medical risk assessments	550	610	720	720	720	*720*	*720*	*720*

Current Situation:

Funds:

4300 EHNR
1470 Environmental Epidemiology

EHNR 62

DIVISION OF EPIDEMIOLOGY
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97
1. Eliminate 4 positions.	($206,639) -4.0	($206,639) -4.0
2. Reduce supplies and equipment.	($67,583)	($67,583)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Division of Epidemiology in FY 1996-97.

SELECTED BUDGET REVISIONS

Legislative Salary Increase (10 months) -- $268,261

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded with $128,853 in state appropriations and $139,408 in receipts.

Reallocate Funds to Support Swine Projects -- $169,100

Unobligated funds budgeted for Communicable Disease and Tuberculosis Control, including funds designated for aid to counties, were used to support swine projects during the 1995-96 fiscal year. In response to environmental problems related to large animal waste operations, the Governor committed funds to several initiatives, including the new waste applicator certification program, a study of the groundwater impact of clay-lined lagoons, and research and development of animal waste systems. Although the budget revision was submitted July 12, 1996, the effective date was June 28, 1996.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS	FY 1997-98	FY 1998-99
1. Allowed inflationary increase for drug supplies.	$39,114	$40,678
2. Increase building rent/lease costs based on escalation clause in contract.		$5,972

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Epidemiology.

Items for Possible Committee Discussion

Section 26.4 of Chapter 324 of the 1995 Session Laws reads as follows:

(a) For the 1995-96 and 1996-97 fiscal years, the Department of Environment, Health, and Natural Resources may combine and allocate funds appropriated for Aid to Counties in the Acute Communicable Disease Control Fund, the Tuberculosis Control Fund, and the Sexually Transmitted Disease Control Fund into one Acute Communicable Disease Control Aid to Counties Grant. Communicable Disease Aid to Counties funding to local health departments and other authorized recipients will be based on a general communicable disease formula to be developed by the Department of Environment, Health, and Natural Resources.

(b) The Department of Environment, Health, and Natural Resources, in conjunction with local health departments, will maintain a system to monitor and identify Aid to Counties communicable disease expenditures by each communicable disease group. The Department shall report to the Joint Legislative Commission on Governmental Operations not later than October 1, 1995, and annually thereafter, on Aid to Counties expenditures by county for each communicable disease group and the purpose of expenditures for the fiscal year. The report shall also include an evaluation of the effectiveness of combining Aid to Counties funding into one grant fund and the effectiveness of the formula used to allocate funds.

This language first appeared in the budget bill for the 1993-95 biennium, and allows the department to create an Acute Communicable Disease Block Grant with aid to county appropriations for tuberculosis, sexually transmitted and other communicable diseases. The provision requires the department to maintain a system for tracking local expenditures by disease category. Reports received from the department since October 1994 indicate local health departments need as much flexibility as possible in using these funds; however, funds continue to be allocated and expended categorically rather than through a block grant approach. The department is again asking that this special provision be included in the 1997-99 budget bill.

The committee may wish to have the department explain the need to continue to provide this flexibility given that it has failed to be used during the last three fiscal years.

Department of Environment, Health, and Natural Resources

Division of Laboratory Services							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	9,428,563	9,889,708	10,001,748	10,063,891	0.6%	10,336,229	3.3%
Less Receipts	(3,341,722)	(3,173,170)	(3,181,103)	(3,159,080)	-0.7%	(3,159,080)	-0.7%
State Appropriations	*6,086,841*	*6,716,538*	*6,820,645*	*6,904,811*	1.2%	*7,177,149*	5.2%
Positions	180.00	183.00	183.00	183.00		183.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The State Public Health Laboratory provides medical and environmental laboratory services, including testing, consultation and training, for local health departments, physicians, other laboratories and health care providers. The division is also responsible for certifying environmental laboratories conducting business within the state.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp. Y-124 to Y-126
Performance/Program Analysis, Volume 7A, pp. 1-101

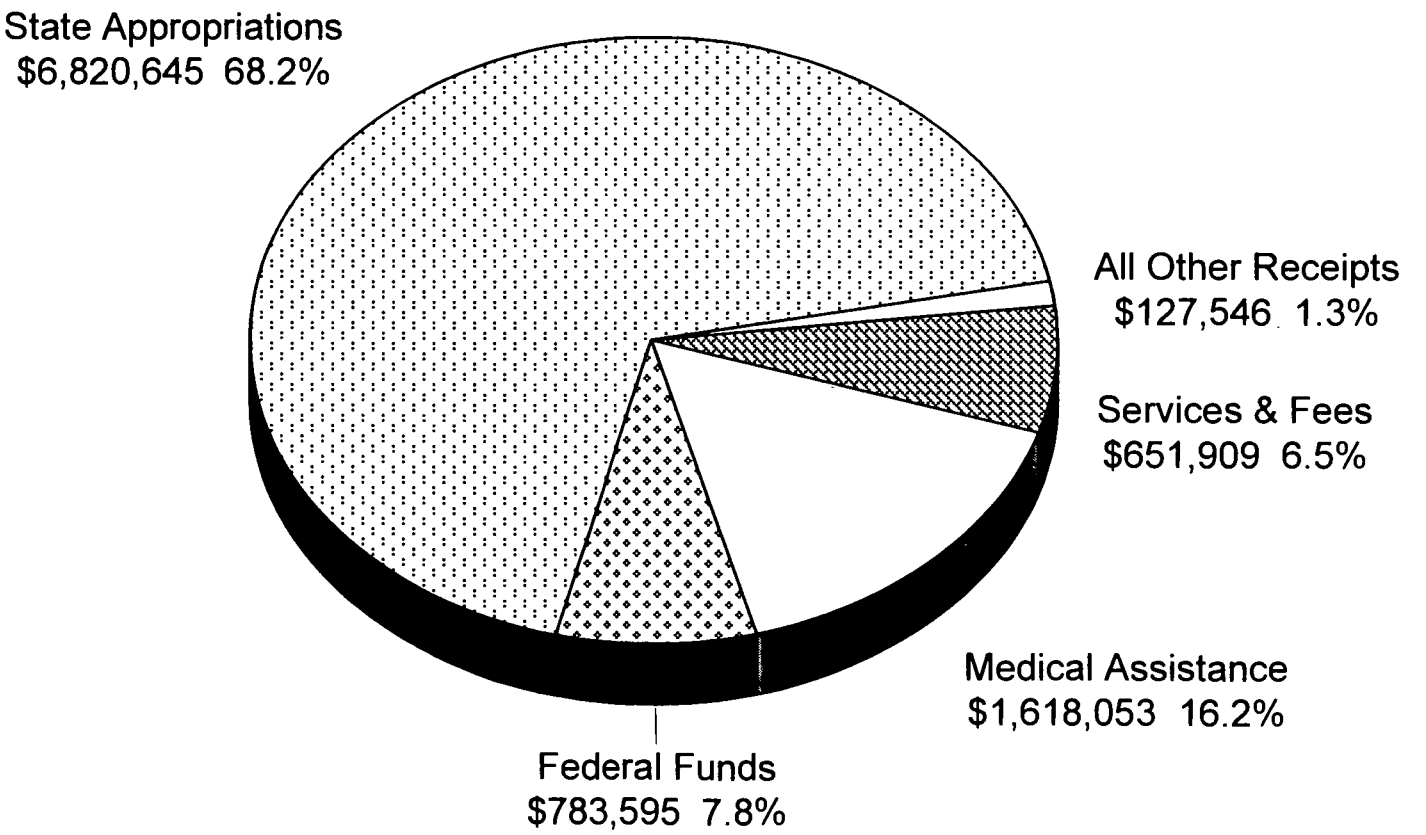
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EHNR-266

Division of Laboratory Services

Sources of Funding

FY 1996-97 Authorized



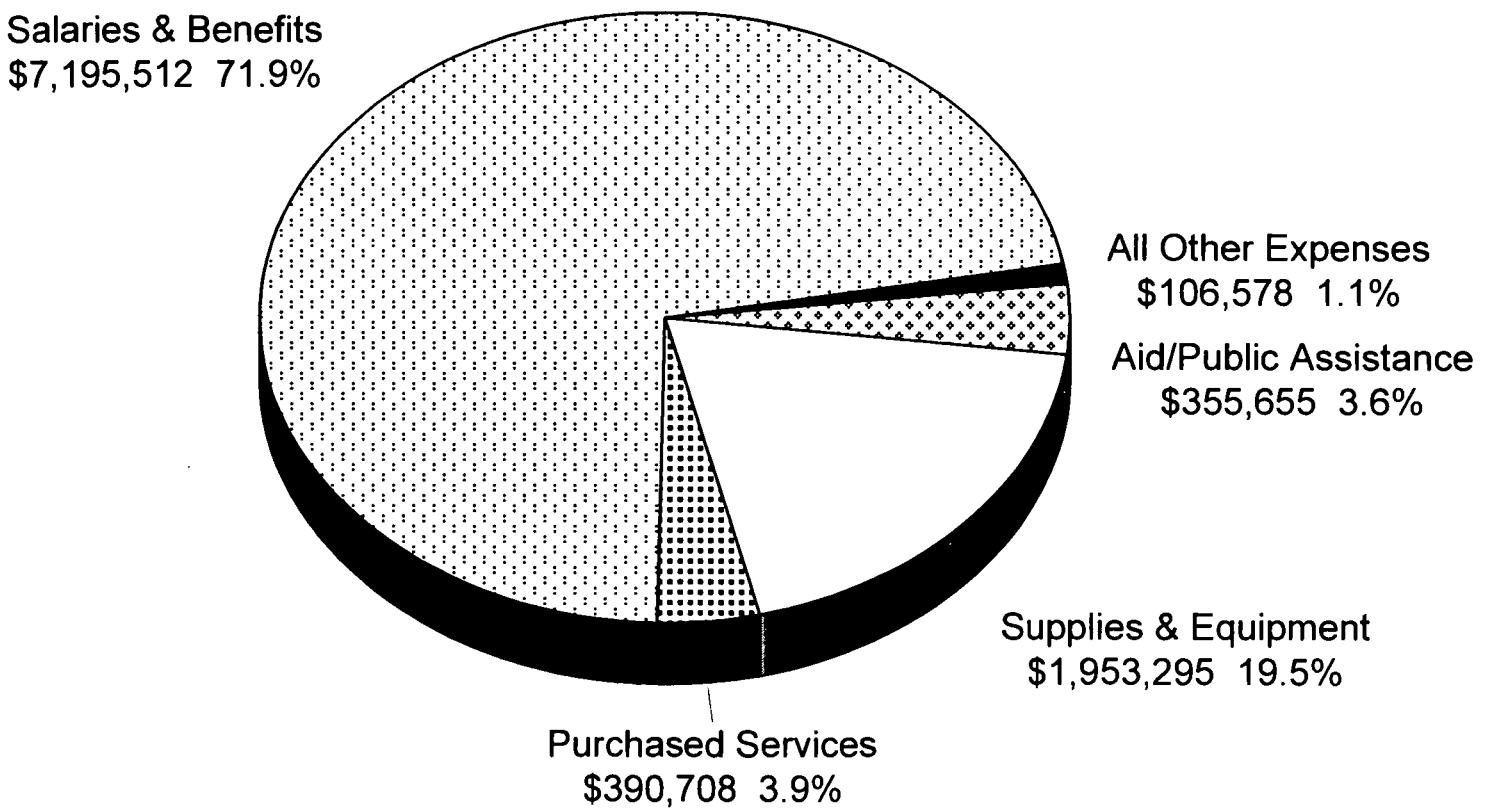
Fiscal Research Division -- March 1997

EHNR 7

Division of Laboratory Services

Expenditures by Category

FY 1996-97 Authorized



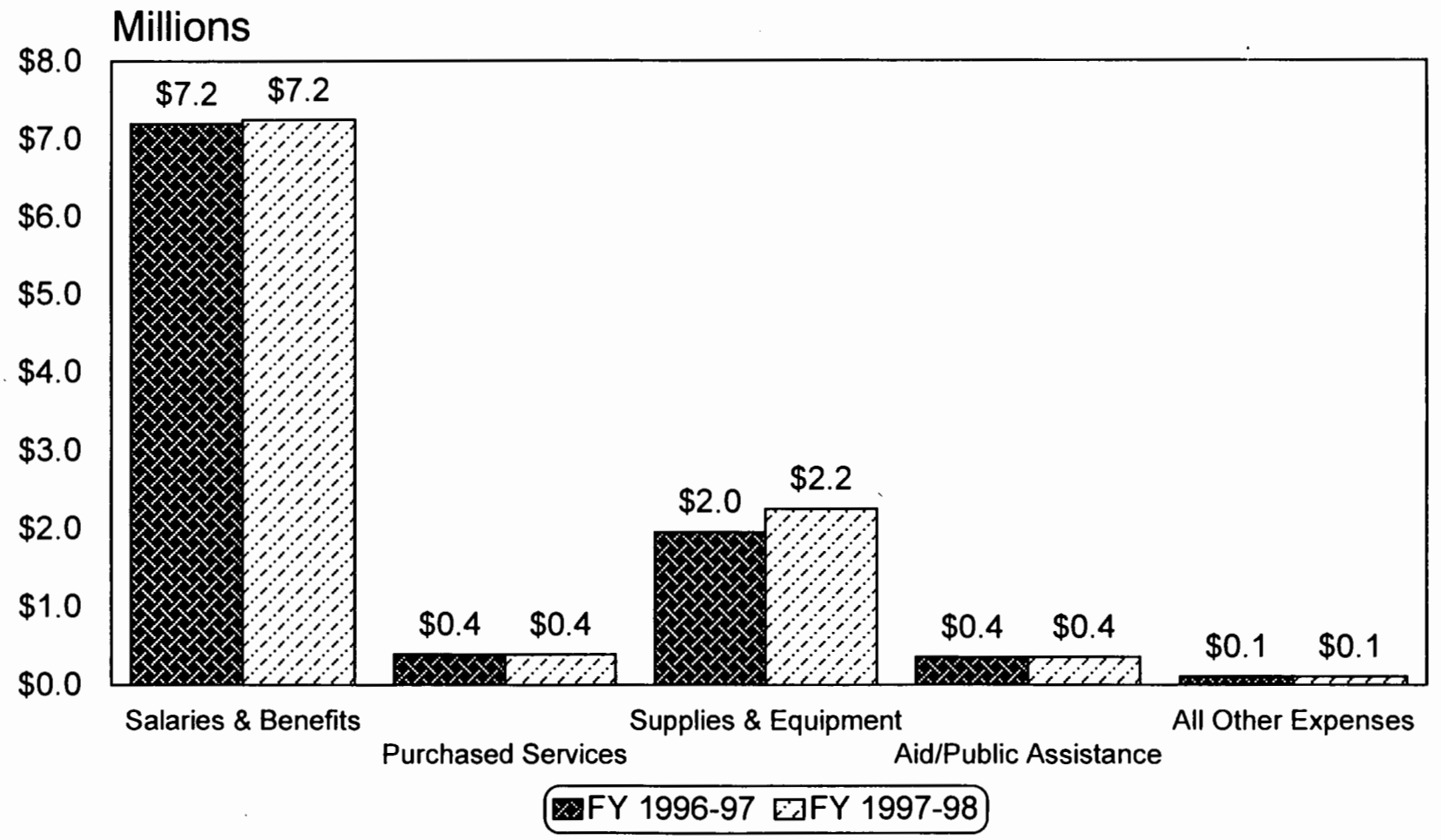
Fiscal Research Division -- March 1997

EHNR-268

Division of Laboratory Services

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

Objective 3: Provide quality-assured laboratory results of all medical and environmental samples submitted by appropriate health care providers in North Carolina.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of laboratory tests successfully meeting quality assurance requirements and accuracy tests according to national standards (based on samples)	n/a	n/a	100%	100%	100%	*100%*	*100%*	*100%*
Performance Measures:								
Number of lab exams pursuant to G.S. 130A-38	1,943,549	1,860,147	1,780,742	1,930,569	1,833,273	*1,850,000*	*1,850,000*	*1,850,000*
Number of training courses provided	37	47	44	64	66	*45*	*45*	*45*
Number of laboratories certified (environmental)	186	186	192	195	194	*190*	*190*	*190*

Current Situation:

Funds:

4300 EHNR
1560 Public Health Laboratory Services

DIVISION OF LABORATORY SERVICES
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97
Reduce supplies and equipment.	($163,084)	($163,084)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Division of Laboratory Services in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $236,628

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $214,605 in state appropriations and $22,023 in receipts.

EHNR 71

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS	FY 1997-98	FY 1998-99
1. Allowed inflationary increase for scientific supplies.	$225,650	$513,203
2. Replace computers outdated due to technology change.	$12,500	$12,500
3. Replace outdated scientific/medical equipment.	$59,000	$59,000

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Laboratory Services.

Items for Possible Committee Discussion

None

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/18/97

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Cenny F. Wood	DEHNR - MCH
Barry Goldstein	DEHNR - MCH
Tom Jernigan	DEHNR
Barbara Hurst	DEHNR - DMCH
Mary Sheron	DEHNR - BUDGET
Janet Smith	DEHNR - Budget
Alice Hersh	DEHNR - DMCH
Lisa Devlin	DEHNR
Michael Moser	DEHNR
Nolan Newton	"
Tom Vaughan	DMCH / DEHNR
Kevin Ryan	DMCH/ DEHNR
Jerry Padgett	DEHNR/ DEH/ PWSS
William C Jester	DEHNR - DEH - OSWS
Patricia A. Yarcey	APPCNC
Rhonda Raney	NCAPDC
Brenda Johnson	DEHNR - DEH
Malcolm Blalock	DEHNR / DEH
Joy Reed	DEHNR / OPHN
Lisa Sewell	DEHNR / DEH
DAVID HERLONG	State Planning
Stellou Nelson Attieri	OSBM
Jammy Gray	"
M. Paul U. Rhodes	DEHNR - DEH
Lou F Turner	DEHNR - Lab Services
Wm G. McDowell	DEHNR - LAB SVCS
John Sheats	DEHNR - LAB Services

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/18/97

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Douglas Fitzgerald	DSPL
Steve Martin	Div. of Epidemiology - Raleigh
Evelyn Foust	Div of Epidemiology - Raleigh
Bob Canupp	Dir. of Epidemiology - Raleigh
Alice Garland	Electricities
David Simmons	Zeb Alley, PTA
George Howe	MCNC
Paul Lamb	Lamb Consulting
Paula Yates	NCFB
Ann Case	DEHNR

Joint Appropriations Committee on
Natural and Economic Resources

March 18, 1997

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

   Department of Environment, Health, and Natural Resources

   Division of Environmental Health

   Mona Moon
   Fiscal Research Division

3. Department of Agriculture

   Departmental Remarks - Commissioner Jim Graham

4. Budget Analysis

   Department of Agriculture

   Overview
   Administrative Services
   Aquaculture and Natural Resources
   Division of Marketing
   Division of Veterinary Services

   Jennifer Herrera
   Fiscal Research Division

5. Committee Discussion

6. Instructions to Staff

JOINT APPROPRIATIONS SUBCOMMITTEE ON

NATURAL AND ECONOMIC RESOURCES

TUESDAY, MARCH 18, 1997 at 4:00 p.m.

MINUTES

The Joint Appropriations Subcommittee on Natural and Economic Resources met on Tuesday, March 18, 1997 at 3:30 p.m. in Room 423 of the Legislative Office Building. Three Senate members including Senator R.L. "Bob" Martin, Chairman, were present. Representatives Mitchell, Baker, Carpenter, Fox, Hall, Owens, Tolson, Weatherly, and Wilkins were present.

Senator Martin, Chairman, called the meeting to order. The Chairman recognized Ms. Mona Moon, Fiscal Research Division, to give the budget analysis of the Division of Environmental Health. This is Attachment A of these minutes. The Division Activities and programs include Food, Lodging and Institutional Sanitation; Shellfish Sanitation; Milk Supply Sanitation; Public Swimming Pool Safety and Sanitation; Childhood Lead Poisoning, Prevention and Abatement; Sleep Products Sanitation; Mosquito Control; Public Water Supply Protection; and On-site Wastewater.

Senator Martin asked if someone from the Division could provide a status report on the implementation of the Straight Pipe Elimination and Amnesty program. Ms. Linda Sewell, Division of Environmental Health, said this program was funded last year. It was for two positions and both positions have been filled. They have instituted a toll free number to allow people to call and ask questions or report themselves; therefore, the Divisions can provide assistance during the Amnesty period. She reported the Governor's expansion budget does include the expansion of this program. She said the problem is large and they need more than two employees to handle the problem.

Senator Martin then asked someone to speak to the audit findings and what was being done to correct the findings. Ms. Sewell said the Food Sanitation Inspection program had been under staffed. It is a program that works through the local health departments. She said to coordinate the local health departments has been a challenge as pointed out by the audit report. The Governor's expansion does include five new positions for staffing at the regional level.

Senator Martin asked how bad is the blood lead levels in children? Is it getting worse and if so, what is the reason? Ms. Sewell said in the past few years the state has implemented a program where all children are eligible for testing for these levels. She reported that there are still homes in the state with lead base paint in them. Ms. Sewell said homes are primarily the source for the blood lead levels in children.

Chairman Martin introduced Mr. Jim Graham, Commission of Agriculture, to address the Committee. The Commissioner's remarks are Attachment B of these minutes. He said the two most precious things in the world for survival are water and food. Agriculture in North Carolina is under attack. Agriculture is a $42 billion economic activity each year in North Carolina. It provides more than 20% of the employment and delivers millions upon millions of dollars in tax revenue to North Carolina. He said three commodities in North Carolina, poultry, pork and tobacco, generate $4 billion. Because of these three things, Commissioner Graham said he was very positive about the future of agriculture.

Commissioner asked the Committee to consider a provision in the Appropriation Bill to transfer the Maritime Museum to the Department of Cultural Resources effective July 1, 1997. The Commissioner thanked the Committee and said he looked forward to working with the NER Committee. Representative Baker asked the Commissioner if Cultural Resources would take the Maritime Museum? Commissioner said yes they wanted it.

Ms. Jennifer Herrera, Fiscal Research Division, gave a brief overview of the Department of Agriculture. The handout is entitled Overview and is Attachment C of these minutes. She said the Department of Agriculture is responsible for enhancing agriculture as an economic industry, regulating agricultural enterprises to safeguard public and animal health, and to ensure the accuracy of measures used in consumer purchases. The Department has five primary goals: to maintain and enhance agriculture's ability to provide an adequate, wholesome supply of food and natural fiber; to protect consumers from unwholesome food products; to protect the social and economic well-being of NC citizens; to preserve agricultural and natural resources and to protect the environment; and to carry out departmental programs in a professional and cost-effective manner.

Ms. Herrera continued with the budget analysis by reviewing the Administrative Services, which encompasses three areas in the Department of Agriculture. This handout is entitled General Administration/Administrative Services/ Public Affairs Budget. This is Attachment D of these minutes.

General Administration provides overall administrative support to all operations regarding departmental and state government policy. Activities include planning, policy development, legal and other administrative/supervisory functions.

Administrative Services provides support to operational programs in the department through budgeting, accounting, data processing, purchasing and personnel services.

Public Affairs provides information to the media and public on departmental services and regulatory programs, provides special events planning and implementation services to all divisions, and develops and coordinates all communications plans for departmental programs.

The next item for review by Ms. Herrera was the Aquaculture Development program. This is Attachment E of these minutes. The Aquaculture Development program encourages the further development of aquaculture to promote economic growth, to augment food supplies, to increase stocks of native aquatic species and to better use the land and water resources of the state. The Division activities include the following: Licensing Freshwater Operations; Assistance in Regulatory Matters; Business Plan Development; and Production and Processing Coordination.

Ms. Herrera continued with the Department of Agriculture by reviewing the Marketing Division. This is Attachment F of these minutes. Division Activities for Marketing include the Farmers' Markets and Agricultural Centers, International Marketing, Domestic Marketing, and Horticultural Programs. A second handout (Attachment F(2) was distributed to members. This was a Legislative summary of the State Farmers Markets Operations review. Representative Mitchell asked when the markets would be self supporting? Mr. Weaver said small markets would never be self supporting because there was not enough activity. However, the larger markets could be self supporting due to all year activities.

The last item on the agenda, Veterinary Services, was review by Ms. Herrera. This is Attachment G of these minutes. The Division of Veterinary Services controls and eradicates animal diseases for the protection of human and animal health, protects public health and safety by inspection and regulation of the meat and poultry processing industry, and prevents abuse and theft of commercially traded animals.

The meeting adjourned at 6:00 p.m.

Senator R.L. Martin, Chairman

Carolyn M. Gooden, Committee Clerk

Amendment A

EHNR - 272

Department of Environment, Health, and Natural Resources

Division of Environmental Health							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized January	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	11,510,510	12,057,672	15,151,904	11,634,295	-23.2%	11,653,355	-23.1%
Less Receipts	(4,180,804)	(4,662,021)	(7,240,331)	(3,991,344)	-44.9%	(3,991,344)	-44.9%
State Appropriations	*7,329,706*	*7,395,651*	*7,911,573*	*7,642,951*	-3.4%	*7,662,011*	-3.2%
Positions	164.00	164.00	166.00	166.00		166.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

- Food, Lodging and Institutional Sanitation
- Shellfish Sanitation
- Milk Supply Sanitation
- Public Swimming Pool Safety and Sanitation
- Childhood Lead Poisoning, Prevention and Abatement
- Sleep Products Sanitation
- Mosquito Control
- Public Water Supply Protection
- On-site Wastewater

Cross References For Budget Volumes

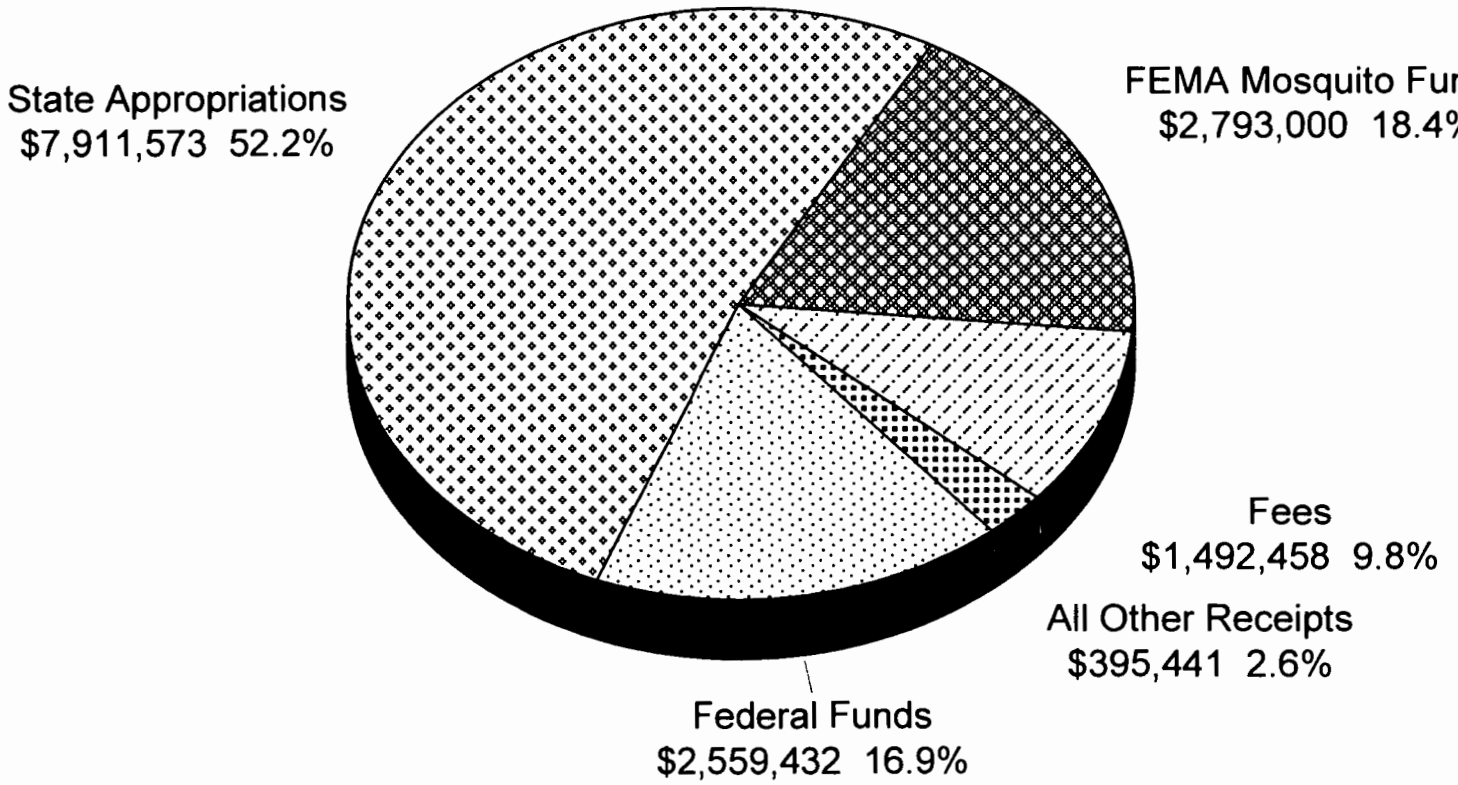
Governor's Budget, Volume 5, pp. Y-87 to Y-99
Performance/Program Analysis, Volume 7A, pp. 1-14; 1-43 to 1-50; 1-59; 1-61 to 1-65; 5-115; 5-120

EHNR-273

Division of Environmental Health

Sources of Funding

FY 1996-97 Authorized



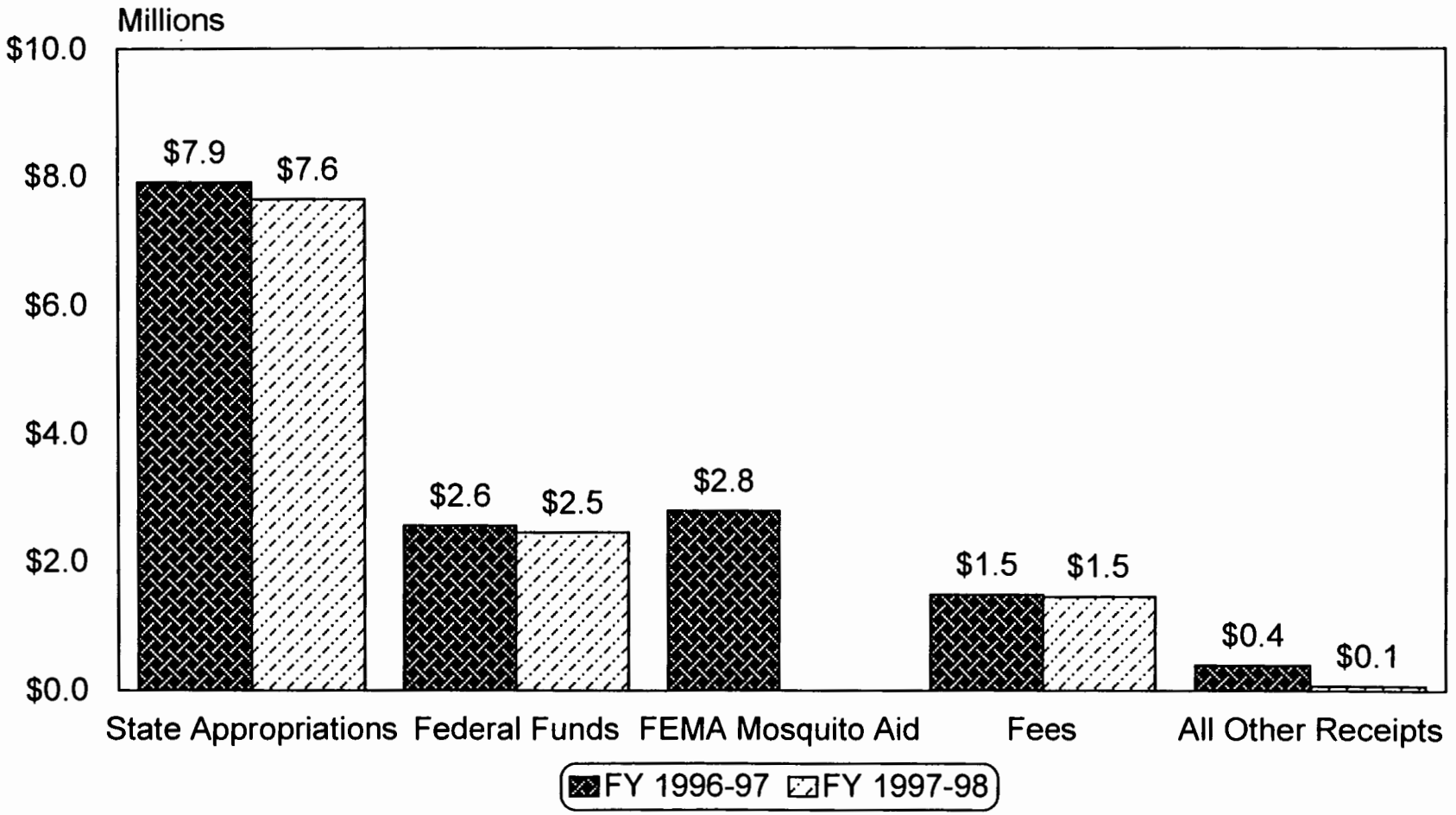
Fiscal Research Division -- March 1997

Division of Environmental Health

EHNR-274

Comparison of Fund Sources

FY 1996-97 Authorized vs. FY 1997-98 Recommended



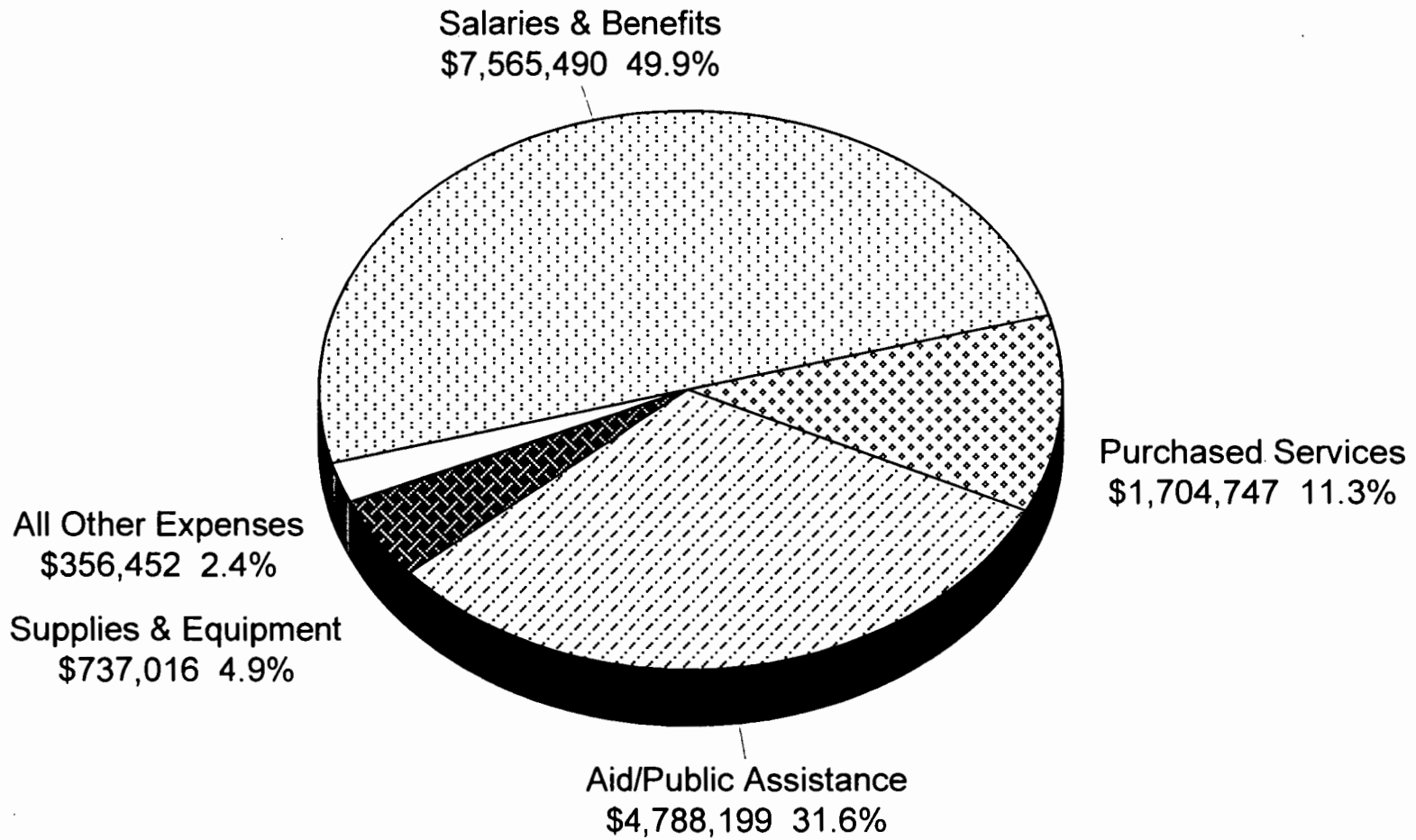
Fiscal Research Division -- March 1997

EHNR-275

Division of Environmental Health

Expenditures by Category

FY 1996-97 Authorized

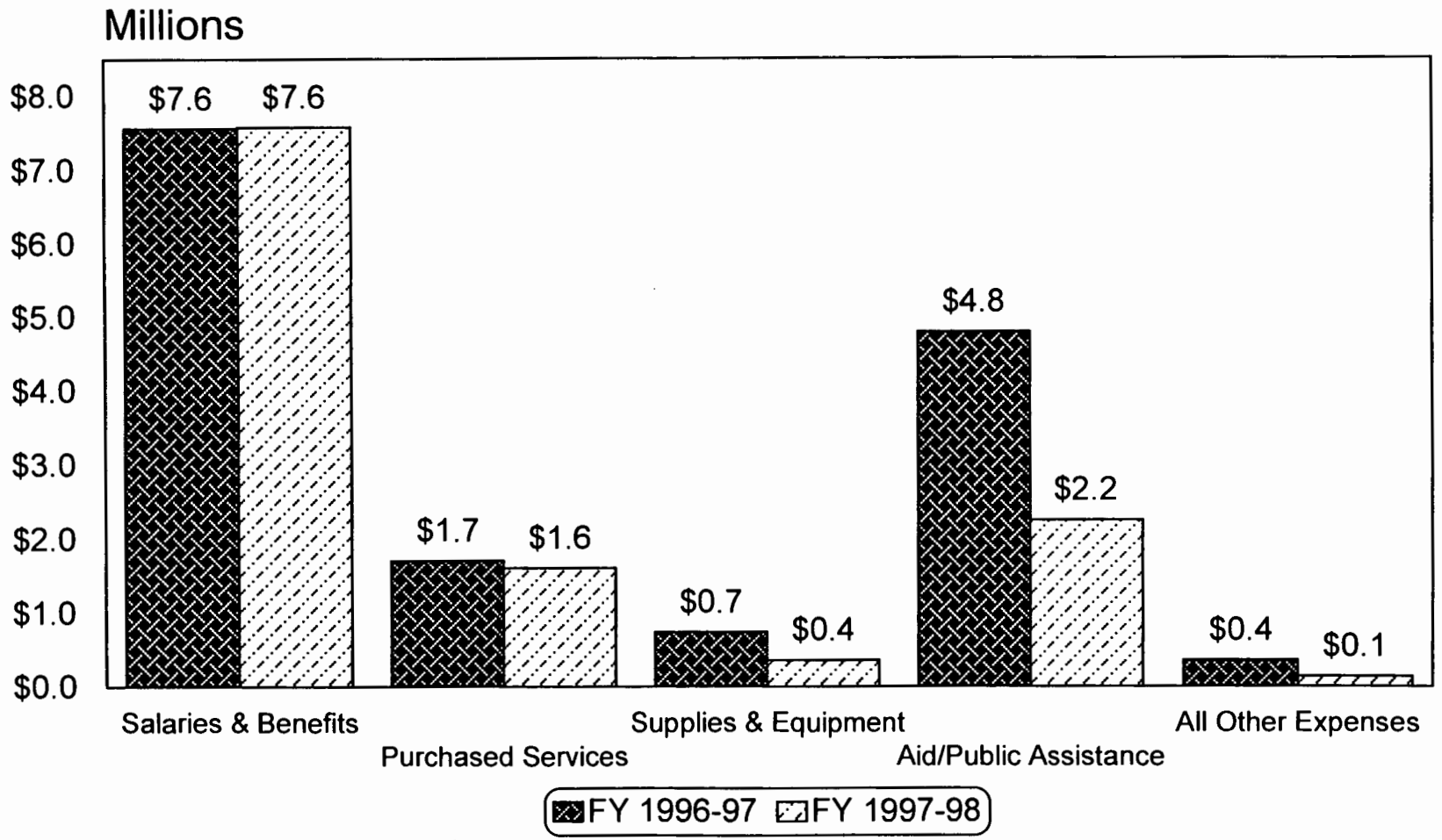


Fiscal Research Division -- March 1997

Division of Environmental Health

Comparison of Expenditures by Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division -- March 1997

Objective 1: Reduce the incidence of disease caused by critical item violations by 5% by the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of critical item violations found during inspections of facilities (Baseline data for this measure have not been established)	n/a	n/a	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Performance Measures:								
Number establishments inspected (including health related institutions, correctional units, child care centers, hotels, schools, food service, lodging establishments, dairy farms and milk processing plants)	n/a	n/a	26,915	32,393	34,598	*37,421*	*38,918*	*40,975*
Number of food and lodging facilities requiring a permit to operate	18,249	19,412	20,541	20,834	18,630	*20,150*	*20,956*	*21,795*
Number lodging establishment evaluations	1,179	1,656	2,025	1,490	1,904	*2,200*	*2,200*	*2,300*
Number restaurant evaluations	40,952	49,062	72,238	77,080	61,252	*63,000*	*64,000*	*65,000*
Number food, lodging, and institutional plans reviewed	250	325	493	557	573	*850*	*900*	*925*

Current Situation:

Currently, the Environmental Health Services Section is unable to collect or retrieve data for all critical item violations. The section is working on options to get the needed personnel and programming support to complete this database.

Funds:

4300 EHNR
1475 Environmental Health

Objective 2: Reduce blood lead levels among lead poisoned children receiving both clinical and environmental health follow-up services.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent reduction in blood lead level among lead poisoned children at: four-month and twelve-month follow-up periods:								
– 4-month follow-up	n/a	n/a	11%	14%	23%	*25%*	*26%*	*27%*
– 12-month follow-up	n/a	n/a	21%	33%	33%	*34%*	*35%*	*36%*
Performance Measures:								
Lead poisoning investigations	39	76	150	428	682	*720*	*760*	*800*
Number children identified with elevated blood lead levels	36	92	150	183	356	*350*	*375*	*400*

Current Situation:

Funds:

4300 EHNR
1475 Environmental Health

Objective 4: Maintain at 100% the number of dairy farms and plants meeting Grade A standards.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of dairy farms and plants meeting Grade A standards	n/a	n/a	100%	100%	100%	*100%*	*100%*	*100%*
Performance Measures:								
Number milk and single-service plant inspections	24	43	68	95	88	*92*	*96*	*96*
Number dairy farm inspections	1,968	2,682	2,041	2,830	2,556	*2,400*	*2,200*	*2,000*

Current Situation:

Funds:

4300 EHNR
1475 Environmental Health

Objective 4: Prevent occurrences per 100,000 population of illnesses attributable to shellfish products from North Carolina waters.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Occurrences per 100,000 population of illnesses attributable to shellfish products from North Carolina waters	n/a	n/a	0	0	0	*0*	*0*	*0*
Performance Measures:								
Number bacteriological samples of estuariane waters collected and analyzed	8,149	6,910	6,833	7,886	8,421	*7,800*	*7,800*	*7,800*
Number of inspections of waste water systems which effect estuariane waters	3,792	2,532	2,250	2,127	3,102	*2500*	*2,600*	*2,600*
Number of shellfish, crustacea, and scallop plants inspected	661	753	555	542	643	*580*	*580*	*580*
Number of shellfish and crustacean product samples collected and analyzed	241	186	189	242	229	*230*	*210*	*210*

Current Situation:

Funds:

4300 EHNR
1495 Shellfish Sanitation

1230 Assure a safe and healthy drinking water supply

Objective 1: Increase the percent of North Carolinians served by compliant water systems.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of North Carolinian residents served by water systems meeting the maximum contamination level (MCL) standards for safe drinking water	n/a	n/a	n/a	n/a	95%	*95%*	*95%*	*95%*
Performance Measures:								
Number water system plans and specifications approved	1,520	1,759	1,930	2,063	1,952	*1,700*	*1,700*	*1,700*
Number of violation notices to non-transient, non-community water system owners for failure to provide water that complies with the maximum contamination level (MCL) requirements for coliform bacteria	107	76	42	51	42	*50*	*50*	*50*
Number of violation notices to community water system owners for failure to provide water that complies with the maximum contamination level (MCL) requirements for coliform bacteria	202	211	129	167	83	*120*	*120*	*120*
Number of violation notices to community water system owners for failure to provide drinking water that meets the MCL requirement for chemical or radiological contamination	16	67	85	71	5	*35*	*35*	*35*

Current Situation:

Funds:

4300 EHNR
1490 Water Supply Protection

EHNA 82

DIVISION OF ENVIRONMENTAL HEALTH
OVERVIEW OF BUDGET ACTIONS

Current Biennium (1995-97)

SELECTED REDUCTIONS	FY 1995-96	FY 1996-97	
1. Eliminate position	($55,7910 -1.0	($55,791) -1.0	
2. Reduce state aid for mosquito control program.	($68,643)	($68,643)	
3. Reduce supplies and equipment.	($12,162)	($12,162)	
SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS			
1. Milk Sanitation Inspection Program Funds for contracted laboratory analyses of raw milk samples.	$139,680	$139,680	
2. Food Sanitation Funds to improve the standards and consistency of food sanitation rules and to provide training for environmental health specialists.	$100,000	$100,000 $100,000	 NR
3. Straight Pipe Elimination Funds to establish a program to identify and eliminate straight pipe sewage and wastewater discharges and failing septic systems.		$117,500 $12,500 2.0	 NR

REPAIRS AND RENOVATIONS

No Repairs and Renovations funds were allocated to the Division of Environmental Health in FY 1996-97.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $245,208

Incorporates the division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $158,262 in state appropriations and $86,946 in receipts.

