2005-2006

JOINT APPROPRIATIONS – GENERAL GOVERNMENT

COMMITTEE MINUTES

JOINT

APPROPRIATIONS

SUBCOMMITTEE

ON

GENERAL GOVERNMENT

2005

COMMITTEE CHAIRS:

Senator Katie G. Dorsett
Representative Roger West
Representative Alma Adams

COMMITTEE ASSISTANTS:

Phyllis Cameron
Linda C. Johnson
Jamilah Sabir-Calloway

FISCAL ANALYSTS:

Kathie Austin
Marilyn Chism
Michele Nelson

2005
Senate Appropriations
Subcommittee on General Government

Membership

MEMBER	ASSISTANT	PHONE	OFFICE
Sen. Katie G. Dorsett Chairman	**Phyllis Cameron**	**715-3042**	**2106**
Sen. David W. Hoyle Vice Chairman	**Penny Williams**	**733-5734**	**300-A**
Sen. Andrew C. Brock	**Tabatha Walker**	**715-0690**	**1101**
Sen. Janet Cowell	**Nancy Brothers**	**715-6400**	**1028**
Sen. Malcolm Graham	**Owen Pollock**	**733-5650**	**1113**
Sen. Jim Jacumin	**Janet Black**	**715-7823**	**406**
Sen. Fred Smith	**Allen Bean**	**733-5748**	**520**
Fiscal Analyst:		**733-4910**	**619**
Michele Nelson Marilyn Chism Kathie Austin			

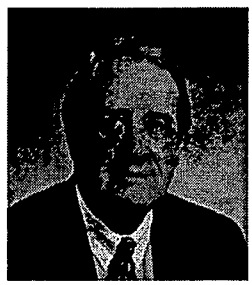
NORTH CAROLINA GENERAL ASSEMBLY

APPROPRIATIONS/GENERAL GOVERNMENT
2005 – 2006 SESSION



Senator Katie G. Dorsett

Chairman



Senator David W. Hoyle

Vice-Chairman



Senator Andrew C. Brock

Member



Senator Janet Cowell

Member



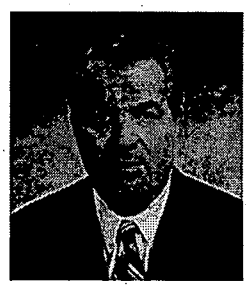
Senator Malcolm Graham

Member



Senator Jim Jacumin

Member



Senator Fred Smith

Member

HOUSE COMMITTEE on APPROPRIATIONS

Subcommittee on General Government
2005-2006

REPRESENTATIVES

MEMBER	ASSISTANT	PHONE	OFFICE	SEAT
Adams, Alma, Chair	Jamilah Sabir-Calloway	3-5902	542 LOB	67
West, Roger, Chair	Linda C. Johnson	3-5859	1004 LB	50
Lucas, Marvin, Vice Chair	Thelma Utley	3-5775	1323 LB	20
McLawhorn, Marian, Vice Chair	Susan Burleson	3-5757	1217 LB	34
Wilson, Gene, Vice Chair	Rebecca Jones-Cooper	3-7727	1109 LB	51
Daughtry, Leo	Bernice Bullard	3-5605	1209 LB	113
Goforth, Bruce	Ann Jordan	3-5746	1220 LB	21
Grady, Robert	Neta Grady	5-9644	302-A LOB	4
Pierce, Garland	Mildred Alston	3-5803	1313 LB	83
Tucker, Russell	Sally Gillis	5-3021	416-B	18

Ex Officio Members

Culpepper, Bill	Dot Crocker	5-3028	404 LOB	36
Cunningham, Pete	Valerie Rustin	3-5778	541 LOB	7
Eddins, Rick	Susan Phillips	3-5828	1002	26
Hackney, Joe	Emily Reynolds	3-5752	2207	69

Telephone numbers that begin with 3-(733 prefix) Example: Alma Adams (733-5902)
5-(715 prefix)