Proposed Recommendations for the Upcoming 1997-99 Biennium

CONTINUATION BUDGET ITEMS)	FY 1997-98	FY 1998-99
1. Increase building rent/lease cost based on escalation clause in contract.		$7,226
2. Eliminate nonrecurring items from the continuation budget.	($112,500)	($122,500)

GOVERNOR'S RECOMMENDED REDUCTIONS (FROM SUMMARY VOLUME)

There are no Governor's recommended reductions for the Division of Environmental Health.

Items for Possible Committee Discussion

1. Straight Pipe Elimination Program

In 1996 the General Assembly created the Straight Pipe Elimination and Amnesty program to identify failing septic systems and illegal sewage discharges to the state's streams and other surface waters, with an emphasis on eliminating direct discharges into drinking water sources. The committee may wish to have the division provide a status report on the implementation of this program, including coordination with other agencies and organizations to provide educational and financial assistance.

2. Performance Audit of the Food Sanitation Inspection Program

In September 1996 the State Auditor released a performance audit of the *state level administration and oversight functions* for the Food Sanitation Inspection program. The state's program responsibilities include collection and distribution of licensing fees, plan review, consultation with food industry personnel and county specialists, and educational and training services.

Restaurant inspections to review food handling practices, food storage, ventilation, waste disposal and other sanitary conditions are performed by environmental health specialists at the county level. The audit did not include an evaluation of program implementation at the county level.

The audit report included the following findings:

- Inadequate staff at the regional level
- Inadequate staff for the plan review function
- Failure to perform the required number of inspections in some counties
- Current fee structure does not deter late payment
- Inefficiency of the centralized training program
- Inadequate internal controls over sanitation grade cards

The committee may wish to have the division comment on the findings of the audit report and explain measures taken to correct program deficiencies.

Attachment 13

Comments for Commissioner Graham for presentation to the Joint Appropriations Committee

Tuesday, March 18, 1997

Thank you ladies and gentlemen of the Committee for allowing me to take a few minutes of your valuable time. I want each of you to know how much we in the Department of Agriculture appreciate your support over the years. It is my hope that you will be able to continue and even expand that support for the future.

Agriculture in North Carolina is under attack, and you hold the ammunition we need to assure the continued strength of this number one industry. Agriculture accounts for more than $42 billion in economic activity each year in this state, provides more than 20 percent of the employment and delivers millions upon millions of dollars in tax revenues to city, county and state coffers each year,. while providing the safest, most economical food in the world.

Top 3 commodities(Poultry, Pork & Tobacco) generate $4 billion in farm gate receipts

Concerns over pollution, water quality, odor and other factors are turning citizens against agriculture. And to be very honest, we don't have all the answers now, but we're working seven days a week to find them.

With your help we will respond to your concern through environmental research projects at the Center for Environmental Farming Systems in Goldsboro, including swine waste management. We're helping our growers implement precision farming, using our central and field labs to prescribe exact nutrient application rates; diversifying our crops to further lessen our dependence on tobacco; expanding the levels of service we provide in person and via the Internet to help grow and market our commodities; and even aggressively pursuing markets for our goods both

within and outside the United States.

With the multitude of issues facing agriculture today, we are finding it more and more difficult to respond adequately within the level of funding you are able to provide. The broad scope of the Department of Agriculture further dilutes the time and attention we are able to give each issue. With the discovery of what is believed to be Blackbeard's flagship, the demand for large amounts of resources for the Maritime Museum will be greater than ever. Because we need to focus more sharply on agricultural issues, I am requesting that the Committee consider a provision in the appropriation bill to transfer the Museum to the Department of Cultural Resources effective July 1.

I appreciate your consideration and look forward to working with you on these and other items in the future. I would also like to remind you of our Legislative dinner coming up at the Scott Building at the State Fair on April 9, hosted by the agricultural commodity groups of North Carolina in conjunction with the NCDA.

Mr. Chairman, with that I will close and attempt to answer any questions the Committee may have. Thank you again for your time and consideration of our continuation budget request.

Handout C -

Department of Agriculture

AG-1

Overview							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	71,964,336	72,349,786	74,735,992	75,763,518	1.4%	75,870,424	1.5%
Less Receipts	(29,150,704)	(28,217,638)	(27,335,100)	(27,856,504)	1.9%	(27,755,157)	1.5%
Cash Balance +/-	4,368	271,629	180	180		180	
State Appropriations	*42,818,000*	*44,403,777*	*47,401,072*	*47,907,194*	1.1%	*48,115,447*	1.5%
Positions	1,317.75	1,326.52	1,339.50	1,339.50		1,339.50	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

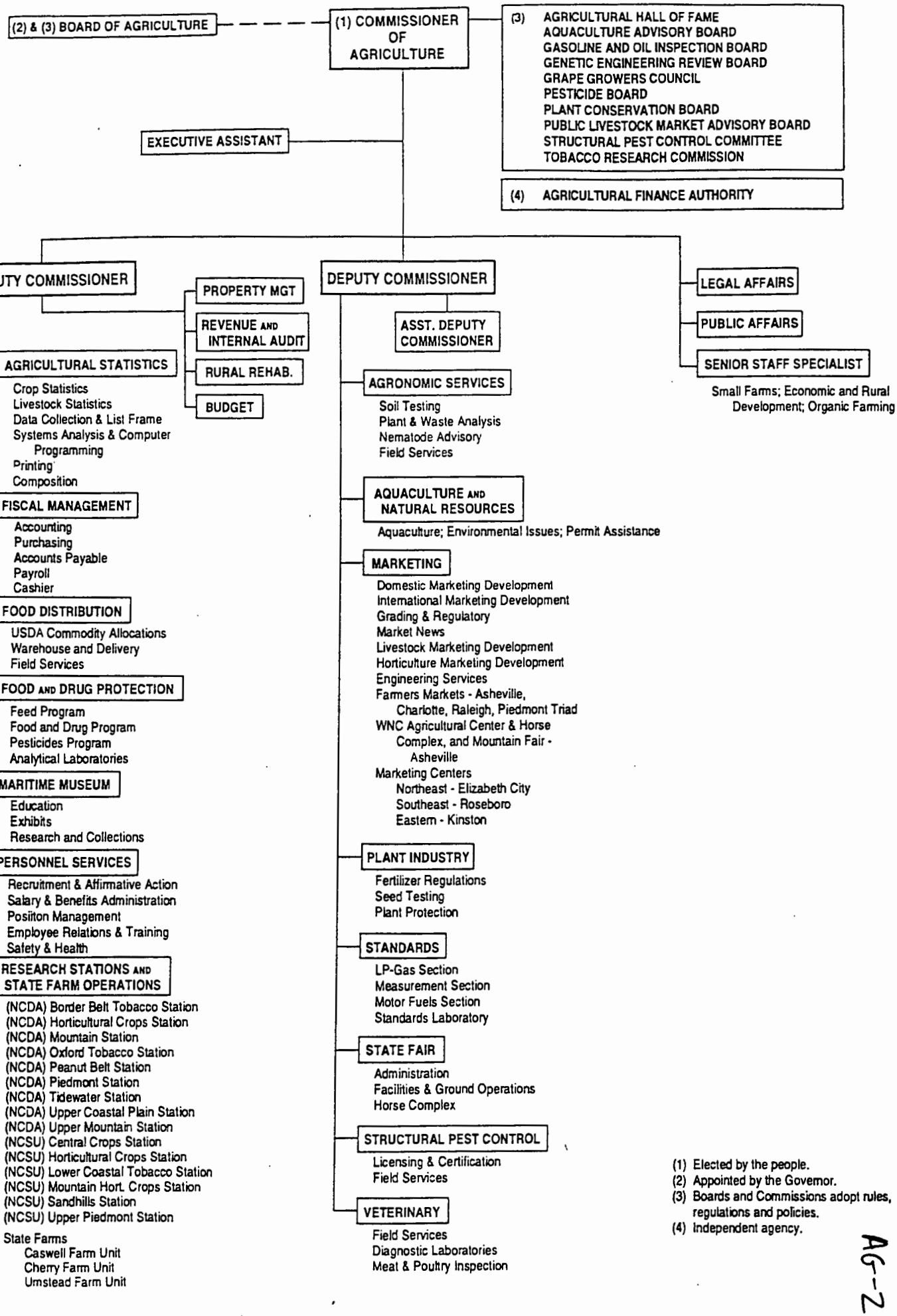
ORGANIZATION

The Department of Agriculture is responsible for enhancing agriculture as an economic industry, regulating agricultural enterprises to safeguard public and animal health, and to ensure the accuracy of measures used in consumer purchases.

The Department has five primary goals:

- To maintain and enhance agriculture's ability to provide an adequate, wholesome supply of food and natural fiber
- To protect consumers from unwholesome food products
- To protect the social and economic well-being of N.C. citizens
- To preserve agricultural and natural resources and to protect the environment
- To carry out departmental programs in a professional and cost-effective manner

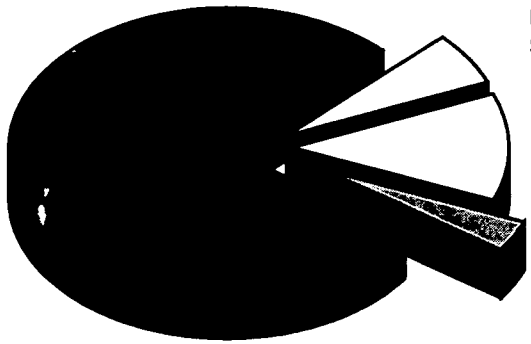
NORTH CAROLINA DEPARTMENT OF AGRICULTURE



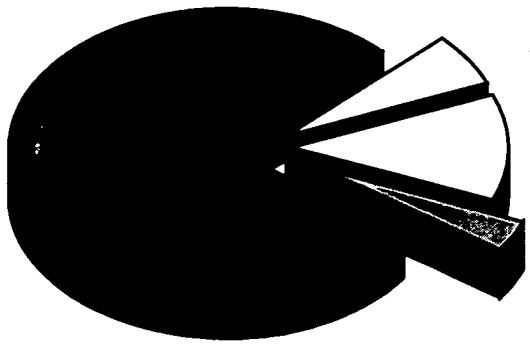
(1) Elected by the people.
(2) Appointed by the Governor.
(3) Boards and Commissions adopt rules, regulations and policies.
(4) Independent agency.

1997-99 Recommend[illegible]Continuation Budget
for
Department of Agriculture
(in $ millions)

1997-98 Recommended Total Expenditures
(in $ millions)



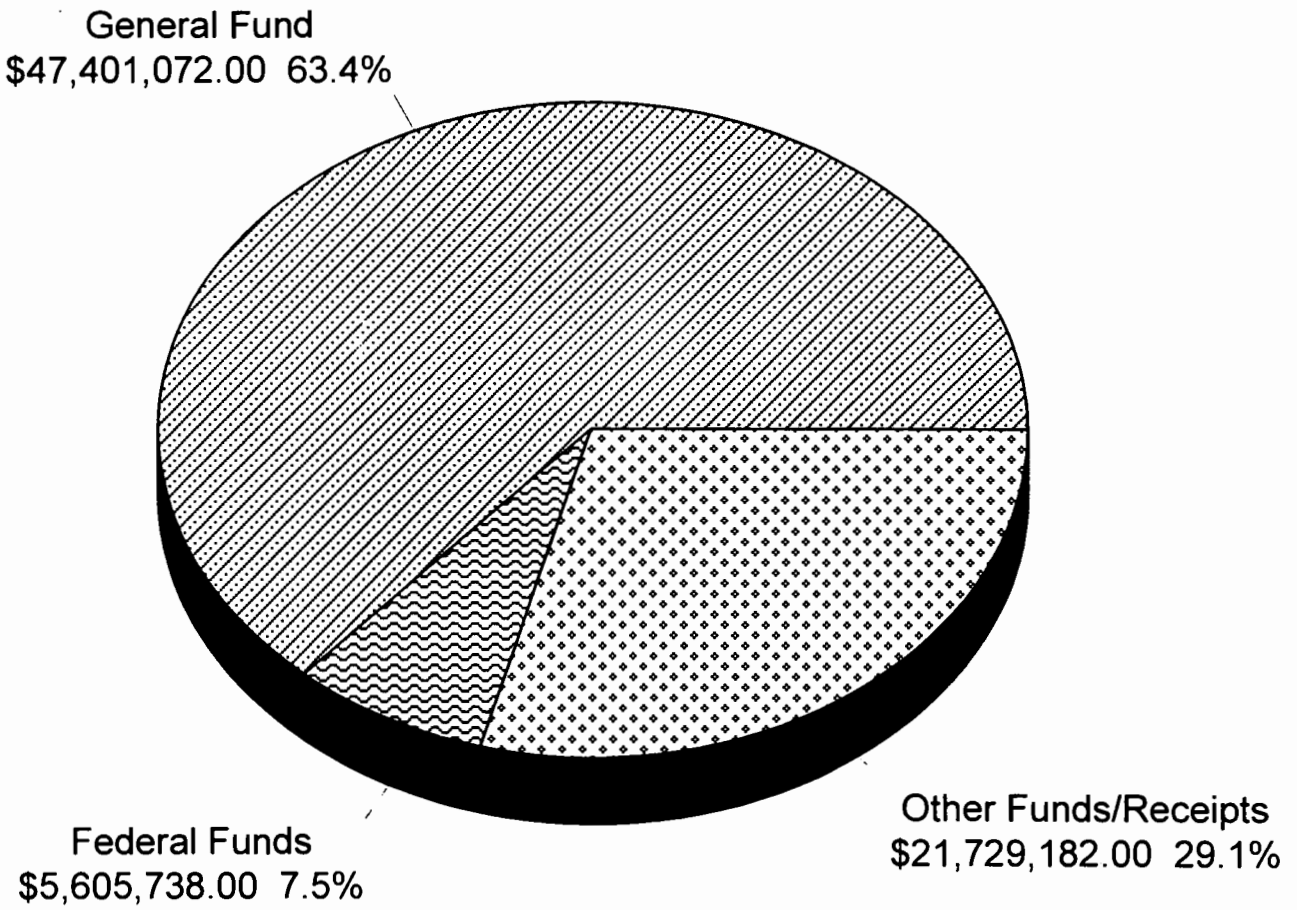
1998-99 Recommended Total Expenditures
(in $ millions)



Department of Agriculture

AG-4

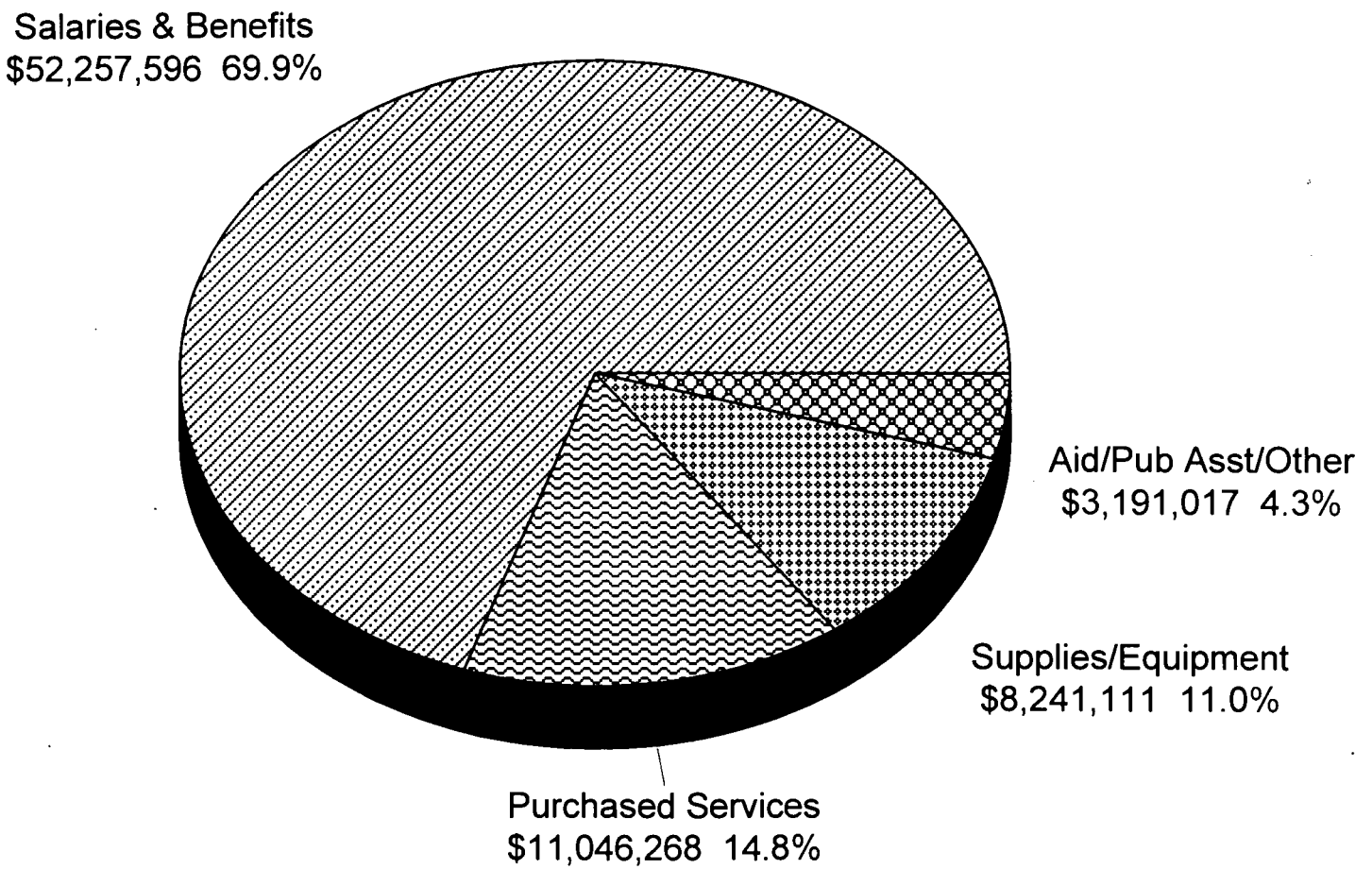
FY 1996-97 Authorized Total Budget by Fund Source



Fiscal Research Division March 1997

Department of Agriculture

FY 1996-97 Authorized Expenditures By Category



Fiscal Research Division March 1997

DEPARTMENT OF AGRICULTURE
OVERVIEW OF BUDGET ACTIONS 1995-97

FUNDING HIGHLIGHTS

See *Overview: Fiscal and Budgetary Actions*, pages J-1 through J-8

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

See *Overview: Fiscal and Budgetary Actions*, pages M-1

REPAIRS AND RENOVATIONS

The Department received $2,738,900 from the 1996-97 Reserve for Repairs and Renovations.

GOVERNOR'S RECOMMENDED REDUCTIONS

None

DEPARTMENTAL NOTE

Senate Bill 195 and House Bill 211 have been introduced which change the name of the Department of Agriculture to the Department of Agriculture and Consumer Services.

Handout D

AG-7

Department of Agriculture

General Administration/Administrative Services/Public Affairs Budget							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	4,712,155	4,482,895	4,043,135	3,963,024	-2.0%	3,974,354	-1.7%
Less Receipts	(1,542,833)	(1,256,657)	(660,792)	(615,720)	-6.8%	(616,005)	-6.8%
State Appropriations	*3,169,322*	*3,226,238*	*3,382,343*	*3,347,304*	-1.0%	*3,358,349*	-0.7%
Positions	67.00	67.00	67.00	67.00		67.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

General Administration provides overall administrative support to all operations regarding departmental and state government policy. Activities include planning, policy development, legal and other administrative/supervisory functions.

Administrative Services provides support to operational programs in the department through budgeting, accounting, data processing, purchasing and personnel services.

Public Affairs provides information to the media and public on departmental services and regulatory programs, provides special events planning and implementation services to all divisions, and develops and coordinates all communications plans for departmental programs.

Cross References For Budget Volumes

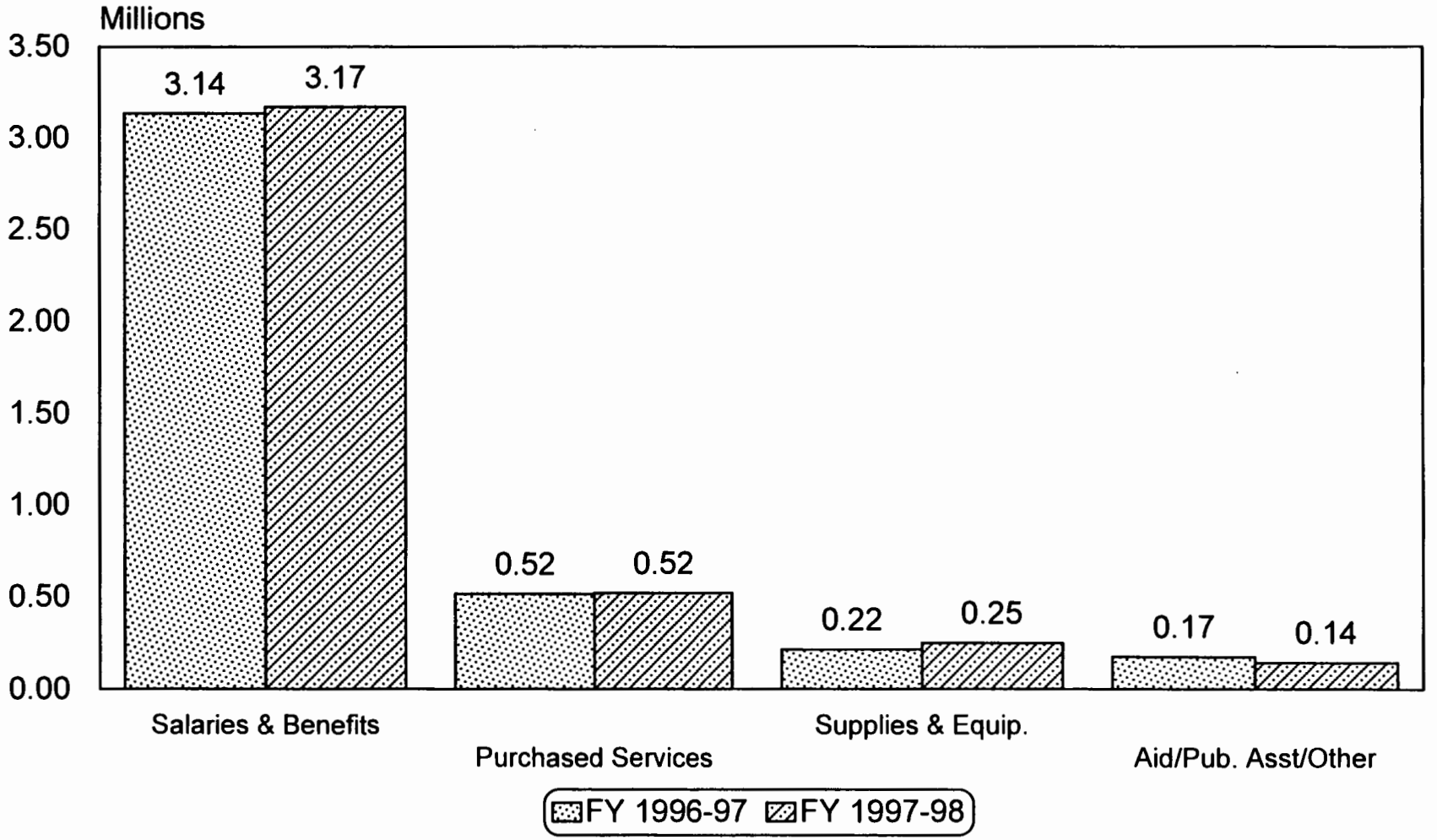
Governor's Budget, Volume 5, pp W-6 to W-10
Performance/Program Analysis, Volume 7b, pp 6-229 to 6-231

General Administrative Services

AG-8

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

ADMINISTRATIVE DIVISIONS
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS 1995-96 1996-97

None

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $104,481
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded with $100,795 in state appropriations and $3,686 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

None

Attendant E -

AG-11

Department of Agriculture

Aquaculture Development							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	265,198	297,743	329,433	315,553	-4.2%	324,882	-1.4%
Less Receipts	(4,500)	(500)	(8,600)	-	-100.0%	-	-100.0%
State Appropriations	*260,698*	*297,243*	*320,833*	*315,553*	-1.6%	*324,882*	1.3%
Positions	6.00	5.50	5.50	5.50		5.50	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The Aquaculture Development program encourages the further development of aquaculture to promote economic growth, to augment food supplies, to increase stocks of native aquatic species and to better use the land and water resources of the state.

DIVISION ACTIVITIES

- Licensing Freshwater Operations
- Assistance in Regulatory Matters
- Business Plan Development
- Production and Processing Coordination

Cross References For Budget Volumes

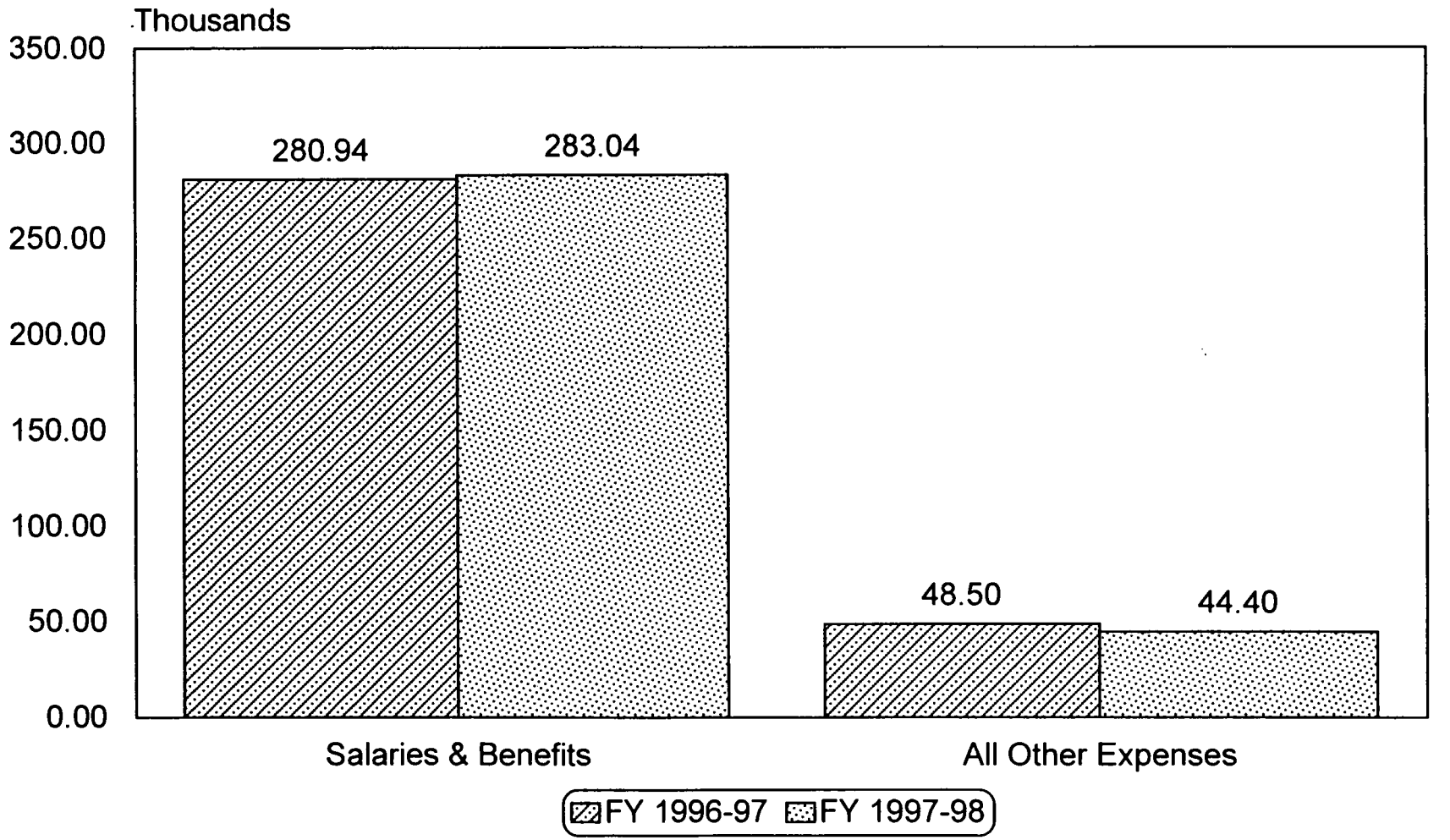
Governor's Budget, Volume 5, pp W-11 to W-12
Performance/Program Analysis, Volume 7b, pp 6-98 to 6-99

Aquaculture Development

AG-12

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 1: Expand the aquaculture industry at a rate equivalent to or higher than the rate in the South Atlantic region.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Change in rate of growth of aquacultural production in N.C.	5.70%	5.97%	6.27	-25.60%	53.10%	*25.00%*	*5.50%*	*5.30%*
Performance Measures:								
Value of aquaculturally produced products (farm-gate) (in millions)	$6.2	$6.7	$7.3	$8.45	$10.26	*$11.0*	*$12.5*	*$14.0*
Number of licensed aquaculture facilities	n/a	n/a	n/a	252	279	*300*	*315*	*340*

Current Situation:

Funds:

3700 AGRICULTURE
1015 Aquaculture Development

AQUACULTURE DEVELOPMENT
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS

None

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $9,906
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded totally with state appropriations.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The Committee may wish to have the Department discuss its role in aquaculture development compared with other state agencies' efforts.

AG-16

Government Agencies Involved in Aquaculture

NC Department of Agriculture

Aquaculture
- Licensing Freshwater Operations
- General Information
- Assistance in Regulatory Matters
- Economics and Business Plan Development
- Production and Processing Coordination
- HACCP Information

Markets
- Product Development
- Product Promotion
- Facilities Design

Veterinary Services - Eight Laboratories Statewide with Fish Disease Diagnostic Capabilities

Food and Drug
- Inspection of Processing Facilities
- Inspection of Seafood Products
- Feed Quality

Research Stations
- Tidewater - Plymouth
- Mountain Horticulture - Fletcher

NC Wildlife Resources Commission

- Permission to Possess Exotic/Non-Native Fish in Freshwater

NC Division of Marine Fisheries

- Shellfish Bottom Leases
- Water Column Shellfish Leases
- Scientific Permits
- Shellfish Water Closures
- Regulations - Size, Season, Harvest Method, etc.

Source: NCDA Aquaculture Development

Environmental Management Commission

- NPDES Permits for Concentrated Aquatic Animal Feeding Operations
- General Permit

Division of Water Resources

- Registration of Surface Water Diversions
- Capacity Use Area Groundwater Withdrawal Permits

Division of Health Services

- Shellfish Sanitation

Federal Agencies

USDA - Animal Plant Health Inspection Service

- Bird Depredation Assistance

US Fish and Wildlife Service

- Permits to Control Depredating Birds
- Fish Disease Diagnosis
- Fish Health Certification

US Food and Drug Administration

- Inspection for Pesticide Residues and Illegal Therapeutics

US Army Corps of Engineers

- 404 Permits for Water Intake Structures for the Trout Industry
- Wetland Delineations

AG-18

US Department of Commerce

- Voluntary Program for Federal Seafood Inspection

Research and Education

High Schools (with some aquaculture component)

- South Brunswick
- North Lenoir
- Northern Durham
- Oxford-Webb

Community Colleges

Brunswick Community College

- New for 1994
- Two-Year Degree Program in Aquaculture
- One of Four in the Nation

University of North Carolina System

NCA&T- 1994 has received a grant for community outreach and demonstration of aquaculture

UNC-W - one introductory course in aquaculture

Western Carolina - Mountain Aquaculture Center
- Research on Omega 3 Fatty Acids - Dr. Roger Lum

UNC - Shellfish Research - Dr. Pete Peterson

NC State University

Research in warm and coldwater species related to production, genetics, nutrition, reproduction, intensive recirculating aquaculture systems, etc.

AG-19

- Research Sites

Tidewater Research Station - Plymouth
Mountain Horticulture Station - Fletcher
Pamlico Aquaculture Center - Aurora (Sea Grant)
Fish Barn (Recirculating) - Raleigh

Cooperative Extension Service

Three Aquaculture Specialists
Four Area Specialized Agents in Aqualculture

Private Organizations

NC Aquaculture Association
PO Box 27647
Raleigh, NC 27611

NC Trout Growers Association
22 Sugar Cove Rd.
Franklin, NC 28734

Striped Bass Growers Association
PO Box 5452
Raleigh, NC 27650-5452

NC Crawfish Producers Association
PO Box 1030
Edenton, NC 27932

Catfish Growers of North Carolina
2710 Holly Springs Church Rd.
Williamston, NC 27892

Annual Events

NC Aquaculture Development Conference (January)
NC Crawfish Assn. Crawfish Boil at the State Farmers Market (May)
Great Smokey Mountains Trout Festival (May)

Handout F

AG-20

Department of Agriculture

Marketing Division *							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	6,811,436	6,992,532	7,672,381	7,307,824	-4.8%	7,361,713	-4.0%
Less Receipts	(1,320,483)	(1,656,185)	(1,533,059)	(1,486,305)	-3.0%	(1,484,805)	-3.1%
State Appropriations	*5,490,953*	*5,336,347*	*6,139,322*	*5,821,519*	-5.2%	*5,876,908*	-4.3%
Positions	111.00	116.00	119.00	119.00		119.00	

** Budget numbers exclude receipt supported entities (Grape Growers' Council, Raleigh Farmers' Market)*

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

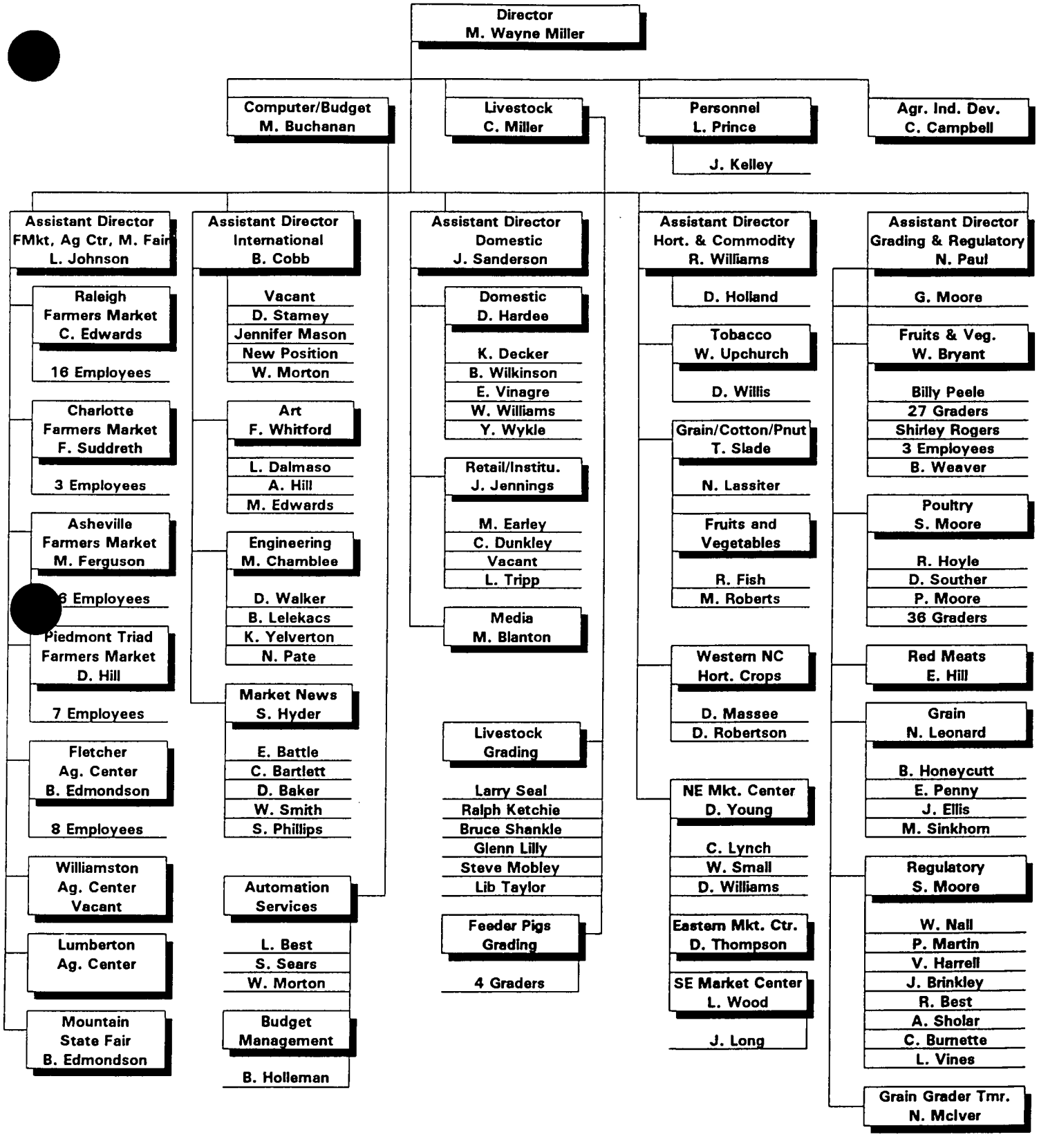
DIVISION ACTIVITIES

- **Farmers' Markets and Agricultural Centers**
  Farmers' Markets – Asheville, Charlotte, Piedmont-Triad, Raleigh
  Agricultural Centers – Eastern (under const.), Southeastern (under const.), and Western (incl. horse facility complex)
- **International Marketing**
- **Domestic Marketing**
- **Horticultural Programs**
  Local marketing offices in the East, Southeast and Northeast

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-12 to W-16; W-61 to W-64
Performance/Program Analysis, Volume 7b, pp 6-98; 6-100