NORTH CAROLINA GENERAL ASSEMBLY

APPROPRIATIONS/ GENERAL GOVERNMENT
2005 – 2006 SESSION



Rep. Alma Adams
Chair

Rep. Roger West
Chair

Rep. Marvin Lucas
Vice Chair

Rep. Marian McLawhorn
Vice Chair

Rep. Gene Wilson
Vice Chair



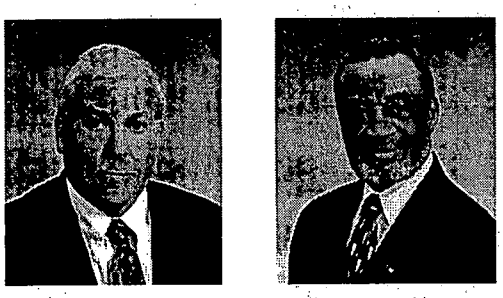
Rep. Leo Daughtry

Rep. Bruce Goforth

Rep. Robert Grady

Rep. Garland Pierce

Rep. Russell Tucker



Rep. Culpepper
Ex-officio

Rep. Cunningham
Ex-officio

Rep. Eddins
Ex-officio

Rep. Hackney
Ex-officio

ATTENDANCE

HOUSE COMMITTEE ON APPROPRIATIONS

GENERAL GOVERNMENT

2005 – 2006 SESSION

DATES		Mar 1 – 2pm	Mar 10 – 8:30am	Mar 15 -8:30am	Mar 15 – 2pm	Mar 24 – 8:30am	Mar 29– 8:30 am	Mar 29 – 2pm	Apr 5 – 8:30am	Apr 5 – 2pm	Apr 12 – 9am	May 12 -8:30am House	May 1- 8:30am House	Jun 10 – 8:30am House	
ADAMS, Alma CHAIR		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
WEST, Roger CHAIR		✓		✓			✓	✓	✓	✓	✓	✓	✓		
LUCAS, Marvin VICE-CHAIR		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
McLAWHORN, Marian VICE CHAIR		✓	✓	✓		✓			✓		✓		✓	✓	
WILSON, Gene VICE CHAIR		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
DAUGHTRY, ~~Gene~~ Leo		✓			✓	✓		✓							
GOFORTH, Bruce			✓	✓	✓	✓	✓			✓			✓	✓	
GRADY, Robert															
PIERCE, Garland		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
TUCKER, Russell		✓	✓	✓	✓	✓	✓					✓	✓	✓	
Ex-Officio:															
CULPEPPER, Bill															
CUNNINGHAM, Pete															
EDDINS, Rick															
HACKNEY, Joe															
Staff:															
Michele Nelson		✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	
Kathie Austin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Marilyn Chism		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Committee Assistant:															
Jamilah Sabir-Calloway															
Linda Johnson															

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 1, 2005
Room 425
2:00 p.m.

Chairman: Representative Alma Adams

Continuation Budget Review

Office of the Governor
(Notebook pp. 1-7; 2005-2007 Recommended Continuation Budget pp. B 28 - B 44)

Susan Rabon
Senior Assistant for Administration

Office of State Budget and Management
(Notebook pp. 1-9; 2005-2007 Recommended Continuation Budget pp. B 45 - B 52)

David McCoy
State Budget Officer

North Carolina Housing Finance Agency
(Notebook pp. 1-11; 2005-2007 Recommended Continuation Budget pp. B 53 - B 71)

A. Robert Kucab
Executive Director

VISITOR REGISTRATION SHEET

APPROPRIATIONS Subcommittee on General Government Date: March 1st

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Julie Batchelor	OSC
Gwen Canady	OSC
David Brown	OSBM
DAVID McCOY	OSBM
Pam Deardorff	RSD/DST
Pam Woodrum	DST
Robert W. Lein	S.O.S.
Ashley Montgomery	SOS
Ann K. Harris	SOS
Margaret Matrosce	NCHFA
Will Pamy-Hill	NCHFA
Heyward McKinney	DCR
BOB KUCAB	NCHFA
Charlie Perry	OSBM
Gary Miller	DOA
Frank Tramp	Gov.'s office
Kevin Howell	Gov's office
Al Ripley	NC Justice Ctr.
Ken Melton	D.O.R.
Bill Rowe	NC Justice Ctr

Joint Appropriations Subcommittee on General Government Meeting
Minutes
March 1, 2005
2:00 PM

The Joint Appropriations Subcommittee on General Government met on Tuesday, March 1, 20005, at 2:00 pm in room 425 LOB. Representative Alma Adams chaired the meeting.

She welcomed the staff, pages, clerk, agencies and Sgt. At Arms. In addition to Chairman Adams, also present were Reps. West, McLawhorn, Pierce, Lucas, Daughtry, Wilson, and Tucker and Senators Dorsett, Graham, Brock, Cowell, Smith and Jacumin. A visitor registration sheet is attached and made a part of the record. Staff present: Michele Nelson, Marilyn Chism and Kathie Young.

Office of the Governor
Rep. Adams welcomed all of the agencies present and introduced the first presenter from the Office of the Governor. Franklin Freeman, Senior Assistant for Gov't Affairs, made introductions on behalf of Governor Easley of two of the key people in the Governor's office. Ms. Rayburn, his counterpart and the senior assistant for administration presented an overall view of the Governors office, which would be followed by Mr. David Brown of the budget office who presented the details of the continuation budget. He also introduced Mr. Kevin Howell.

Susan Rayburn, Senior Assistant for Administration gave an overview of the Office of the Governor. The governor is the chief executive, the ex officio director of the budget, commander and chief of the State Military and Chairman of the Council of State. Ms. Chism (staff) pointed out that Handout from which Ms. Rayburn is speaking is in notebook behind the Governor's Office tab.

She stated the current budget is $5,706,456 of which $5,247,711 is General Fund appropriated. $358,745 is receipts. Of the budget, 75% of that is personnel. To give you an overview of what we've done over the last five years, we've cut 9 positions 13.4% and had a budget cut of 8.5%. With this budget we operate the Governor's office, the Governor's mansion, the Western Residence in Asheville, the Washington, DC office and the Eastern and Western offices. The governor's staff exists to help him carry out his responsibilities and serves at his pleasure. We advise the Governor on the policy and legal matters and we serve as liaisons with the public, media and legislature and support the administrative operation of the office. On page 7 of handout there is an organizational chart. Ms. Rayburn gave overview as printed in the handouts. Gives you an overview of where people are located and some names as well.

Chairman Adams called Mr. Brown reviewed the Governor's continuation budget for 2005-07. In your volume 2 of the recommend budget with you there are two sections in the budget document that will help you become familiar with the Governor's budget. In

The front beginning with section A2 there is a description of all the areas that Ms. Rayburn talked about and all the funds in the governor's office budget. Beginning on page B-28 the Governors continuation budget is presented. He talked about items in Column 5, which is the increase for the next fiscal year and column seven which is the increases for the second year of the biennium. Ms. Rayburn mentioned current budget is $5.7 million of which $5.2 million is general fund appropriation and they have approx. 62 positions. Most of their budget $4.2 million represents 2004/05 salaries, fringe benefits, and longevity other salary related items. That comprises the majority of the governor's office budget. Other items include personal services about 6% $343,000 for telephone, travel, printing – supplies approx. $105,000 or 2% for food, janitorial and office supplies, equipment is about $7,600 which is less than 1%. Other items include membership dues, which a large percent $360,000 in the Governor's budget. Aid and public assistance is about a half a million dollars, which represents primarily community and schools and the Brock initiative. Intergovernmental transfers approx $129,000 represents troops security.

Page B29, in middle of page – total of personnel services in column $5, 84,595 for the first year and $88, 157 for the second year. This is making the budget whole for longevity as well as other fringe benefits for the Governor's staff. In the Second section under personal services inflationary increases were allowed for utilities as well as lease increases and travel subsistence for the staff, total $37,014 – 1st year $38,372 for the second year of the biennial. Page B30 for total supplies $21,375 most of which is food and dietary supplies for the Governor's mansion in Raleigh. Equipment $20,000 each year, enables office to replace all of the pc's on a four year cycle. Other expenses and adjustments, $87,989 for 1st year – $101,861 2nd year. These are membership dues paid on behalf of the state to various organizations. These are all of the increases for the Governor's office budget. No adjustments and receipts $251,063 for the 1st year, $271,001 for the second year of the biennium.

Representative Adams made an announcement that address the concerns raised at the last meeting by Senator Smith that he would like to review the meeting materials prior to each meeting. Rep. Adams stated that materials that are provided prior to meetings will be placed in notebooks and LA's can pick them up for their respective members. Any additional information will be placed in your seat in the committee room and you will be responsible for inserting these materials in your notebooks in the proper place.

State Budget & Management (OSBM)

Rep. Adams then called on David McCoy of the Office of State Budget & Management (OSBM) Notebooks pages 1-9

Mr. McCoy stated that for last three years his agency assisted the Governor's office in managing the budget crisis. Together they worked their way through revenue shortfalls of $820 million / $1 billion 550 million and $220 million. Focus of office has changed from crisis management to being focused on improving our process and technology systems, the delivery of our services and the quality of the documents that we produce. Last October he set a goal of becoming the best budget office in the nation by working to

improve systems –office in transition. Going from crisis management to best practices from being good to being the best.

OSBM serves the Governor, the departments and the institutions by providing fiscal advise. They assist the Governor in the preparation of his budget. They represent the Governor during the legislative development process and execute the legislative re-authorized budget and make sure that other budget laws related to the budget are carried out faithfully. They have 54 employees. The office is divided into sections headed by assistant state budget officers and broken into the following sections:
Education Health and Human Services
General Government
Natural Economic Resources
Justice and Public Safety
Management Services
Economic and Fiscal Research
Transportation
Information & Technology
Capital

Their budget analysts work under assistant state budget officers and they report through Mr. McCoy's deputy Charlie Peruse to him. He outlined the specific activities of the OSBM per the attached OSBM narrative report.

Question:

Rep. Goforth: Are we no longer in a fiscal crisis? Aren't we still a billion dollars in the hole?

Mr. McCoy – I get that question a lot. What we had revenue shortfalls in 2001-02-03 & 04. We budgeted against projected revenues and when those revenues didn't materialize we had a shortfall. You hear people saying that we have a deficit now. It's not true, we haven't budgeted the money yet. What we had was potential shortfall and what the governor did was to present a budget that was balanced. O course it involves a lot of actions, $03 million in cuts to the agencies; we had to reduce continuation by $345 million. And then of course there was the tobacco tax, those types of things. If adopted by this body, we would be balanced. It is now up to the general assembly to make those decisions to guide the public.

Rep. Goforth: Don't we still have a deficit?