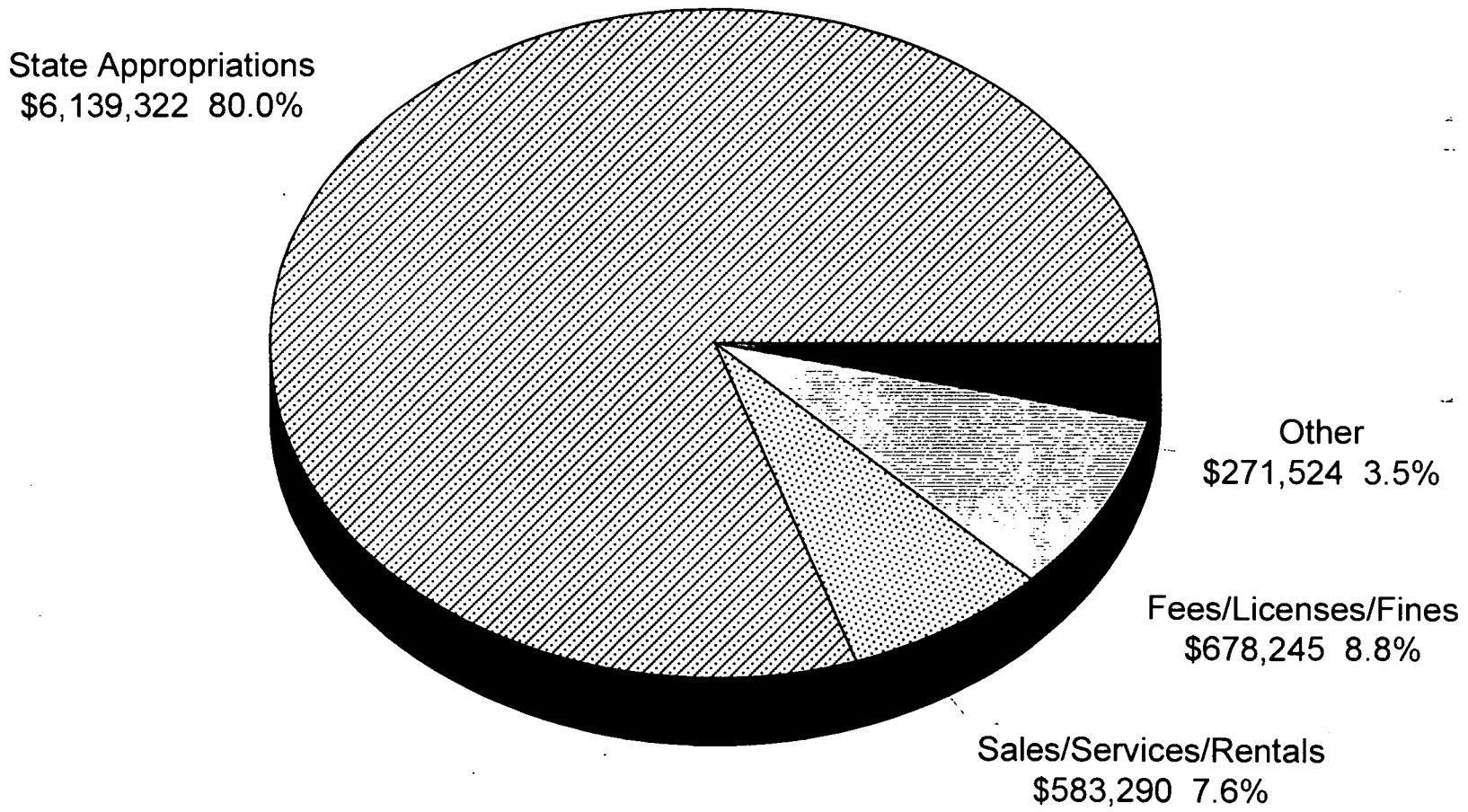
NORTH CAROLINA DEPARTMENT OF AGRICULTURE
DIVISION OF MARKETING



A6-21

Division of Marketing

FY 1996-97 Authorized Fund Sources

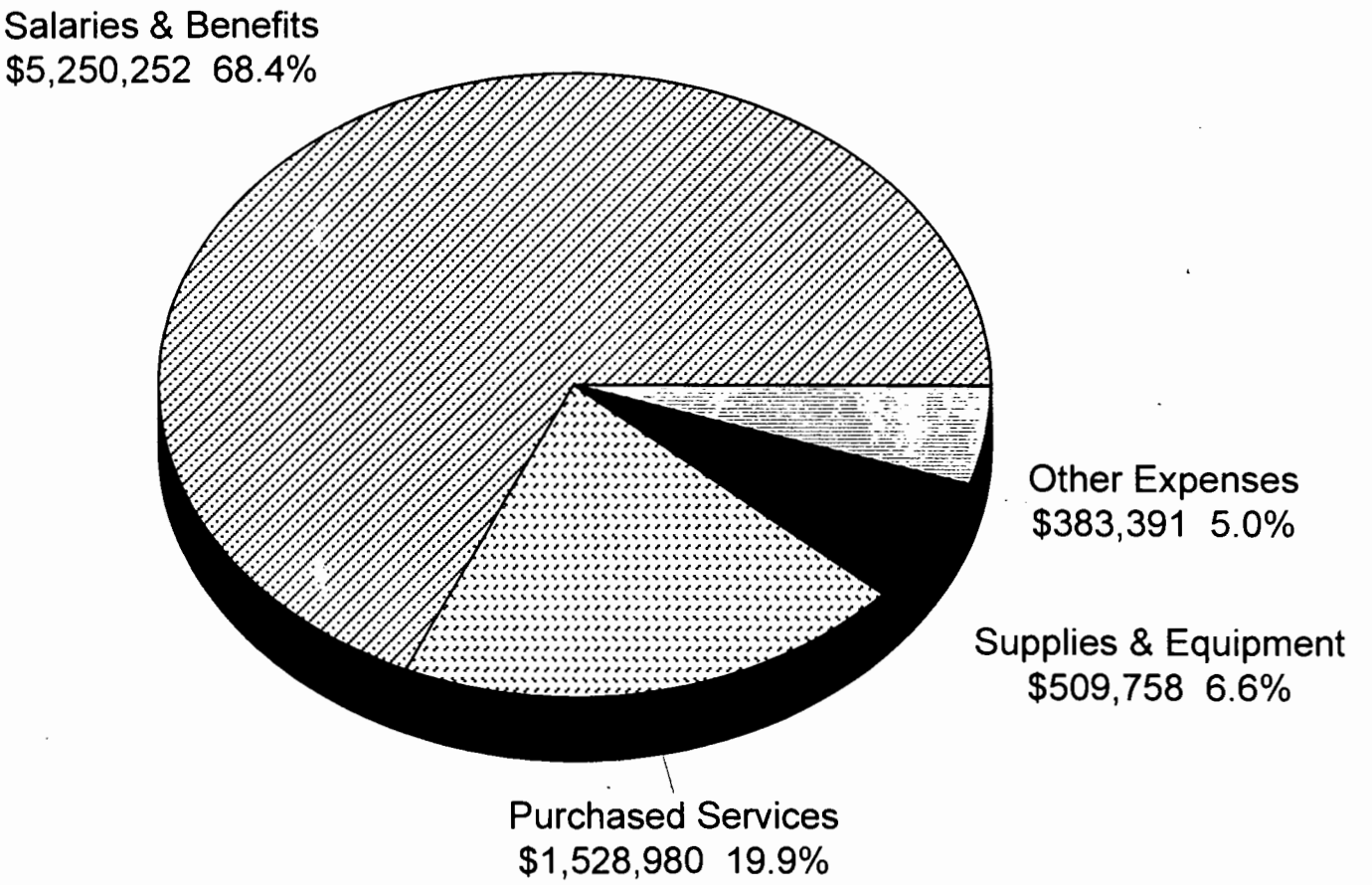


Fiscal Research Division March 1997

Division of Marketing

AG-23

FY 1996-97 Authorized Expenditures By Category

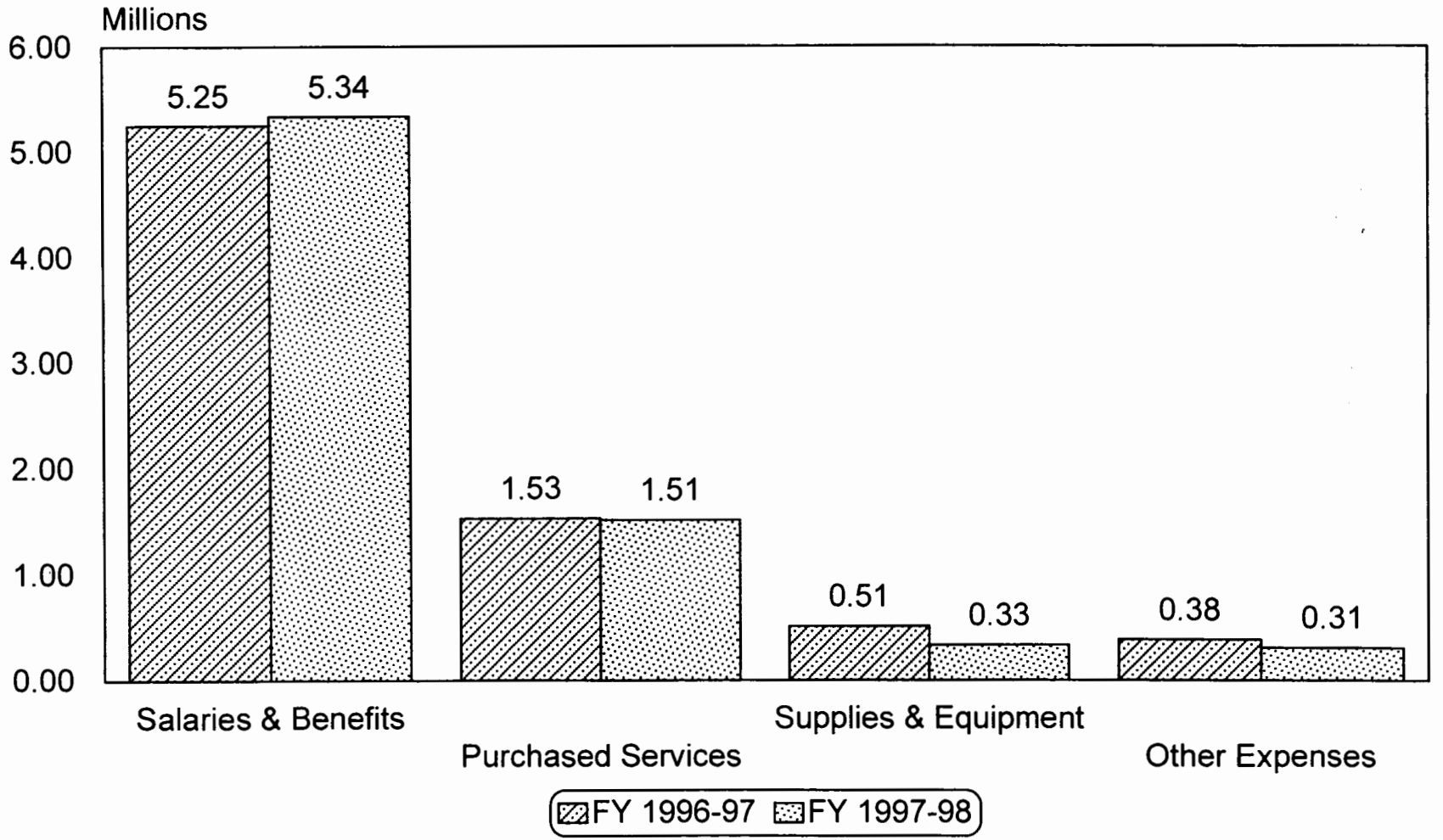


Fiscal Research Division March 1997

Division of Marketing

Comparison of Expenditures By Category

FY 1996-97 Authorized vs FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 2: Increase the current utilization level of marketing programs by producers, processors and buyers of agricultural products by 25 firms each year through the year 2001.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The number of producers, processors, and buyers of agricultural products that participate in NCDA Marketing Division programs	n/a	n/a	5,901	6,449	6,588	*6,613*	*6,638*	*6,663*
Performance Measures:								
Total estimated value of goods marketed at three N.C. Farmers' Markets (in thousands)	$90,100	$92,500	$95,500	$101,200	$124,500	*$125,500*	*$126,000*	*$126,500*
Dollar value of newly generated sales resulting from "Flavors of Carolina" (in thousands)	n/a	$36,000	$36,000	$36,000	$38,000	*$38,000*	*$38,000*	*$38,000*
Weekly number of markets' news subscribers	9,000	8,800	8,503	8,909	8,353	*8,500*	*8,500*	*8,500*
Contractual acreage of vegetables obtained to support the marketing of such vegetables	25,000	30,962	31,750	26,627	25,453	*25,000*	*25,000*	*25,000*
Sellers/vendors utilizing N.C. Farmers' Markets	2,920	2,915	3,160	3,160	3,225	*3,260*	*3,300*	*3,300*
Number of agribusiness firms participating in international shows	22	47	20	47	46	*50*	*55*	*60*
Number of firms participating in "Goodness Grows in North Carolina" in an effort to educate the public about native North Carolinian products	n/a	357	375	410	459	*480*	*500*	*520*
Number of grape advertisements placed	7	9	7	7	31	*30*	*30*	*30*
Number of bonded wineries in the state	9	9	9	10	10	*12*	*14*	*16*
Number of acres of grapes planted	14	25	25	25	25	*25*	*25*	*25*

Current Situation:

Funds:

3700 AGRICULTURE
1020 Markets
1026 Grape Growers Council
5100 Farmer's Market Raleigh

DIVISION OF MARKETING
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Abolish 2 vacant positions	($ 77,624) -2.00	($ 77,624) -2.00
2) Adjust underbudgeted receipts to more accurately reflect estimated collections at the Western Agricultural Center and Charlotte and Piedmont-Triad Farmers' Markets	($ 90,000)	($ 90,000)
3) Reduce General Fund Transfer to the Raleigh Farmers' Market	($150,000)	($150,000)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	1995-96	1996-97
1) Funds to establish a grain grading training program		$ 73,188 $ 7,532 NR 1.00
2) Funds to provide operating support and two positions for international marketing development		$155,444 $ 19,556 NR 2.00

REPAIRS AND RENOVATIONS

The Division received $270,200 from the 1996 Reserve for Repairs and Renovations for improvements at the Piedmont-Triad, Charlotte and Raleigh Farmers' Markets, Western Agricultural Center, and Williamston Grading Office.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $151,704
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded with $149,555 in state appropriations and $2149 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

Section 24.1 of Chapter 324 of the 1995 Session Laws (i.e. the 1995 Continuation Budget Bill) reads as follows:

"Sec. 24.1 The Department of Agriculture shall evaluate and recommend options for each of the State's Farmers Markets to reach a goal of becoming self-supporting within four years. No later than April 1, 1996, the Department shall report its findings to the Joint Legislative Commission on Governmental Operations."

This special provision was requested by the NER Appropriations Subcommittees in 1995 following discussions of the operations and activities of the 4 State Farmers Markets. The Committee may wish to have the Department comment on the report as well as the findings and recommendations.

Handout F.(2)

AG-29

STATE FARMERS MARKETS OPERATIONS REVIEW

Legislative Summary

Division of Marketing
North Carolina Department of Agriculture
April 2, 1996

AG-30

State Farmers Markets Operations Review

During the 1995 session of the General Assembly, the Legislature requested the North Carolina Department of Agriculture to examine the Farmers Markets operations to identify the steps required to transform them into financially self-supporting operations. In preparing this study, the Division of Marketing of the North Carolina Department of Agriculture, enlisted the services of the Management and Productivity Section, Office of State Budget and Management. The results of the Management and Productivity Section's study form the basis of this report.

The four Farmers Markets operated by the North Carolina Department of Agriculture are located in Raleigh, Charlotte, Asheville, and Colfax which is between Greensboro and Winston Salem. The markets provide a place for farmers to sell their fresh produce directly to the public and to wholesalers. The markets also provide an outlet for the sale of farm-related products and a business site for the location of fruit and vegetable wholesalers.

During the 1994-95 fiscal year the Raleigh, Charlotte, Piedmont Triad, and Asheville markets had combined sales of approximately $130 million with over 3,375 sellers utilizing these markets and 50 state and 678 private jobs operating on the markets. Over $1.3 million was collected in admission fees, space rentals, and other fees and over $1.5 million was expended on operations. Approximately 78% of expenditures were recovered through market charges costing about $1.20 to generate each $1.00 of revenue.

Economic Impact of Markets

The total economic impact of the markets as measured by revenues into the state's general Fund is estimated to be over $6.6 million. This includes personal income, sales, and corporate taxes. The operating statement below uses these economic impact figures. Including estimated general Fund revenues resulting from market operations with the existing operating revenues of the market and subtracting market expenses yields a collective net revenue to the state of $6.1million. Using the General Fund benefit as well as the operating revenues to offset expenditures, the expenditure to revenue ratio is $0.25 expenditure to generate $1.00 of revenue.

Modified Operating Statement Utilizing Economic Impact Data

Revenue from Market Operations	$ 1,499,854
Tax Revenue to the General Fund as a Result of Market Operations	$ 6,658,979
Gross Revenues	$ 8,158,833
Market Operating Expenses	$ 2,011,088
Net Revenue	$ 6,147,825

(Includes projected revenue and expenses for the Piedmont Triad Market)

Market Alternatives for Cost Recovery

The Management and Productivity Section's report recommended the "best alternative" for making the markets operationally self-supporting. In analyzing the statistics, the mission of the North Carolina Department of Agriculture and the Division of Marketing, and the future rational operations of the markets, a combination of actions were suggested including the following:

- A systematic effort to increase rates to a level that the markets will bear.
- Launch an operations improvement program.
- Develop alternative sources of income compatible with market operations.
- Include the economic impact of the markets when computing cost recovery.

Conclusion

The Farmers Markets are an important state asset, one that delivers a substantial net benefit to the State of North Carolina. Operationally, about 78% of expenditures are recovered through revenues. When adding in economic impact of market operations, however, the state receives a 305% return on annual expenditures.

The Management and Productivity Section of OSBM recognized department personnel for previous and ongoing efforts to make the markets customer-focused, efficient, and effective operations.
The operating philosophy for farmers markets has always been to provide an outlet for North Carolina agricultural products without giving consideration to the profitability of the enterprise. Certainly, significant effort has been expended to operate at or near a break-even point. However, if in the opinion of this commission, it is mandatory that farmers markets operate at no cost to the state, every effort will be made to comply.

Handout G

AG-32

Department of Agriculture

Veterinary Services							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	13,276,410	13,345,192	14,713,625	14,366,564	-2.4%	14,363,846	-2.4%
Less Receipts	(3,372,952)	(3,337,088)	(3,715,849)	(3,663,645)	-1.4%	(3,668,171)	-1.3%
State Appropriations	*9,903,458*	*10,008,104*	*10,997,776*	*10,702,919*	-2.7%	*10,695,675*	-2.7%
Positions	290.00	288.02	296.00	296.00		296.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

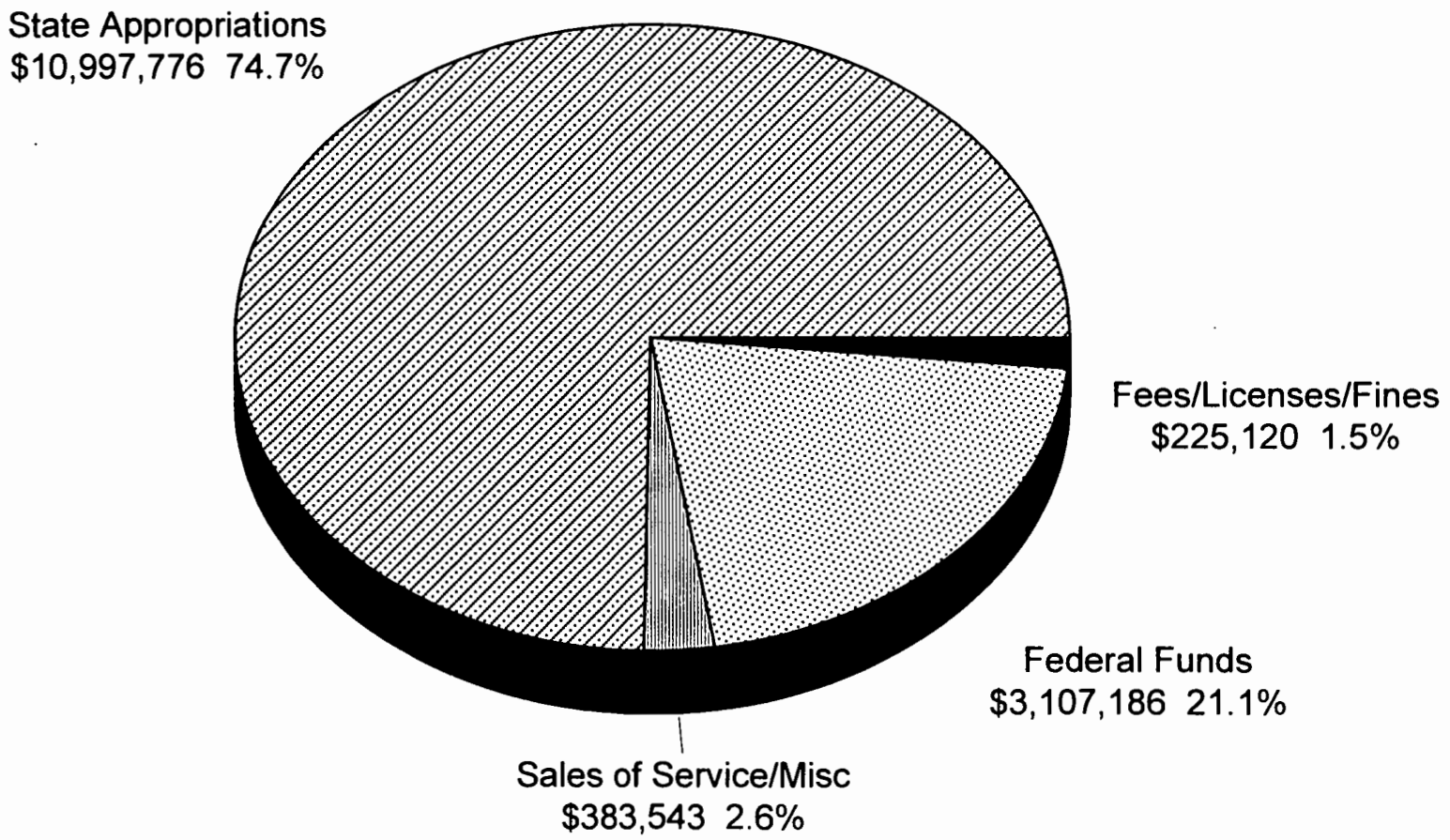
The Division of Veterinary Services controls and eradicates animal diseases for the protection of human and animal health, protects public health and safety by inspection and regulation of the meat and poultry processing industry, and prevents abuse and theft of commercially traded animals.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-33 to W-37
Performance/Program Analysis, Volume 7a, pp 1-54 to 1-57;
Volume 7b, pp 6-138 to 6-140

Veterinary Services

1996-97 Authorized Fund Sources

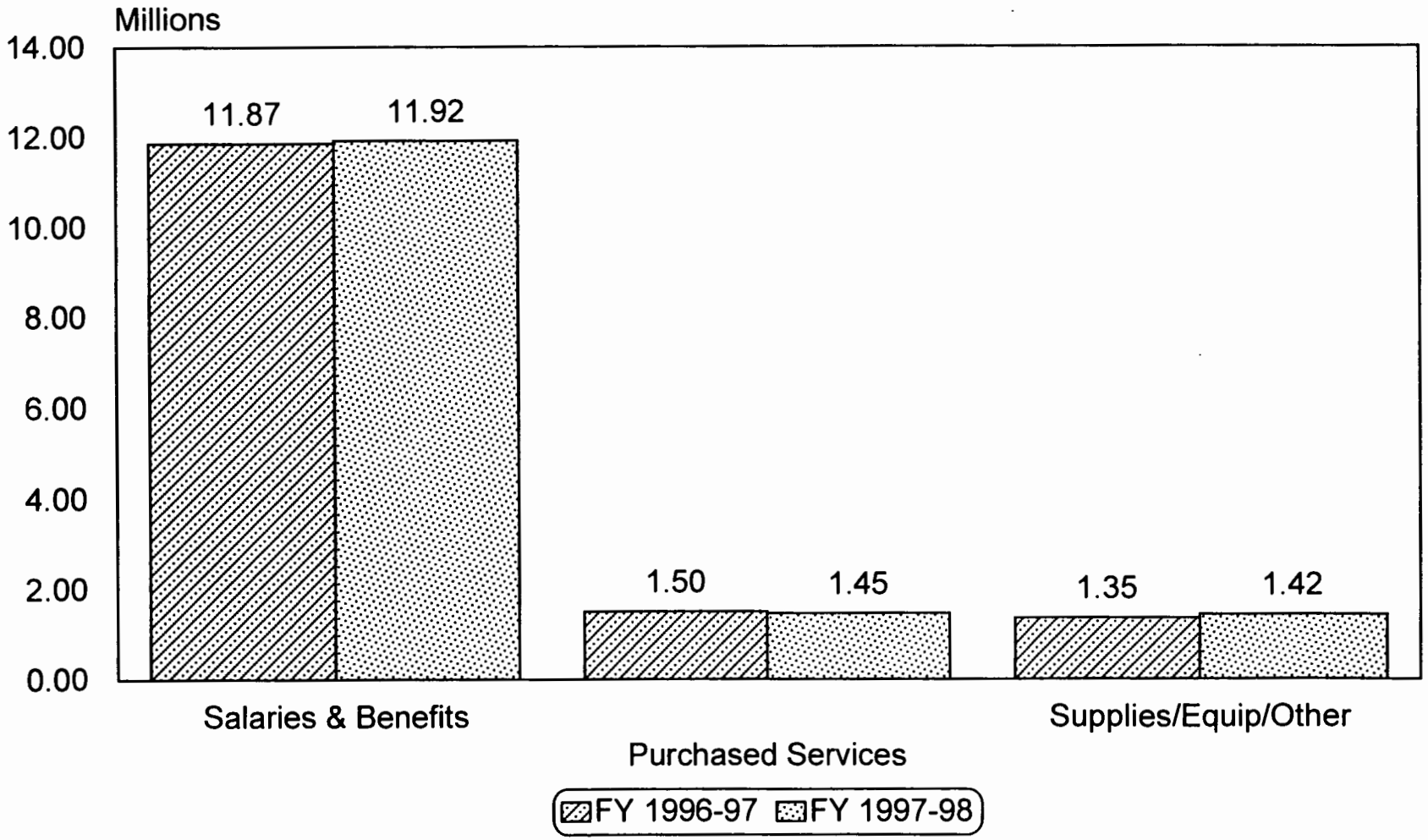


Fiscal Research Division March 1997

Veterinary Services

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended

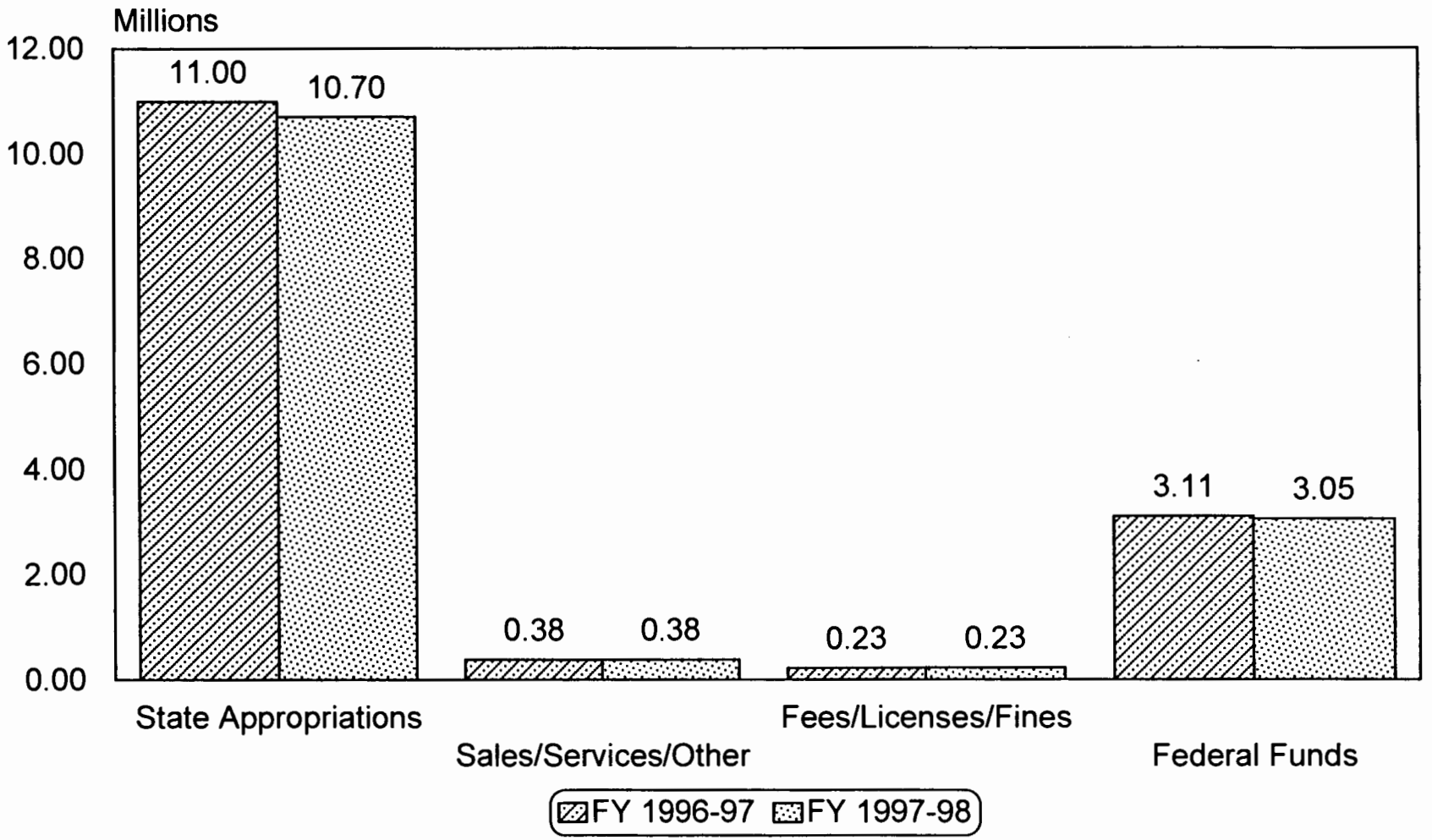


Fiscal Research Division March 1997

Veterinary Services

Comparison of Fund Sources

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 1: Maintain and improve the health status of animals to meet the requirements for intrastate, interstate and international movement and to control diseases of zoonotic and economic concern.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The ratio of herds and flocks under quarantine to the livestock herds and poultry flocks at risk	.0046	.0044	.0050	.0048	.0049	*.0056*	*.0047*	*.0039*
Performance Measures:								
Number of inspections of other programs to prevent the spread of animal disease	9,030	11,900	12,680	9,831	9,041	*9,945*	*10,940*	*12,034*
Number of premises quarantined to prevent the spread of animal disease	129	206	322	407	327	*297*	*270*	*245*
Percent of inspections of other programs to prevent the spread of animal disease that resulted in the quarantine of premises	1.4%	1.7%	2.5%	4.1%	3.3%	*2.7%*	*2.2%*	*1.8%*
Percent of "pseudo rabies" tests for disease control and eradication whose positive samples resulted in certain premises being quarantined	.27%	.21%	.22%	.20%	.17%	*.10%*	*.08%*	*.06%*

Current Situation:

The goal of the national "pseudo rabies" program is the elimination of this disease by the year 2000. Due to the rapid growth of the swine industry in North Carolina, it is doubtful that this disease can be eliminated in North Carolina unless there is a significant increase in resources.

Funds:

3700 AGRICULTURE
1130 Veterinary Services

Objective 2: Maintain the welfare of non-production (pet) animals as they move through commercial channels.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Ratio of the number of cases of animal welfare non-compliance for pets to the total number of inspections of dealers, pet stores, and animal shelter facilities	n/a	n/a	.0498	.2107	.0972	*.0967*	*.0971*	*.0971*
Performance Measures:								
Number of animal welfare inspections	414	516	406	427	442	*486*	*535*	*535*
Number of violations of Animal Welfare Act	110	120	63	90	43	*47*	*52*	*52*
Number of animal welfare educational programs conducted	3	6	6	5	3	*6*	*6*	*6*

Current Situation:

Activities to locate potential licensees and registrants and inspect and monitor those already licensed or registered are increasing. It is anticipated that inspections of pet shops,boarding kennels and animal shelters will continue at a high level.

Funds:

3700 AGRICULTURE
1130 Veterinary Services

Objective 2: Reduce the number of violations of the North Carolina Compulsory Meat Inspection Law by 10% by the year 2001.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of violations of the N. C. Compulsory Meat Inspection Law (Base year 1994-95)	n/a	n/a	40	36	25	*20*	*18*	*16*
Performance Measures:								
Total number of unsatisfactory review points found in state-inspected meat and poultry processing plants	1	10	6	5	3	*3*	*2*	*1*
Total number of review points in inspections	267	247	179	203	171	*175*	*175*	*175*
Pounds of processed meat and poultry products inspected (in millions)	274	255	269	267	270	*273*	*275*	*280*
Pounds of meat and poultry condemned	96,205	126,106	45,182	24,415	34,466	*35,000*	*33,000*	*30,000*

Current Situation:

Growth in the number of door-to-door meat handlers may make it difficult to achieve the above objective.

Funds:

3700 AGRICULTURE
1140 Meat and Poultry Inspection

VETERINARY SERVICES
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Abolish 2 positions	($ 68,443)	($ 68,443)
2) Reduce operating support	($131,498)	($131,498)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	1995-96	1996-97
1) Meat and Poultry Inspection Program		$256,395 $ 15,168 NR 4.00
2) Mycoplasma and Bacteriology Funds		$352,258 $ 20,000 NR 4.00

REPAIRS AND RENOVATIONS

The Division received $619,600 from the Reserve for Repairs and Renovation for repairs at the following sites:

- Rose Hill Lab $133,000
- Rollins Lab $263,200
- Northwestern Lab $ 81,900
- Griffin Lab $ 85,600
- Arden Lab $ 55,900

Fiscal Research Division March 1997

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $364,454
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded with $357,569 in state appropriations and $6,885 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

None

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/18/97

Name of Committee / Date afternoon

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jane Smith	DEHNR
Mary Reese	DEHNR
Josh Graham	NCDA Commission
Wilda Denny	NCDA
George C. Edwards	NC DA - Vet Div
John K Atwell	NC DA - Vet Div
Tom Ellis	NCDA - Aquaculture
Bob Murphy	NCDA - Statistics
M. A. Mixson	NCDA - Vet Div.
Peter Daniel	NCDA
BRITT COBB	NCDA
Ross Williams	NCDA
Maurice Weaver	NCDA
David T Marshall	NCDA - Vet Div.
Shelley Altieri	OSBM
Johnny Gray	"
DAVID HERRING	State Planning
Barb Fitzgerald	D.S.P.L
Ed Yarney	APPCNC
Jim Knight	NC Dept Ag
Michael Rhodes	DENR - DEH
Graham Searing	NC Health Access
Brenda Johnson	DEHNR - DEH
John McFadyen	DEHNR - DEH
Jerry Robbins	DEHNR - DEH - PWSS
Jessica Miles	DEHNR / DEH PWSS
WILLIAM C. TAYLOR	DENR DEH OSAIS

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom Beason	DEHNR

Minutes

House Appropriation Sub-Committee on

Natural and Economic Resources

March 20, 1997 - 8:30 a.m.

The House Appropriations Sub-Committee on Natural and Economic Resources met Thursday, March 20, 1997 at 8:30 a.m. in Room 423 of the Legislative Office Building. Representative Rex Baker, House Co-Chair, called the meeting to order at 8:30 a.m. Members present were Representatives Baker, Mitchell, Carpenter, Culp, Fox, Hall, Howard Hunter, Owens, Tolson, Weatherly, Wilkins and Senators Martin, Jenkins, Shaw, Cockrane, Horton, and Weinstein.

After opening remarks, Jennifer Herrera of the Fiscal Research Division, gave an overview on the Agronomic Services of the Department of Agriculture. The Agronomic Services ensures improved crop production efficiency, sound soil management and environmental quality by providing soil, plant, waste and nematode diagnostic and advisory services. She reviewed the following handouts which are number AG-41-47 and are attached to these minutes:

The Governor's Continuation Request for 1997-98;
Comparison of Fund Sources FY 1996-97 vs. FY 1997-98 Recommended;
FY 1996-97 Authorized Expenditures by Category;
Comparison of Expenditures by Category FY 1996-97 Authorized vs. FY 1997-98 Recommended;
Objectives, Outcome Measures, Performances Measures, and Current Situation; and Overview of Budget Actions.

Ms. Herrera noted that the Governor has not recommended any reductions for the 1997-99 Biennium for Agronomic Services.

Representative Culp asked if the diagnostic lab for soil testing had been completed; and Jim Graham, Commissioner of Agriculture, replied it was completed and has been operational for two years. Mr. Don Eaddy, of the Agronomic Division, stated that he would be happy to have the committee come out to see the lab. They are very proud of it and have been able to use the resources wisely. The soil program is started in September and goes through April 15. Then we start running diagnostic problem samples and begin doing some research. The people are shifted over from that program to another. Representative Culp asked if anyone could get a soil sample done, and Mr. Eaddy replied that they could. It is felt that when they provide services to homeowners and by their utilizing their advice, they will produce their lawns efficiently and not expose the environment unduly to pesticides and fertilizer. It will give

substantial environmental protection. Representative Culp asked if they had changed the reporting form, and Mr. Eaddy replied that the form has been changed. There are tests for fourteen components. A large computer sheet had been previously used, but a lot of people found it difficult because of the color. When the department switched to automation, the report was converted to 8-1/2 x 11. They have received a lot of favorable responses. Representative Fox asked why there is a $2.00 fee for nematode tests and not a charge for others. Mr. Eaddy stated that there is a $4.00 fee charged for plant, waste, and solution services. There is no direct cost for soil testing. There is a 25 cents per ton inspection fee and 5 cents per ton on lime. That comes in to offset the cost of operation of the consumer protection program on fertilizers and lime and the soil testing program. As there is no direct cost of soil testing, there is some consumer support. Senator Cockrane asked what is being doing to minimize the amount of fertilizers that are being used in an effort to minimize run-off. Environmentalist invariably say that any sewage dumped into streams and farm run-off are problems in our state. I know you are making efforts to get farmers to do other things. Is there anything that the department is doing also? Mr. Eaddy stated that all of these programs not only are focused on proficiency production which is important to all of us but also if the farmer would follow recommendation and only use fertilizers and pesticides that are necessary to produce their crop efficiently, they would not expose the environment. All of these programs have a very strong environment effective component to associate with.

The meeting was turned over to Ms. Herrera to present an overview of the Food and Drug Protection Division of the Department of Agriculture. She noted that the Food and Drug Protection Division assures consumers that foods, feeds, drugs, cosmetics, pesticides and automotive antifreezes are safe, wholesome and properly labeled. Statewide inspections and chemical analysis offer protection against unsafe, deceptive and fraudulent products. She reviewed the following handouts which are numbered AG-49-56 and are attached to these minutes:

The Governor's Continuation Request for 1997-98;
FY 1996-97 Authorized Fund Sources;
Comparison of Expenditures by Category FY 1996-97 Authorized vs. FY 1997-98 Recommended;
Objectives, Outcome Measures, Performance Measures, and Current situation; and Overview of Budget Actions.

Ms. Herrera noted that the Governor has not recommended any reductions for the 1997-99 Biennium for the Food and Drug Protection Division.

Representative Carpenter asked what is the $20,000 worth of reductions in in-state transportation in the Overview of Budget Actions. Mr. Bob Gorman noted that it is in the travel costs within the state and during the last session of the General Assembly, it was a way to reduce the over-all budget. Representative Culp had a question on page 51 of the handout regarding purchased services and asked for an example of purchased

services. Ms. Herrera stated those would include things as data, communication, processing, travel (both in-state and out-of-state), advertising, utilities, and rentals. Senator Cockrane asked a question about the number of dairy products outlet closures due to microbiological which is listed on page 52 of the handout. Ms. Herrera noted that she doesn't think dairy farms are included. Commissioner Graham noted there has been a lot of controversy, but the Department of Agriculture is trying to do the best they can for the people of the State.

Ms. Herrera gave a brief overview of the North Carolina Maritime Museum. She noted that the museum collects, preserves, and exhibits the cultural, natural and maritime history of coastal North Carolina in order to educate the public in the state's coastal history and ecology. The museum is located in Beaufort. She reviewed the following handouts which are numbered AG57-61 and are attached to these minutes:

Governor's Recommended Continuation Request for 1997-98;
Comparison of Expenditures by Category FY 1996-97 Authorized vs. 1997-98 Recommended;
Objectives, Outcome Measures, and Current Situation;
Overview of Budget for the Current Biennium 1995-97; and
Proposed Recommendations fort the 1997-98 Biennium.

Ms. Herrera noted that the Governor has not recommended any reductions for the 1997-98 Biennium for the North Carolina Maritime Museum.

Senator Weinstein asked why the Maritime Museum was in the Department of Agriculture, and Ms. Herrera stated that it has been in the Department of Agriculture for a number of years. There had been discussion in an overview meeting of the possibility of transferring it over to the Department of Cultural Resources and be housed with Museum of History and Museum of Art and heard by the General Government Sub-committee. This is an issue that has come up in the past with this sub-committee. Commissioner Graham stated that no one would take it years ago, and they took it. Now Cultural Resources would like to have it. We are recommending to transfer the Maritime Museum to Cultural Resources. Senator Cockrane commented that after looking at the handout, she noted a decline in the total number of people attending natural and maritime programs and field trips, seminars and conferences, and classes provided by the Maritime Museum. What about the number of positions when transferred to Cultural Resources? Would that be an appropriate time to transfer all the positions? Why do you need seventeen people when you only have 13,000 visitors? Ms. Herrera stated that is the only time the committee can consider the transfer but all of those 17.25 positions would go over. Representative Baker asked what the $1.5 million under repairs and renovations would be used for. Maurice Weaver, of Administration in the Department of Agriculture, stated that is the money to be used to purchase land for expansion of the museum onto the new Town Creek site. Once the museum is transferred to Cultural Resources, that would be the site where a preservation laboratory would be constructed. Representative Baker asked if that would be an appropriate use of repair and renovation

money to buy land and noted it was a very controversial issue in the General Assembly last year. He further noted that there may be an attempt to subvert and did not think the purchase of land would be an acceptable use of repair and renovation fund. Mr. Weaver replied it is difficult to answer because the Department of Agriculture made a request to the General Assembly last year for the funds and that is where the leadership decided to take the money from. Representative Mitchell asked Mr. Weaver to explain the property to the committee and asked how much it will cost and how large is the tract of land. Mr. Weaver stated that the land is approximately thirty-eight acres and about $3.2 million. It is probably the last piece of acreage that size in the Beaufort area that would be available. It is the site of an old factory. Representative Mitchell asked how much of the thirty-eight acres is usable. Mr. Weaver stated he felt it could be used 100 percent. It would provide the museum with a water docking site which they don't presently have and would allow them to bring in some large ships and sailing type vessels that you see around the country from time to time at other major museums. Representative Weatherly recommended that this issue be flagged and asked if the transfer could be done by special provision or would it take special legislation. Ms. Herrera stated that the transfer could be made by special provision. Representative Baker noted in this report that the department would study the feasibility of charging fees at the Maritime Museum. Ms. Herrera stated that the department believes that charging of fees would be more feasible once it goes to the Town Creek location than it is at its present location because the logistics within the museum is not as feasible. Senator Cockrane asked what will you do with the old site when you prepare a new one. Mr. Weaver stated it is not a case of taking the museum from the old site and carrying it to the new; it is the case of expanding, and the only way you can expand is to go to a new site. It is currently located in downtown Beaufort and is part of the historical area, and there is no way to expand. The new site is located a mile and a half north of the current site. Representative Baker pointed out that he was down there during the last year or so, and it seems that the museum is the depository of probably the largest collection of maritime, navigational maps between Mystic Harbor and somewhere in Florida. They get a lot of visitors from the people traveling up and down the coast during the winter. A significant number of their users are out-of-state people who come in and enjoy the fruits of our tax money. Representative Baker recommended that the committee keep this in mind and decide whether or not it might be appropriate to charge some fees for some things. He further stated that the Maritime Museum would be flagged. Representative Fox asked question about the summary on the feasibility of charging fees at the Maritime Museum where it is noted that an admission fee would reduce attendance by at least half and that the fee would generate little more $200,000 annually while driving away donations and contributions and asked if that was reflected in the handouts in any way. Ms. Herrera stated they have a special operating fund for the Maritime Museum that would not be reflected on the front page showing general funds and other receipts. They are used to support some positions as well as other operating expenses for the Maritime Museum. Representative Baker commented on the $1.5 million to buy the land, and Ms. Herrera pointed out the section in the 95 session laws apparently where a special provision was done and was basically all right. That is the way we received funding anyway.

Mrs. Herrera gave an overview of the Plant Industry Division. The Plant Division protects plants, plant products and other beneficial organisms from the adverse effects of pests, conserves endangered plant species and protects honeybees and other beneficial insects and organisms. The division operations also include management of fertilizer and seed inspection efforts to ensure these production inputs are properly labeled. She reviewed the following handouts which are numbered AG-67-75 and are attached to these minutes:

Governor's Recommended Continuation Request for 1997-98;
FY 1996-97 Authorized Fund Sources;
FY 1996-97 Authorized Expenditures by Category;
Comparison of Expenditures by Category for FY 1996-97 Authorized vs. FY 1997-98 Recommended;
Objectives, Outcome Measures, Performance Measures, Current Situation; and
Overview of Budget Actions.

Ms. Herrera noted that the Governor has not recommended any reductions for the 1997-98 Biennium for the Plant Industry Division. Representative Baker asked how much would be spent in Objective No. 3 on threatened and endangered species. Mr. Howard Singletary, of the Plant Industry Division, replied approximately $30,000 for one-full time position and one support. There hasn't been a funding increase in that program since the program was salvaged in 1975. The way we support the activity of that program is largely from federal money and other alternatives. Senator Cockrane noted that percentages of seed sampling which are in compliance with the state label analysis and asked what do you do to encourage that seeds be what they say that they are. Why the drop-off and what are you doing to correct to get up to the 1998 percent? You still will not be what you had from 1991-93. Mr. Howard Singletary, of the Plant Industry Division, stated that performance measure is a reflection to some extent of what the over-all seed quality that is available. We get a lot of out-of-state seed here; for example, grass seed and what happens is in terms of how they label those coming from out-of-state, and sometimes will be reflected in that performance level. What we strive to do is to make sure that everything is in compliance with standards. Representative Baker commented that weather conditions in some of the main seed growing areas in the last few years have affected the quality. Availability has not been up to par, and we have been having to take sub-par seed even at three or four times the normal price. Representative Baker asked for an example of endophytes. Mr. Singletary stated that it is a fungus that attacks tall fescue principally, and endophytes have an adverse impact on livestock when it gets above a certain percentage. The endophytes program provides analysis of 1) seed that is labeled as to and freedom from endophytes, 2) a livestock producer, for example, that wants to have a pasture tested for this; we also provide that service. Endophytes cause abortion in cattle, horses, and sheep. If you have a pasture that is heavily infected, you can have this spontaneous abortions occur, and that is the reason, particularly people in a horse business, look very closely at this in terms of freedom from endophytes. It is a management decision in term of pasture renovation. Representative Owens asked if the reason the receipts are down is loss of federal

moneys, and Mr. Weaver stated that a program in the southeastern part of the state is coming to a close, and this reflects a drop in federal funds for that work. Representative Weatherly asked if we are in a honey bee crisis, and what remedies are being used. Mr. Singletary responded that we are essentially at a low point statewide in terms of bee population. It is critical that we protect commercial sources because of crop pollination; we are having to depend more on commercial sources because some bees are depleted. We face invasion from the Africanized bees at some point in time. There was a funding request put in by the Department, but it did not make it to the Governor's budget package in terms of looking at providing resistant breeding stock on these bees and actual support in helping bee keepers manage their bees. Representative Carpenter asked a question on a measure listed on AG-71, and wanted to know who sets the deficiency rate for fertilizers and lime of 20 percent, and Mr. Singletary stated that is a performance level that the department sets. That objective is out of compliance; it doesn't mean that every bag of fertilizer is deficient. It means that one in twenty fertilizers sold might be slightly deficient. Rarely do we see samples over 5 percent out of compliance in terms of nutrients except when there is a blatant mistake. Representative Owens commented that it has been stated that bee population is critical and asked if it is to the point it will damage the crops if something is not done immediately. How much was your budget request to the Governor, and Mr. Singletary replied that the request to the Governor was approximately $150,000. He feels we are at a low point in terms of the impact of bee mites. There are going to be local shortages in terms of bee pollination. Representative Weatherly felt a motion should be made that the committee flag the item for very serious consideration for funding. Senator Cockrane concurred with Representative Weatherly. Representative Culp asked if there were any treatments for mites, and Mr. Singletary explained treatment that can be used for certain mites and also a chemical treatment for other mites, but they are not absolute remedies in terms of control.. The over-all control is going to be resistant bee stock. Representative Culp asked Mr. Singletary to give an example of a rare plant, and yellow root and venus fly trap were mentioned.

Ms. Herrera presented an overview of the Agricultural Statistics Division. She noted that the Agricultural Statistics Division provides comprehensive agricultural statistical information through collection and analysis of prices, wage and production estimates for all major crops and livestocks. She reviewed the following handouts which are numbered AG-76-80 and are attached to these minutes:

Governor's Recommended Continuation Request for 1997-98;
FY 1996-97 Authorized Expenditures by Category;
Objectives, Outcome Measures, Performance Measures, and Current Situation;
and Overview of Budget Actions for the Current Biennium 1995-97.

Ms. Herrera noted that the Governor has not recommended any reductions for the 1997-99 Biennium. All of the receipts for the division are from federal funds.

Representative Baker questioned Objective 2 to provide reliable agricultural statistics according to published schedule and standards 95 percent of the time, and

Representative Baker questioned Objective 2 to provide reliable agricultural statistics according to published schedule and standards 95 percent of the time, and commented that you are actually projecting to provide 100 of the time on schedule. If you were to only meet your objective of 95 percent, how many less people could you get by with. Mr. Weaver stated that he did not think they could get by with any less. In using the 95 percent, we are trying to recognize we need to set a target; it is hard to get someone to say they are going to be perfect and not make a mistake. These people have not failed to get reports out on time according to the standards set by the federal government. They are reluctant to set their goal at 100 percent. This is a program that is joined with USDA. They provide some of the personnel. The federal government pays for all the statistics that are gathered on a state-by-state basis. The state's contribution is to keep that data at the county level, and they would be reluctant to say that it could be reduced.

Ms. Herrera presented an overview of the Structural Pest Control Section. The Structural Pest Control Division protects consumers and the environment by regulating the application of pesticides used to control structural pests. She reviewed the following handouts which are numbered AG-81-86 and are attached to these minutes:

Governor's Recommended Continuation Request for 1997-98;
FY 1996-97 Authorized Fund Sources;
FY 1996-97 Authorized Expenditures by Category;
Objectives, Outcome Measures, and Current situation; and
Overview of Budget Actions for the Current Biennium 1995-97.

Ms. Herrera noted that the Governor has not recommended any reductions for the 1997-99 Biennium for the Structural Pest Control Division.

Representative Weatherly stated that the department might not want to get into controversy between lawn applicators and structural applicators, but felt if an individual can be trained and allowed to apply pesticides to a lawn, why should lawn care people not be allowed to do the same. Representative Baker stated that it is a turf problem and would be more appropriate to discuss this issue in committee and the house floor.

Ms. Herrera gave an overview of the Standards Division. The Standards Division protects the purchasers and sellers of any commodity by ensuring that uniform, national standards of weights and measures are used, and protects users of petroleum products from inferior quality and inaccurate measurement, and protects the public from unsafe use, storage and transportation of liquefied petroleum and gas. She reviewed the following handouts which are numbered AG-87-94 and are attached to these minutes:

Governor's Recommended Continuation Request for 1997-98;
FY 1996-97 Authorized Fund Sources;
FY 1996-97 Authorized Expenditures by Category;

Objectives, Outcome Measures, Performance Measures, and Current Situation;
and an Overview of Budget Actions for the Current Biennium 1995-97.

Ms. Herrera noted that the Governor has not recommended any reductions for the 1997-97 Biennium for the Standards Division. Representative Mitchell asked what is reformulated gasoline. Mr. David Smith, of the Standards Divisions, replied that in larger cities such as Raleigh, Charlotte, and Greensboro, they are having air quality problems and they are marginal in meeting the federal standards. If EPA requires the state to go to reformulated gasoline which is higher octane, that is what those areas would have to do. That has not been decided and is still up in the air and will be for at least a year or two. Representative Culp asked if ethanol alcohol is reformulated gasoline, and Mr. Smith explained reformulated gasoline.

Ms. Herrera gave an overview on the Food Distribution Division. The Division provides USDA-donated food through approved outlets for the purpose of enhancing nutrition among eligible recipients. Products are distributed to public schools, charitable institutions and needy households. She reviewed the following handouts which are numbered AG95-107 and are attached to these minutes:

Governor's Recommended Continuation Request for 1997-98;
FY 1996-97 Authorized Fund Sources;
FY 1996-97 Authorized Expenditures by Category;
Objectives, Outcome Measures, Performance Measures, and Current Situation;
and an Overview of Budget Actions for the Current Biennium 1995-97.

Ms. Herrera noted that the Governor has not recommended any reductions for the 1997-99 Biennium for the Food Distribution Division.

Representative Culp asked where the food is stored, and Mr. Weaver replied they have a warehouse at Butner and Salisbury. Representative Owens noted that on page 100, two positions are listed as being abolished and asked why it is not listed on page 1 as being 48 instead of 49. Ms. Herrera stated that it could have been done by a budget revision or an increase in receipts that the department had for position increase. Representative Weatherly noted that Objective 6: Distribute commodities at a cost equal to or less than the cost of distribution by a private firm and asked if comparison is being made and asked how do you do it. Mr. Conrad McLean, Assistant Director of the Food Distribution Division located at Butner, stated that an analysis is obtained from the commercial industries on their delivery rate per case and that is used. Senator Cockrane asked if the $2.12 listed on AG-99 is actually what it costs to deliver the commodity, and asked how it compares with the private sector. Mr. McLean noted that while program costs remain relatively fixed, fluctuations in the volume of commodities available from USDA will cause the per-case volume of commodity distribution to rise and fall accordingly. Senator Cockrane asked why the cost went up dramatically, and Mr. McLean stated that they had less cases to deliver. Representative Hunter asked if they also delivered commodities to places like church pantries. Mr. McLean stated that food

pantries receive through the food bank. We deliver to the food bank. Representative Hunter asked what are the commodities and noted it used to be cheese and butter. Mr. McLean noted that other items included are basically meat, pork, canned vegetables. There are a wide variety of foods that are delivered. They provide a balanced meal. Representative Owens asked how many food banks do you deliver to, and Mr. McLean stated there are six food banks. Representative Owens asked if he had been to all food banks, and Mr. McLean stated he had been to four of them. Representative Owens stated that he had heard that the state had made grants to help build four or five of the food banks and asked how they operate. Mr. McLean stated that four food banks operate independently and are one of our constituent agencies and many are done on local level or through the NC Food Bank Association. Senator Cockrane asked why the state would provide any kind of funding for food banks and also asked what is a sampling you would call to find out that it cost $2.15 per case, and Mr. McLean stated that they look to local distributors to get an average because they deliver the same kind of commodities they do. Representative Baker asked if they had their own trucks, and Mr. McLean stated they have their own fleet of trucks as well as storage facilities. Representative Culp asked if they were the only agency to distribute surplus USDA goods, and Mr. McLean replied they were. Senator Shaw asked if they were operating the Federal government USDA facilities program and asked if the two facilities that are operational are federal facilities that ship commodities into North Carolina that are purchased under a national contract. Mr. McLean stated that Salisbury and Butner are both state facilities. Representative Hall asked if they get food from grocery stores, and Mr. McLean replied that their food comes from USDA, and we deliver to the food banks, social services and soil distribution.

At this time, Representative Baker had to leave to attend a committee meeting, and Representative Mitchell presided.

Ms. Herrera presented an overview of the Research Stations and State Farms. The division provides physical facilities, administrative services and manpower to carry out agricultural research projects for conservation on state land. The division is organized into 15 research stations, 3 state farms, and additional farm properties. Six stations are budgeted under NC State--the remainder under NCDA. Ms. Herrera reviewed handouts which are numbered AG102-111and are attached to these minutes.

Governor's Recommended Continuation Request for 1997-98;
Research stations and state farms;
Agricultural research stations/state farms;
FY 1996-97 Authorized Fund Sources;
FY 1996-97 Authorized Expenditures by Category;
Comparison of Expenditures by Category FY 1996-97 Authorized vs. FY 1997-98 Recommended;
Objectives, Outcome Measures, Performance Measures, and Current Situation;
Division of Research Stations Acreage Summary; and
Overview of Budget Actions for the Current Biennium 1995-97.

Ms. Herrera noted that the Governor has not recommended any reductions for the 1997-99 Biennium for the Research Stations and State Farms.

Representative Mitchell asked that the role of research between the division and North Carolina State University be explained. Mr. Weaver explained that the Department of Agriculture's role in research is to manage the farms throughout the whole system and provide day-to-day management, personnel to go out and plant the crops, and tend to the livestock. The University's role is to do the planning of research projects, design the projects and give the Department of Agriculture a road map on how the project is to be tested. The Department of Agriculture puts it in the ground and maintains. The University will come and pull data they need on the projects and will write the reports and summarize and disseminate the information. On a limited basis, there is a cooperative arrangement with the U.S. Department of Agriculture. A great deal has been reduced at Oxford at the tobacco station. The USDA has pulled out altogether, and that facility is now being used by Plant and Animal Inspection Service. Representative Culp asked if there were a state research farm in Guilford. Mr. Weaver replied there is one at Oxford, Plymouth, Tidewater Research Station, one outside Rocky Mount, the Piedmont Research Station at Salisbury, the mountain research station at Waynesville and upper mountain research station at Fletcher. NC State University has a station at Fletcher. Senator Horton asked who operates the one near Clayton, and Mr. Weaver replied NC State University operates it. That is designated a university station, but the Department of Agriculture manages like the others but that one is budgeted. The others are budgeted by the Department of Agriculture. Representative Weatherly noted that they visited Cherry farm at Goldsboro a couple of years ago; and at that time, the Department of Agriculture was devoting a lot of interest and acreage to organic farming, and asked where are you doing with that program. Mr. Weaver stated that a couple of years ago, they were looking at the farming system and how it affected the environment and production, and how it affected the consumer as far as purchasing. Organic was just one component of this unit. Basically it takes about two years to take land and convert it to research use. There has been some organic crop work done and are looking within the next couple of years to get into vegetables, etc. Senator Martin asked whose research project is the no-till and whose research project is the organic. Mr. Weaver stated there are some principal players in both areas. Dr. George C. Naderman heads up the no-till program at NCSU, and the organic program is headed by George Wilson at NCSU. Mr. Weaver reported that each station is headed up by a scientist from NCSU. Representative Hunter asked why AT&T is not listed with the Research Station Group, and Mr. Weaver replied because the General Assembly has not made the Department of Agriculture responsible for them. AT& T has its farm and manages the research as well. Representative Owens reported you have listed about 4,000 acres for woodland on these farms and research centers and asked if a million dollars worth of timber could be sold from the woodland. Mr. Weaver stated that he doubted if a million dollars worth of timber would be sold in a year, but forest management programs are ongoing. Some timber will be sold as it matures to enhance the production of timber. Senator Horton called attention to handout AG-110 under Selected Expansion and/or Capital

provision which authorized the use of timber receipts for capital improvements at Research Stations and State Farms totaling $1,376,000. Mr. Weaver reported that would be an amount sold over a period of time and would need authorization to use money for specific projects. It maintains that the department can retain proceeds from sales, but the General Assembly would have to authorize the department to use that money for that purpose or any purpose.

Ms. Herrera gave an overview of the Agricultural Finance Authority. It has been operational since 1987 and provides financing for agricultural development and expansion to farmers and agribusiness that have difficulty obtaining financing in conventional credit markets. In addition to administering and servicing a $2.3 million farm loan fund, the Authority explores sources of additional loan capital for North Carolina farmers. She reviewed the following handouts which are numbered AG-112-118 and are attached to these minutes:

Governor's Recommended Continuation Request for 1997-98;
FY 1996-97 Authorized Fund Sources;
FY 1996-97 Authorized Expenditures by Category;
Objectives, Outcome Measures, Performance Measures, and Current Situation;
and an Overview of Budget Actions for the Current Biennium 1995-97.

Ms. Herrera noted that the Governor has not recommended any reductions for the 1997-98 Biennium for the Agricultural Finance Authority.

Representative Owens noted that last year's figures of $76,000 in salaries and benefits for five employees was high and commented they all must be high paying employees. Mr. Frank Bordeaux, Executive Director of the Agricultural Finance Authority, said they are all seasoned and experienced loan officers and are required to work the entire state. There are two of them. There is a lot of administrative, clerical, and bookkeeping duties.

Representative Owens stated there was $268,000 paid in salaries last year and noted that there will be some salary increase this coming year and your recommended budget is $295,000. Just about all your budget will be for salaries. Mr. Bordeaux stated that he would have to take a good look at the benefits and salaries. Ms. Herrera stated there is a graph showing next year, it would be about $270,000. The rest of purchased services is for the current fiscal year. About $45,000 in supplies and equipment add up to not quite $7,000 or $8,000. Mr. Weathery stated he would like to know how many mortgages or loans are serviced, what is the turnover, how many do they add in a year, how many do they settle, and would like to know the efficiency. Mr. Bordeaux stated that this program has been operational since 1988 and at that time originated about $13.4 million of loans and have not had a law suit until this fall. We recently had the first to go into bankruptcy. Of the $13 million origination , the division has lost $5,967. The loss is rather low. We have about $1.5 to $1.7 million per year. We also do a lot of referrals. We have a graduation rate of approximately 10 to 15 percent of our loans each year that

back record is rather large. At this time, Mr. Bordeaux asked if he could pass around three photographs. Another program that has been started in the last couple of years is a bond program which provides taxes for processing plants and anything that deals with agriculture and needs further processing. In this fiscal year, we have done $11 million worth of financing. All of this financing has been in rural areas in Craven, Duplin, and Wilson Counties. We have created 108 full-time jobs in the last eighteen months and have an ongoing arrangement to work with people and issue these bonds. A meeting was held yesterday (March 19) with an individual from Lexington, and he is going to do further processing of lumber, and we will be working with him on a $2 million tax exempt financing so he can automate his processing and compete with other nations. He provides finished stock on wood products that go to the furniture industry. Representative Culp asked if this agency is under the Department of Agriculture. Mr. Bordeaux explained that they are administratively linked as an independent agency and work for a ten-man board of which Commissioner Graham is on the board. He is very supportive of us. He understands what we do and sees no conflict. Representative Weatherly wanted to know if this program was the one put into place years ago and wanted to know if it were useful. He asked how much the state is paying this year to fund this program and if the funds are worth it. Representative Mitchell asked how many individual loans they would have, and Mr. Bordeau reported they have closed out about six loans totaling $268,000. Mr. Bordeaux reported that they have closed eight and one-half million dollars and are in the process within the next forty-five days to close another $450,000. We should hit about $1.6 or $1.8 million which will be about fifteen loans. The thing that we also do that you need to remember is that we don't make the loans and walk away from them. We make and retain the loans. Someone has to service, and that is the reason the loans don't fail. Mr. Bordeaux stated they were set up to do this loan program and are doing development bonds in the nature of about ten million dollars a year and increasing 100 jobs in rural areas. We are doing a service for this money that is not reflected on the handout. It doesn't cost the state anything other than administrative salaries. We pass any attorney fees back through it. In addition, Commissioner Graham announced a new program with the farm credit service where new beginner farm loans will be made, and we will be self-supporting. Representative Fox asked what rate of interest are we talking about, and Mr. Bordeaux replied prime plus one and three quarters. They are not subsidized in any way. We have been moving toward self-sufficiency. In the last fiscal year, we took 23 percent cuts in funds from the General Assembly; we are moving that way. I think we could volunteer to take a $10,000 per year cut for the next two years. The program is paying for itself. Representative Hall asked how much authority they had to issue development bonds, and how much they could issue. Mr. Bordeaux replied the same allocation as the rest of the state. The state has $200 million per year.

Representative Mitchell stated that Representative Hall had a bill with him that the committee has talked about regarding forest service. They are wanting to have some relief from the Department of Construction on building metal building, and requested anyone interested to co-sign.

Senator Shaw made a motion to adjourn at 9:48 a.m. to reconvene on Monday, March 24, at 2:00 p.m.

Representative Rex L. Baker
House Co-Chair

Jo Hinton
Committee Clerk

Joint Appropriations Committee on
Natural and Economic Resources

March 20, 1997

Room 423, Legislative Office Building

1. Chairman's Remarks

2. Budget Analysis

   Department of Agriculture

   Agronomics Division
   Food and Drug Protection
   North Carolina Maritime Museum
   Plant Industry Division
   Agricultural Statistics Division
   Structural Pest Division
   Standards Division
   Food Distribution Division
   Research Stations and State Farms
   Agricultural Finance Authority

   Jennifer Herrera
   Fiscal Research Division

3. Committee Discussion

4. Instructions to Staff

VISITOR REGISTRATION SHEET

APPROPRIATIONS/Natural and Economic Resources 3/20/97

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Don Eadon	NCDA
Jim Graham	Commission NCDA
Maccie Allen	NCDA
Weldon Denning	NCDA
Howard Singletary	NCDA
N. David Smith	NCDA
L. Conrad McLean	NCDA
Bruce Williams	NCDA
John Smith	NCDA
P H Kelley	NCDA
Bob Donald	NCDA
Carl E. Falco	NCDA
J.W Reel	OSBM
Shelle Alfieri	OSBM
Johnny Gray	OSBM
Carl Tant	NCDA
Jim Knight	NCDA
David Herlong	State Planning
Paul Wilms	NCHSA
Beckie Stutt	PPAB
Pat Yancey	LLPP
P A V	NCFB
	RD
Brenda Summers	NC Equity
Dale Fitzgerald	OSPL
Lydia Lunn	KEDC
Becky Brown	Labor

Department of Agriculture

Agronomic Services							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	2,544,532	2,640,842	2,684,536	2,769,170	3.2%	2,687,166	0.1%
Less Receipts	(294,587)	(291,896)	(246,267)	(255,295)	3.7%	(255,295)	3.7%
State Appropriations	*2,249,945*	*2,348,946*	*2,438,269*	*2,513,875*	3.1%	*2,431,871*	-0.3%
Positions	53.00	53.00	53.00	53.00		53.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

Agronomic Services ensures improved crop production efficiency, sound soil management and environmental quality by providing soil, plant, waste and nematode diagnostic and advisory services.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-18 to W-20
Performance/Program Analysis, Volume 7b, pp 6-60 to 6-61

AGRONOMIC DIVISION

Objectives & Services

OVERALL OBJECTIVES

The NCDA Agronomic Division works to increase crop productivity, promote responsible land management, and safeguard environmental quality. To achieve those ends, we provide diagnostic and advisory services for all North Carolina citizens. We also work closely with educational institutions and agribusinesses.

Our four primary services are listed below. In an effort to provide growers with the most reliable and up-to-date information, each service section applies the most recent scientific advances in soil fertility, plant nutrition, and plant disease control.

1. SOIL TESTING SERVICES

This section analyzes soil samples to determine fertilizer and lime requirements for crops grown throughout North Carolina. Soil tests determine the fertility status with regard to pH, acidity, and nutrient levels. Recommendations are based on crop requirements, soil type, and soil fertility. This section also tests problem soils during the growing season, thus providing growers with a source of emergency information.

Emphasis is placed on developing economically productive and environmentally benign amendment strategies. All soil tests are provided free of charge. For additional information, contact Dr. Ray Tucker or Mr. Kent Messick at (919) 733-2655.

2. PLANT, WASTE, AND SOLUTION SERVICES

This section provides growers with three closely related services:

- It analyzes plant tissue samples to monitor the nutritional status of crops and to identify production problems.
- It analyzes animal, municipal, and industrial wastes for nutrient content, and it provides advice on field application.
- It analyzes solutions for nutrient content and water for irrigation quality.

These services are vital to maximizing economic productivity and safeguarding environmental quality. There is a $4.00 fee for each test. For additional information, contact Dr. C. Ray Campbell or Mr. Mark Owenby at (919) 733-2655.

3. NEMATODE ASSAY SERVICES

This section analyzes soil samples for plant-parasitic nematodes and provides management advice based on nematode populations and species. Analyses help plant growers in two primary ways: (i) *to predict* whether nematodes pose a threat to the next crop (the current crop may not be affected) and (ii) *to diagnose* whether nematodes contribute to problems that are already apparent.

Emphasis is placed on developing economically feasible and environmentally sound pest-control strategies. These often include a combination of biological, cultural, chemical, and mechanical control measures.

There is a $2.00 fee for each test. For additional information, contact Dr. Jack Imbriani at (919) 733-2655.

4. FIELD SERVICES

This section helps growers implement management recommendations in the most cost-effective and environmentally sound manner. Eight Regional Agronomists help to maintain two-way communication between growers and the Division's central offices. Regional Agronomists are available for farm visits to address a wide range of agricultural, economic, and environmental concerns.

The map on the reverse of this page indicates how to contact the Regional Agronomist in your area.

ADDITIONAL INFORMATION

All of the Agronomic Division services are centered in Raleigh. Supplies and information on collecting soil, plant, and nematode samples can be obtained from the Agronomic Division, as well as from Regional Agronomists, fertilizer dealers, or your county Agricultural Extension offices.

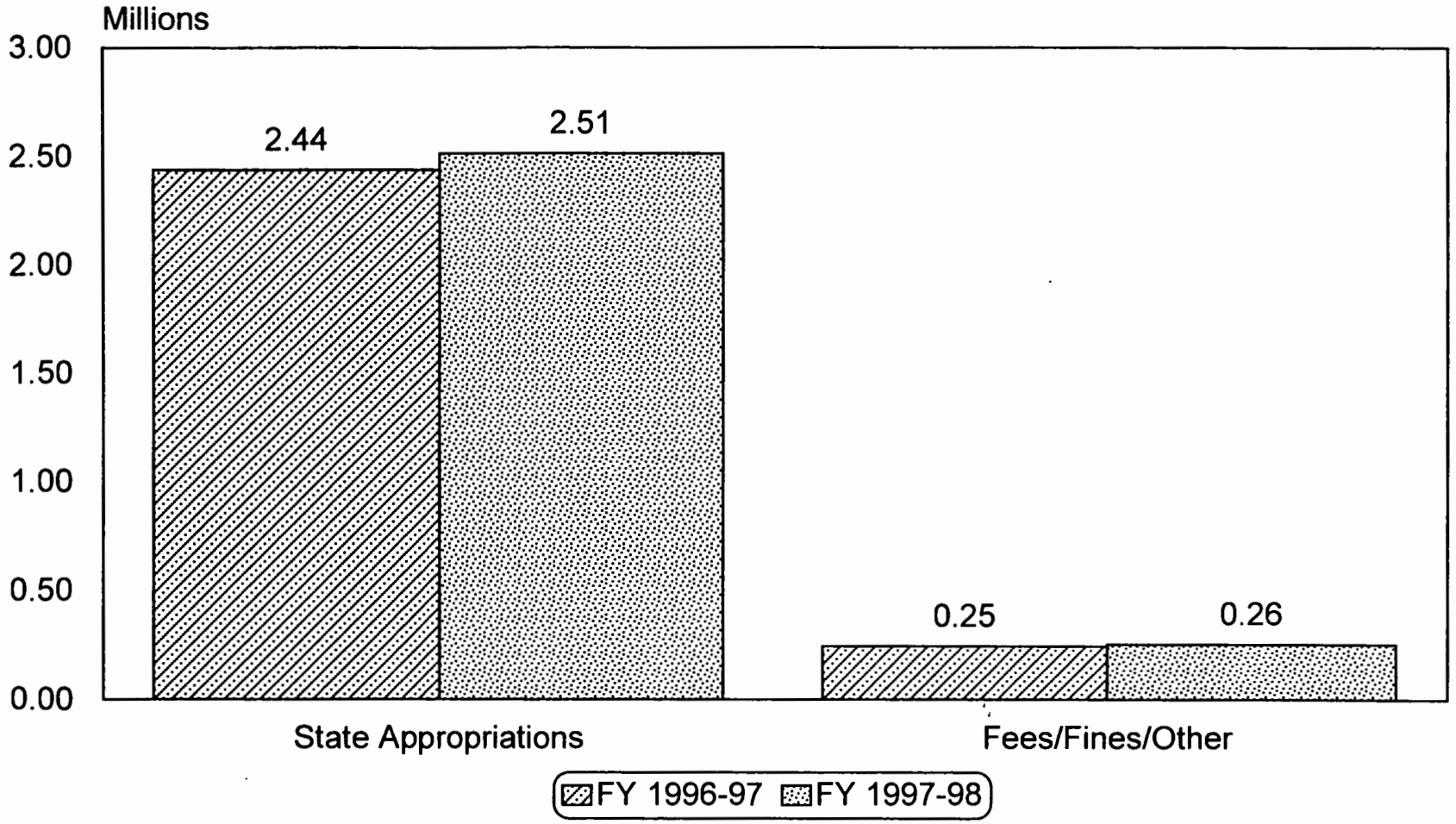
For more information contact: The Agronomic Division; 4300 Reedy Creek Rd.; N. C. Dept. of Agriculture; Raleigh, NC 27607-6465. Phone: (919) 733-2655.

AG-42

Agronomic Services

Comparison of Fund Sources

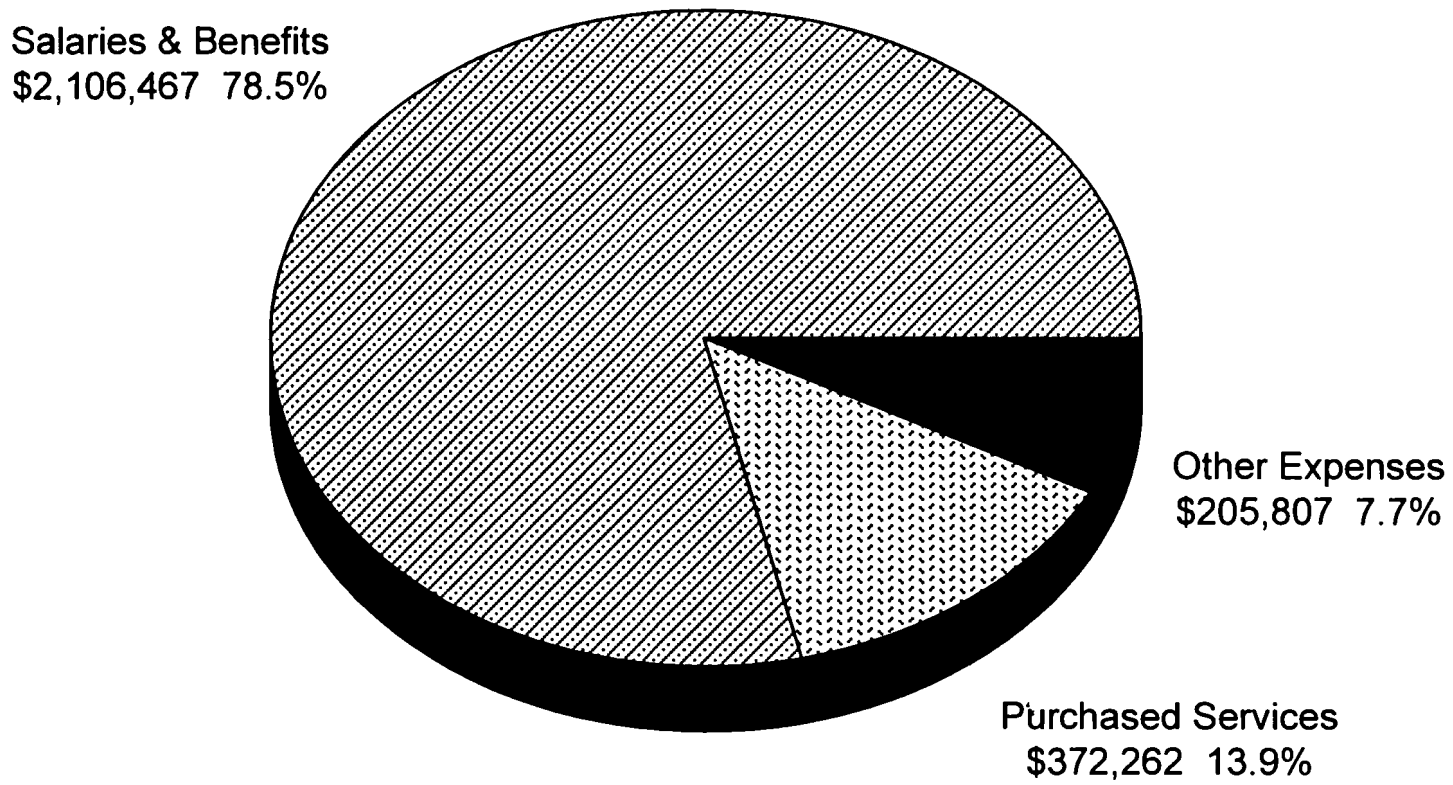
FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Agronomic Services

FY 1996-97 Authorized Expenditures By Category

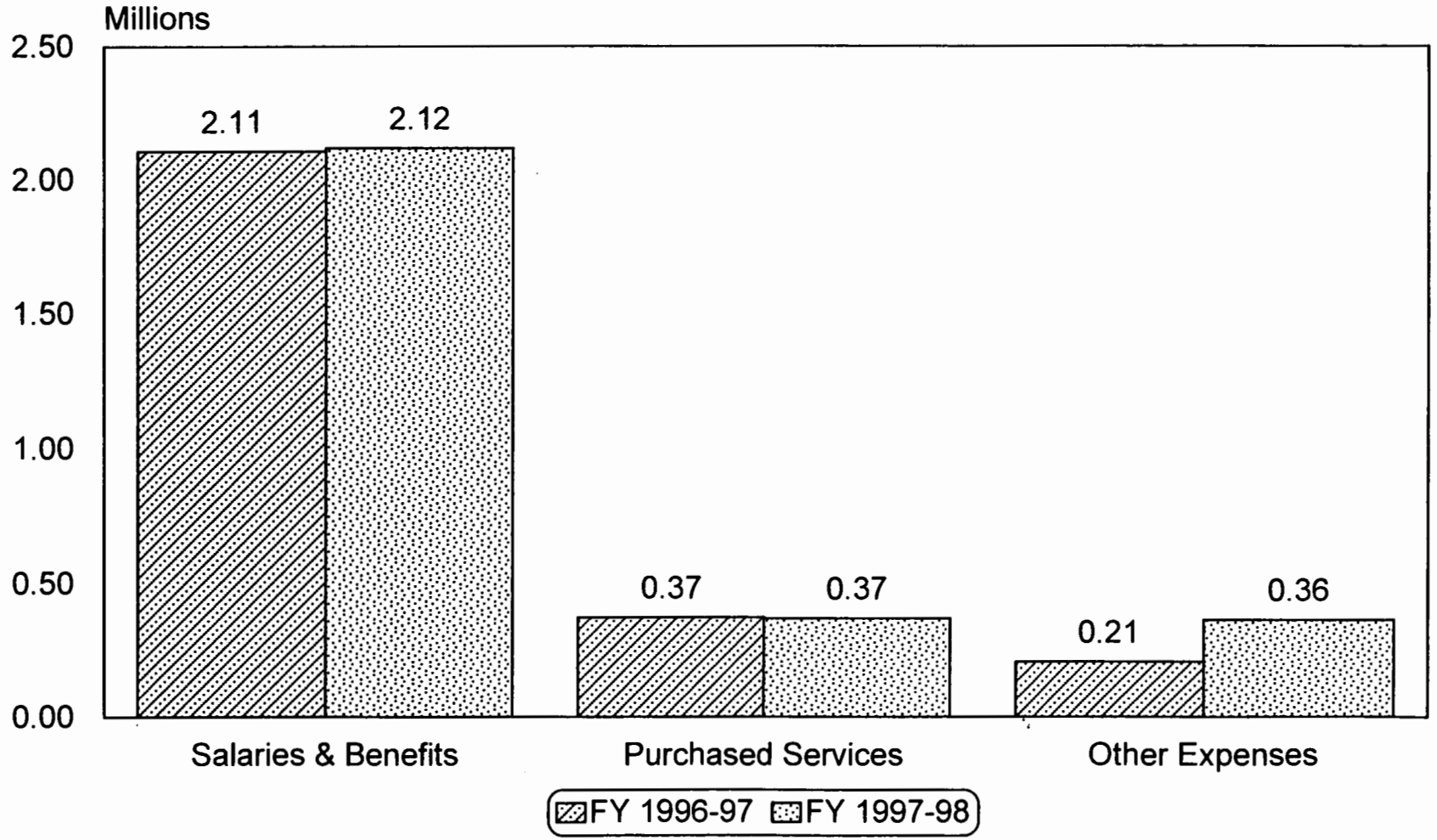


Fiscal Research Division March 1997

Agronomic Services

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 1: Maintain a Utilization Ratio for Agronomic Services of 3.5 or higher in order to optimize the use of agricultural inputs (fertilizer, nematicides, herbicides, farm, municipal, food processing and industrial waste products) to improve production efficiency, maintain natural resources and protect the environment.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The ratio of the number of consultations or advisory opinions provided as requested by farm units to the total number of farm units in N.C.(number of samples per farm)	n/a	n/a	4.6	5.0	5.0	*5.1*	*5.1*	*5.1*
Performance Measures:								
Percent of farmers using Agronomic Services	74.5%	69.5%	72.2%	74.6%	74.9%	*75.0%*	*75.3%*	*75.5%*
Number of farms in North Carolina	60,000	60,000	59,000	58,000	58,000	*57,950*	*57,900*	*57,850*
Number of soil, plant, waste, and nematode samples tested	288,799	257,913	274,290	292,834	290,115	*293,016*	*295,946*	*298,905*

Current Situation:

Current usage of the Division of Agronomic Services has remained consistently high over the past ten years. The division is currently in the process of beginning to precisely track statewide usage to yield reliable data to be used as the outcome measure.

Funds:

3700 AGRICULTURE
1040 Agronomic Services

AGRONOMIC SERVICES
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Adjust underbudgeted receipts	($ 5,000)	($ 5,000)
2) Reduce janitorial and utilities services	($ 20,000)	($ 20,000)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $67,220
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded totally with state appropriations.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

Department of Agriculture

AG-49
Bob Garrow

Food and Drug Protection							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	8,681,081	9,275,741	10,219,809	9,962,526	-2.5%	9,937,628	-2.8%
Less Receipts	(2,398,826)	(2,348,605)	(2,420,831)	(2,229,395)	-7.9%	(2,230,119)	-7.9%
State Appropriations	*6,282,255*	*6,927,136*	*7,798,978*	*7,733,131*	-0.8%	*7,707,509*	-1.2%
Positions	186.00	187.00	187.00	187.00		187.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The Food and Drug Protection Division assures consumers that foods, feeds, drugs, cosmetics, pesticides and automotive antifreezes are safe, wholesome and properly labeled. Statewide inspections and chemical analysis offer protection against unsafe, deceptive and fraudulent products.

DIVISION ACTIVITIES

- Commercial Feed and Pet Food Branch
- Food and Drug Branch
- Pesticide Branch
- Laboratory Services

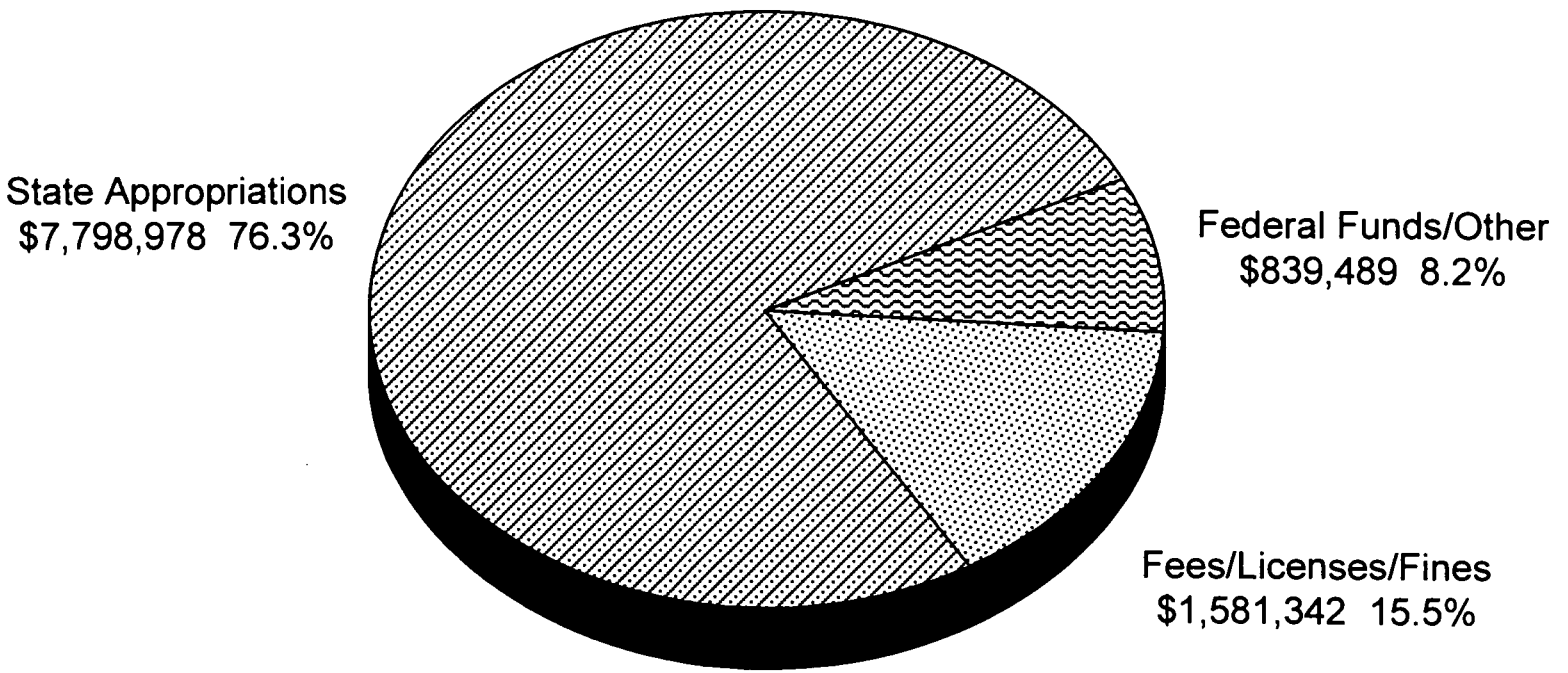
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-22 to W-31
Performance/Program Analysis, Volume 7a, pp 1-54 to 1-55; 5-116; 5-121; Volume 7b, pp 6-146 to 6-148

Food and Drug Protection

AG-50

FY 1996-97 Authorized Fund Sources

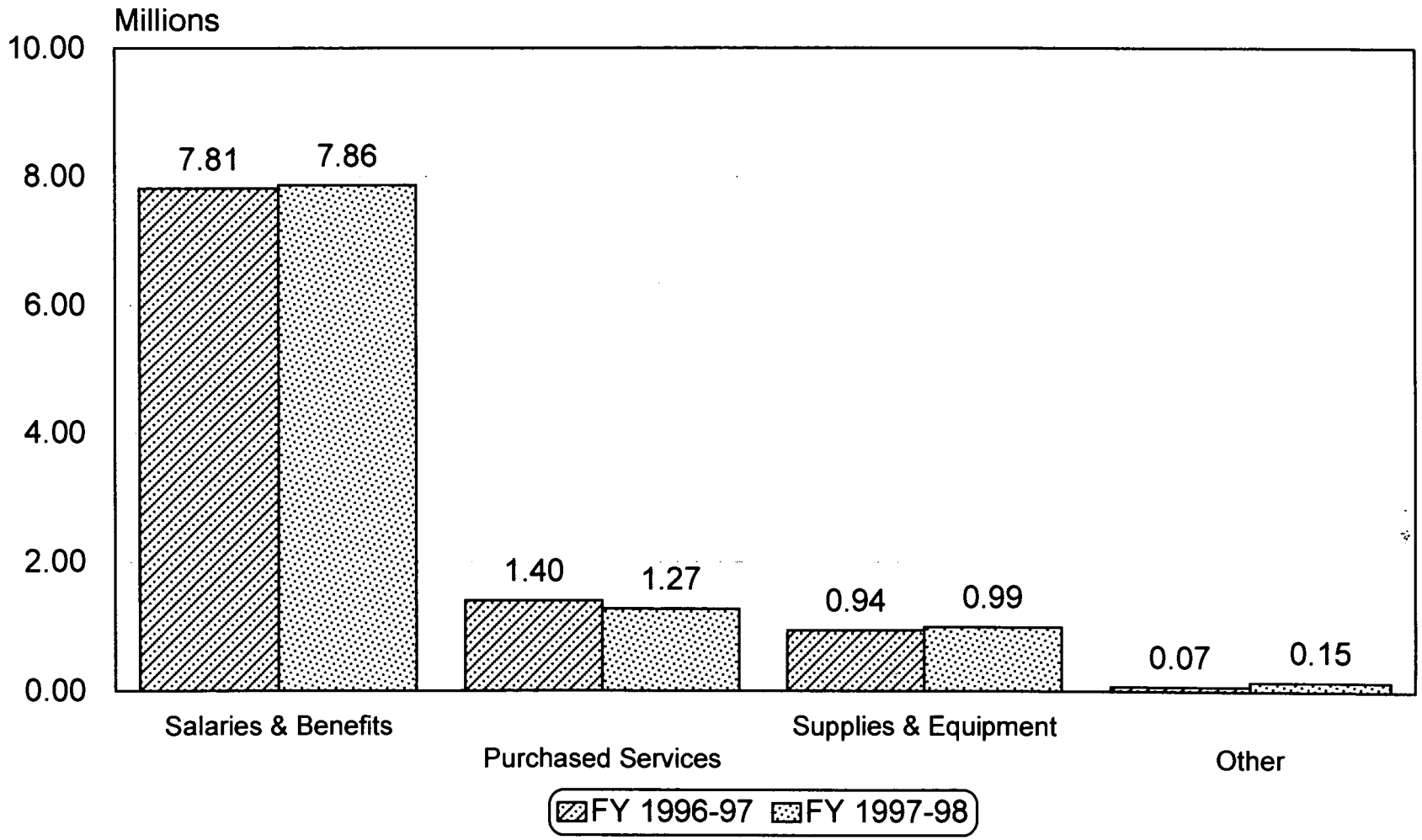


Fiscal Researtch Division March 1997

Food and Drug Protection

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 1: Improve the compliance rate with food and drug laws by 10% by the year 2001.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Ratio of in-compliance inspections to total inspections performed (Base year 1994-95)	n/a	n/a	n/a	83%	82%	*84%*	*85%*	*86%*
Performance Measures:								
Number of inspections for contaminated food and drugs	7,888	8,787	8,562	8,987	9,745	*9,800*	*9,800*	*9,800*
Total number of samples collected	16,791	19,491	14,213	14,669	13,736	*14,000*	*14,000*	*14,000*
Number of dairy products outlet closures due to microbiological violations	202	140	113	100	145	*140*	*140*	*140*

Current Situation:

Rapid growth in the number of grocery stores (800 since January 1995) will result in less frequent inspection and, consequently, the potential for a higher violation rate.

Funds:

3700 AGRICULTURE
1100 Food and Drug Protection

Objective 5: Prevent groundwater contamination from pesticides.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	Estimated 1996-97	Expected 1997-98	Expected 1998-99
Outcome Measures:								
Percent of pesticide monitoring well samples with concentrations of pesticides that exceed health-based standards	n/a	n/a	3.0%	3.1%	3.3%	*3.6%*	*3.9%*	*4.2%*
Performance Measures:								
Number of pesticide product lots removed from sale	395	395	406	175	117	*170*	*190*	*200*
Number of pesticides registered	11,600	12,262	12,380	11,862	11,802	*11,700*	*11,500*	*11,500*
Pounds of pesticides disposed during year	33,000	26,467	47,978	54,279	96,104	*100,000*	*105,000*	*110,000*
Number of pesticide inspections	8,623	6,133	8,132	9,886	12,817	*13,372*	*13,372*	*13,372*
Number of reported pesticide incidents investigated within 24 hours	192	216	216	207	198	*200*	*200*	*200*
Number of commercial pesticide applicators	7,472	8,302	8,411	9,050	9,990	*10,900*	*11,500*	*12,500*
Number of pesticide dealers	1,032	990	995	1,048	982	*1,050*	*1,050*	*1,050*
Number of private pesticide applicators (farmers)	29,139	29,582	26,903	29,820	26,680	*29,400*	*29,000*	*29,000*
Number of groundwater samples monitored for pesticide contamination	n/a	n/a	n/a	n/a	87	*50*	*60*	*70*

Current Situation:

The Interagency Pesticide and Groundwater Study which establishes the baseline and identifies areas in need of further evaluation has been completed. We are testing a monitoring protocol which uses citizen participation to reduce the state's resources required to obtain valid water samples at the county level. We are evaluating proposed federal rules which will require the state to establish a management plan for five specific pesticides.