Mr. McCoy - As we work toward structural budget integrity what we need to do is to make sure that our revenues match our requirements. That's been our standard in our office. We've all had to at times hold our nose, and proceed in the face of decisions that were not very appealing to us at the moment. But the fact is that we came through those years and where we are today ~ We're recognized by Standard and Poor's and by Fitches as being AAA rated. Moodies has improved our outlook to positive. We are ranked by

USA Today as being the 4th best fiscally managed state in the nation. So I would say that clearly there were things that we had to do, that we preferred not to have done, but I think together we will work through this and our guide ought to be working to insure that we have budgetary structural integrity in all of our budgets.

Senator Smith: $741 million in new taxes, you've taken $144 million from excess revenue from previous years, and transferred $37 million from the tobacco trust fund, you've gotten $54 million dollars in new revenue and that's how the structural deficit has been plugged. So we still do have a structural deficit. It depends on whether you want to include the $741 million in new taxes as far as the old revenue or as far as the new revenue.

Yes, What the governor recommended would clearly bring us to balance and it would insure that we had recurring fund availability, the cigarette tax would be a recurring tax, the streamlining taxes would be recurring taxes and it would provide sufficient fund availability to work our way through. Now what we are continuing to expect is that the economy will recover, that we will grow our way out of this, but while we are growing, we also have to be as conservative as we have been. I don't think anybody can fault the governor for the type of stewardship he has exhibited over the course of the past two years. Clearly other states took what I consider to be rather foolish steps in reconciling their concerns. Our neighbor to the state of South Carolina fired the Teacher of the Year, a rather foolish thing. Missouri turned prisoners loose. Other states fired state highway patrolmen. What we are interested in doing is making sure that we have sufficient revenue availability to cure our structural issues, and recognize there are structural issues, but we have to attend to them. Now it is up to this body to make those decisions.

Follow up: Senator Smith: Why do we budget for 5,000 positions that no person occupies, $200 million basically contingent budgeting that your office does. I could understand if you say we need $50 million to fill positions that agencies have to have, but the total budget for 5,000 positions equals $200 million which requires you to go raise taxes and extend taxes and to do things like that. I don't understand that.

Well its not that there are 5,000 positions that remain constantly vacant. I think that's a misperception. For example in the department of corrections, they use an awful lot of the fund availability that is generated by lapsed salary in order to meet their medical service requirements. The positions, just like in any organizations, you have people that resign to find other work, people that retire. There are times that positions are open. There are agencies that frankly, because of the circumstances they find themselves in, they have held positions for a while in order to generate sufficient lapsed salary to meet operating expenses. In the department of corrections, if you ask Secretary Beck if he were will to trade accruing up of his budget, fully funding all of his requirements so that he didn't have to hold positions vacant, it think he would take you up on it.

What does earmarked mean. It is an earmark of the credit balance.

Question: Senator Graham: No funds in there for structural improvement regarding education or overcrowding in urban school districts. How does the office intend to address this issue?

Answer: There was 65 million in the capital schools fund. There is existing legislation that earmarks a portion of corporate tax collection that equates to about $60 million a year that is earmarked for local public schools. There was a public school bond passed by this body and voted on in the mid 90s and we are in full throttle with that public school construction and in 05/06 in our debt service budget which is a state-wide issue there is $525 million for public school capital. So between those two were approaching in the recommended budget from the Governor this year close $200 million going to capital construction for the public school system.

Follow up: Sen. Graham: Are they carryover dollars?

Answer: Yes, there is no new money. That is to continue what we are currently doing.

Follow up: Senator Graham: What we are currently doing is not sufficient to meet the demand. I'm not sure that the growth is keeping up with the dollars.

Answer: That is not the information that we have from DPI (Department of Public Instruction and we budgeted accordingly with the advice and counsel that we received from the Department of Public Instruction.

David Brown gave detail on continuation budget.

Start on A4 13.005, page B45. Current $4.9 million of which $4.8 million is approx. 90% is for salary and related items.
Turn to page B46. Briefly review increases in columns 5 and 7. In the first section personnel services, those were increases in longevity and social security for staff the office for both years. The next section, total purchase services, $20,000 for travel and other employee expenses which we are allowed in the continuation budget, $53,2900 includes insurance, registration fees, staff development of $12,500. 30,000 for equipment for both years, which puts the office on a four-year replacement cycle for the computers in the office.

2nd budget code is located on page A6. 1317, page B72.
OSBM - disaster relief fund.

3rd budget code is on page B78. This is the reserve for the general assembly appropriation. The only adjustments in columns 4 and 5 are the reductions for non-recurring appropriation that was appropriated for the 2004-05 fiscal year by the general assembly.

Housing Finance Agency

Staff supervised additional information distributed to the members from State Housing Finance Agency.

Rep. Adams then called on A. Robert Kucab, Director of Housing Finance Agency. He Introduced members of his staff present. Summarized key points in written materials provided.

Agency was created by the General Assembly in 1973 and was given one mission: to finance housing for persons who are not adequately served by the market. Housing problems affect over $2 million North Carolinians. The most common problem is cost. Rents and housing prices have increased at a faster rate than personal income. It is a particular problem for people in service or retail occupations, which have been the fastest growing in our state. One example is renters with incomes below 30% medium including 167,000 families that subsist on disability income alone. A majority of those households pay more than half their income for housing expense, which crowds out other things from their budget.