Funds:

4300 EHNR
1660 Groundwater Protection
3700 Agriculture
1090 Pesticide Control and Analysis

Objective 1: The compliance rate among manufacturers of commercial feed will remain at, or be greater than 85%.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of feed supply inspections in compliance with state standards and regulations	94.1%	87.6%	93.3%	92.0%	97.6%	*95.0%*	*95.0%*	*95.0%*
Performance Measures:								
Number of commercial animal feed brands registered	9,358	11,381	10,821	11,056	11,227	*11,500*	*11,500*	*11,500*
Number of non-medicated animal feed inspections	1,104	1,468	1,387	1,269	1,370	*1,300*	*1,300*	*1,300*
Number of penalties assessed to animal food manufacturers	229	463	269	363	215	*275*	*275*	*275*
Number of farm-grown and farm-mixed animal feed samples analyzed	3,480	3,178	2,987	2,674	2,830	*2,900*	*2,900*	*2,900*

Current Situation:

The increased popularity of exotic pets, with their particular requirements for pet food products, could lead to an increase in quarantine violations and, consequently, a reduction in the compliance rate.

Funds:

3700 AGRICULTURE
1070 Commercial Feed and Pet Food

FOOD AND DRUG PROTECTION
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Adjust underbudgeted receipts	($ 20,000)	($ 20,000)
2) Reduce in-state transportation	($ 20,000)	($ 20,000)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $259,419
Incorporates the Division's share of the salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded with $228,281 in state appropriations and $31,138 in receipts.

GOVERNOR'S RECOMMENDED REDUCTIONS

None

Department of Agriculture

North Carolina Maritime Museum

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized (January)	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	780,333	810,840	842,514	792,527	-5.9%	787,013	-6.6%
Less Receipts	(3,551)	(10,298)	(4,777)	(300)	-93.7%	(300)	-93.7%
State Appropriations	*776,782*	*800,542*	*837,737*	*792,227*	-5.4%	*786,713*	-6.1%
Positions	17.00	17.25	17.25	17.25		17.25	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The North Carolina Maritime Museum collects, preserves, and exhibits the cultural, natural and maritime history of coastal North Carolina in order to educate the public in the state's coastal history and ecology. The Museum is located in Beaufort.

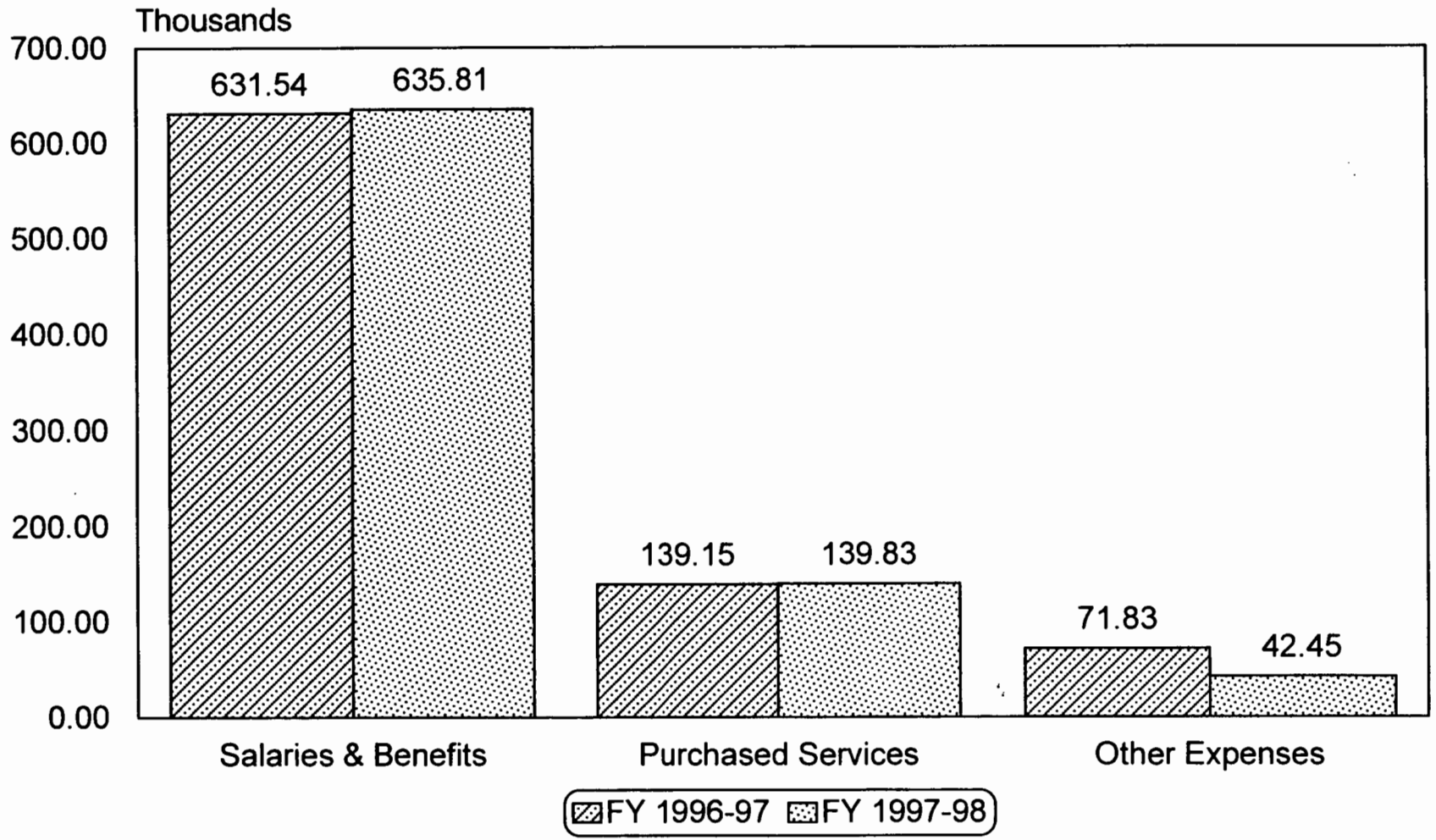
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-49 to W-51
Performance/Program Analysis, Volume 7a, pp 5-8; 5-10

North Carolina Maritime Museum

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 2: Increase environmental awareness and understanding of the general public by increasing participation in structured programs by 15 % by 2002.

Measures	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of contact hours with participants in structured environmental education programs (without continuing education units (CEU) credits)	n/a	n/a	138,410	117,567	147,206	*137,767*	*145,758*	*148,442*
Performance Measures:								
Total number of programs and outreach programs conducted by the aquariums	4,500	4,575	4,575	4,119	4,119	*4,250*	*4,300*	*4,350*
Number of aquarium program participants	155,000	157,000	160,000	153,667	123,147	*157,250*	*135,000*	*155,000*
Number of participants in Museum of Natural Sciences public progams, classes, workshops, and youth programs	n/a	n/a	n/a	3,684	3,095	*3,176*	*3,150*	*3,860*
Number of participants in classes/programs at the zoo	n/a	n/a	9,897	7,469	9,406	*9,400*	*9,400*	*9,400*
Total number of people attending natural and maritime programs and field trips, seminars and conferences, and classes provided by the Maritime Museum	18,373	18,323	15,771	13,559	13,020	*13,500*	*13,500*	*13,500*
Total number of natural and maritime programs and field trips, seminars and conferences, and classes provided by the Maritime Museum	458	436	465	472	451	*460*	*460*	*460*

Current Situation:

The ability to meet the projected outcome measure will depend on a number of factors including completion of facilities at the Museum of Natural Science and the aquariums as well as the response from the public to publicized programs. It is anticipated that the completion of new facilities will attract more participation in environmental education programs.

Funds:

4300 EHNR
1305 NC Zoo - General Operations
1350 Aquariums - Central Office
1355 NC Aquariums
1360 NC Museum of Natural Sciences

3700 Agriculture
1205 Maritime Museum

NORTH CAROLINA MARITIME MUSEUM
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS

None

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

The Maritime Museum received $1.5 million from the unused funds earmarked for the FY 1995-96 Reserve for Repairs and Renovations (Section 5.3(b), Chapter 18, 1995 Session Laws).

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $21,312
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded totally with state appropriations.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

Section 24.2 of Chapter 324 of the 1995 Session Laws (i.e. the 1995 Continuation Budget Bill) reads as follows:

"Sec. 24.2 The Department of Agriculture shall study the feasibility of charging admission fees at the North Carolina Maritime Museum. This study shall evaluate different options for admission fees and shall include a proposed implementation plan, anticipated revenues, anticipated costs of developing and implementing admission fees, and anticipated personnel that would be required with each admission fee option. No later than April 1, 1996, the Department shall report on its findings and recommendations to the Joint Legislative Commission on Governmental Operations."

This special provision was requested by the NER Appropriations Subcommittees following budget hearings for the Maritime Museum. The Committee may wish to have the Department comment on the report as well as the findings and recommendations.

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FEASIBILITY OF CHARGING FEES AT THE NORTH CAROLINA MARITIME MUSEUM, Beaufort, N.C.

SUMMARY.

It is the belief of the North Carolina Maritime Museum that the imposition of fees on visitors to the museum would result in irreparable harm to its attendance, reputation, programming, and to the goodwill of the museum in the community. It is an almost certainty that an admission fee would reduce museum attendance by at least half and that the fees would generate little more than $200,000 annually while driving away donations and contributions worth an equal amount of revenue.

FINDINGS.

The NCMM has followed the administrative changes of the North Carolina Aquariums closely, particularly the Pine Knoll Shores facility which is in the same county as the Maritime Museum and shares some of the same demographics.

The aquariums went to fees two years ago, with a $3.00 general admission, $2.00 for young adults, and free to children under six. There are exceptions for seniors and school groups. There is also a membership category that allows unlimited visits. Aquarium administrators have tracked the fluctuations in attendance carefully to determine the effect of fees.

Prior to fees, the N.C. Acquarium at Pine Knoll Shores showed an annual attendance in the 600,000 range. After fees, that number, as reported by the Carteret County Travel Bureau in 1996, is below the 300,000 mark.

Despite the experience of the state's aquariums, examination of other comparable museums in the region support the $3.00 general admission as a fair one and one that is probably optimal with best attendance. Admission fees above $3.00 start to compete with other entertainment and leisure options.

There are several larger maritime museums north of Beaufort that have higher fees. The Chesapeake Bay Maritime Museum in Maryland charges a $5.00 general fee but offers a complex of several buildings, a lighthouse, and several traditional sailing vessels as part of the tour.

The Mystic Seaport Museum in Connecticut also charges a higher fee, a whopping $14.00, and yet manages to draw 400,000 visitors annually. Mystic is literally a seaport village, albeit a restored one, with 47 structures. It offers numerous programs and demonstrations, from blacksmithing to boatbuilding, and participatory activities such as carriage rides and boat rides. It also features restaurants on the site and art and gift shops.

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The findings of this museum reveal that a small museum such as the N.C. Maritime Museum and the N.C. Acquarium, one in which a visitor spends about an hour, can recoup approximately one-fourth its operational budget, less the added personnel expense of fee collectors. In the case of the North Carolina Maritime Museum, fees at the rate of $3.00/adult and $2.00/youth would generate less than $300,000 annually for the museum, based on probable loss of 45% of visitation. Personnel to collect fees, two fulltime positions to cover a seven-day week, would cost $50,000 annually for a net of perhaps $250,000.

It is probably significant that the Beaufort Historical Association, one block distance from the Maritime Museum, has a mere 30,000 visitors annually. It offers a tour of ten buildings for a $3.00 fee.

Only the larger museum operations, such as Mystic Seaport and the Mariner's Museum in Newport News, manage to produce sufficient revenue to cover operational expenses. Both of these museums have large endowments and other outside sources of income that supplement their gate receipts.

There are other considerations besides financial when weighing options of admission fees to the museum.

LOGISTICS. Museum attendance depends in large part on local visitation. Perhaps sixty percent of museum visitation is from within the state's borders. These people are likely to repeat, to return to the museum within the year. Repeat visitors are much less likely to visit a museum a second time if there is a fee. Hence, attendance falls.

A secondary part to local visitation is the large amount of public programming conducted by the museum. The museum offers some 300 public programs annually. Some of these require a minimal fee of $10.00 to $20.00, especially the field trips, but most are free to the public. Logistically, a program participant must enter the museum to attend a lecture or workshop in the Auditorium. It will be problematical to direct designated traffic to these programs. If the attendees have to pay general admission to gain access to specific programs, public programming will drop dramatically.

If the visitor does not pay, how does the museum control the visitor's movement once inside the museum? What is to keep the person from touring the museum? And what is to prevent numerous people from entering the museum ostensibly to attend a program but in reality merely to avoid the admission fee?

The same situation attends the Museum Bookstore. That operation grosses some $200,000 annually. Its revenues support one full-time and three parttime positions. Much of its traffic is local, walk-in trade that does not tour the museum. It is difficul;t to track Bookstore trade once it enters the museum. If people

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are charged to visit the Bookstore, the trade will dry up. If they are admitted free, then everyone will pose as a Bookstore visitor in order to gain free admission.

Other museums which charge admission locate their bookstores and gift shops outside the museum proper so that visitors may attend the shop without going through the museum. The Bookstore at the Maritime Museum is situated inside the museum and visitors would have to pass through the Admissions Gate. Once through the pay point, their movements cannot be easily monitored.

The museum caters to a large transient boating population who frequent the museum for navigational charts and to use the museum's Service Vehicle, a free-use automobile sponsored by the Friends of the Museum. The free-use car is a large draw to boating traffic which otherwise has no access to stores for resupply. This is another pedestrian element that would require some type of exemption to admission fees to the museum.

The museum faces the same situation with its Temporary or Changing Exhibits area which is located inside the museum in its Auditorium. Exhibits are mounted and changed every two months in this area. They often are decorative marine arts, painting, photographs, and other special exhibits. They are of limited duration and they draw considerable numbers of visitors who desire to see the single exhibit and not the entire museum. Again, there is no method or procedure to designate who these visitors are once they are inside the museum. To charge these visitors would be to destroy the Changing Exhibit program.

The museum also has an in-house Library that is used by historians, folklorists, and other researchers who use its volumes for study and documentation. These people tend to remain in the museum for hours at a time and to come-and-go as they need to for lunch or merely to take a break.

Pedestrian traffic to the museum is further complicated by the layout and multitude of sites in the museum complex. The state museums in Raleigh are all located in a single building so that traffic is controlled from the public entry. The Maritime Museum has separate buildings that function as classroom space, meeting rooms, a separate Watercraft Center where boats are built and restored, and even a facility at Cape Lookout. Traffic access to these various sites have varying degrees of control, but all are more or less open and available to the public. The Watercraft Center, especially, given its function as a research and restoration facility, does not lend itself to fees.

LOSS OF CURRENT REVENUE.

The Maritime Museum has developed a strong support organization over the past twenty years. The Friends of the Museum, Inc.,

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creates between $80,000 and $100,000 in revenues annually. The organization supports numerous museum programs, such as its Cape Lookout Studies Program, its Annual Wooden Boat Show, and its very popular Junior Sailing Program. All of these programs and events are open to the public without charge. They appeal to all ages and to all economic levels in the community. The Museum can conduct these educational programs precisely because they are subsidized by Friends funds.

Perhaps the primary reason the Friends has been successful in raising money for the museum is the general perception by the community of the museum's need. The community accepts that the museum can operate and pay its staff, but there are many programs that would not happen without outside financial support. Consequently, the public has been generous in supplementing museum programming, particularly special events and field trips.

There is a serious concern that if the museum went to fees that the public would be less sympathetic to making donations. That is a potential loss of $50,000 to $70,000 annually.

Also, the museum maintains a donation receptacle just inside the museum entry. It has generated an average of $20,000 annually. Admission fees would definitely end this source of revenue.

The NCMM, while serving a national audience, is very much in touch with its local community. The museum consistently sponsors concerts, lectures, workshops, field trips, special exhibits, and public forums. It accommodates outside organizations, both civic and academic, which use the facilities, especially the auditorium. We feel that an admission fee would be a heavy damper on the good public relations and goodwill that the museum has earned with the local community.

Moreover, the museum would sacrifice up to one half its visitation for revenues that would probably amount to less than $250,000 per year. The museum has taken much pride in the fact that any North Carolina citizen, regardless of status or social circumstance, can tour one of the state's finest educational facilities.

The Maritime Museum currently matches the state museums in Raleigh in attendance figures, in the 200,000/year range, yet its exhibition space is only about 5,000 square feet. The Museum of History, the Museum of Natural Science and the Museum of Art all have thousands of square feet of exhibit space, more thousands for programming, and more for general support. Not one of them charges admission fees.

RECOMMENDATION.
We feel that if the museum, in its present configuration, charged fees, thousands of students and young adults would miss the environmental education message that is the museum's mission.

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That group of visitors number about 50,000 each year. Fees would eliminate 75% of student visitation according to teacher tour leaders.

The museum has the opportunity to purchase 36 acres of undeveloped land on Gallant's Channel. It is historic property, formerly home to Otway Burns' salt works after the War of 1812 and to the Beaufort Fish Meal Factory in the 1950s.

Called Town Creek, the property would allow for museum expansion and development for the next twenty-five years. Its 36 acres would allow numerous programs and exhibits that the museum cannot accomplish at its present location. It would allow for life saving drills, naval stores exhibits, a marine conservation laboratory, aquaculture research facility, a children's area, a maritime forest with nature trails, a Junior Sailing program, and major exhibits on menhaden and other commercial fishing exhibits.

The Town Creek property would make the N.C. Maritime Museum potentially the largest maritime museum on the East Coast, much larger in size than Mystic Seaport or the Chesapeake Bay Museum. The property is self-contained and traffic could be easily controlled, thereby allowing for the imposition of fees. We estimate an additional 200,000 visitors to the Town Creek site within five years with an annual income of $600,000 to $750,000. An adult entry fee would begin at $5.00 and would be supplemented by on-site programs such as a gift shop and water taxi that would add revenues.

The Maritime Museum currently has 23 parking spaces for its 200,000 plus annual visitors. The situation is especially critical in the high volume summer months when parking is at a premium. The town in general faces a difficult parking situation, as it frequently reminds museum personnel.

Town Creek would solve the museum and the town parking problem. The property would allow for five to ten acres of parking, or enough for several hundred cars. It is the answer to a long-standing municipal problem for Beaufort.

We strongly recommend that no fees be instituted at the current in-town Maritime Museum but that they be reserved for use at the expansion site called Town Creek. This approach is best for the museum, for Beaufort and for the state. We believe that only with the larger facility can the museum begin to attract the kind of fees that will generate sufficient revenues to cover operations.

Respectfully submitted,

Rodney Barfield
Director, NCMM

Howard Singletary

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Department of Agriculture

Plant Industry Division							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	6,731,286	6,367,504	7,165,826	6,270,277	-12.5%	6,290,205	-12.2%
Less Receipts	(3,221,791)	(2,666,332)	(3,107,356)	(1,981,137)	-36.2%	(1,982,137)	-36.2%
State Appropriations	*3,509,495*	*3,701,172*	*4,058,470*	*4,289,140*	5.7%	*4,308,068*	6.2%
Positions	112.00	113.00	114.00	114.00		114.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

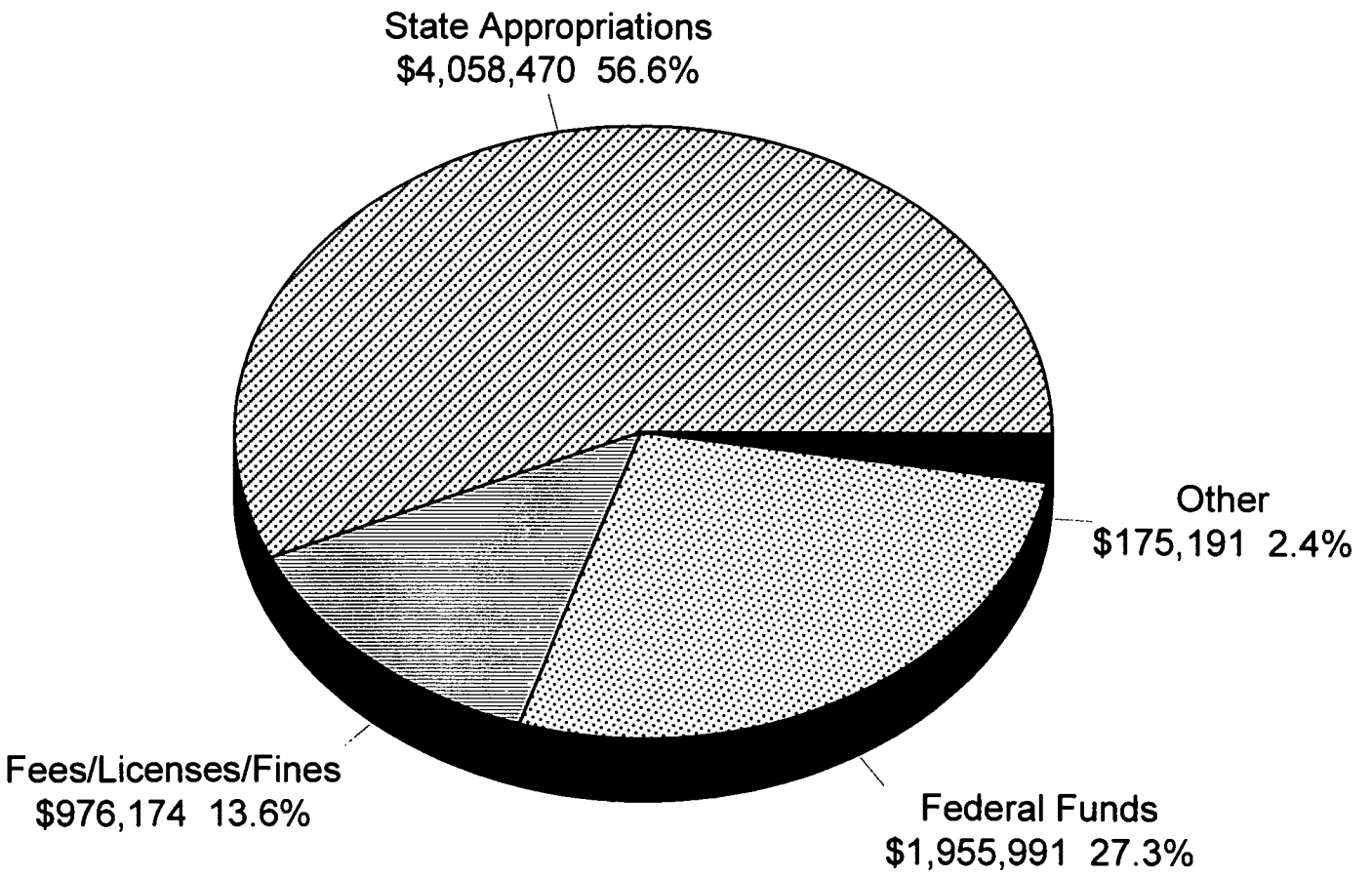
The Plant Industry Division protects plants, plant products and other beneficial organisms from the adverse effects of pests, conserves endangered plant species and protects honeybees and other beneficial insects and organisms. Division operations also include management of fertilizer and seed inspection efforts to ensure these production inputs are properly labeled

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-25 to W-27; W-42 to W-47
Performance/Program Analysis, Volume 7b, pp 6-146; 6-148 to 6-149; 6-139; 6-141 to 6-142

Plant Industry Division

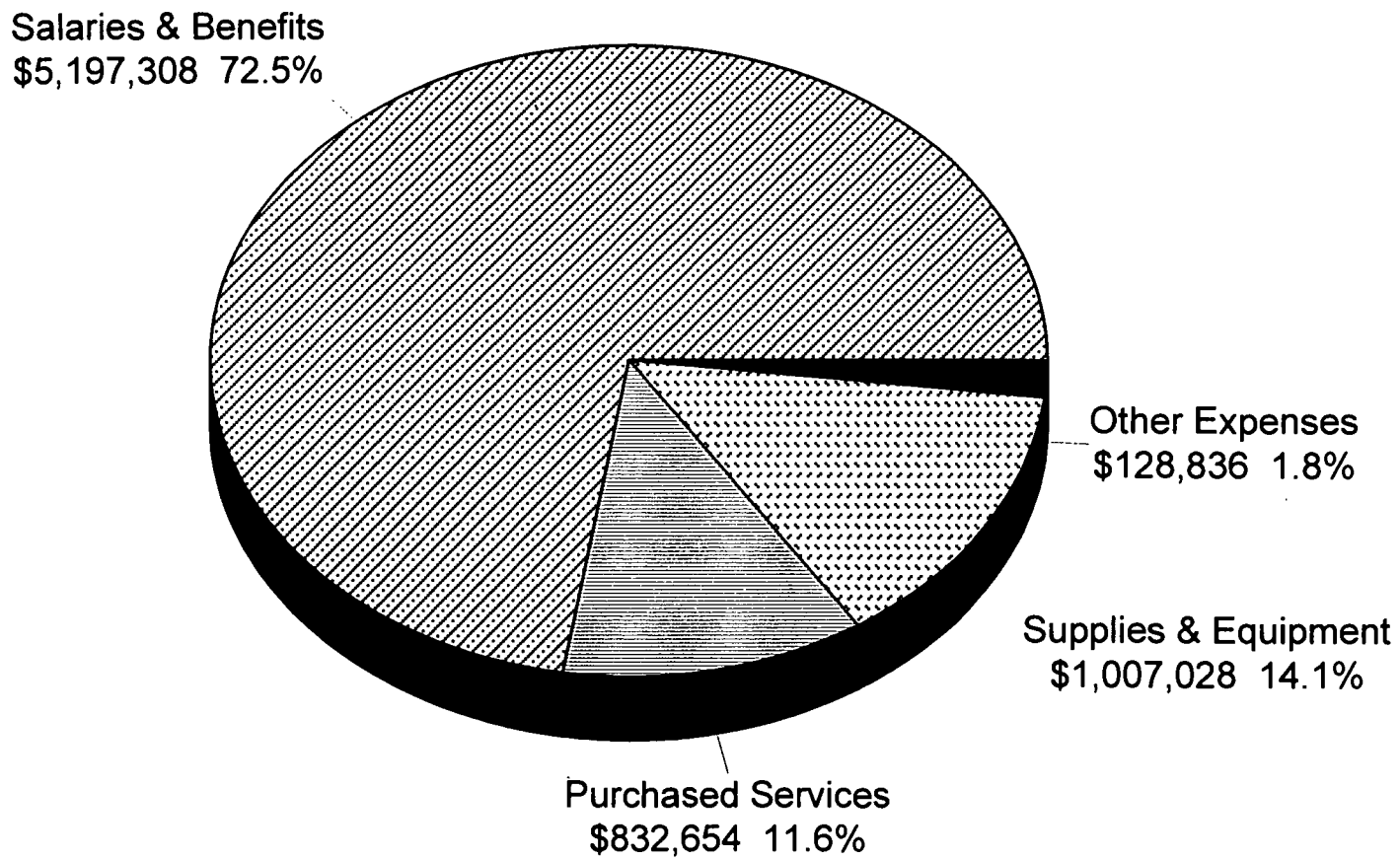
FY 1996-97 Authorized Fund Sources



Fiscal Research Division March 1997

Plant Industry Division

FY 1996-97 Authorized Expenditures By Category

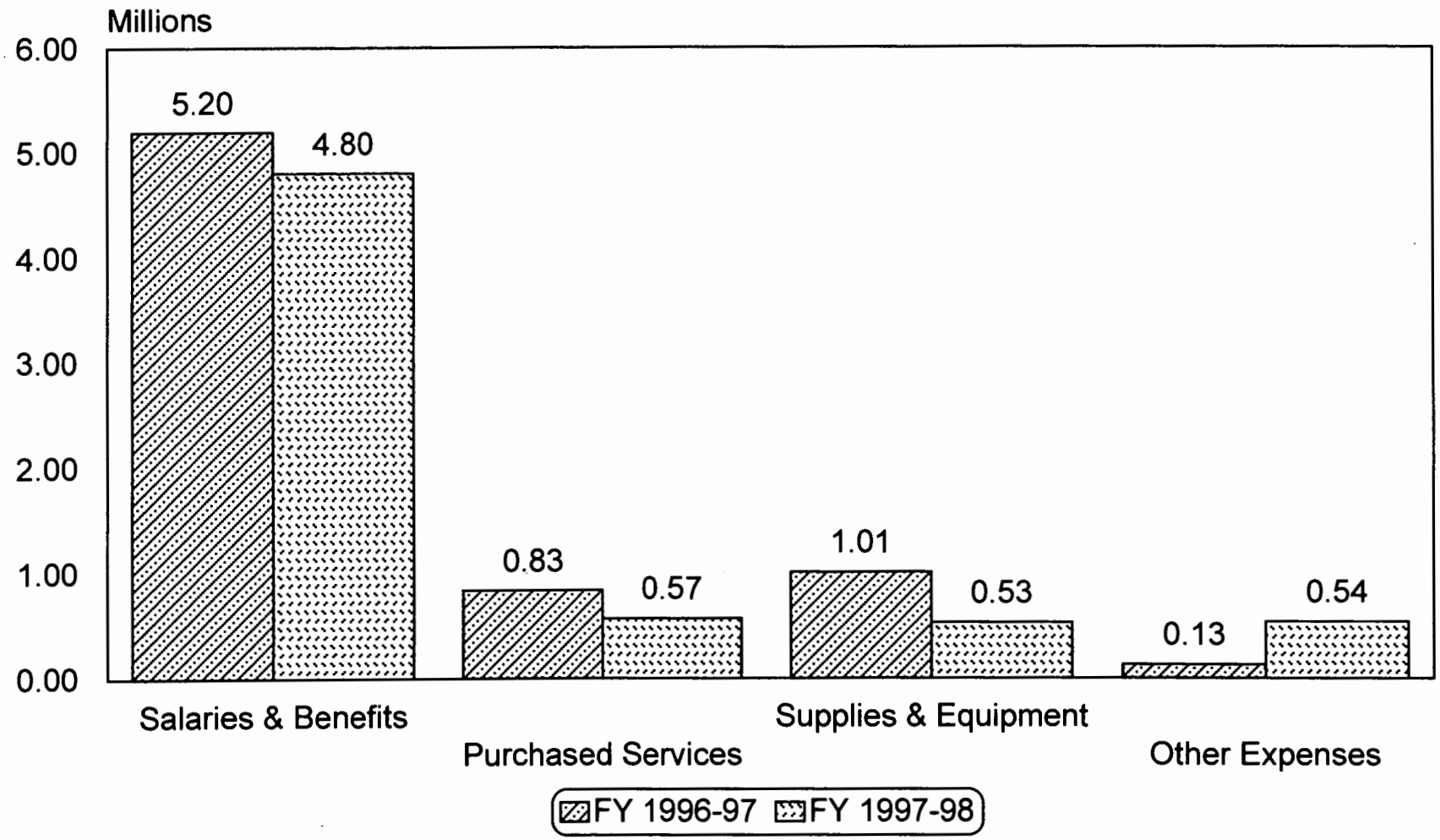


Fiscal Research Division March 1997

Plant Industry Division

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 2: Maintain a fertilizer and lime deficiency rate of no more than 20% for products sold in North Carolina.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percentage of fertilizer samples collected which are not in compliance with their guarantee	21.3%	16.9%	20.8%	21.9%	21%	*20%*	*20%*	*20%*
Performance Measures:								
Penalties assessed on fertilizer vendors (dollar value)	$345,000	$335,627	$348,920	$350,025	$384,177	*$350,000*	*$350,000*	*$350,000*
Number of fertilizer products registered	4,386	4,411	4,431	4,447	5,367	*5,100*	*5,200*	*5,300*
Number of fertilizer inspections made	4,807	3,426	3,694	3,701	3,581	*3,600*	*3,650*	*3,700*

Current Situation:

Issues which have developed are: environmental concerns around the use of fertilizer, point source run-off, and containment of fertilizer at manufacturing and dealer locations. New types of fertilizer products are increasing the complexities of sampling, inspections and field investigations.

Funds:

3700 AGRICULTURE
1080 Commercial Fertilizer Analysis

Objective 3: Maintain a seed lot compliance rate of 95% or greater for seed sold in North Carolina.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percentage of seed samples collected which are in compliance with stated label analysis	98.3%	98.5%	98.0%	98.3%	97.8%	*98.0%*	*98.0%*	*98.0%*
Performance Measures:								
Number of seed lots inspected	30,589	26,819	28,584	26,930	24,509	*27,000*	*27,000*	*27,000*
Percent of seed lots inspected which are out of compliance	1.7%	1.5%	2.0%	1.7%	2.2%	*2.0%*	*2.0%*	*2.0%*
Number of forage grass lot samples tested	92	38	48	45	28	*40*	*40*	*40*
Percent of forage grass lot samples tested which contain endophytes, a plant within another plant	63%	95%	98%	89%	92.8%	*90.0%*	*90.0%*	*90.0%*
Number of seed samples tested to prevent the sale of substandard seed	17,538	16,951	18,677	17,343	17,525	*18,000*	*18,000*	*18,000*

Current Situation:

Several positions have been lost recently because of decreases in appropriations and government downsizing. At the same time, the program has experienced increased demands for services. New seed technologies require new testing procedures to meet the needs of regulatory labeling, resulting from the applications of genetic engineering in the seed industry.

Funds:

3700 AGRICULTURE
1170 Seed Testing

Objective 3: Improve the status of threatened and endangered plant species by 5% by the year 2000.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Number of species and plants removed from the threatened and endangered list	2	3	0	0	0	*2*	*2*	*2*
Performance Measures:								
North Carolina native plant species listed as endangered or threatened	112	122	118	118	138	*144*	*150*	*156*
Rare plant species with restoration projects in progress	9	11	20	21	23	*26*	*30*	*40*
Permits issued for propagation and conservation of endangered and threatened plant species, inspections, enforcement cases, information packets for citizens	406	414	420	430	440	*520*	*560*	*640*

Current Situation:

North Carolina has a tremendous diversity of plant species ranging from sub-tropical on the coast to near arctic in the high elevations of our mountains. The inventory, ecological status, and protection of these species is essential to their preservation and to the long term health of our ecosystem.

Funds:

3700 AGRICULTURE
1180 Plant Protection

PLANT INDUSTRY DIVISION
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Abolish positions	($103,405) -2.00	($103,405) -2.00

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

1) Funds to control sweet potato weevil infestations	$ 72,479

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $138,421
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded with $122,017 in state appropriations and $16,404 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

David Smith

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Department of Agriculture

Agricultural Statistics Division

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized (January)	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	1,277,575	1,389,396	1,450,665	1,389,980	-4.2%	1,371,563	-5.5%
Less Receipts	(120,855)	(118,522)	(155,412)	(138,500)	-10.9%	(138,500)	-10.9%
State Appropriations	*1,156,719*	*1,270,874*	*1,295,253*	*1,251,480*	-3.4%	*1,233,063*	-4.8%
Positions	28.00	29.00	29.00	29.00		29.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The Agricultural Statistics Division provides comprehensive agricultural statistical information through collection and analysis of prices, wage and production estimates for all major crops and livestock.

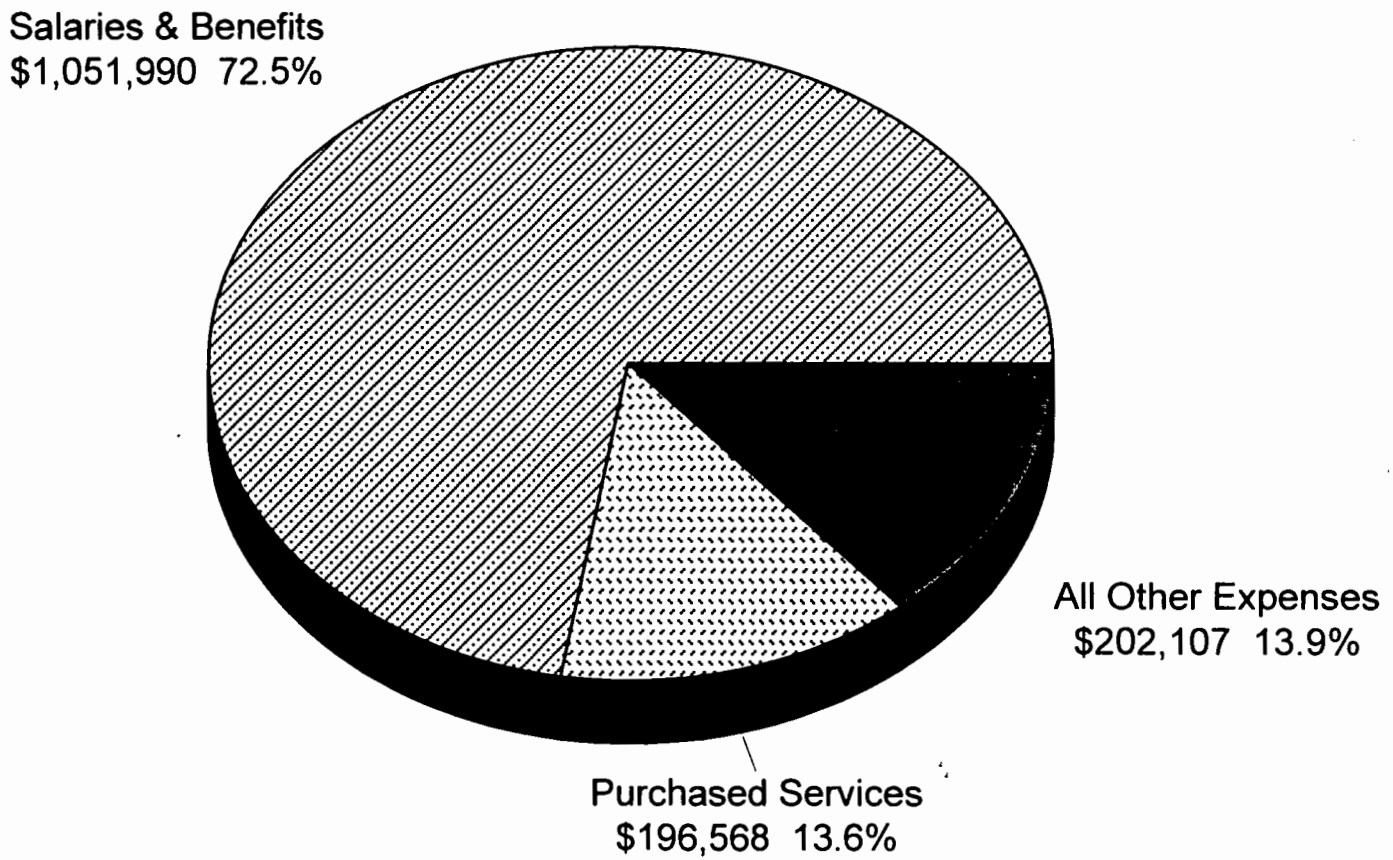
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-20 to W-21
Performance/Program Analysis, Volume 7b, pp 6-60 to 6-62

Agricultural Statistics Division

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FY 1996-97 Authorized Expenditures By Category



Fiscal Research Dividion March 1997

Objective 2: Provide reliable agricultural statistics according to published schedule and standards 95% of the time.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of agricultural statistics publications provided on schedule according to state and federal standards	100%	100%	100%	100%	100%	*100%*	*100%*	*100%*
Performance Measures:								
Percent of land in farms covered by list sample surveys of farmland	75%	78%	78%	78%	79%	*79%*	*79%*	*80%*

Current Situation:

Federal and state agricultural statistics are provided, by law, based on a set of federal standards. The State of North Carolina's statistics division has consistently produced data far above the federal standard.

Funds:

3700 AGRICULTURE
1050 Fed-State Crop Reports/Statistics

AGRICULTURAL STATISTICS DIVISION
OVERVIEW OF BUDGET ACTIONS

AG-79

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS

None

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $32,259
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the Extraordinary Session. The increase was funded with $28,272 in state appropriations and $3,987 in receipts.

GOVERNOR'S RECOMMENDED REDUCTIONS

None

Department of Agriculture

Structural Pest Control

	1994-95 Actual	1995-96 Actual	Current Fiscal Year 1996-97 Authorized (January)	Governor's Continuation Request 1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	876,710	923,672	970,380	944,565	-2.7%	935,564	-3.6%
Less Receipts	(419,820)	(384,444)	(393,821)	(357,689)	-9.2%	(357,689)	-9.2%
State Appropriations	*456,889*	*539,228*	*576,559*	*586,876*	1.8%	*577,875*	0.2%
Positions	21.00	21.00	21.00	21.00		21.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The Structural Pest Control Division protects consumers and the environment by regulating the application of pesticides used to control structural pests.

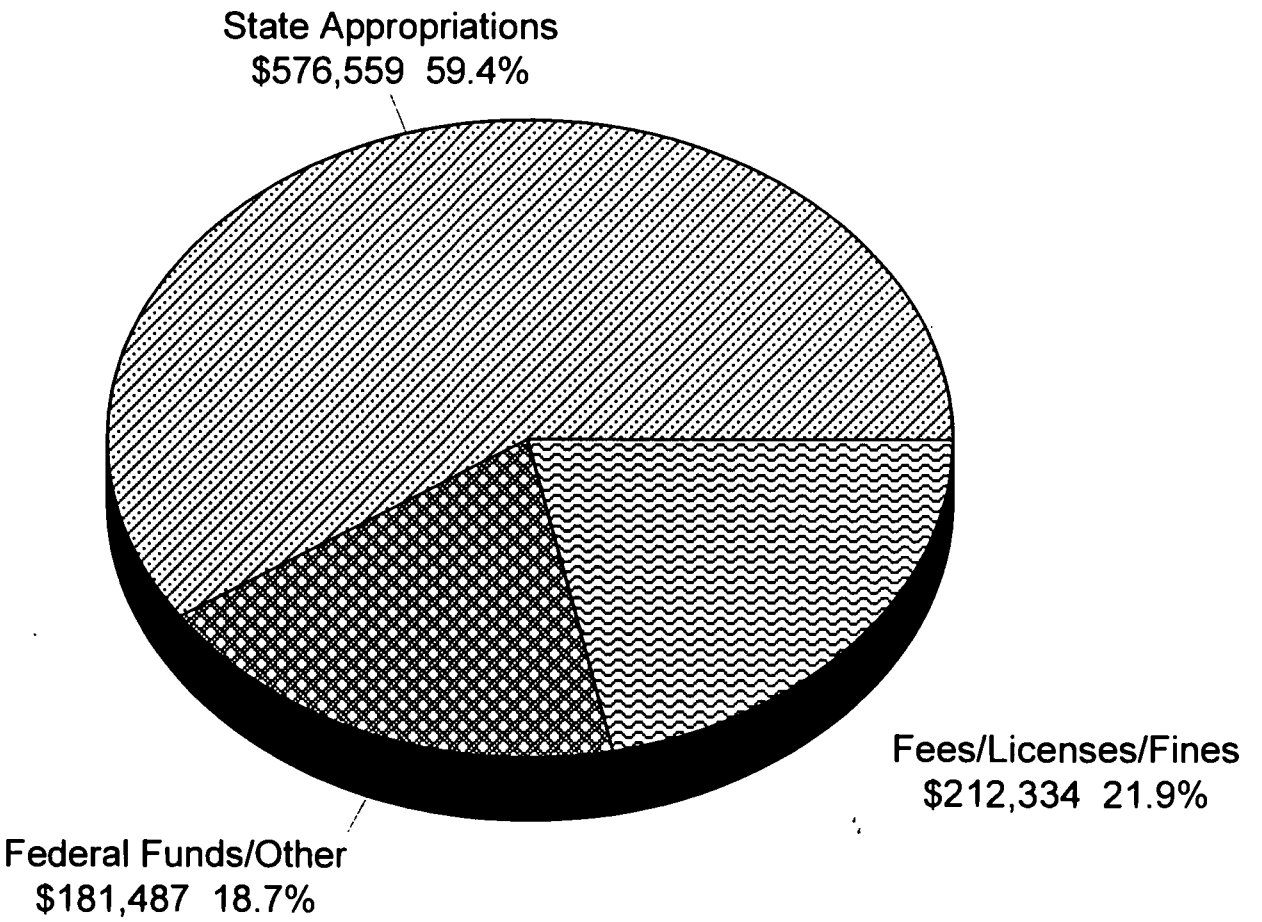
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-31 to W-33
Performance/Program Analysis, Volume 7b, pp 6-210; 6-212

Structural Pest Control

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FY 1996-97 Authorized Fund Sources

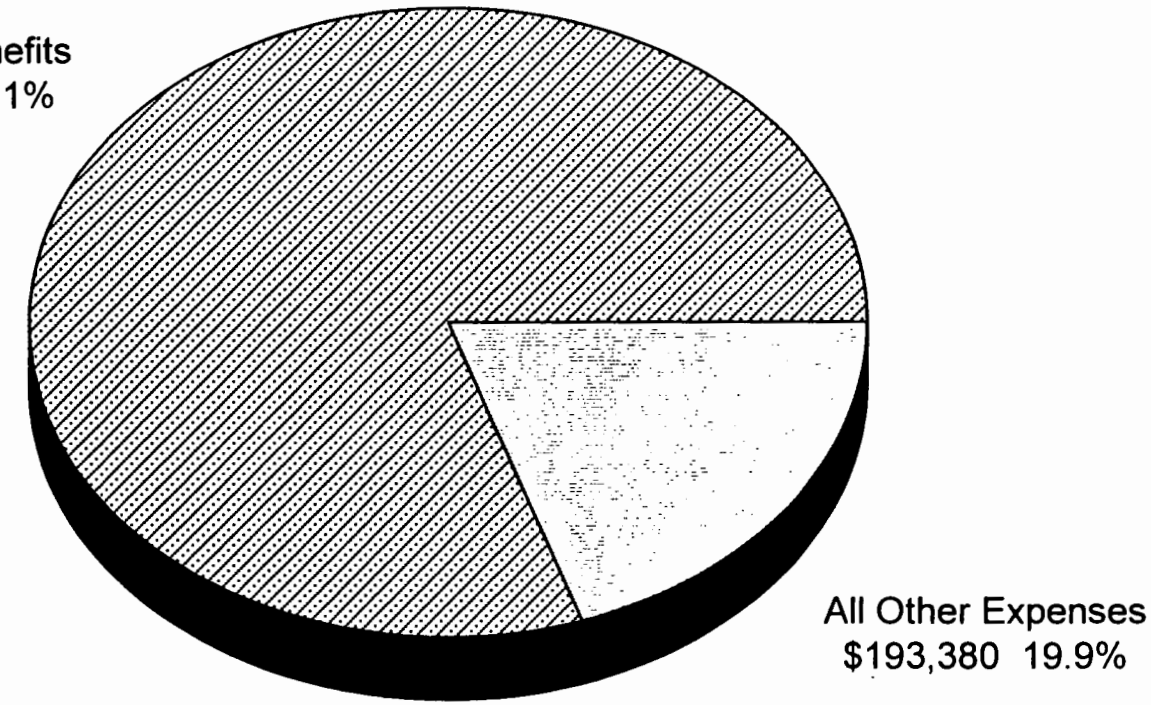


Fiscal Research Division March 1997

Structural Pest Control

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FY 1996-97 Authorized Expenditures By Category



Fiscal Research Division March 1997

6920 Licensing and inspection services related to consumer protection

Objective 1: Maintain the current high level of compliance among pest control operations (86% overall) with work standards and rules governing the use, storage and disposal of pesticides.