Agency structure:
13-member board of Directors (Exhibit 1 lists Board of Directors)

Agency is self-supporting, with an annual budget of $9.1 million for staff, operating and capital costs. Operating costs stay consistently less than 2% of the real estate activity that we generate. They stay self supporting by charging fees for the work we do; whether it's work for HUD or work for private developers, and by making loans at a slightly higher yield than our borrowing cost. They follow the basic mortgage-banking model and they do it under the rules of the Internal Revenue Service. Our balance sheet is about $1.6 million, all of our debt is rated AA, all if it secured by real estate and insurance and guarantees, and none of it is an obligation of the state.

Exhibit 2 – organization chart (105 professionals)was explained. They have won 12 national awards in the past 10 years for the work they do.

Each of the programs is summarized in Exhibit 3. Not involved in a lot of advocacy work. They do some, but their board channels most of their energy in housing production. In 2004, they financed 5,035 homes and apartments and provided emergency repair grants or rehabilitation loans to another 835 disabled or elderly homeowners. They managed $113 million of federal rent subsidies to support 24,000 tenants in over 560 apartment communities across the state. Their total real estate activity exceeded $607 million, which was a 19% increase over 2003.

Last session the General Assembly approved a special appropriation of $1,725,000 to initiate a home protection pilot program in order to provide counseling and loans for persons laid off from jobs and to prevent them from losing their homes. (Supplementary handout page 12) Pilot is underway in eight counties using a network of local counseling agencies, legal aid offices, the fair housing center, etc. All the funds have been committed. There are about 25 applications in the pipeline; approved two. Their agency has so far absorbed their administrative costs so that they can maximize the number of homes to be saved under the pilot.

Agency provides valuable service. Many of the families they work with would loose their homes if it were not for intervention.

Exhibit four shows that in the base budget, the general assembly provides two important state appropriations. One for the state's required match under the federal home program and one for the state's housing trust fund. [pg 10] Those appropriations total $4,750,945. Since 1990, the general assembly has appropriated a part of the required 25% match for the federal home program, which is a block grant of about $20 million each year. $1,750,945 is in the current budget for the state's contribution toward the required $5 million match for this year.

2nd appropriation on page 10 is for the State housing trust fund. Since 1987 the general assembly has appropriated about $74 million to the trust fund and $3 million is in the current budget. Agency manages the trust fund at no cost to the state. The 13-member housing partnership with eight members appointed by the general assembly oversees how funds are spent each year. It is the only state-designed, state-managed housing finance program with the flexibility to finance everything from homeless shelters to transitional housing to first-time homebuyer loans. All the state's appropriations go into bricks and mortar. Our agency pays the full administrative costs. It leverages 3 dollars of other money for every dollar of state funds. It is shown to be proven success in all counties.

345 families will benefit from these two appropriations. These appropriations will create 175 jobs, $10 million of tax base and raise state and local taxes by $1.6 million.

Question: Senator Dorsett: Did the Home protection program require additional personnel?

We hired one person who has since left us. We rely on partnerships and existing staff. We have a network of organizations that we work with. Were we to expand or continue we will be required to build an additional staff group around this activity.

Do you have enough information at this point feel that it is advisable to expand this from the eight counties.

It's a service that a lot of households that have been laid off from work can benefit from. The cost and benefits will have to be weighed by member of this body. It is an important activity that provides a great public good.

$1.7 million – Do you anticipate that in the next few years that it will be self-supporting.

I would not see that for the foreseeable future that this would be self-supporting. It would take some considerable period of time and repetitive investments for that to occur. The loans are being made at 0% interest and they amortized and it is subject to the ability of customers to repay.

Committee meeting wad adjourned at 10:00 am.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk



OFFICE OF THE GOVERNOR

Information Requested for the Joint Appropriations Subcommittee on

General Government
March 1, 2005

Office of the Governor

Origins of the Office

According to the North Carolina Manual, the Office of the Governor is the oldest governmental office in North Carolina, dating back to the first colony on Roanoke Island. The 1972 reorganization created the Office of the Governor as one of the major departments in the executive branch of state government.

The Governor is authorized to have under his immediate jurisdiction various assistants and personnel to help carry out his functions as Chief Executive of the state. The size and configuration of the office vary, according to the style and priorities of the incumbent.

Major Roles and Functions

The Governor has many roles. His constitutional and statutory duties include the roles of Chief Executive, Director of the Budget, Commander-in-Chief of the state military, and Chairman of the Council of State. He is directed to "take care" that all state laws are faithfully executed and has the authority to convene extra sessions of the General Assembly. He has the power to grant pardons and commutations, issue extradition warrants and requests, join interstate compacts, and reorganize and consolidate state agencies. He has final authority over all state expenditures and ultimate responsibility for administration of federal funds and loans.