Measure	Actual					*Estimated*	*Expected*	*Expected*
	1991-92	1992-93	1993-94	1994-95	1995-96	*1996-97*	*1997-98*	*1998-99*
Outcome Measures:								
Rate of compliance with structural pest control rules	84%	86%	84%	84%	86%	*86%*	*86%*	*86%*
Performance Measures:								
Number of wood destroying organism jobs inspected	9,506	8,702	8,244	9,422	9,098	*9,100*	*9,100*	*9,100*
Number of substandard wood destroying organism jobs found substandard	1,684	1,456	1,535	1,793	1,492	*1,490*	*1,450*	*1,450*
Number of pesticide equipment and records inspections	1,396	1,230	1,650	1,993	1,873	*1,950*	*1,950*	*1,950*
Number of pesticide equipment and inspections with discrepancies	252	145	182	215	166	*160*	*160*	*165*
Number of pesticide storage inspections	1,396	1,230	1,206	1,340	1,258	*1,275*	*1,300*	*1,300*
Number of pesticide storage inspections with discrepancies	73	25	50	47	24	*25*	*25*	*25*

Current Situation:
Cuts in federal funding for environmental programs have reduced the fiscal resources available to this program. If further reductions are implemented they will result in a loss of up to three structural pest control inspectors and a reduction in the program's ability to protect consumers if lost funding is not replaced by state funds. In addition, recent changes in the Administrative Procedures Act (APA) enacted by the General Assembly have significantly reduced the program's ability to react to rapidly changing technology and industry practices in a timely manner.

Funds:
3700 AGRICULTURE
1120 Structural Pest

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STRUCTURAL PEST DIVISION
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
Adjust underbudgeted receipts	($ 15,000)	($ 15,000)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $24,376
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded with $19,733 in state appropriations and $4,643 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

David Smith

A6-87

Department of Agriculture

Standards Division							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	4,157,307	4,497,025	4,819,444	4,444,614	-7.8%	4,370,907	-9.3%
Less Receipts	(3,059,980)	(3,250,057)	(3,555,165)	(3,106,666)	-12.6%	(3,022,876)	-15.0%
State Appropriations	*1,097,327*	*1,246,968*	*1,264,279*	*1,337,948*	5.8%	*1,348,031*	6.6%
Positions	96.00	99.00	99.00	99.00		99.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The Standards Division protects the purchasers and sellers of any commodity by ensuring that uniform, national standards of weights and measures are used, and protects users of petroleum products from inferior quality and inaccurate measurement, and protects the public from unsafe use, storage and transportation of liquefied petroleum and gas.

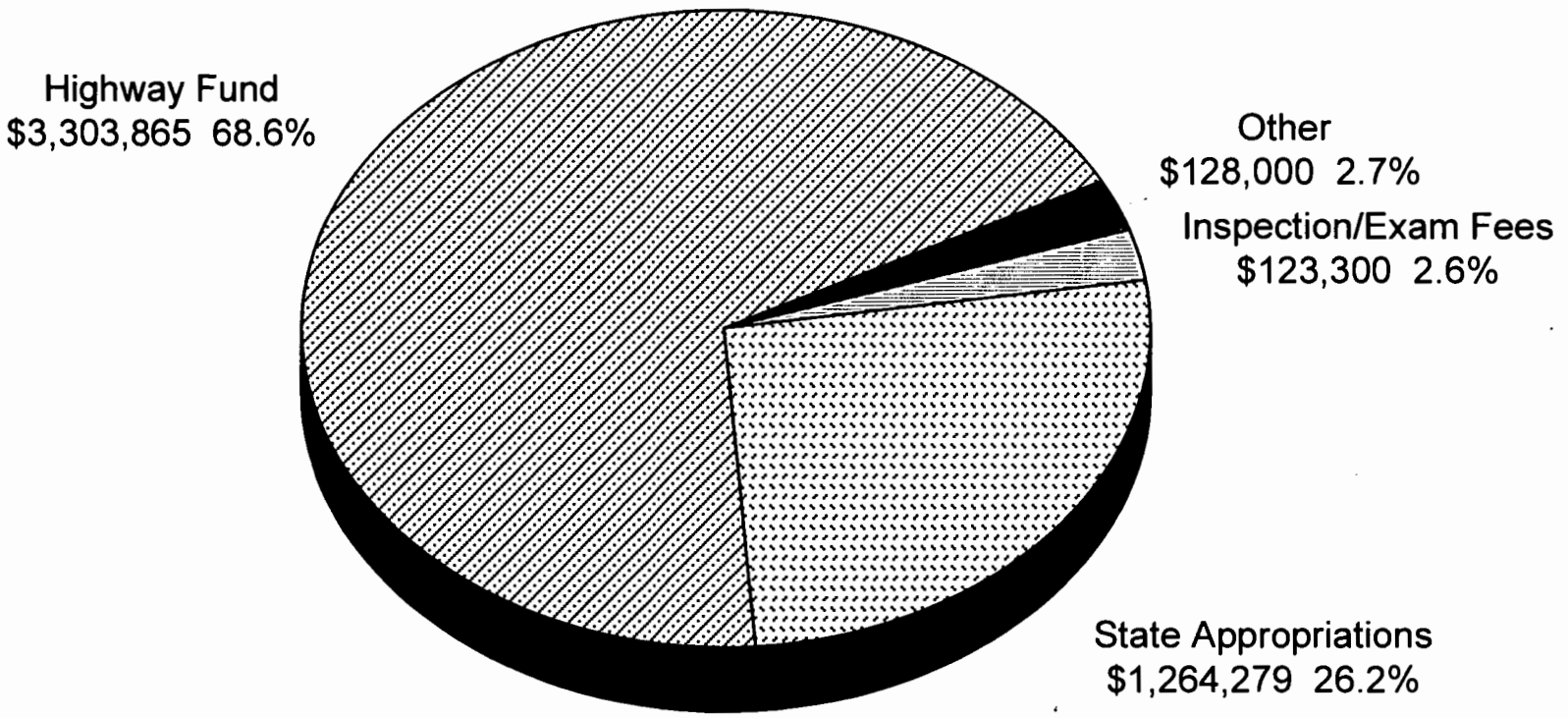
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-37 to W-42
Performance/Program Analysis, Volume 7b, pp 6-210 to 6-211; 6-213 to 6-218

Standards Division

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FY 1996-97 Authorized Fund Sources

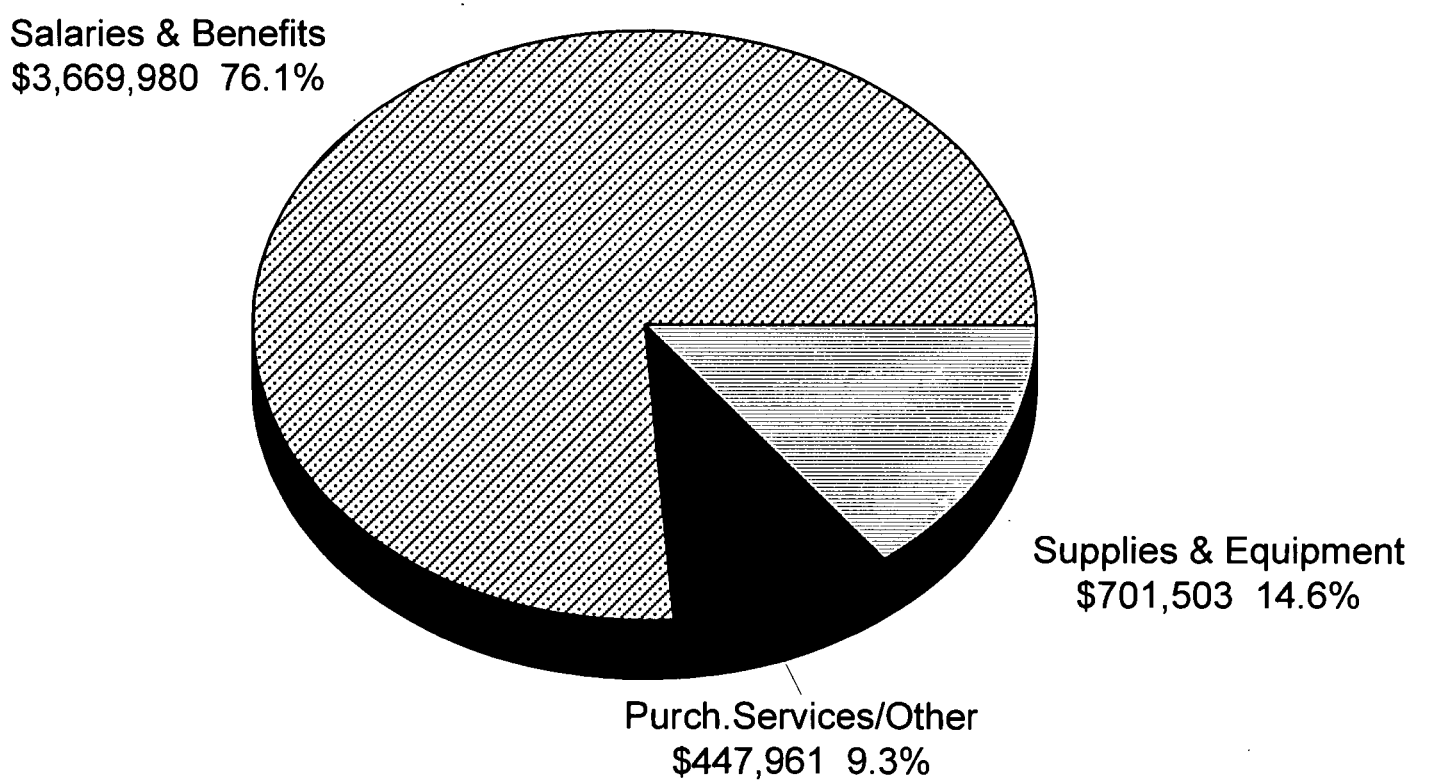


Fiscal Research Division March 1997

Standards Division

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FY 1996-97 Authorized Expenditures By Category



Fiscal Research Division March 1997

Objective 3: Maintain the acceptance rate of packages for compliance with the labeled net contents statement at no less than 95%.

Outcome Measure:	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Package net contents rate of compliance	95.4%	96.0%	96.4%	94.1%	95.2%	*95.0%*	*95.0%*	*95.0%*
Performance Measures:								
Number of packages inspected for net content compliance (millions)	5.17	5.05	4.06	3.93	3.78	*4.0*	*4.0*	*4.0*

Current Situation:

Inspection resources here-to-fore devoted to this objective have, by necessity, been diverted to other types of inspections as a result of North Carolina's rapid population growth and economic development.

Funds:

3700 AGRICULTURE
1150 Weights and Measures Inspections

Objective 5: Achieve 75% correction of LP-Gas safety violations cited within six months of issuance.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Correction rate of LP gas safety inspections	n/a	n/a	n/a	55.2%	58.1%	*65.0%*	*75.0%*	*75.0%*
Performance Measures:								
Number of installations inspected	28,220	27,265	22,776	22,586	23,339	*23,500*	*23,500*	*23,500*
Number of installation shutoff devices inspected	1,005	919	1,041	1,110	1,135	*1,150*	*1,175*	*1,200*
Number of vehicles inspected	2,326	2,437	2,259	2,116	1,964	*2,100*	*2,150*	*2,150*
Number of vehicle shutoff devices inspected	2,284	2,380	2,239	1,563	2,043	*2,400*	*2,500*	*2,500*

Current Situation:

The two hurricanes that North Carolina experienced in 1996 have resulted in a shift in priorities for propane dealers. The recovery and reinstallation of damaged propane systems may affect the correction rate for some time to come.

Funds:

3700 AGRICULTURE
1160 Gasoline and Oil Inspections

6920 Licensing and inspection services related to consumer protection

Objective 6: Maintain the compliance rate of inspected petroleum products at no less than 98% through the year 2001.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Compliance rate of inspected petroleum products	98.2%	98.6%	98.5%	98.3%	98.1%	*98.2%*	*98.2%*	*98.2%*
Performance Measures:								
Number of diesel samples tested	5,522	5,840	5,447	6,010	6,412	*6,300*	*6,300*	*6,300*
Number of Kerosene samples tested	5,975	6,451	5,201	5,814	5,863	*5,700*	*5,700*	*5,700*
Number of gasoline samples tested	38,903	42,294	33,407	34,600	36,188	*35,000*	*35,000*	*35,000*

Current Situation:

Reformulated gasoline may be required in some counties. This will introduce a third type of summer grade gasoline and may lead to compliance problems.

Funds:

3700 AGRICULTURE
1160 Gasoline and Oil Inspections

STANDARDS DIVISION
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Adjust underbudgeted receipts	($ 39,000)	($ 39,000)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATION

The Division received $57,000 from the 1996 Reserve for Repairs and Renovations for chiller replacement and ADA improvements at the Standards lab.

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $116,841
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded with $28,067 in state appropriations and $88,774 in receipts (Highway Fund).

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

Food Distribution			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	2,463,479	2,591,904	2,898,808	2,657,928	-8.3%	2,672,310	-7.8%
Less Receipts	(1,006,381)	(776,408)	(1,074,614)	(829,231)	-22.8%	(829,731)	-22.8%
State Appropriations	*1,457,098*	*1,815,496*	*1,824,194*	*1,828,697*	0.2%	*1,842,579*	1.0%
Positions	50.00	49.00	49.00	49.00		49.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

The Food Distribution Division provides USDA-donated food through approved outlets for the purpose of enhancing nutrition among eligible recipients. Products are distributed to public schools, charitable institutions and needy households.

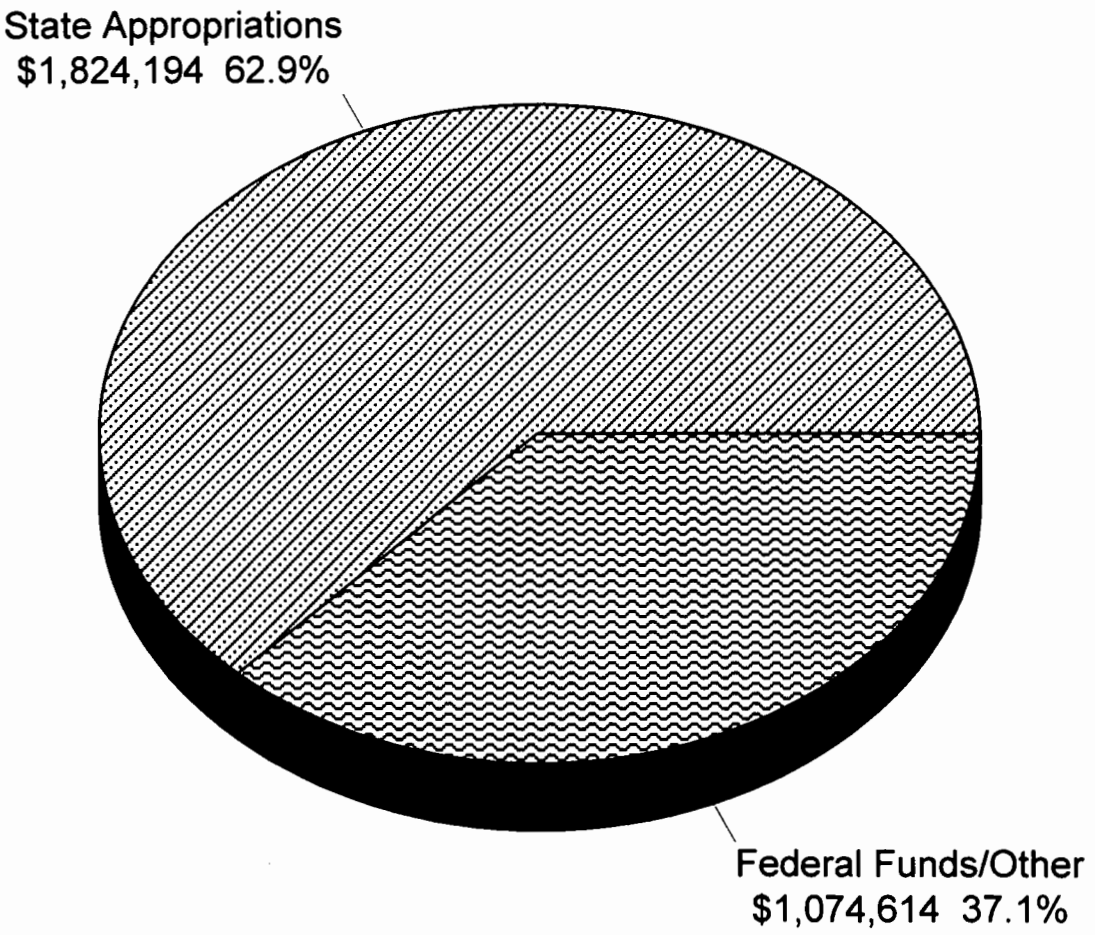
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-51 to W-53
Performance/Program Analysis, Volume 7a, pp 2-172; 2-177 to 2-179

Food Distribution Division

A6-96

FY 1996-97 Authorized Fund Sources

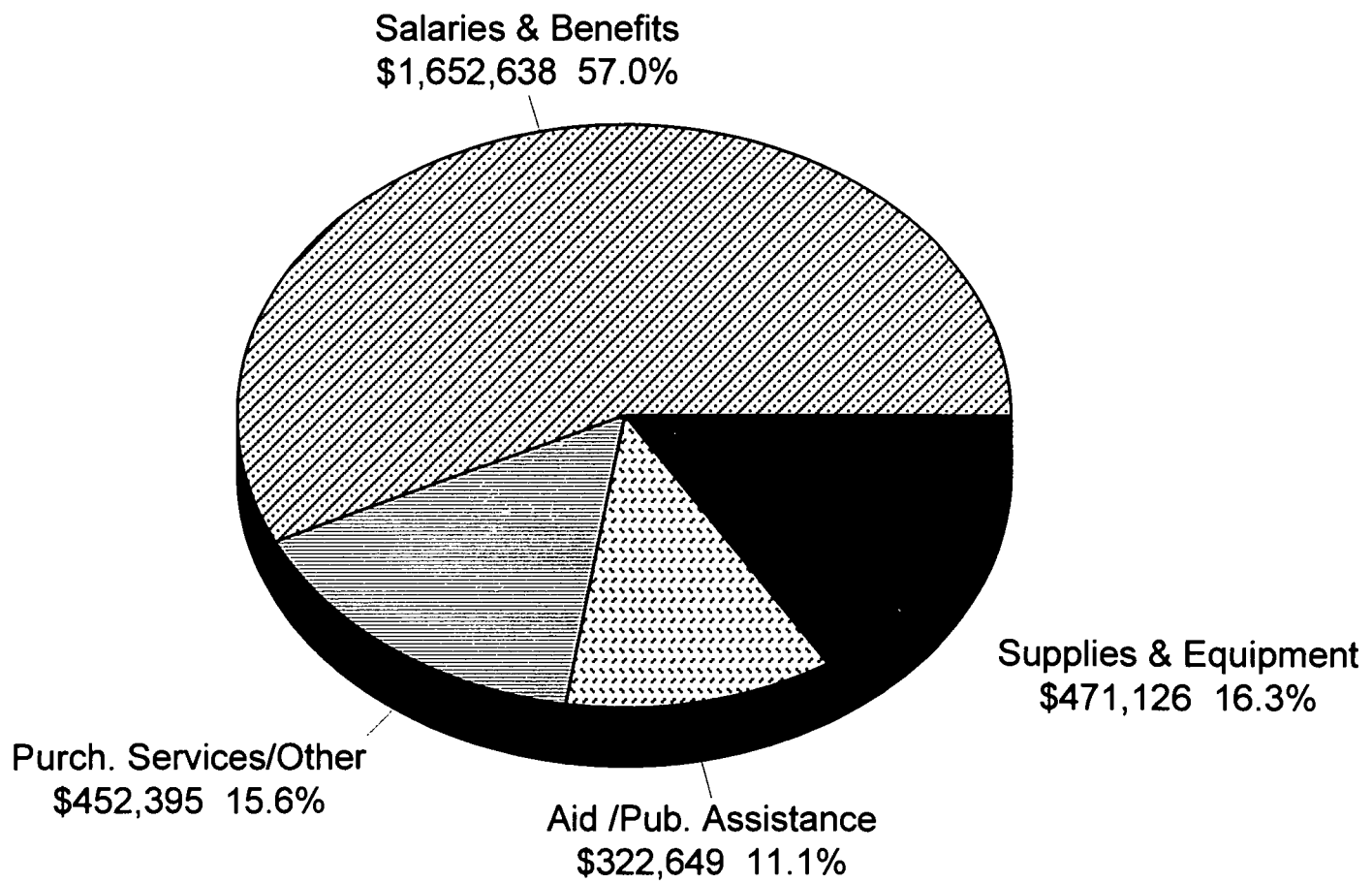


Fiscal Research Division March 1997

Food Distribution Division

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FY 1996-97 Authorized Expenditures By Category



Fiscal Research Division March 1997

Objective 5: Maintain a high overall satisfaction rating among responding food commodity recipient agencies.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Satisfaction rating among responding recipient agencies	n/a	n/a	n/a	n/a	90%	*90%*	*90%*	*90%*
Performance Measures:								
Number of recipient agencies for which commodities are delivered	602	718	666	638	574	*580*	*586*	*592*
Value of USDA donated commodities distributed (in millions)	$28.91	$31.60	$26.43	$29.03	$25.96	*$26.48*	*$27.01*	*$27.55*

Current Situation:

Market conditions, droughts or other disasters could affect the volume of commodities purchased by USDA and consequently the volume available for distribution to North Carolina recipients.

Funds:

3700 AGRICULTURE
1210 Distribution of USDA Donated Commodities

Objective 6: Distribute commodities at a cost equal to or less than the cost of distribution by a private firm.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Distribution cost (per carton, case, etc.)	n/a	n/a	$1.69	$1.47	$2.12	*$2.13*	*$2.14*	*$2.15*
Performance Measures:								
Number of cases delivered	n/a	n/a	1,243,468	1,255,968	935,156	*953,859*	*972,936*	*992,395*

Current Situation:

While program costs remain relatively fixed, fluctuations in the volume of commodities available from USDA will cause the per-case volume of commodity distribution to rise and fall accordingly.

Funds:

3700 AGRICULTURE
1210 Distribution of USDA Donated Commodities

AG-100

FOOD DISTRIBUTION DIVISION
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Abolish 2 positions	($ 48,845)	($ 48,845)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

None

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $51,348
Incorporates the Division's share of the 4.5% salary increased authorized by the General Assembly in the Extraordinary Session. The increase was funded with $40,036 in state appropriations and $11,312 in receipts.

Fiscal Research Division March 1997

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GOVERNOR'S RECOMMENDED REDUCTIONS

None

Department of Agriculture

Research Stations and State Farms							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	9,812,436	9,897,557	10,623,151	10,299,392	-3.0%	10,349,362	-2.6%
Less Receipts	(3,616,759)	(3,449,650)	(3,617,250)	(3,521,270)	-2.7%	(3,526,570)	-2.5%
State Appropriations	*6,195,676*	*6,447,907*	*7,005,901*	*6,778,122*	-3.3%	*6,822,792*	-2.6%
Positions	196.75	196.75	197.75	197.75		197.75	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

The Division provides physical facilities, administrative services and manpower to carry out agricultural research projects for the university system and for conservation on state land. The Division is organized into 15 Research Stations, 3 State Farms, and additional farm properties. 6 stations are budgeted under NC State; the remainder under NCDA (see attached map).

The original purpose of the State Farms was to produce food for Human Resource institutions. In 1989, the General Assembly directed that the State Farms shift their emphasis to support education and research.

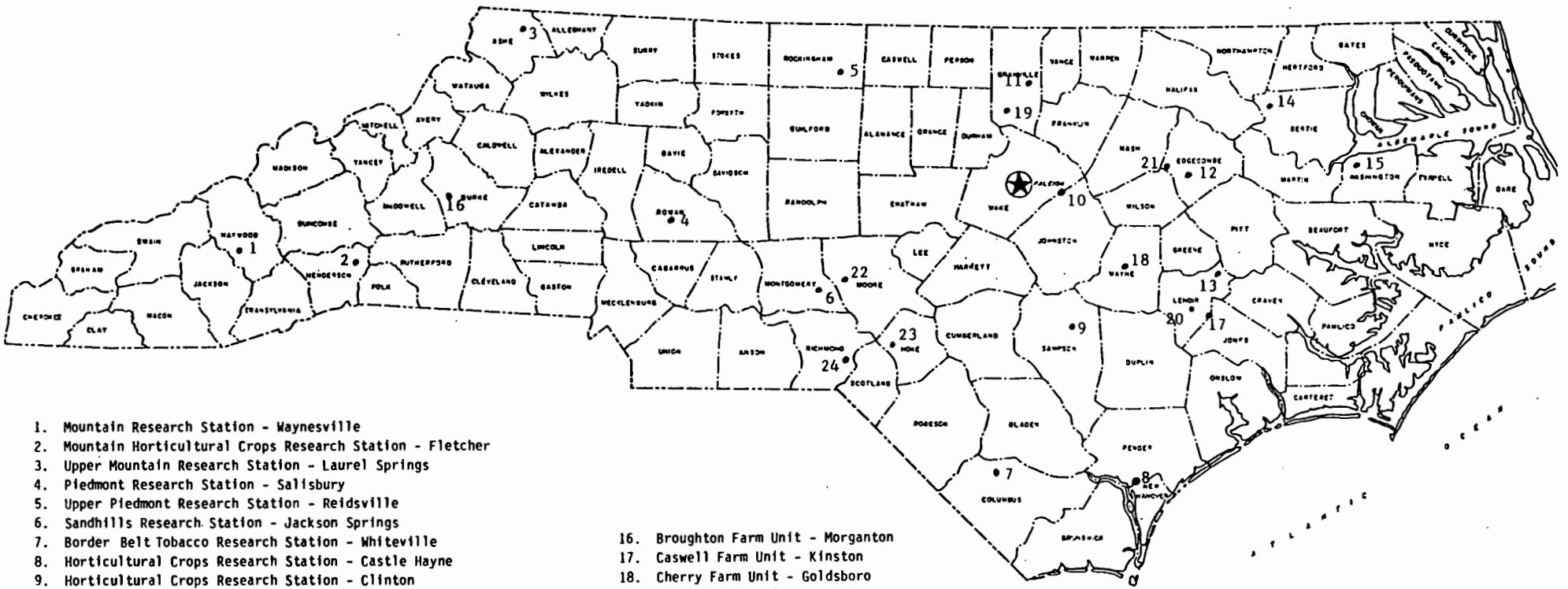
Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-17 tp W-18; W-47 to W-49
Performance/Program Analysis, Volume 7b, pp 6-98; 6-101

Research Stations and State Farms

North Carolina Department of Agriculture
North Carolina Agricultural Research Service

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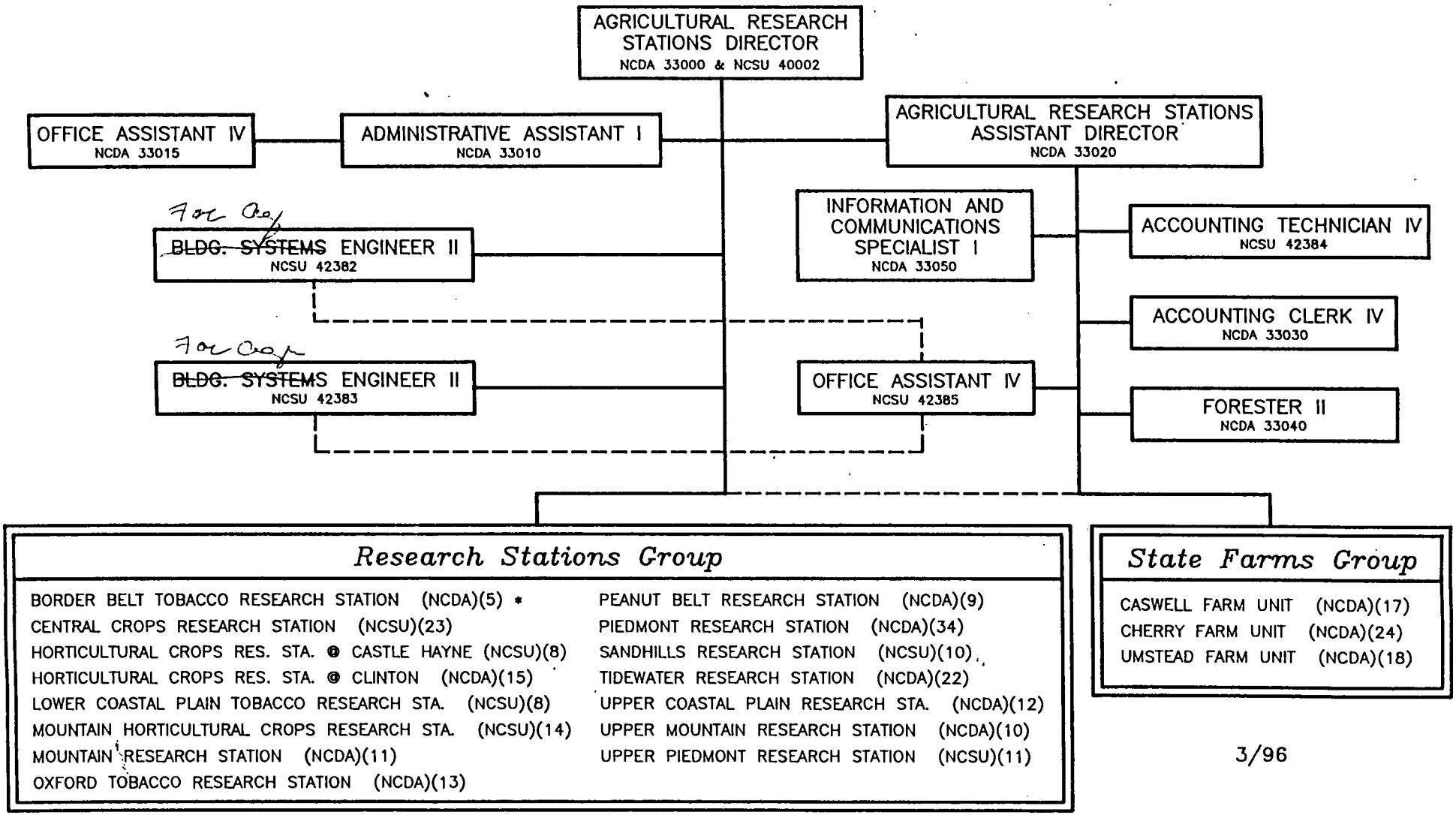
1. Mountain Research Station - Waynesville
2. Mountain Horticultural Crops Research Station - Fletcher
3. Upper Mountain Research Station - Laurel Springs
4. Piedmont Research Station - Salisbury
5. Upper Piedmont Research Station - Reidsville
6. Sandhills Research Station - Jackson Springs
7. Border Belt Tobacco Research Station - Whiteville
8. Horticultural Crops Research Station - Castle Hayne
9. Horticultural Crops Research Station - Clinton
10. Central Crops Research Station - Clayton
11. Oxford Tobacco Research Station - Oxford
12. Upper Coastal Plain Research Station - Rocky Mount
13. Lower Coastal Plain Tobacco Research Station - Kinston
14. Peanut Belt Research Station - Lewiston
15. Tidewater Research Station - Plymouth
16. Broughton Farm Unit - Morganton
17. Caswell Farm Unit - Kinston
18. Cherry Farm Unit - Goldsboro
19. Umstead Farm Unit - Butner
20. Dobbs Farm - Kinston
21. Fountain Farm - Rocky Mount
22. Samarkand Farm - Eagle Springs
23. McCain Farm - McCain
24. Cameron Morrison Farm - Hoffman

P. O. Box 27647
Raleigh, NC 27611
919-733-3236

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AGRICULTURAL RESEARCH STATIONS / STATE FARMS

N. C. DEPARTMENT OF AGRICULTURE and N. C. AGRICULTURAL RESEARCH SERVICE



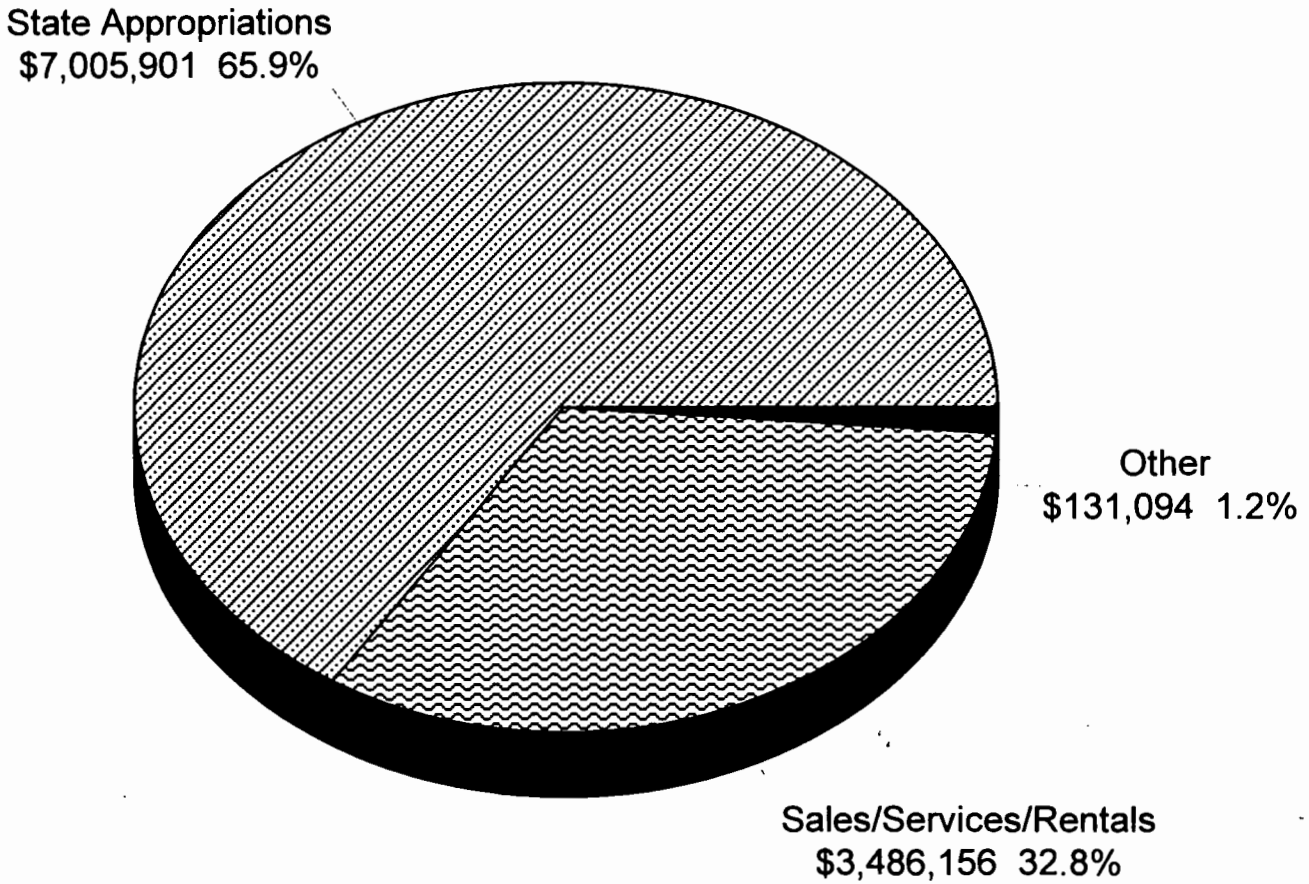
3/96

(*) – NUMBER OF EMPLOYEES (NCDA) – N. C. DEPT. OF AGRICULTURE EMPLOYEES (NCSU) – N. C. STATE UNIVERSITY EMPLOYEES

Research Stations/State Farms

AG-105

FY 1996-97 Authorized Fund Sources

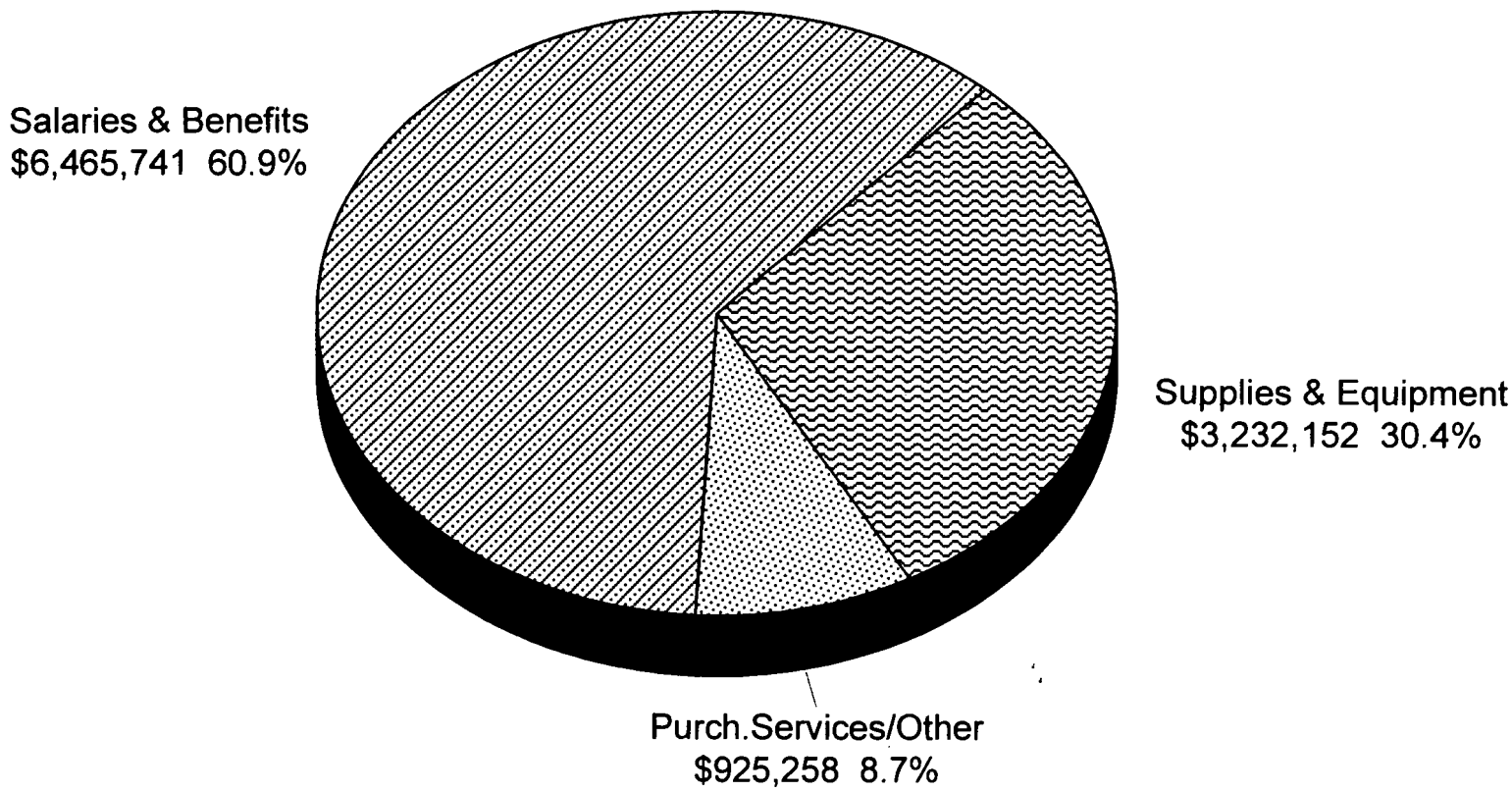


Fiscal Research Division March 1997

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Research Stations/State Farms

FY 1996-97 Authorized Expenditures By Category



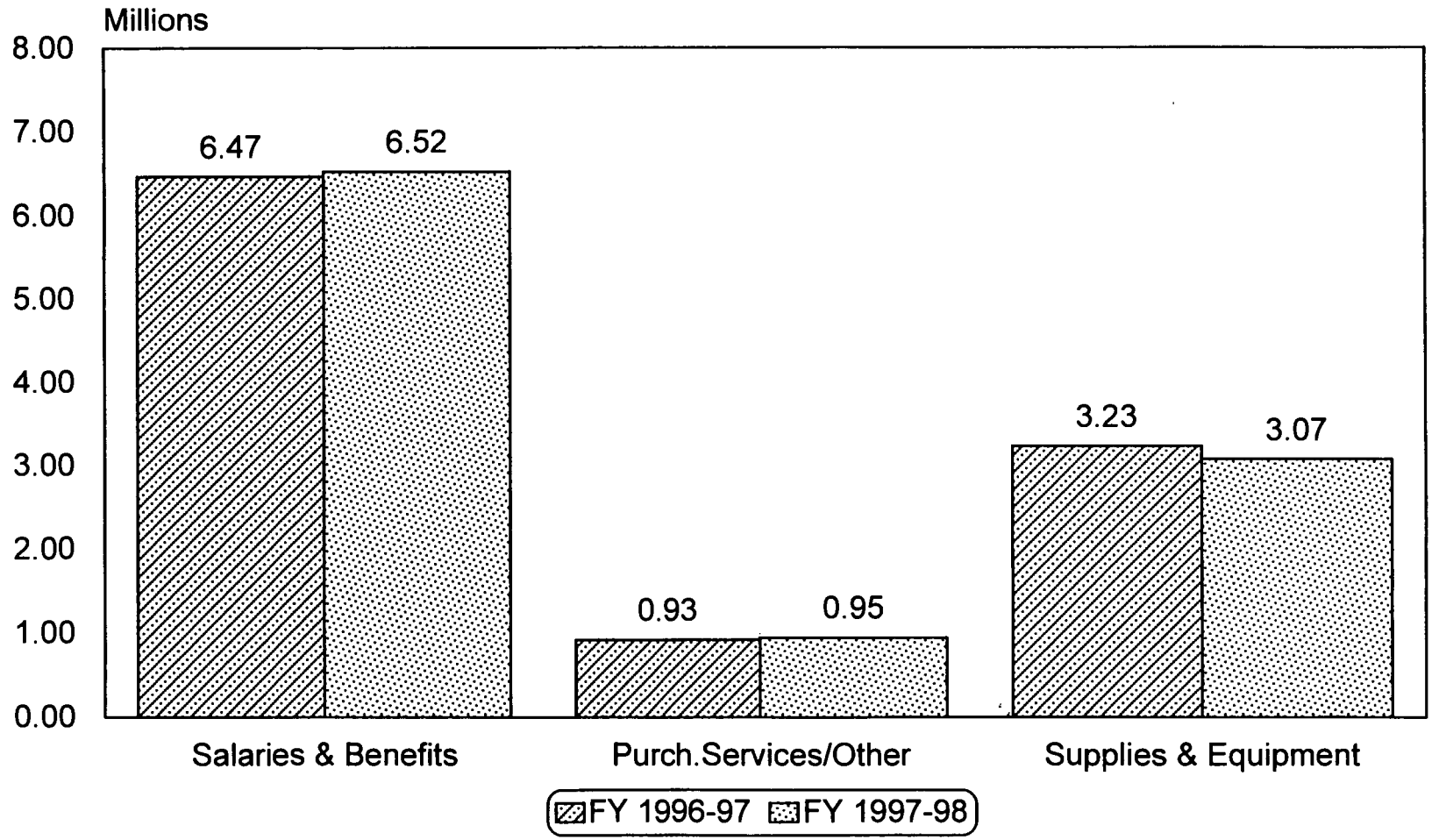
Fiscal Research Division March 1997

AG-107

Research Stations/State Farms

Comparison of Expenditures By Category

FY 1996-97 Authorized vs. FY 1997-98 Recommended



Fiscal Research Division March 1997

Objective 3: Maintain successful operational support of research projects at 95%.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Percent of agricultural research and demonstration projects successfully implemented	n/a	n/a	98%	97%	98%	*98%*	*98%*	*98%*
Performance Measures:								
Number of research projects under management	n/a	n/a	n/a	n/a	404	*411*	*416*	*435*
Number of research projects successfully completd	n/a	n/a	n/a	n/a	396	*404*	*408*	*420*

Current Situation:

There are not enough resources available to successfully complete all research projects. Technical expertise required cannot be found in temporary laborers or with present salaries. Lack of adequate and up-to-date equipment results in the loss of projects. These losses may result in the loss of several thousands of dollars of investment.