Organization and Management

The Governor's Office and its staff exist to help the Governor carry out his responsibilities and serve at his pleasure. The Governor's staff advises the Governor on policy matters; serves as liaisons with the public, media, and legislature; and supports the administrative operation of the Governor's Office.

<u>Key Offices Reporting to Governor</u>

In addition to the Governor's internal staff, several other offices report to the Governor through the Senior Assistants. These include:

- ITS (Information Technology Services)
- Office of State Budget and Management
- Office of State Personnel

Administration

The Administration account covers all organizational units and all internal staff.

The Senior Assistant for Administration and Senior Assistant for Governmental Affairs assist the Governor by managing the Office of the Governor and its staff. The Senior Advisor for Business/Economic Affairs serves as a liaison between the Governor and the business community, working closely with the Economic Development Board and state agencies to devise and implement long-term strategies for the state in this transitional economy. In addition, they provide the Governor with assistance in the development of his legislative and budgetary policies. They also serve as the Governor's liaison to the Executive Cabinet and Council of State Agencies. Together, they are responsible for advising the Governor on all key issues, overseeing the staff's effort to carry out the Governor's agenda, ensuring that the Governor's Office is responsive to citizen concerns, and managing the internal operations of the Governor's Office.

The Governor's Senior Advisor for Fiscal Affairs advises the Governor and his staff on the budgetary issues of the state. This role has been a critical one during this Administration. This position serves as a liaison between the State Budget Office and the Governor's staff.

The Policy Office advises the Governor on budget, legislation, and policy initiatives. The Director serves as one of the Governor's top advisors, and each policy advisor handles cross-agency policy matters and coordinates activities in those areas between the Governor's Office and the responsible federal, state and local agencies and organizations.

The Legal Counsel's Office monitors all legal issues related to the Governor and his cabinet. They advise the Governor when policy developments involve legal issues, coordinate judicial appointments, administer clemency requests, coordinate the preparation and execution of all Executive Orders and directives issued by the Governor, and oversee the Governor's execution of all deeds, easements, leases, and similar legal documents.

The Director of External Affairs coordinates all external outreach. This encompasses the Press Office, the Office of Citizen and Community Services and Intergovernmental Relations. The Press Office manages the overall operations of media relations and acts as the primary liaison with the media for the Governor and coordinates daily outreach with reporters in Raleigh and across the State. The Press Office devises and directs the implementation of media outreach initiatives, staffs the Governor during press events, and drafts press releases, speeches and other communications. In addition, the Office of Citizen and Community Services responds to inquiries on state government matters, recognizes outstanding achievement through awards and proclamations, and ensures that the Governor's correspondence is responded to in a timely manner.

The Legislative Office is responsible for working with the Governor and the Cabinet agencies to develop the Governor's legislative agenda; developing and maintaining relationships with

legislators and legislative leaders; and reviewing and tracking legislation. The Senior Assistant for Governmental Affairs is the chief lobbyist for the Governor, advises the Governor whether to sign or veto bills, and updates the Governor on the current status of bills.

The Office of Community Affairs and the Office of Hispanic / Latino Affairs serve as liaisons with the statewide minority populations, advise the Governor on policy, legislation and personnel issues of concern to our minority populations, and make recommendations.

The Office of Boards and Commissions advises the Governor on prospects for appointment to approximately 400 boards and commissions and makes recommendations of qualified individuals. The office also monitors the creation or abolition of boards and commissions, keeps a record of changes in the membership, and assists the citizens of the state interested in serving on a board or commission.

The Office of Intergovernmental Relations

The Office of Intergovernmental Relations is responsible for coordinating state-federal issues and state-local issues that are of importance to North Carolina. Staff works directly with personnel in the federal agencies and with Congressional Members and staff, and the office serves as the point of contact for the state's participation in national and regional organizations. The office also acts as the liaison with the counties and cities interests in the state. The Governor's Washington, D.C., Eastern NC and Western NC offices are elements of the intergovernmental structure for ensuring that government services are responsive to the needs of all North Carolinians.

Education

The Governor's Senior Education Advisor leads the Education Policy Office and keeps the Governor updated on major education issues at the local, state, regional, and national level, especially issues that have implications for any of the education sectors within the state. The Education Policy Office, which also includes the Governor's Teacher Advisor, assists the Governor in implementing his education initiatives by staying abreast of data and trends affecting teachers, K-12 schools, community colleges, and universities.

Also a part of the Governor's staff is the North Carolina Business Committee for Education (NCBCE). This 501 (c)(3) organization, in operation since 1983, is comprised of over 100 businesses and industries whose total focus is improving education in North Carolina. The State of North Carolina provides partial salary for the Executive Director and one clerical staff member, with NCBCE providing hundreds of thousands of dollars in funds and in-kind services to improve education. NCBCE is governed by a Board of Directors.

Raleigh Executive Residence

Staff of the Executive Mansion attend to the personal needs of the first family, provide staff support to the First Lady, maintain the Mansion and grounds, and administer a large variety of public and private functions.

Western Executive Residence

These funds are for utilities, general maintenance and operation for the Western Residence.

North Carolina Commission on Volunteerism and Community Service

The NC Commission on Volunteerism and Community Service is responsible for administering a number of federally funded grants that support volunteer efforts in the state, including AmeriCorps, Learn and Serve Community Based programs, the Homeland Security Volunteer Initiative and the Citizen Corps Councils.

The Commission is also responsible for the management of all donations – cash, inkind and volunteer resources – during emergencies, administering the NC Outstanding Volunteer Awards, and the Governor's Page Program. Housed within the Commission, the NC Mentoring Partnership supports mentoring programs across the state by providing various training and technical assistance initiatives. The Commission also works with the 56 county Volunteer Centers to increase the number of North Carolina citizens who volunteer to make their communities better places to live.

02/01/05

Office of the Governor
Continuation Budget

Fund 1110 **Administration**	Actual 2003-04	Authorized 2004-05	Recommended Budget 2005-06	Recommended Budget 2006-07
Number of Positions	42.00	42.00	42.00	42.00
Requirements	$ 3,220,746	$ 3,374,251	$ 3,487,810	$ 3,490,649
Receipts	85,434	60,717	60,717	60,717
Appropriation	$ 3,135,312	$ 3,313,534	$ 3,427,093	$ 3,429,932
Recommended Continuation Budget			**$ 3,427,093**	**$ 3,429,932**

Fund 1120 **Dues to National Associations**	Actual 2003-04	Authorized 2004-05	Recommended Budget 2005-06	Recommended Budget 2006-07
Number of Positions	0.00	0.00	0.00	0.00
Requirements	$ 391,965	$ 322,679	$ 410,668	$ 424,540
Receipts	0	0	0	0
Appropriation	$ 391,965	$ 322,679	$ 410,668	$ 424,540
Recommended Continuation Budget			**$ 410,668**	**$ 424,540**

Fund 1130 **Intergovernmental Relations**	Actual 2003-04	Authorized 2004-05	Recommended Budget 2005-06	Recommended Budget 2006-07
Number of Positions	4.00	4.00	4.00	4.00
Requirements	$ 757,915	$ 488,412	$ 489,057	$ 489,057
Receipts	28,000	28,125	28,125	28,125
Appropriation	$ 729,915	$ 460,287	$ 460,932	$ 460,932
Recommended Continuation Budget			**$ 460,932**	**$ 460,932**

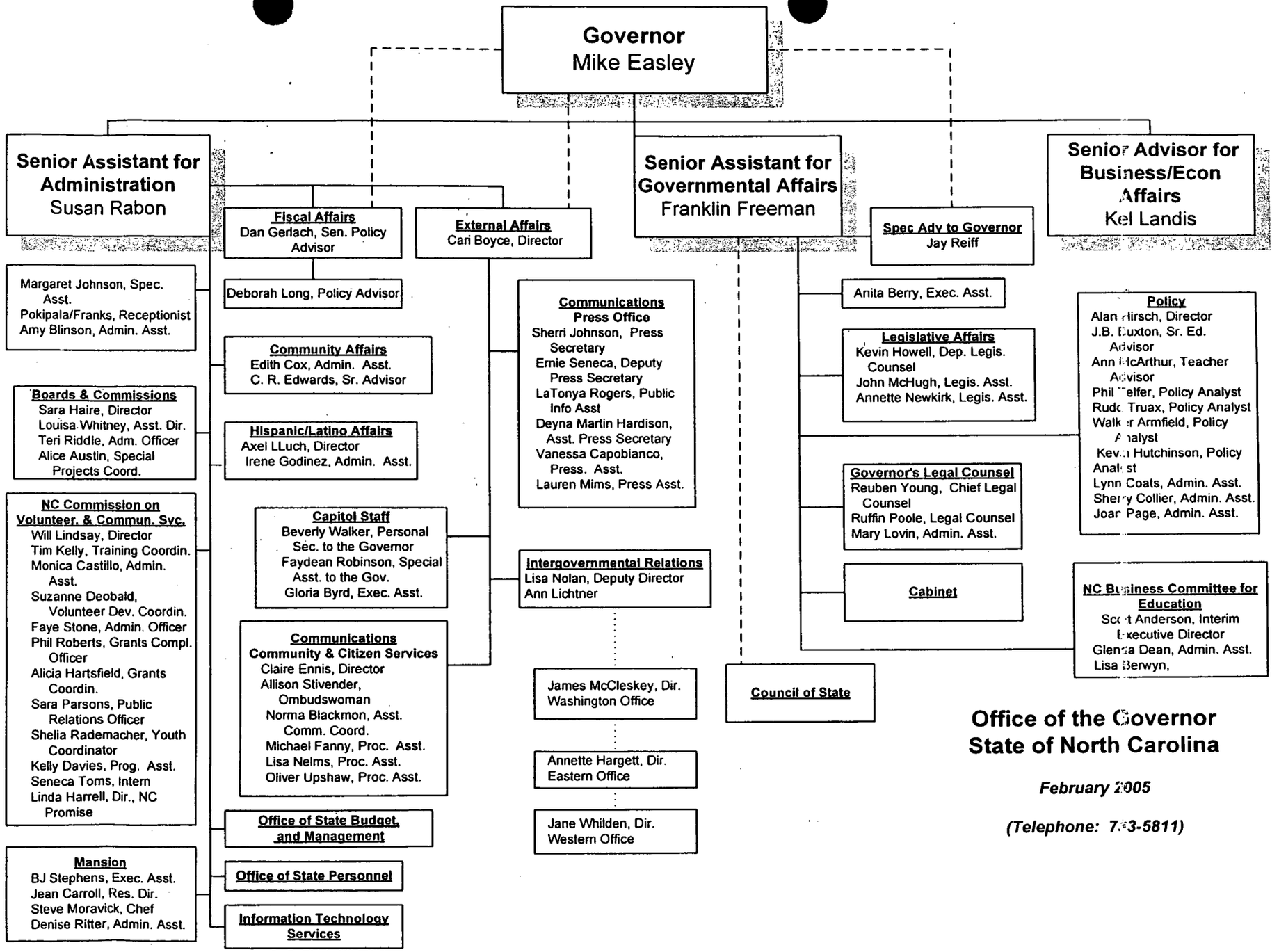
Fund 1210 **Citizens' Affairs**	Actual 2003-04	Authorized 2004-05	Recommended Budget 2005-06	Recommended Budget 2006-07
Number of Positions	5.20	5.20	5.20	5.20
Requirements	$ 215,810	$ 255,959	$ 256,501	$ 256,690
Receipts	0	0	0	0
Appropriation	$ 215,810	$ 255,959	$ 256,501	$ 256,690
Recommended Continuation Budget			**$ 256,501**	**$ 256,690**