Funds:

3700 AGRICULTURE
1030 State Farm
1190 Research Stations

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DIVISION OF RESEARCH STATIONS
Acreage Summary

Station	Acreages Cropland	Pasture	Orchard	Woodland	Ponds	Other*	Leased†	Total	Research Acreages Cropland	Pasture	Orchard	Woodland	Ponds	Total
NCDA														
Border Belt Tobacco	58.94	0.00	0.00	15.00	0.90	26.60	0.00	101.44	58.80	0.00	0.00	15.00	0.00	73.80
Horticulture Crops	145.79	0.00	7.37	111.00	8.86	76.38	0.00	349.40	95.50	0.00	7.98	111.00	0.00	214.48
Mountain	115.50	124.20	0.00	145.25	0.00	30.05	0.00	415.00	34.85	159.43	0.00	145.25	0.00	339.53
Oxford Tobacco	183.85	0.00	0.00	125.00	17.15	95.45	0.00	421.45	204.51	0.00	0.00	125.00	0.00	329.51
Peanut Belt	264.00	0.00	0.00	34.90	5.00	67.10	0.00	371.00	175.28	0.00	0.00	34.00	0.00	209.28
Piedmont	284.60	96.50	0.00	440.00	8.90	214.70	0.00	1044.70	137.68	55.00	0.00	440.00	0.00	632.68
Tidewater	446.46	230.95	0.00	840.00	13.10	89.69	65.90	1554.30	303.08	15.48	0.00	840.00	13.10	1171.66
Upper Coastal Plain	251.70	0.00	0.00	67.50	0.00	122.70	0.00	441.90	284.89	0.00	0.00	67.50	0.00	352.39
Upper Mountain	95.00	230.00	0.00	80.00	0.00	24.23	8.00	421.23	68.30	376.70	0.00	80.00	0.00	525.00
SUBTOTALS	1845.84	681.65	7.37	1858.65	53.91	746.90	73.90	5120.42	1362.89	606.61	7.98	1857.75	13.10	3848.33
NCSU														
Central Crops	286.70	0.00	15.80	86.70	19.30	109.90	29.20	489.20	300.77	22.40	24.63	86.70	0.00	434.50
Horticultural Crops	33.61	0.00	46.74	7.67	5.09	29.69	12.90	109.90	18.74	0.00	46.74	7.67	0.00	73.15
Lower Coastal Plain Tobacco	336.58	0.00	0.00	111.00	16.00	51.92	0.00	515.50	62.82	0.00	0.00	111.00	0.00	173.82
Mountain Horticultural Crops	98.88	0.00	69.81	74.20	2.80	56.64	25.00	277.33	88.96	0.00	55.57	74.20	0.00	218.73
Sandhills	123.00	0.00	105.60	179.00	17.70	91.65	0.00	516.95	90.90	0.00	109.00	179.00	0.00	378.90
Upper Piedmont	163.98	237.20	0.00	316.99	7.90	24.55	91.65	658.97	249.70	0.00	0.00	316.99	0.00	566.69
SUBTOTALS	1042.75	237.20	237.95	775.56	68.79	364.35	158.75	2567.85	811.89	22.40	235.94	775.56	0.00	1845.79
NCDA														
Broughton Hospital	369.60	182.35	56.00	3173.73	0.00	25.00	0.00	3806.68	0.00	0.00	0.00	143.60	0.00	143.60
Cameron-Morrison	283.00	0.00	0.00	182.00	0.00	0.00	0.00	465.00	0.00	0.00	0.00	0.00	0.00	0.00
Caswell Farm Unit	754.00	73.00	0.00	424.28	0.50	10.00	0.00	1261.78	28.18	0.00	0.00	4.00	0.00	32.18
Cherry Farm Unit	959.40	643.20	0.00	585.10	1.00	24.00	25.00	2187.70	347.00	214.00	0.00	0.00	0.00	561.00
Dix Farm	0.00	0.00	0.00	314.00	0.00	3.80	0.00	317.80	0.00	0.00	0.00	0.00	0.00	0.00
Fountain Farm	160.00	0.00	0.00	85.48	0.00	0.00	0.00	245.48	0.00	0.00	0.00	0.00	0.00	0.00
McCain	0.00	0.00	0.00	1695.00	35.00	10.89	0.00	1740.89	0.00	0.00	0.00	1100.00	0.00	1100.00
Samarkand	19.30	0.00	0.00	222.80	0.00	4.20	0.00	246.30	0.00	0.00	0.00	0.00	0.00	0.00
Umstead Farm Unit	616.00	492.00	0.00	3146.54	0.00	82.00	231.00	4105.54	100.84	0.00	0.00	0.00	0.00	100.84
SUBTOTALS	3161.30	1390.55	56.00	9828.93	36.50	159.89	256.00	14377.17	476.02	214.00	0.00	1247.60	0.00	1937.62
TOTALS	6049.89	2309.40	301.32	12463.14	159.20	1271.14	488.65	22065.44	2650.80	843.01	243.92	3880.91	13.10	7631.74

* includes roads, building, and nonfield

† leased acreage included in usage category; not in total acreage per location

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AG-110

RESEARCH STATIONS/STATE FARMS
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Reduce motor vehicles – State Farms	($150,000)	($150,000)
2) Reduce funds for tractors and other farm equipment - Research Stations	($100,000)	($100,000)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	1995-96	1996-97
1) Dairy Facility – Cherry Farm	$257,200 NR	

2) The 1996 General Assembly approved a special provision which authorized the use of timber receipts for capital improvements at Research Stations and State Farms totaling $1,376,000.

REPAIRS AND RENOVATIONS

The Division received $964,200 from the 1996 Reserve for Repairs and Renovations for various improvements and repairs at Research Stations and State Farms.

SELECTED BUDGET REVISIONS FY 1996-97

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The Committee may wish to have the Department discuss the following: 1) different resources contributing to research efforts at the stations and state farms, and 2) clarify the roles/division of responsibilities in such efforts among the Division, North Carolina State University and the U.S. Department of Agriculture.

Agricultural Finance Authority							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	792,909	500,951	321,179	295,501	-8.0%	293,354	-8.7%
Less Receipts	(70,079)	(116,173)	(146,468)	(122,089)	-16.6%	(122,089)	-16.6%
State Appropriations	*722,830*	*384,778*	*174,711*	*173,412*	-0.7%	*171,265*	-2.0%
Positions	5.00	5.00	5.00	5.00		5.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

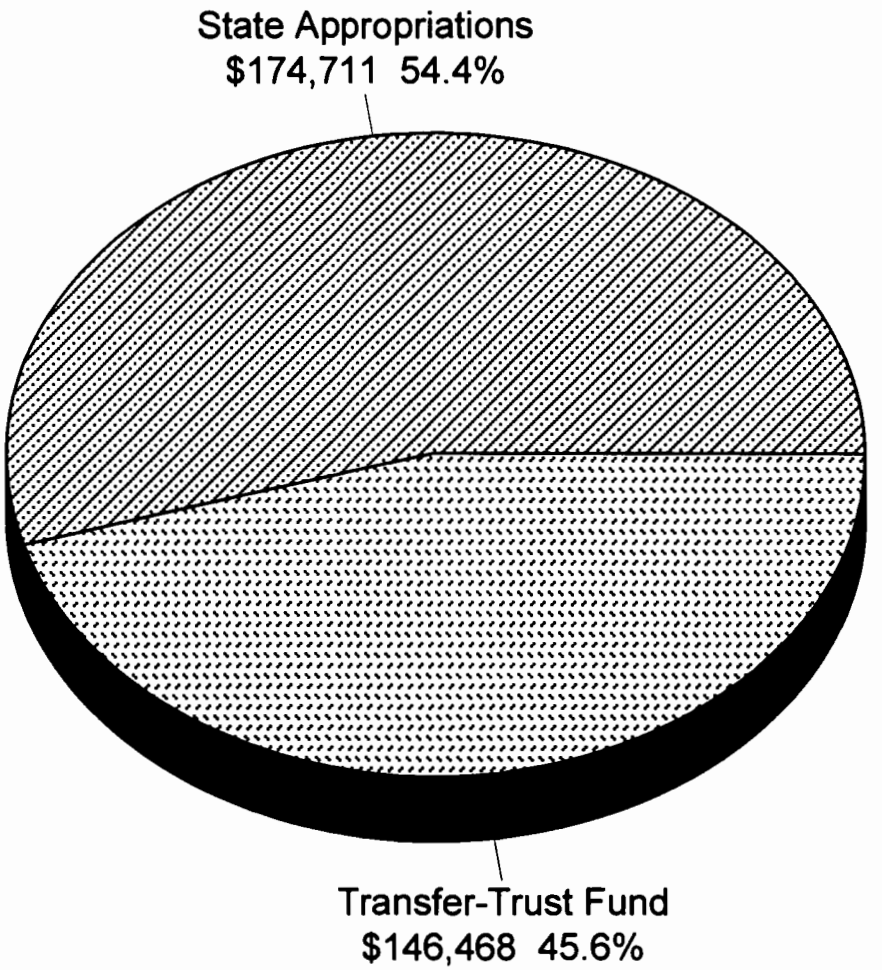
Operational since 1987, the North Carolina Agricultural Finance Authority provides financing for agricultural development and expansion to farmers and agribusiness that have difficulty obtaining financing in conventional credit markets. In addition to administering and servicing a $2.3 million farm loan fund, the Authority explores sources of additional loan capital for North Carolina farmers.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp W-57 to W-58
Performance/Program Analysis, Volume 7b, pp 6-32 to 6-33; 6-36 to 6-39

Agricultural Finance Authority

FY 1996-97 Authorized Fund Sources

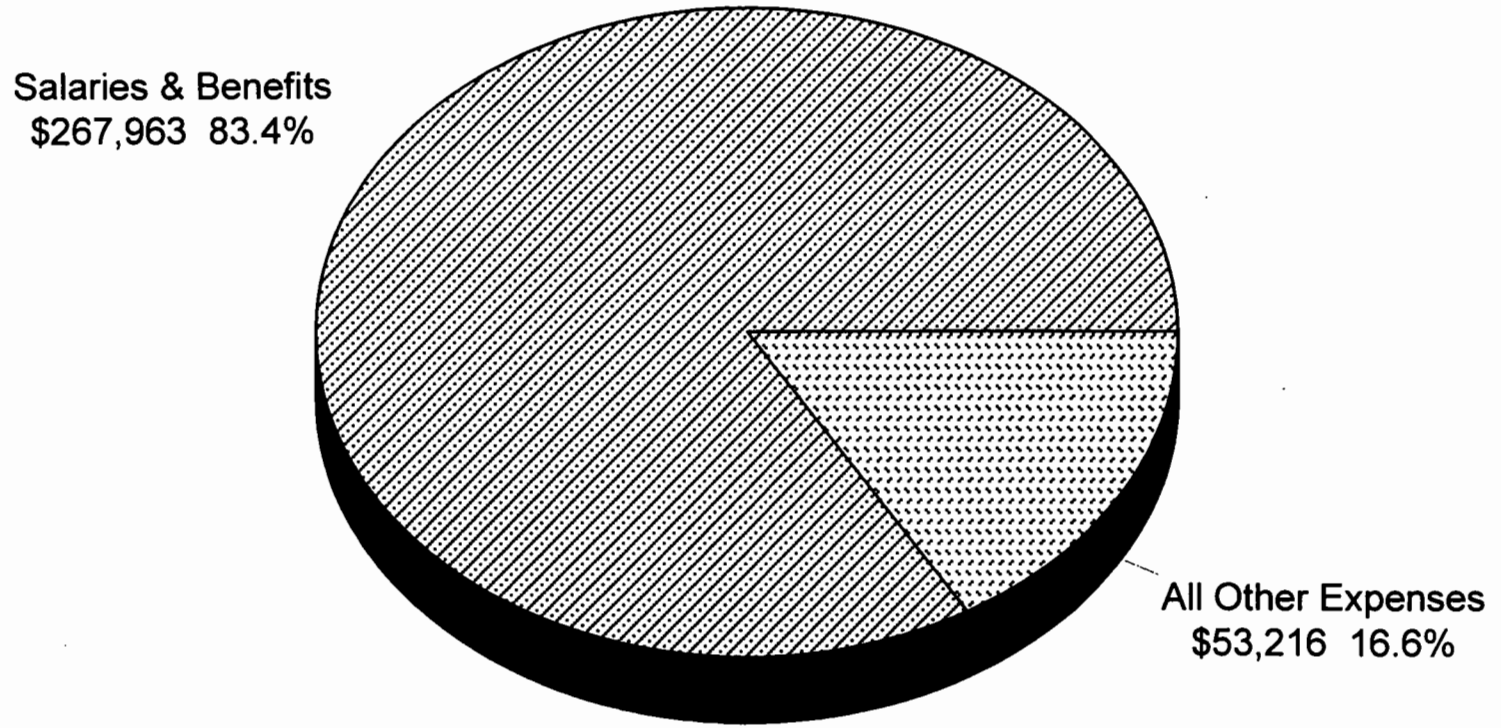


Fiscal Research Division March 1997

Agricultural Finance Authority

AG-114

FY 1996-97 Authorized Expenditures By Category



Fiscal Research Division March 1997

6310 Improve access to capital

AG-115

Objective 3: Increase financial resources available to farmers and agribusinesses by $1.7 million annually.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
Dollar value of agriculture enterprise loans made annually (millions)	$1.669	$1.702	$3.667	$1.651	$1.081	*$1.700*	*$1.700*	*$1.700*
Performance Measures:								

Current Situation:

Farmers who cannot keep pace with the general economy will eventually wither and die, moving to urban areas where they may be ill equipped for non-farm employment. NCAFA loans fill a particular niche for farmers who may have the potential to expand farm income if they borrow, but may not meet credit standards for most lenders. For these farmers NCAFA loans, which generally range from $40,000 to $300,000 and average nearly $140,000, are a great source of increased earning power which can expand the farm output through new enterprises. Furthermore, agribusiness is being swept into global competition. Securing debt (through Agricultural Development Bonds) allows sophisticated financing that is market responsive and provides competitive interest rates similar to those of non-agricultural U.S. companies and foreign agricultural competitors.

Funds:

3700 AGRICULTURE
1420 Agricultural Finance Authority

6310 Improve access to capital

AG-116

Objective 4: Provide $1 million of additional financing from Agricultural Development Bonds each year through 2001.

Measure	Actual 1991-92	1992-93	1993-94	1994-95	1995-96	*Estimated 1996-97*	*Expected 1997-98*	*Expected 1998-99*
Outcome Measures:								
The dollar value of bonds issued (millions)	n/a	n/a	n/a	$3.24	$7.97	*$9.00*	*$10.00*	*$11.00*
Performance Measures:								

Current Situation:

Agribusines is being swept into global competition. Securing debt (through Agricultural Development Bonds) allows sophisticated financing that is market responsive and provides competitive interest rates similar to those of non-agricultural U.S. companies and foreign agricultural competitors.

Funds:

3700 AGRICULTURE
1420 Agricultural Finance Authority

AG-117

AGRICULTURAL FINANCE AUTHORITY
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Reduce General Fund appropriation by utilizing the interest income earned from the Farm Reserve Loan fund for the Authority's operating expenses	($ 16,832)	($ 41,832)
2) Reduce operating support	($ 5,190)	($ 5,190)

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS

1) Funding for a Reserve for Farm and Agribusiness Loans to enhance the Authority's ability to meet loan demands of farmers	$200,000 NR

REPAIRS AND RENOVATIONS

None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $8,935
Incorporates the Authority's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded with $5,035 in state appropriations and $3,900 in receipts.

PROPOSED RECOMMENDATIONS FOR THE 1997-99 BIENNIUM

GOVERNOR'S RECOMMENDED REDUCTIONS

None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

The Committee may wish to have the Authority describe the loan programs available to North Carolina farmers and agribusiness, including information on average loan sizes, rates of repayment, and types of activities supported.

Joint Appropriations Subcommittee
On
Natural and Economic Resources

Monday, March 24, 1997

Minutes

The Joint Appropriations Subcommittee on Natural and Economic Resources met on Monday, March 24, 1997 at 2:00 p.m. in Room 423 of the Legislative Office Building. Five Senate members attended the meeting, including Senator R. L. Martin, who presided.: Representatives Mitchell, Carpenter, Fox, Hall, Baker, Tolson, Weatherly, and Wilkins were present.

Senator Martin, Chairman, called the meeting to order. The Chairman asked Ms. Mona Moon, Fiscal Research Division, to give a brief overview of the Executive Offices/Regional Offices/Administrative Services of the Department of Environment, Health, and Natural Resources. This is Attachment A of these minutes. The Division Activities include the following: 1)Executive Offices provide policy guidance for departmental programs, ensure that legislation is carried out, and implement policy directives of the Governor, 2) Regional Field Offices monitor compliance with regulations and permits, gather and provide information to the department about regional problems and successes in achieving the department's goals, 3) Administrative Services provide support for Budget, Planning and Analysis, Computer Systems, Fiscal Management, General Services, and Personnel.

Ms. Moon asked the Committee to look at items for possible discussion, which are found on EHNR 290 of the handout. The first item was the Single Audit Report as related to the Comprehensive Annual Financial Report (CAFR). A copy of this report is part of Attachment A. The Department commented on the findings of the Audit Report by explaining the measures they had taken to improve the agency's internal control and accounting practices. Ms. Lois Artis-Murray, Assistant Secretary, addressed this issue by saying the Department had taken many steps to improve their internal control. She said they had hired a Controller, up-graded positions within the Controller's office, to be

assured of a professional level staff to perform the tasks of this Department. She said the Audit Report was much improved since 1993.

Senator Martin asked if the number of positions in administration had been increased over the past several years? She said in 1990 there were 440 positions in the Administration Department and at this point there are 330 positions. Senator Martin asked for an organizational structure for the last four or five years. The Chairman asked for an explanation for the decrease in positions from 440 to 330. Ms. Artis-Murray said she would get this information for the Committee. Senator Martin asked for a list of programs for which the Legislature had given positions. He wanted to know how many had been filled, how many are not filled, and if the position is still there. She said they would do that. Representative Mitchell asked the number of employees in the Department. Ms. Artis-Murray said about 4500.

The Committee had much discussion regarding positions transferred to Administration. This information is found in Attachment A, EHNR 293. Ms. Artis-Murray was asked to comment on the position changes within the department's executive, administrative and regional offices since the 1993-94 fiscal year. She said these were done over a period of time and in some cases, some of these positions might have been moved to regional offices. She said they would need to go back and trace this for the Committee. Senator Martin said he was trying to establish the number of employees for the programs to which the Legislature appropriates money.

Ms. Moon continued with the items for Committee discussion on page EHNR 295, item #3, relates to Departmental Policy on Salary Reserve. She said the Committee may wish to have the Department comment on the need for this policy, explain how the funds in the management reserve have been allocated, and discuss the impact on divisions and programs that lose a portion of their salary reserve as a result of this new policy. The policy is attached to Attachment A on pages 296, 297, and 298. Ms. Lois Artis-Murray, Assistant Secretary, spoke to this issue. Senator Martin asked why the Department did up-grades in the middle of the year rather than at budget time? She said they have to go through the process of rewriting job descriptions, sending them to their personnel office for review, and then sending them over to State Personnel for review. She said this does not always occur at the beginning of the fiscal year.

Representative Mitchell asked how many people were elevated in the Controller's office? Ms. Artis-Murray said these were not people, but positions. The six positions were reallocated in the Controller's office. Representative Mitchell asked if these people were hired from within? She said they were hired from the outside. Representative Hall requested the Committee flag the item on salary reserve.

The next item on the agenda was the discussion of Special Provisions. This is Attachment B of these minutes. Mr. Mark Trogdon, Fiscal Research Division, explained these by pointing out the ones that the Governor recommended, ones that the Committee continued before, and the ones that have been modified

Ms. Jennifer Herrera, Fiscal Research Division, reported that SP 14 was a new provision from the Department of Agriculture which was included in the Governor's Budget.
Special Provision 15, Reserve for Farm Loans, was flagged.
Special Provision 19, Funds for Voluntary Remedial Actions, a repeat provision recommended by the Governor and the Department.
Special Provision 21, Superfund Program Funds, recommended by the Governor. The Committee rejected this provision.
Special Provision 25, Liability Insurance Premiums, was rejected by the Committee.
Special Provision 27, Transfer of Certain Funds Authorized, recommended by the Governor.
Special Provision 28, DWI Test Changes, Representative Baker asked that this provision be flagged for the House side.
Special Provision 29, Communicable Disease Control Aid to Counties Flexibility, recommended by the Governor.

The meeting adjourned at 4:00 p.m.

Carolyn M. Gooden, Committee Clerk

Senator R. L. Martin, Chairman

Amendment A

Department of Environment, Health, and Natural Resources

EHNR-285

Executive Offices/Regional Offices/Administrative Services							
			Current Fiscal Year	Governor's Continuation Request			
	1994-95 Actual	1995-96 Actual	1996-97 Authorized (January)	1997-98 Recommended	%Δ	1998-99 Recommended	%Δ
Expenditures	16,599,004	16,039,836	16,693,901	16,127,269	-3.4%	16,176,121	-3.1%
Less Receipts	(5,764,681)	(5,495,695)	(5,723,301)	(5,701,946)	-0.4%	(5,703,236)	-0.4%
State Appropriations	*10,834,323*	*10,544,141*	*10,970,600*	*10,425,323*	-5.0%	*10,472,885*	-4.5%
Positions	281.00	281.00	281.00	281.00		281.00	

%Δ = Percentage change in budget over/under Current Fiscal Year 1996-97 Authorized budget.

DIVISION ACTIVITIES

Executive Offices provide policy guidance for departmental programs, ensure that legislation is carried out, and implement policy directives of the Governor.

Regional Field Offices monitor compliance with regulations and permits, gather and provide information to the department about regional problems and successes in achieving the department's goals.

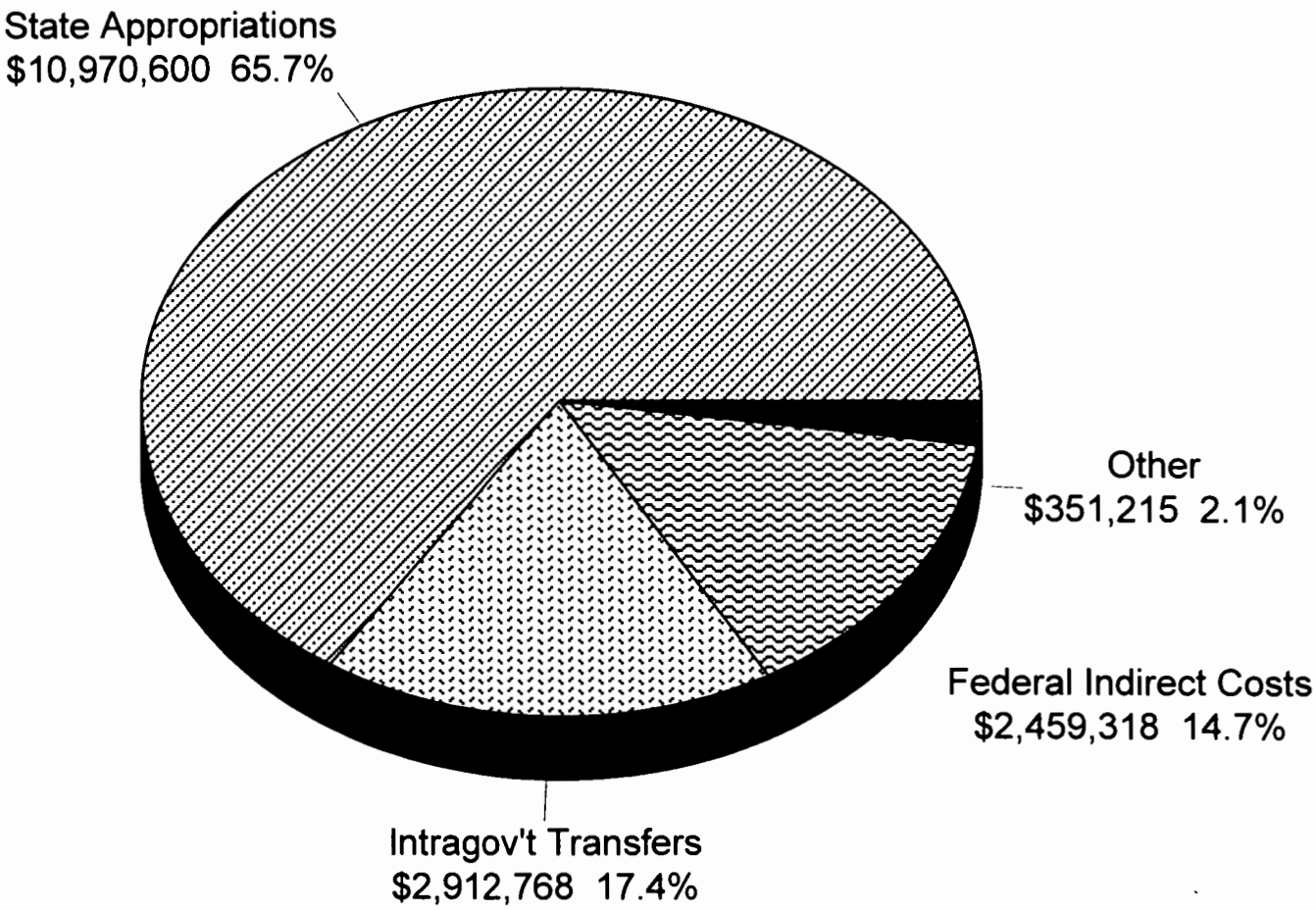
Administrative Services provide support for Budget, Planning and Analysis, Computer Systems, Fiscal Management, General Services, and Personnel.

Cross References For Budget Volumes

Governor's Budget, Volume 5, pp Y-12 through Y-13, Y-16 through Y-18
Performance/Program Analysis, Volume 7a, pp 1-191; 5-133

Executive Offices/Regional Offices/Administration

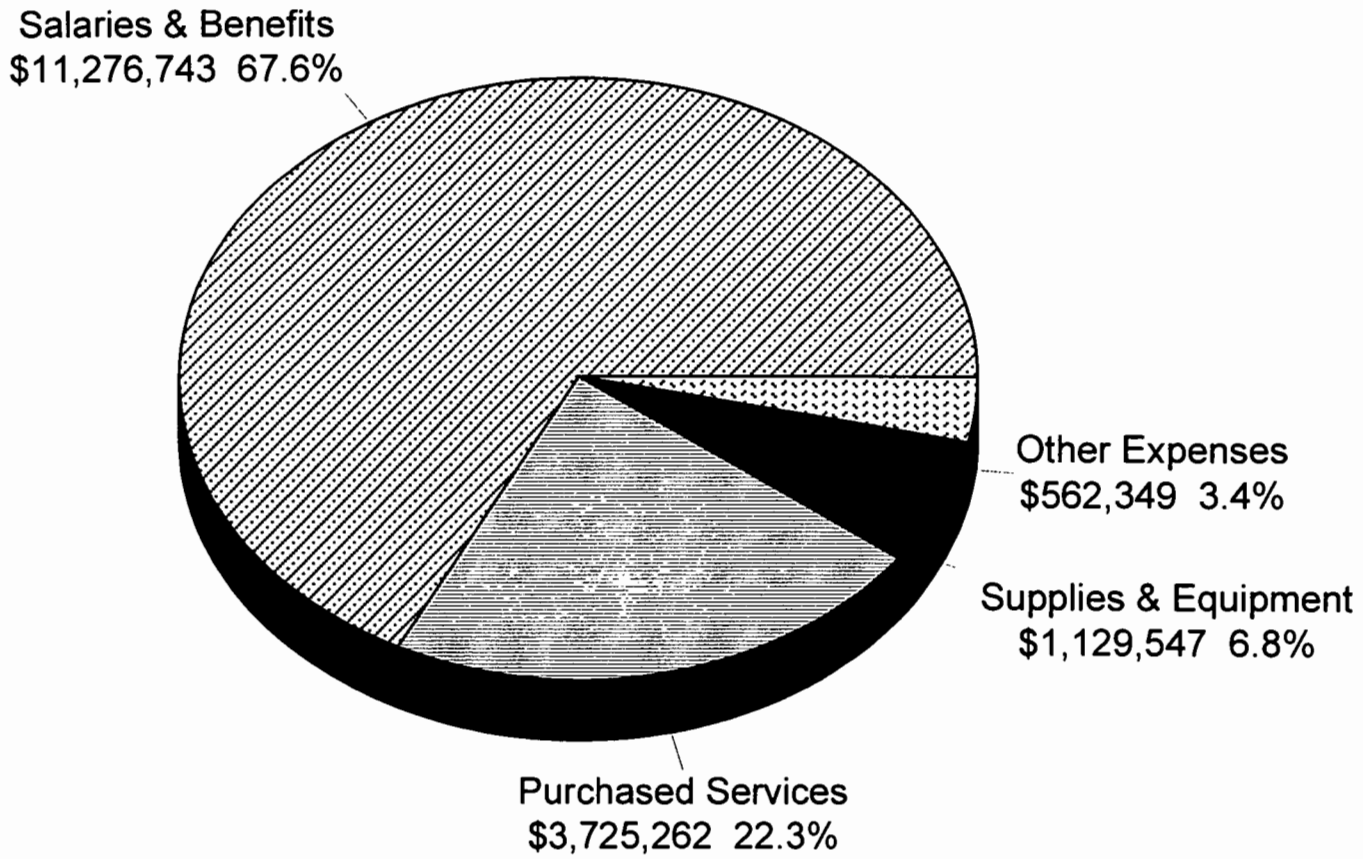
FY 1996-97 Authorized Fund Sources



Fiscal Research Division March 1997

Executive Offices/Regional Offices/Administration

FY 1996-97 Authorized Expenditures By Category



Fiscal Research Division March 1997

Department of Environment, Health, & Natural Resources

Organization Chart

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DEHNR PERSONNEL

SECRETARY
Jonathan B. Howes

Henry **DEPUTY SECRETARY**
Lancaster ~~(vacant)~~

Wildlife Resources
Charles Fullwood

Clean Water Management Trust Fund
(vacant)

Legislative and Intergovernmental Affairs
Richard Rogers (acting)

General Counsel
Richard Whisnant

Public Affairs
Debbie Crane

ASSISTANT SECRETARY
Environmental Protection
Linda Bray Rimer

- Air Quality
  Alan Klimek
- Coastal Management
  Roger Schecter
- Land Resources
  Charles Gardner
- Pollution Prevention and Environmental Assistance
  Gary Hunt
- Radiation Protection
  Mel Fry (acting)
- Waste Management
  Bill Meyer
- Water Quality
  Preston Howard
- Water Resources
  John Morris

ASSISTANT SECRETARY
Health and State Health Director
Dr. Ronald Levine

- Deputy State Health Dir.
  Dr. Leah Devlin
  - Dental Health
    Dr. Steve Cline
  - Epidemiology
    Dr. Michael Moser
  - Health Promotion
    Peter Andersen (acting)
  - Maternal & Child Health
    Dr. Ann Wolfe
  - Minority Health
    Barbara Pullen-Smith
  - Public Health Nursing
    Dr. Joy Reed
- Deputy State Health Dir.
  Chris Hoke
  - Environmental Health
    Linda Sewall
  - Health Statistics
    Delton Atkinson
  - Laboratory Services
    Dr. Lou Turner
  - Local Health Services
    (vacant)
  - Post Mortem Medicolegal Examination
    Dr. John Butts

ASSISTANT SECRETARY
Natural Resources
~~Henry M. Lancaster II~~
Sherri Evans-Stanton

- Aquariums
  Rhett White
- Environmental Educ.
  Anne Taylor
- Forest Resources
  Stan Adams
- Marine Fisheries
  Bruce Freeman
- Museum of Natural Sciences
  Dr. Betsy Bennett
- Parks & Recreation
  Dr. Phil McKnelly
- Soil & Water Conservation
  Dewey Botts
- Zoological Park
  Dr. David Jones

ASSISTANT SECRETARY
Administration
R. Lois Artis-Murray

- Budget, Planning & Analysis
  Jane Smith
- Controller
  Rod Davis
- Equal Employment Opportunity
  Sandra Washington
- General Services
  Laird Davison
- Information Tech. Services
  Bill Golden
- Personnel/ Human Resources
  Ann Cobb

1/97

EHNR-288

EHNR-284

EXECUTIVE OFFICES/REGIONAL OFFICES/ADMINISTRATIVE SERVICES
OVERVIEW OF BUDGET ACTIONS

CURRENT BIENNIUM 1995-97

SELECTED REDUCTIONS	1995-96	1996-97
1) Eliminate 2 Special Assistant Positions	($ 92,000) -2.00	($ 92,000) -2.00
**NOTE – THE ORIGINAL REDUCTION INCLUDED 3 SPECIAL ASSISTANT POSITIONS. THE HEALTH SPECIAL ASSISTANT WAS LATER RESTORED.*		
2) Eliminate 3 regional office managers and reclassify remaining 4 managers as intergovernmental liaisons located in Moorseville, Washington, Fayetteville, and Asheville	($167,000) -3.00	($167,000) -3.00

SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS --None

SELECTED BUDGET REVISIONS FY 1996-97

Legislative Salary Increase (10 months) -- $353,765
Incorporates the Division's share of the 4.5% salary increase authorized by the General Assembly in the 1996 Extraordinary Session. The increase was funded with $330,298 in state appropriations and $23,467 in receipts.

GOVERNOR'S RECOMMENDED REDUCTIONS – None

ITEMS FOR POSSIBLE COMMITTEE DISCUSSION

1) Audit Findings Related to the state's Comprehensive Annual Financial Report and Single Audit Report

Pursuant to Article 5A of G.S. 147, the State Auditor completed certain audit procedures for the department related to the state's *Comprehensive Annual Financial Report (CAFR)* and the state's *Single Audit Report*. The CAFR is prepared by the Office of the State Controller and includes general purpose financial statements and supporting schedules for the state. The Single Audit Report reflects federal financial assistance expenditures as well as the state's general purpose financial statements. The State Auditor is required to review the reports and express an opinion of the financial statements, the state's internal controls and compliance with laws, regulations, contracts and grants as they apply to the financial statements and federal assistance programs.

The audit produced findings and recommendations for the department related to the general purpose financial statements, federal financial assistance programs and internal management control measures, including:

Status of Findings from Previous Year's Audit

- inadequate controls to maintain proper accountability, reporting and monitoring of state and federal funds, and fixed assets -- resolved
- failure to determine whether subrecipients of federal funds have expended funds properly and in accordance with rules and regulations – unresolved
- failure to accurately report federal programs disbursements -- resolved

Findings and Recommendations from Current Audit

- inadequate internal controls to assure accuracy of fixed assets reporting
- failure to reconcile disbursing account on timely basis and report unclaimed state warrants to the State Treasurer
- improper documentation for use of personal vehicles for departmental travel
- inadequate documentation to support the amount of depreciation expense claimed in the 94/96 Indirect Cost Plan

To address several of these issues, the department made a number of organizational changes to increase and improve its financial and accounting staff. The audit reports the establishment of six full time positions to improve tracking of federal funds and fixed assets, and to perform internal audits of divisions and regional offices.

The committee may wish to have the department comment on the findings of the audit report and explain measures taken to improve the agency's internal control and accounting practices.

2) Departmental Administrative Staffing

The following table provides a summary of position changes within the department's executive, administrative and regional offices since the 1993-94 fiscal year.

Executive Office/Regional Offices/Administrative Services					
Summary of Position Changes	**FY 93-94**	**FY 94-95**	**FY 95-96**	**FY 96-97**	**Total**
New Positions	10	1	7	0	18
Abolished Positions	0	1	5	0	6
Positions Transfers					
To Administration From Programs	1	6	1	8	16
From Administration To Programs	7	1	3	0	11

The committee may wish to have the department:

1. comment on these changes
2. explain the rationale for transferring positions from programs responsible for service delivery to departmental administration
3. discuss the impact of such changes over time on program efforts and service delivery

Positions Transferred to Administration

Year	Position Title	Transferred From
FY 93-94	Applications Development Analyst	Epidemiology
FY 94-95	Community Development Specialist I	Forestry
FY 94-95	Office Assistant II	Environmental Health
FY 94-95	Public Health Program Manager	Maternal and Child Health
FY 94-95	Office Assistant IV	Health Promotion
FY 94-95	Office Assistant IV	Land Resources
FY 94-95	Radiation Emergency Coordinator	Radiation Protection
FY 95-96	Dentist I	Dental Health
FY 96-97	Zookeeper II	NC Zoo
FY 96-97	Marine Fisheries Technician II	Marine Fisheries
FY 96-97	Hydrogeological Technician II	Water Quality
FY 96-97	Public Health Regional Dentist Supervisor	Dental Health
FY 96-97	Speech and Language Pathologist I	Maternal and Child Health
FY 96-97	Processing Assistant	Water Quality
FY 96-97	Processing Assistant	Museum of Natural Sciences
FY 96-97	Forestry Technician IV	Forestry

Positions Transferred from Administration

Year	Position Title	Transferred To
FY 93-94	Accountant I	Epidemiology
FY 93-94	Consulting Engineer	Environmental Management
FY 93-94	Program Development Specialist	Environmental Management
FY 93-94	Administrative Assistant	Environmental Management
FY 93-94	Applications Developer	State Center for Health Statistics
FY 93-94	Public Health Program Consultant	State Center for Health Statistics
FY 93-94	Office Assistant II	State Center for Health Statistics
FY 94-95	Program Assistant I	Epidemiology
FY 95-96	Applications Developer	State Center for Health Statistics
FY 95-96	Applications Programmer	State Center for Health Statistics
FY 95-96	Applications Analyst	State Center for Health Statistics

EHNL-295

3) Departmental Policy on Salary Reserve

State agencies generate salary reserve when a position is filled at a salary below the actual amount budgeted for the position. The department changed its policy governing the use of salary reserve funds effective October 1, 1996. The new policy requires 30% of all salary reserve generated within the department to be set aside in a management reserve account. The management reserve may be used to fill critical positions and to implement position reclassifications and in-range salary adjustments for divisions that do not typically generate salary reserve necessary to fund such personnel transactions.

The committee may wish to have the department:

1. comment on the need for this policy change
2. explain how the funds in the management reserve have been allocated
3. discuss the impact on divisions and programs that lose a portion of their salary reserve as a result of this new policy

CHAPTER V - BUDGET, PLANNING AND ANALYSIS
SECTION II - SALARY RESERVE POLICY

.100 PURPOSE

The purpose of this policy is to establish a procedure for utilizing salary reserve funds.

.200 DEFINITION

Salary Reserve - The annual amount created by a manager when he/she fills a position at a salary lower than budget for the position or by lowering the budgeted amount of a vacant position.

Salary Reserve Tracking System - An electronic system that maintains a history of all personnel actions that affect salary reserve.

Management Reserve - A thirty percent (30%) set-aside of salary reserve funds generated on state appropriated positions that is used for critical department personnel actions.

Departmental Area - One of the four major divisions of the department -e.g. - Administration, Environmental Protection, Health, Natural Resources.

Manager - Division Director, Office Manager or Member of the Executive Staff who has responsibility for administering the salaries of an organizational unit.

Organizational Unit - Division, office, or component of the Executive Staff.

.300 POLICY

Effective October 1, 1996 the Department will create and maintain a management reserve that is used to address critical personnel needs. The reserve may be used to fill critical positions, to implement reclassifications or SERs, to effect priority in-range adjustments, etc. for offices/divisions that are unable to generate the needed salary reserve. Final decisions regarding the use of the management reserve will be made by the Deputy Secretary. During the final quarter of the fiscal year in which reserves will be lost if not used, at the discretion of the Deputy Secretary, the balance in the management reserve may be reallocated to organizational units with outstanding salary reserve needs.

Seventy percent (70%) of the salary reserve created on state appropriated positions within an organizational unit may be used at the discretion of the manager of the organizational unit for personnel transactions within the organizational unit.

All salary reserve created on receipt supported positions within an organizational unit may be used, at the discretion of the manager of the organizational unit. When grant funds are involved, the grantor must give approval for the budget revision. The organizational unit will execute the budget revision and send a copy to the Salary Reserve Analyst.

Prior to hiring commitments on any personnel transaction requiring the use of salary

EHNR-246

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reserve from State Appropriations, a salary reserve transfer form (SR-1) must be approved by the Division of Budget, Planning and Analysis.

No manager may execute a personnel transaction that creates negative salary reserve without the prior approval of the Director of Budget, Planning and Analysis.

.400 PROCEDURES

A. If salary reserve is available within the organizational unit:

1. Organizational unit completes salary reserve transfer form (SR-1), identifying reserve to be used and submits to the Salary Reserve Analyst in Budget, Planning and Analysis (BPA).
2. The Salary Reserve Analyst verifies the availability of salary reserve and posts the use to the salary reserve tracking system. The form, approved or disapproved, is returned to the organizational unit within three (3) business days.
3. The organizational unit submits its recommendation along with the original copy of the approved reserve form to Personnel/Human Resources for processing.
4. The Salary Reserve Analyst develops and submits the budget revision.
5. Personnel/Human Resources submits a copy of the approved PD-105/PD 118 to BPA.

B. If required salary reserve is not available with the organizational unit:

1. Organizational unit completes salary reserve transfer form, identifying the need and submits to the Salary Reserve Analyst.
2. The Salary Reserve Analyst provides the transfer form, along with identification of all existing salary reserve and that which may be created within the departmental area to the requesting manager for consideration.
3. The requesting manager may negotiate with his/her colleagues within the departmental area for the use of salary reserve.
4. If negotiations are successful, each manager involved must identify by Fund and RCC the amount of salary reserve to be transferred from his/her organizational unit and sign the transfer form.
5. The Salary Reserve Analyst posts the transaction to the salary reserve tracking system and returns the form to the requesting organizational unit.
6. The organizational unit submits its recommendation, along with the original copy of the approved salary reserve transfer form to the Division of Personnel/Human Resources.
7. The Salary Reserve Analyst develops and submits the budget revision.
8. Personnel/Human Resources submits a copy of the approved PD-105/PD-118 to BPA.

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C. If use of the Management Reserve is needed:

1. The manager of an organizational unit that cannot secure the needed salary reserve through either of the above methods, may have his/her request forwarded by the appropriate Assistant Secretary to the Deputy Secretary for consideration.
2. The Deputy Secretary may approve or deny the request and return the salary reserve transfer form to the Assistant Secretary.
3. The Assistant Secretary will return the request to the manager.
4. The manager of an organizational unit submits his/her recommendation along with the original copy of the approved salary reserve transfer form to the Division of Personnel/Human Resources.
5. Personnel/Human Resources submits the approved PD-105/PD-118 to BPA.
6. The Salary Reserve Analyst will prepare and submit the budget revision when the copy of the approved PD-105/PD-118 is received, verifying the completion of the recommended personnel transaction.

.500 REPORTING

Salary reserve reports will be distributed monthly by the Director of BPA to all managers.

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4) Indirect Costs

Federal indirect costs receipts are earned by a department to recognize the costs associated with the administration of federal funds and other receipts. For the 1995-96 fiscal year, DEHNR received $2,288,291 in indirect costs receipts. Health-related activities generated $1,152,402 or approximately 50% of the indirect costs funds received by the department. For the 1996-97 fiscal year, DEHNR expects to receive $3,052,765 in indirect costs, with the health programs generating an estimated $1,453,533.

The department uses indirect cost receipts primarily to fund the operating support of the Executive Offices and Administrative Services. The expenditure of indirect costs receipts by DEHNR Administration for the current biennium is as follows:

FY 1995-96	FY 1996-97
$2,027,030	$2,459,318 (est.)

Should the public health programs be transferred to the Department of Human Resources as proposed by the Governor, DEHNR stands to lose over half of their current allotment of indirect costs receipts. Given the fact that Administrative Services accounts for almost 90% of the indirect cost expenditures, the committee may wish to have the department address the potential loss of these receipts and the impact on administrative functions and activities.

5) Span of Control

The Governor's Summary of Recommendations for the 1997-99 Biennium includes language with respect to the "Span of Control" Study conducted by the Office of State Budget and Management. Cabinet agencies have been directed to implement internal studies to determine salary reductions to their operating budgets effective July 1, 1997 towards the goal of 7 organizational layers and a supervisor to employee ratio of 1 to 8.

Given the department's increased emphasis on the roles and duties of Assistant Secretaries, coupled with the potential transfer of health programs to Human Resources, the committee may wish to have the department address the necessity of maintaining the position of Deputy Secretary in light of the Governor's recommendation to remove excess layers of management.

goes with Amendment A

DEHNR Positions -- Reflects Actions of General Assembly Only

	1993-94	1994-95	1995-96	1996-97	TOTALS
Positions Abolished	**-4.00**	**-53.30**	**-95.47**	**-3.00**	**-155.77**
Number Abolished in Administration	***-2.00***	***0.00***	***-5.00***	***0.00***	***-7.00***
Dollar Value	**$ (191,439)**	**$ (1,533,115)**	**$ (3,356,482)**	**$ (114,652)**	**$ (5,195,688)**
Number Shifted to Receipts*	**-**	**-**	**-28.00**	**-1.00**	**-29.00**
New Positions	**79.00**	**63.00**	**38.00**	**55.00**	**235.00**
New Positions in Administration	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***

**reflects current biennium only*

STATE OF NORTH CAROLINA
Office of the State Auditor

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March 7, 1997

The Honorable James B. Hunt, Jr., Governor
Members of the North Carolina General Assembly
Mr. Jonathan B. Howes, Secretary
Department of Environment, Health and Natural Resources

We have completed certain audit procedures at the Department of Environment, Health and Natural Resources related to the State's *Comprehensive Annual Financial Report (CAFR)* and the State's *Single Audit Report,* for the year ended June 30, 1996. Our audit was made by authority of Article 5A of *North Carolina General Statute § 147.*

The results of these procedures, as described below, yielded audit findings and recommendations for the Department related to the State's general-purpose financial statements and the State's federal financial assistance programs which may require disclosure in the aforementioned reports. We also determined during the current audit a significant deficiency in the management control processes for matters not directly related to financial reporting and federal compliance objectives. The findings noted above are included in the findings and recommendations section contained herein. Our recommendations for improvement and management's response follow each finding.

Overall, we found that the Department made significant improvements in its internal control by hiring additional, professional accounting staff to monitor and supervise fiscal operations. The Department believes that the additional staff will enable the correction of many of our unresolved concerns. Improvements are needed by the Department to better control fixed assets, to comply with federal requirements regarding indirect cost recoveries and monitoring subrecipients, and to comply with state requirements regarding cash management and employee travel. Improvements in the above areas and continued improvements in the organization of accounting functions will enhance the Department's overall fiscal operations.

The accounts and operations of the Department of Environment, Health and Natural Resources are an integral part of the State's reporting entity represented in the *CAFR* and the *Single Audit Report*. In the *CAFR*, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report,* the State Auditor also presents the results of tests on the State's internal control and on the State's compliance with laws, regulations,

contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs. The audit procedures were conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128.

As part of the work necessary for issuance of the *CAFR* and the *Single Audit Report*, the following individual funds and federal programs of the State were subjected to audit procedures at the Department of Environment, Health and Natural Resources as we considered necessary:

Funds for the *Comprehensive Annual Financial Report*:

Special Revenue - Clean Water Bond Fund

Capital Projects Funds

Nonexpendable Trust Fund - Clean Water Bond Fund

General Fixed Asset Account Group

Federal Programs for the *Single Audit Report*:

Major:

Special Supplemental Food Program for Women, Infants, and Children

Child and Adult Care Food Program

Capitalization Grants for State Revolving Funds

Block Grants for Prevention and Treatment of Substance Abuse

Nonmajor:

Understanding of Internal Control Related to Nonmajor Programs

Compliance with Requirements for Transactions Selected as Part of *CAFR* or Other Single Audit, Entity-Wide Tests

The individual funds and federal programs subjected to audit at the Department of Environment, Health and Natural Resources are substantially less in scope than would be necessary to report on the general-purpose financial statements that relate solely to the Department or the administration of federal programs by the Department. Therefore, we do not express such conclusions.

This document is intended for the use and information of management and appropriate governmental bodies. However, this document is a matter of public record and its distribution is not limited.

Respectfully submitted,

Ralph Campbell, Jr.

Ralph Campbell, Jr.
State Auditor

AUDIT FINDINGS AND RECOMMENDATIONS

Material Findings and Recommendations from Prior Audits - The following presents the status of material findings and recommendations presented in the prior year *Single Audit Report* that affected the current year audit objectives.

1. ORGANIZATION OF ACCOUNTING FUNCTIONS

   Our prior audits disclosed that management continued to have great difficulty in identifying and establishing controls for maintaining proper accountability, reporting, and monitoring of State and federal funds. Also, management continued to have great difficulty in establishing accountability for fixed assets. Many prior year recommendations remained unresolved. The fixed assets officer position was vacant for several months. Fixed asset responsibilities delegated to the divisions were not adequately monitored.

   This finding is resolved. Our current audit shows that Department management took several initiatives which indicate a commitment to an adequate internal control environment. Several organizational changes were implemented to improve supervision and the competence of financial staff. A position to serve as the chief of the federal funds and contracts section and a federal funds accountant position were established and filled. A temporary position was created and filled to perform subrecipient audit tracking until permanent positions are filled and capable of assuming these positions. A fixed asset accounting specialist position was created and candidates for this position are being interviewed. A systems accountant position was created and filled. This position will have primary responsibility for the fixed asset system including the development and maintenance of policies and procedures. The Department is also creating a new section that will perform internal audits of financial operations in the divisions and regional offices not directly reporting to the Department Controller. This section will initially be staffed with two professional level accounting positions and will have primary responsibility of developing policies and procedures and ensuring compliance.

2. TRACKING SUBRECIPIENTS THAT RECEIVE FEDERAL AND STATE FINANCIAL ASSISTANCE

   Our prior audits disclosed that the Department had not reviewed the audit reports required of all subrecipients that had received from the Department federal financial assistance greater than $25,000. Office of Management and Budget (OMB) Circular A-128 requires the Department as the primary recipient to determine whether subrecipients have expended that assistance in accordance with applicable rules and regulations. The Department elected to discharge this requirement by relying on independent audits of the subrecipients, performed in accordance with OMB Circular A-128 or A-133 (or, in some cases, Circular A-110).

This finding remains unresolved. Our current audit disclosed that many of the concerns identified during our prior audits have been resolved. The Department is now current with its review of 1993, 1994 and 1995 audit reports, audit findings and questioned costs. However, the Department remains in noncompliance with the agreement made with the U.S. Department of Health and Human Resources to obtain and review the required audit reports from January 1985 through June 1992.

The Department has entered into an agreement with the U.S. Department of Health and Human Resources - Division of Audit Resolution to establish the universe of unaudited subrecipient awards since the requirements of OMB A-128 went into effect on January 1, 1985 through June 30, 1992 and to review and resolve instances of material noncompliance with federal laws and regulations. The Department further agreed to receive and review all required audit reports by June 30, 1995.

Recommendation: The Department should comply with the agreement with the U.S. Department of Health and Human Resources to obtain and review the required audit reports from January 1985 through June 1992.

Agency's Response: The Department has consulted with the U.S. Department of Health and Human Services (HHS) regarding the 1985 through 1992 subrecipient audit reports on several occasions during the past year. Each time we were told that HHS considered this finding closed. The Department will continue to work with HHS to officially close this finding.

3. SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Our prior audit disclosed the Department failed to accurately report federal program disbursements on its Schedule of Federal Financial Assistance because of a failure to comply with the Office of the State Controller's (OSC) accounting and reporting requirements for federal funds.

This finding is resolved. Our current audit disclosed that the Schedule of Federal Financial Assistance was prepared accurately and the Department complied with OSC's requirements for federal funds.

Findings and Recommendations from Current Audit - The following presents findings and recommendations, determined during the current audit, which represent significant deficiencies in internal control. Also presented are findings and recommendations regarding noncompliance with either laws, regulations, contracts, or grants.

4. FIXED ASSET CONTROL ACTIVITIES NEED IMPROVEMENT

Our audit of fixed assets disclosed internal control weaknesses which impact the Department's achievement of objectives in financial reporting:

- The Department's Fixed Assets Policies and Procedures Manual does not adequately address the verification and reconciliation of capital expenditures per the North Carolina Accounting System (NCAS) to those capitalized in the fixed assets system (FAS).

- Reconciliations of capital expenditures per NCAS to the additions per FAS were not completed.

- Control procedures were not effective to ensure that expenditures meeting the capitalization criteria established by the Office of the State Controller were capitalized in FAS.

- Control procedures were not effective to ensure that amounts and associated purchase order numbers were correctly recorded in FAS for capitalized expenditures.

- Control procedures were not effective to ensure that monthly fixed asset additions and deletions entered by the divisions are properly recorded in FAS.

The weaknesses in the internal controls increase the risk of financial statement errors.

Recommendation: The Department should establish adequate control procedures to ensure that all fixed assets are properly recorded in FAS in accordance with OSC requirements. Management should monitor controls to determine whether control procedures are operating as intended and whether they should be modified for changes in conditions.

Agency's Response: The Department has created two new positions to improve control of fixed assets. A Systems Accountant position has been created to develop policies and procedures that will ensure that fixed assets are properly accounted for and controlled. A Fixed Asset Specialist position has been created to perform daily operations and ensure accurate entry of information into FAS. We are in the process of reconciling capital expenditures for the current fiscal year, and will begin monthly reconciliations beginning in February 1997.

5. DISBURSING ACCOUNT NOT RECONCILED TIMELY AND UNCASHED WARRANTS NOT REPORTED

The Department's disbursing account has not been reconciled since April 1996. This procedure provides management with reasonable assurance that all transactions are properly recorded in the accounting records. North Carolina Administrative Code requires each entity to reconcile its disbursing account statement within 15 days of receipt from the State Treasurer. Reconciliations are a basic accounting procedure that strengthens the system of internal controls.

Also, the Department has not properly reported the status of unclaimed or uncashed State warrants to the Department of State Treasurer. The *Escheat and Unclaimed Property Manual* requires the Department to file a report with the Department of State Treasurer on or before March 1 of each year giving a full accounting of all escheatable property as of June 30 of the previous year.

Recommendation: The Department should require bank statements to be reconciled and reviewed by management on a monthly basis. Also, the Department should comply with the Department of State Treasurer's escheat requirements.

Agency's Response: Delays in reconciling the disbursing account have been due to inadequate staff and problems within implementing the new accounting system. We have created and filled new positions and are in the process of bringing the reconciliation up to date. We will meet the North Carolina Administrative Code requirements by January 1997.

6. IMPROPER TRAVEL DOCUMENTATION FOR USE OF PERSONAL VEHICLES

During our examination of general cash disbursements, we noted the following noncompliance with travel policies and procedures included in the State *Budget Manual.*

- The form, used by employees to request authority to use his/her personal vehicle, was not always prepared properly to justify the maximum reimbursement rate for trips exceeding 60 miles. In a sample of 50 items we noted 21 errors. Information on the forms did not indicate that a State owned vehicle was not reasonably available.

- The form, used by employees to request authority to use his/her personal vehicle, was not always attached to the travel reimbursement request. In a sample of 77 items we noted 5 errors. Travel reimbursement requests did not include the department head or designee approval for the use of a privately owned vehicle by an employee.

Recommendation: The Department should comply with the *Budget Manual* requirements regarding reimbursement to employees for use of personal vehicles.

Agency's Response: All of the errors identified were made by the same clerk, prior to the Accounts Payable Supervisor position being created and filled. All staff are now being adequately trained in State and departmental policy, and supervision has been greatly improved. This should no longer be a problem.

7. INDIRECT COST CHARGES-INADEQUATE ACCOUNTING RECORDS

The Department did not maintain adequate documentation to support the depreciation expense claimed in the 94/96 Indirect Cost Plan. OMB Circular A-87 requires costs included in a cost allocation plan be supported by formal accounting records which will substantiate the propriety of eventual charges to a grant program. We therefore question $666,050.26 of the Department's claims for indirect cost per the 94/96 Indirect Cost Plan.

Schedule of Questioned Cost

Total Depreciation Expense Claimed	$ 6,911,816.14
Total Projected Cost Allocated	$ 20,745,556.81
Total Drawdowns of Indirect Cost	$ 1,998,950.36
Percentage of Depreciation Expense to Total Projected Cost	33.32%
Total Questioned Cost	$ 666,050.26

Our prior audit disclosed undocumented depreciation expense of $6.9 million charged to the 93/95 Indirect Cost Plan which resulted in questioned costs of $1,048,406.

Recommendation: The Department should determine the proper depreciation expense to be reported in the 94/96 Indirect Cost Plan and make required adjustments in subsequent year Indirect Cost Plans. The Department should then develop procedures to assure that depreciation expense is based on accurate, equipment costs and cost information that can be reproduced. The Department should assure that supporting documentation is maintained.

Agency's Response: Depreciation amounts for the 1994/96 Indirect Cost Plan were developed by the independent CPA firm contracted to complete the plan. The contractor was given an electronic file from the mainframe-based Fixed Asset System (FAS) and performed several sorts of this file using a PC-based data base program in order to categorize equipment by useful life and cost center. The auditors were unable to duplicate the results of the contractor. It was subsequently determined that there were compatibility problems between the mainframe generated FAS file and the data base program used by the contractor. The Department is developing reports which will be generated directly from the FAS that will provide the useful life and cost center information needed for the plan. These reports will be reconciled to the Department's audited financial statements. The reconciled amounts will then be used to determine the amount of depreciation that should have been claimed. Any differences will be rolled-forward as an adjustment to the current plan.

The amount questioned by the auditor is an estimate of the total indirect cost drawndown for all programs in the Department. The Department obviously owns fixed assets and has incurred depreciation expense in operating its programs, including federal assistance programs. The Department does not concur with the amount questioned by the auditor. The correct amount of depreciation cannot be determined until the reconciliation (cited above) has been completed.

Management Control Issues - The following presents findings and recommendations, determined during the current audit, which discuss significant deficiencies in the management control processes for matters not directly related to financial reporting and federal compliance objectives.

8. UNTIMELY DRAWDOWNS - BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE (BGPTSA)

Federal funds to finance BGPTSA consolidated contract payments made to counties and other community based projects were not received in a timely manner. Although funds were requested in November 1996 to reimburse the Department for first quarter expenditures and in March 1996 for 2nd quarter expenditures, these funds were not received and deposited until May 1996. Funds were not remitted from the Division of Mental Health, Developmental Disabilities and Substance Abuse prior to March 1996 because the Memorandum of Understanding (between these Departments) for the period July 1, 1995 through June 30, 1996 was not signed until March 1996.

In addition, as of June 30, 1996 the Department failed to drawdown $30,234 of eligible BGPTSA expenditures. These funds were requested and received by the Department in November 1996.

The State's Cash Management Plan provides that funds due to a State agency by another governmental agency shall be promptly billed, collected and deposited. In addition, the State *Budget Manual* requires the utilization of federal funds in lieu of State funds to the maximum extent possible consistent with federal regulations.

Recommendation: The Department should assure that Memorandums of Understanding are signed in a timely manner and should implement controls to ensure that requests for BGPTSA funds coincide with the actual disbursements of consolidated contract payments.

Agency's Response: The Department has stressed the importance of timely completion of Memorandums of Understanding and timely drawdown of funds to the divisions involved (Epidemiology, Maternal and Child Health). We are also developing procedures that will enable the Federal Grants and Contracts section of the Controller's Office to monitor these agreements and ensure that funds are drawn on a monthly basis.

DISTRIBUTION OF AUDIT FINDINGS AND RECOMMENDATIONS

In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this document have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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The Honorable James B. Hunt, Jr.	Governor of North Carolina
The Honorable Dennis A. Wicker	Lieutenant Governor of North Carolina
The Honorable Harlan E. Boyles	State Treasurer
The Honorable Michael F. Easley	Attorney General
Mr. Marvin K. Dorman, Jr.	State Budget Officer
Mr. Edward Renfrow	State Controller
Mr. Jonathan B. Howes	Secretary, Department of Environment, Health and Natural Resources

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Other Legislative Officials

Representative James B. Black	Minority Leader of the N.C. House of Representatives
Mr. Thomas L. Covington	Director, Fiscal Research Division

March 7, 1997

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Handout 12.

SP-1

CODE NO. 97COMM-S001

Requested by: Senator Martin of Pitt

INDUSTRIAL DEVELOPMENT FUND/LOCAL MATCH

Sec. @. Local governments requesting financial assistance from the Industrial Development Fund that wish to request to be exempted from the local matching requirements placed on the receipt of this assistance shall demonstrate to the satisfaction of the Department of Commerce that it would be an economic hardship for the local government to match State assistance from the Fund with local funds. The Department shall develop guidelines for determining hardship.

SP-2

CODE NO. 97COMM-S002A

Requested by: Senator Martin of Pitt

REGIONAL COMMISSION REPORTS

Section. @. (a) Each regional development commission receiving a grant-in-aid from the Department of Commerce shall:

(1) By January 15, 1998, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division and the Department of Commerce the following information:

(i) State fiscal year 1996-97 program activities, objectives, and accomplishments;

(ii) State fiscal year 1996-97 itemized expenditures and fund sources;

(iii) State fiscal year 1997-98 planned activities, objectives, and accomplishments as specified in subsection (b)(1) of this section including actual results through December 31, 1997;

(iv) State fiscal year 1997-98 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 1997.

(2) By January 15, 1999, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division and the Department of Commerce the following information.

(i) State fiscal year 1997-98 program activities, objectives, and accomplishments;

(ii) State fiscal year 1997-98 itemized expenditures and fund sources;

(iii) State fiscal year 1998-99 planned activities, objectives, and accomplishments as specified in subsection (b)(1) of this section including actual results through December 31, 1998;

(iv) State fiscal year 1998-99 estimated itemized expenditures and fund sources including actual

expenditures and fund sources through December 31, 1998.

(3) Provide to the Fiscal Research Division and the Department of Commerce a copy of its annual audited financial statement within 30 days of issuance of the statement.

(b) Each regional economic development commissions receiving a grant-in-aid from the Department of Commerce in each fiscal year of the 1997-99 biennium shall:

(1) By the 25th day of the month following the end of a fiscal quarter report to the Department of Commerce the following information for the most recent completed fiscal quarter:

(i) the number of and description of marketing outreach events including trade shows, recruitment missions and related activities;

(ii) the number of inquires, leads, and prospects generated;

(iii) the amount of investment and number of jobs created by the direct efforts of a commission;

(iv) the amount of investment and number of jobs created by the indirect efforts of a commission;

(v) the number and listing of available sites and buildings within the region served by a commission;

(vi) a listing of major accomplishments.

CODE NO. 97COMM-S014A SP-4

Requested by: Senator Martin of Pitt

MCNC

Sec. @. (a) MCNC shall report on all of its programs including contractual services for the Supercomputer and the Research and Education Network. The reports shall:

(1) By January 15, 1998, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

i. State fiscal year 1996-97 program activities, objectives, and accomplishments;

ii. State fiscal year 1996-97 itemized expenditures and fund sources;

iii. State fiscal year 1997-98 planned activities, objectives, and accomplishments including actual results through December 31, 1997;

iv. State fiscal year 1997-98 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 1997.

v. The users, major projects and benefits resulting from the activities of the Supercomputer and the Research and Education Network.

vi. The organization's progress toward achieving self-sufficiency by July 1, 1999.

(2) By January 15, 1999, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

i. State fiscal year 1997-98 program activities, objectives, and accomplishments;

ii. State fiscal year 1997-98 itemized expenditures and fund sources;

iii. State fiscal year 1998-99 planned activities, objectives, and accomplishments including actual results through December 31, 1998;

iv. State fiscal year 1998-99 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 1998.

v. The users, major projects and benefits resulting from the activities of the Supercomputer and the Research and Education Network.

vi. The organization's progress toward achieving self-sufficiency by July 1, 1999.

(3) Provide to the Fiscal Research Division a copy of MCNC's annual audited financial statement within 30 days of issuance of the statement.

(b) The funds appropriated in this act to MCNC shall be used as follows:

	FY 1997-98	FY 1998-99
Electronic and Information Technologies Programs	$4,500,000	$2,500,000

(c) Of the funds appropriated for the Electronic and Information Technologies Programs, four million five hundred thousand dollars ($4,500,000) for the 1997-98 fiscal year and two million five hundred thousand dollars ($2,500,000) for the 1998-99 fiscal year is contingent upon a dollar-for-dollar match in non-state funds.

SP-6

CODE NO. 97COMM-S004A

Requested by: Senator Martin of Pitt

BIOTECHNOLOGY CENTER

Sec. @. (a) The North Carolina Biotechnology Center shall recapture funds spent in support of successful research efforts in the nonacademic private sector.

(b) The North Carolina Biotechnology Center shall provide funding for biotechnology and related bioscience applications under its Economic and Corporate Development Program.

(c)The North Carolina Biotechnology Center shall:

(1) By January 15, 1998, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

(i) State fiscal year 1996-97 program activities, objectives, and accomplishments;

(ii) State fiscal year 1996-97 itemized expenditures and fund sources;

(iii) state fiscal year 1997-98 planned activities, objectives, and accomplishments including actual results through December 31, 1997;

(iv) State fiscal year 1997-98 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 1997.

(2) By January 15, 1999, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

(i) State fiscal year 1997-98 program activities, objectives, and accomplishments;

(ii) State fiscal year 1997-98 itemized expenditures and fund sources;

(iii) State fiscal year 1998-99 planned activities, objectives, and accomplishments including actual results through December 31, 1998;

(iv) State fiscal year 1998-99 estimated itemized expenditures and fund sources including actual

expenditures and fund sources through December 31, 1998.

(3) Provide to the Fiscal Research Division a copy of the Center's annual audited financial statement within 30 days of issuance of the statement.

(d) The North Carolina Biotechnology Center shall provide a report containing detailed budget, personnel, and salary information to the Office of State Budget and Management and to the Fiscal Research Division in the same manner as State departments and agencies in preparation for biennium budget requests.

CODE NO. 97COMM-S005

Requested by: Senator Martin of Pitt

BIOTECHNOLOGY FUNDS FOR MINORITY UNIVERSITIES

Sec. @. Of the funds appropriated in this act from the General Fund to the North Carolina Biotechnology Center for the 1997-98 and the 1998-99 fiscal years, the sum of one million dollars ($1,000,000) in each fiscal year shall be used to continue the special biotechnology program initiative for North Carolina's Public Historically Black Universities and Pembroke State University. This program initiative is a means to get more funds to these institutions of higher education in the short run to help them develop their biotechnology programs and a means to develop a mechanism to improve these institutions' capacity over the long term. The Center's special initiative shall, at a minimum, provide for:

(1) A range of program activities, including grants, designed to enhance the existing strengths and capabilities of Pembroke State University, and the Public Historically Black Universities;

(2) A Facilities and Infrastructure Review Committee to advise the Center on major program elements and priority projects that would be most helpful to these institutions; and

(3) A Program Advisory Panel with representation from these institutions to advise and make recommendations to the Center's President and Board of Directors on funding proposals under this initiative.

The Center shall report on its biotechnology program grants to universities to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on or before March 1 of each fiscal year, and more frequently as requested by the Commission. These reports shall include the current number of enrollments and the capacity of enrollments in the biotechnology program in each of the universities, the number of faculty in the biotechnology program in each of the universities, whether and to what extent the enrollments, capacity, and number of faculty have changed in the last three academic years in the biotechnology program in each of the universities, how the funds allocated by this section are being used in each of the universities, and any other information that indicates whether these grants are accomplishing their purpose.

SP-9

CODE NO. 97COMM-S007

Requested by: Senator Martin of Pitt

COUNCIL OF GOVERNMENT FUNDS

Sec. @. (a) Of the funds appropriated in this act to the Department of Commerce eight hundred sixty-four thousand two hundred seventy dollars ($864,270) for the 1997-98 fiscal year and eight hundred sixty-four thousand two hundred seventy dollars ($864,270) for the 1998-99 fiscal year shall only be used as provided by this section. Each regional council of government or lead regional organization is allocated up to forty-eight thousand fifteen dollars ($48,015) for each fiscal year, with the actual amount calculated as provided in subsection (b) of this section.

(b) The funds shall be allocated as follows: A share of the maximum forty-eight thousand fifteen dollars ($48,015) each fiscal year shall be allocated to each county and smaller city based on the most recent annual estimate of the Office of State Planning of the population of that county (less the population of any larger city within that county) or smaller city, divided by the sum of the total population of the region (less the population of larger cities within that region) and the total population of the region living in smaller cities. Those funds shall be paid to the regional council of government for the region in which that city or county is located upon receipt by the Department of Commerce of a resolution of the governing board of the county or city requesting release of the funds. If any city or county does not so request payment of funds by June 30 of a State fiscal year, that share of the allocation for that fiscal year shall revert to the General Fund.

(c) A regional council of government may use funds appropriated by this section only to assist local governments in grant applications, economic development, community development, support of local industrial development activities, and other activities as deemed appropriate by the member governments.

(d) Funds appropriated by this section may not be used for payment of dues or assessments by the member governments and may not supplant funds appropriated by the member governments.

(e) As used in this section, "Larger City" means an incorporated city with a population of 50,000 or over. "Smaller City" means any other incorporated city.

SP-10

CODE NO. 97COMM-S008

Requested by: Senator Martin of Pitt

TOURISM PROMOTION FUNDS

Sec. @. Funds appropriated in this act to the Department of Commerce for tourism promotion grants shall be allocated according to per capita income, unemployment, and population growth in an effort to direct funds to counties most in need in terms of lowest per capita income, highest unemployment, and slowest population growth, in the following manner:

(1) Counties 1 through 20 are each eligible to receive a maximum grant of $7,500 for each fiscal year, provided these funds are matched on the basis of one non-State dollar for every four State dollars.

(2) Counties 21 through 50 are each eligible to receive a maximum grant of $3,500 for two of the next three fiscal years, provided these funds are matched on the basis of one non-State dollar for every three State dollars.

(3) Counties 51 through 100 are each eligible to receive a maximum grant of $3,500 for alternating fiscal years, beginning with the 1991-92 fiscal year, provided these funds are matched on the basis of four non-State dollars for every State dollar.

SP-11

CODE NO. 97COMM-S012

Requested by: Senator Martin of Pitt

PETROLEUM OVERCHARGE ATTORNEY FEES

Sec. @. (a) Unless prohibited by federal law, rule, or regulation or preexisting settlement agreement, no later than October 1, 1989, the North Carolina Attorney General shall direct the withdrawal of all funds received in the cases of United States v. Exxon and Stripper Well that are held in accounts or reserves located out-of-state for payment of attorney fees and reasonable expenses incurred in connection with oil overcharge litigation authorized by the Attorney General. The Attorney General shall deposit these funds, and all funds to be received from Petroleum Overcharge Funds in the future for attorney fees and reasonable expenses, into the Special Reserve for Oil Overcharge Funds.

(b) All attorney fees and reasonable expenses incurred in connection with oil overcharge litigation shall be paid by the State Treasurer from Petroleum Overcharge Funds that have been received by this State and deposited into the Special Reserve for Oil Overcharge Funds.

(c) Notwithstanding any other provision of law, the Attorney General may authorize the payment of attorney fees and reasonable expenses from the Special Reserve for Oil Overcharge Funds without further action of the General Assembly, and funds are hereby appropriated from the Special Reserve for Oil Overcharge Funds for the 1997-98 fiscal year and for the 1998-99 fiscal year for that purpose.

SP-12

CODE NO. 97COMM-S011

Requested by: Senator Martin of Pitt

PETROLEUM OVERCHARGE FUNDS ALLOCATION

Sec. @. (a) The funds and interest thereon received from the case of the United States v. Exxon are deposited in the Special Reserve for Oil Overcharge Funds. There is appropriated from the Special Reserve to the Department of Commerce the sum of one million two hundred thousand dollars ($1,200,000) for the 1997-98 fiscal year and the sum of one million two hundred thousand dollars ($1,200,000) for the 1998-99 fiscal year to be used for projects under the State Energy Plan. -* Change Name

(b) There is appropriated from funds and interest thereon received from the United States Department of Energy's Stripper Well Litigation (MDL378) that remain in the Special Reserve for Oil Overcharge Funds to the Department of Commerce the sum of one million dollars ($1,000,000) for the 1997-98 fiscal year and one million eight hundred thousand dollars ($1,800,000) for the 1998-99 fiscal year to be allocated for the Low Income Weatherization Program. *Change Name

(c) Any funds remaining in the Special Reserve for Oil Overcharge Funds after the allocations made pursuant to subsections (a) and (b) of this section may be expended only as authorized by the General Assembly. All interest or income accruing from all deposits or investments of cash balances shall be credited to the Special Reserve Oil Overcharge Funds.

(d) The funds and interest thereon received from the Diamond Shamrock Settlement that remain in a reserve in the Office of State Budget and Management for the Department of Commerce to administer the petroleum overcharge funds pursuant to Section 112 of Chapter 830 of the 1987 Session Laws shall continue to be available to the Department of Commerce on an as-needed basis.

(e) The Department of Commerce shall submit comprehensive annual reports to the General Assembly by May 15, 1998, and January 31, 1999, which detail the use of all Petroleum Overcharge Funds. Any State department or agency that has received Petroleum Overcharge Funds shall provide all information requested by the Department of Commerce for the purpose of preparing these reports.

SP-13

CODE NO. 97AGRIC-S005

Requested by: Senator Martin of Pitt

TRANSFER MARITIME MUSEUM TO CULTURAL RESOURCES

Sec. @. The 17.25 positions, support, and equipment in the North Carolina Maritime Museum, Department of Agriculture, shall be moved to the Department of Cultural Resources.

SP-14

CODE NO. 97AGRIC-S003

Requested by: Senator Martin of Pitt

MOUNTAIN STATE FAIR TO BECOME ENTERPRISE FUND

Section @. The activities of the Western North Carolina Agricultural Center and the Mountain State Fair shall be combined and operated in an enterprise fund. Current appropriated support to the Western North Carolina Agricultural Center shall be transferred on a quarterly basis with the anticipation that appropriated support will only be necessary until the combined operation develops sufficient revenue and operating reserves to become totally self-supporting.

SP-15

CODE NO. 97AGRIC-S001

Requested by: Senator Martin of Pitt

RESERVE FOR FARM LOANS

Section @.Funds in the Reserve for Farm Loans shall be used for the purposes set out in Chapter 122D of the General Statutes, but shall not be used for the administration of that Chapter. Interest on funds in the Reserve for Farm Loans and interest from agricultural loans, as defined in G.S. 122D-3, may be used for any of the purposes set out in Chapter 122D of the General Statutes and for the administration of that Chapter.

CODE NO. 97AGRIC-S002

SP-16

Requested by: Senator Martin of Pitt

TIMBER SALES FOR MAINTENANCE OF STATE FARMS FORESTLAND

Section @. The Department of Agriculture is authorized to expend up to one hundred thousand dollars ($100,000) each year for forestry management from funds received from the sale of timber that are deposited with the State Treasurer in a capital improvement account pursuant to G.S. 146-30. The Director of the Budget is authorized to transfer up to one hundred thousand dollars ($100,000) from the capital improvement account to the Reserve for Forestry Management in the Department of Agriculture's operating budget and to prepare succeeding continuation budget documents to include one hundred thousand dollars ($100,000) in the Reserve for Forestry Management.

CODE NO. 97GOV-S001

SP-17

Requested by: Senator Martin of Pitt

HOME PROGRAM MATCHING FUNDS

Sec. @. (a) Funds appropriated in this act to the Housing Finance Agency for the federal HOME Program shall be used to match federal funds appropriated for the HOME Program. In allocating State funds appropriated to match federal HOME Program funds, the Agency shall give priority to HOME Program projects, as follows:

(1) First priority to projects that are located in counties designated as severely distressed counties under G.S. 105-130.40(c) or G.S. 105-151.17(c); and

(2) Second priority to projects that benefit persons and families whose incomes are fifty percent (50%) or less of the median family income for the local area, with adjustments for family size, according to the latest figures available from the U.S. Department of Housing and Urban Development.

The Housing Finance Agency shall report to the Joint Legislative Commission on Governmental Operations by April 1 of each year concerning the status of the HOME Program and shall include in the report information on priorities met, types of activities funded, and types of activities not funded.

(b) If the United States Congress changes the HOME Program such that matching funds are not required for a given program year, then the Agency shall not spend the matching funds appropriated under this act for that program year.

(c) Funds appropriated in this act to match federal HOME Program funds shall not revert to the General Fund on June 30, 1997, or on June 30, 1998.

SP-18

CODE NO. 97NATRES-S001

Requested by: Senator Martin of Pitt

GRASSROOTS SCIENCE PROGRAM

Section @. Of the funds appropriated in this act to the Department of Environment, Health, and Natural Resources for the Grassroots Science Program, the sum of five hundred thousand dollars ($500,000) for fiscal year 1997-98 and the sum of five hundred thousand dollars ($500,000) for fiscal year 1998-99 are allocated as grants-in-aid for each fiscal year as follows:

Catawba Science Center	$50,000
Discovery Place	$50,000
Imagination Station	$50,000
North Carolina Museum of Life and Science	$50,000
Rocky Mount Children's Museum	$50,000
Schiele Museum of Natural History	$50,000
Sci Works Science Center and Environmental Park of Forsyth County	$50,000
Natural Science Center of Greensboro	$50,000
Western North Carolina Nature Center	$15,000
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$35,000
Cape Fear Museum	$50,000

CODE NO. 97ENV-S001

SP-19

Requested by: Senator Martin of Pitt

FUNDS FOR VOLUNTARY REMEDIAL ACTIONS

Section @. (a) During the 1997-99 fiscal biennium, the Secretary of Environment, Health, and Natural Resources may contribute from the Inactive Hazardous Sites Cleanup Fund up to ten percent (10%) of the cost each fiscal year, not to exceed fifty thousand dollars ($50,000) per site, of implementing a voluntary remedial action program at up to three high-priority sites that substantially endanger public health or the environment.

(b) No later than April 1 of each year of the 1997-99 fiscal biennium, the Department of Environment, Health, and Natural Resources shall report to the General Assembly. Each report shall contain the location of the sites for which a voluntary remedial action program was implemented under subsection (a) of this section, the rationale for the State contributing to the cost of that remedial action, and the amount of the contribution made from the Inactive Hazardous Sites Cleanup Fund.

SP-20

CODE NO. 97ENV-S003

Requested by: Senator Martin of Pitt

SUPERFUND PROGRAM FUNDS

Sec. @. (a) The Department of Environment, Health, and Natural Resources may use available funds, with the approval of the Office of State Budget and Management, in order to provide the ten percent (10%) cost share required for Superfund cleanups on the National Priority List sites. These funds may be in addition to those appropriated for this purpose.

(b) The Department of Environment, Health, and Natural Resources and the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations the amount and the source of the funds used pursuant to subsection (a) of this section within 30 days of the expenditure of these funds.

CODE NO. 97ENV-S003A

Requested by: Senator Martin of Pitt

SUPERFUND PROGRAM FUNDS

Sec. @. The Department of Environment, Health, and Natural Resources may use available funds, with the approval of the Office of State Budget and Management, in order to provide the ten percent (10%) cost share required for Superfund cleanups on the National Priority List sites. These funds may be in addition to those appropriated for this purpose.

SP-22

CODE NO. 97ENV-S002

Requested by: Senator Martin of Pitt

POLLUTION PREVENTION AND ENVIRONMENTAL ASSISTANCE TO SMALL BUSINESSES WITH NEED

Section @. The Division of Pollution Prevention and Environmental Assistance shall, to the extent feasible, give greatest priority to small businesses that can demonstrate financial need when the Division of Pollution Prevention and Environmental Assistance awards grants or otherwise provides technical or financial assistance.

SP-23

CODE NO. 97ENV-S004

Requested by: Senator Martin of Pitt

PARTNERSHIP FOR THE SOUNDS

Sec. @. (a) Subject to subsection (c) of this section, the Partnership for the Sounds shall, no later than January 15, 1998, submit a report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division that provides the following information:

(1) Program activities, objectives, and accomplishments for the 1996-97 fiscal year;

(2) Itemized expenditures and fund sources for the 1996-97 fiscal year;

(3) Planned activities, objectives, and accomplishments for the 1997-98 fiscal year, including actual results through December 31, 1997; and

(4) Estimated itemized expenditures and fund sources for the 1997-98 fiscal year, including actual expenditures and fund sources through December 31, 1997.

(b) Subject to subsection (c) of this section, the Partnership for the Sounds shall, no later than January 15, 1999, submit a report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division that provides the following information:

(1) Program activities, objectives, and accomplishments for the 1997-98 fiscal year;

(2) Itemized expenditures and fund sources for the 1997-98 fiscal year;

(3) Planned activities, objectives, and accomplishments for the 1998-99 fiscal year, including actual results through December 31, 1998; and

(4) Estimated itemized expenditures and fund sources for the 1998-99 fiscal year, including actual expenditures and fund sources through December 31, 1998.

(c) The Partnership for the Sounds shall provide additional reports to the Joint Legislative Commission on Governmental Operations or the Fiscal Research Division upon request.

(d) The Partnership for the Sounds shall provide a copy of its annual audited financial statement to the Fiscal Research Division within 30 days of issuing the financial statement.

@SP-24

CODE NO. 97HLTH-S003

Requested by: Senator Martin of Pitt

IMMUNIZATION PROGRAM FUNDING

Sec. @. (a) Of the funds appropriated to the Department of Environment, Health, and Natural Resources for the 1997-99 fiscal biennium for childhood immunization programs for positions, operating support, equipment, and pharmaceuticals, the sum of up to one million dollars ($1,000,000) each fiscal year may be used for projects and activities that are also designed to increase childhood immunization rates in North Carolina. These projects and activities shall include the following:

(1) Outreach efforts at the State and local levels to improve service delivery of vaccines. Outreach efforts may include educational seminars, media advertising, support services to parents to enable children to be transported to clinics, longer operating hours for clinics, and mobile vaccine units; and

(2) Continued development of an automated immunization registry.

(b) Funds authorized to be used for immunization efforts under subsection (a) of this section shall not be used to fund additional State positions in the Department of Environment, Health, and Natural Resources.

5J2-25

CODE NO. 97HLTH-S007

Requested by: Senator Martin of Pitt

LIABILITY INSURANCE PREMIUMS

Sec. @. (a) The Department of Environment, Health, and Natural Resources may use funds available from lapsed salaries to pay premiums for liability coverage for medical personnel as authorized in this act.

SP-26

CODE NO. 97HLTH-S006

Requested by: Senator Martin of Pitt

LIABILITY INSURANCE

Sec. @. The Secretary of the Department of Human Resources, the Secretary of the Department of Environment, Health, and Natural Resources, and the Secretary of the Department of Correction may provide medical liability coverage not to exceed one million dollars ($1,000,000) on behalf of employees of the Departments licensed to practice medicine or dentistry and on behalf of physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Human Resources. This coverage may include commercial insurance or self-insurance and shall cover these individuals for their acts or omissions only while they are engaged in providing medical and dental services pursuant to their State employment or training.

The coverage provided under this section shall not cover any individual for any act or omission that the individual knows or reasonably should know constitutes a violation of the applicable criminal laws of any state or the United States, or that arises out of any sexual, fraudulent, criminal, or malicious act, or out of any act amounting to willful or wanton negligence.

The coverage provided pursuant to this section shall not require any additional appropriations and shall not apply to any individual providing contractual service to the Department of Human Resources, the Department of Environment, Health, and Natural Resources, or the Department of Correction, with the exception that coverage may include physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Human Resources.

@SP-27

CODE NO. 97HLTH-S008

Requested by: Senator Martin of Pitt

TRANSFER OF CERTAIN FUNDS AUTHORIZED

Sec. @. In order to assure maximum utilization of funds in county departments of social services, county or district health agencies, and area mental health, developmental disabilities, and substance abuse authorities, the Director of the Budget may transfer excess funds appropriated to a specific service, program, or fund, whether specified service in a block grant plan or General Fund appropriation, into another service, program, or fund for local services within the budget of the respective State agency.

CODE NO. 97HLTH-S002

SP-28

Requested by: Senator Martin of Pitt

DWI TEST CHANGES

Sec. @. Amounts collected under G.S. 20-16.5(j) for fiscal years 1993-94 and 1994-95 and designated for the alcohol testing program of the Injury Control Section of the Department of Environment, Health, and Natural Resources shall not revert to the General Fund unless the amounts exceed the amounts appropriated by the General Assembly for the 1993-94 and 1994-95 fiscal years.

Beginning with the 1995-96 fiscal year, any funds collected under G.S. 20-16.5(j) that are designated for the alcohol testing program of the Injury Control Section of the Department of Environment, Health, and Natural Resources and are not needed for that program shall be transferred annually to the Governor's Highway Safety Program for grants to local law enforcement agencies for training and enforcement of the laws on driving while impaired. The Governor's Highway Safety Program shall expend funds transferred to it under this section within 13 months of receipt of the funds. Amounts received by the Governor's Highway Safety Program shall not revert until the June 30 following the 13-month period.

SP-29

CODE NO. 97HLTH-S001

Requested by: Senator Martin of Pitt

COMMUNICABLE DISEASE CONTROL AID TO COUNTIES FLEXIBILITY

Sec. @. (a) For the 1997-98 and 1998-99 fiscal years, the Department of Environment, Health, and Natural Resources may combine and allocate funds appropriated for Aid to Counties in the Acute Communicable Disease Control Fund, the Tuberculosis Control Fund, and the Sexually Transmitted Disease Control Fund into one Acute Communicable Disease Control Aid to Counties Grant. Communicable Disease Aid to Counties funding to local health departments and other authorized recipients will be based on a general communicable disease formula to be developed by the Department of Environment, Health, and Natural Resources.

(b) The Department of Environment, Health, and Natural Resources, in conjunction with local health departments, will maintain a system to monitor and identify Aid to Counties communicable disease expenditures by each communicable disease group. The Department shall report to the Joint Legislative Commission on Governmental Operations not later than October 1, 1997, and annually thereafter, on Aid to Counties expenditures by county for each communicable disease group and the purpose of the expenditures for the fiscal year. The report shall also include an evaluation of the effectiveness of combining Aid to Counties funding into one grant fund and the effectiveness of the formula used to allocate funds.

Senate Appropriations Subcommittee on NER Meetings

February 6, 1997

March 25, 1997

March 26, 1997 a.m.

March 26, 1997 p.m.

March 27, 1997

April 1, 1997 a.m.

April 1, 1997 p.m.

April 2, 1997

April 3, 1997

April 8, 1997

April 10, 1997

April 14, 1997

April 15, 1997 a.m.

April 15, 1997 p.m.

April 16, 1997

Budget Volume 5 found in back of Committee Book