Fund 1230 **Education**	Actual 2003-04	Authorized 2004-05	Recommended Budget 2005-06	Recommended Budget 2006-07
Number of Positions	7.00	7.00	7.00	7.00
Requirements	$ 379,158	$ 471,386	$ 480,514	$ 480,514
Receipts	100,275	127,318	127,318	127,318
Appropriation	$ 278,883	$ 344,068	$ 353,196	$ 353,196
Recommended Continuation Budget			**$ 353,196**	**$ 353,196**

Fund 1631 **Raleigh Executive Residence**	Actual 2003-04	Authorized 2004-05	Recommended Budget 2005-06	Recommended Budget 2006-07
Number of Positions	4.00	4.00	4.00	4.00
Requirements	$ 512,750	$ 466,071	$ 502,910	$ 505,758
Receipts	60,800	94,524	94,524	94,524
Appropriation	$ 451,950	$ 371,547	$ 408,386	$ 411,234
Recommended Continuation Budget			**$ 408,386**	**$ 411,234**

Fund 1632 **Western Executive Residence**	Actual 2003-04	Authorized 2004-05	Recommended Budget 2005-06	Recommended Budget 2006-07
Number of Positions	0.00	0.00	0.00	0.00
Requirements	$ 14,051	$ 13,553	$ 15,914	$ 16,104
Receipts	8,095	8,100	8,100	8,100
Appropriation	$ 5,956	$ 5,453	$ 7,814	$ 8,004
Recommended Continuation Budget			**$ 7,814**	**$ 8,004**

Recommended Continuation Budget 13000	**$ 5,209,791**	**$ 5,073,527**	**$ 5,324,590**	**$ 5,344,528**



Office of the Governor
State of North Carolina

February 2005

(Telephone: 733-5811)



OFFICE OF STATE BUDGET AND MANAGEMENT

Information Requested for the Joint Appropriations Subcommittee on

General Government
March 1, 2005

OFFICE OF STATE BUDGET AND MANAGEMENT

The Office of State Budget and Management serves the Governor and the state departments and institutions by providing fiscal advice, assisting the Governor in the preparation of the Governor's budget recommendations to the General Assembly, representing the Governor during the legislative budget development process, and executing the legislatively authorized budget and other budget related laws in accordance with the Executive Budget Act, G.S. § 143-1 et. seq.

The Office of State Budget and Management (OSBM) has 54 employees and an operating budget of $4,517,537. The Office is divided into sections headed by Assistant State Budget Officers or Senior Budget Analysts. The sections include: Education, Health and Human Services, General Government and Natural and Economic Resources, Justice and Public Safety, Management Services, Economic and Fiscal Research, Transportation, Information Technology, and Capital. Budget Analysts work under the supervision of Assistant State Budget Officers and are responsible for the day to day tasks associated with the preparation and administration of the State's budget including the processing of budget revisions and monthly allotments.

In addition to the above, the OSBM has a Fiscal Office that reports to the State Budget Officer. The Fiscal Office is responsible for the business functions of the Governor's Office as well as OSBM. This includes the preparation of budget estimates for the two offices, deposit of all incoming funds, payment of invoices, and the preparation of requests for allotments and requisition of funds. Similarly, the Human Resources section in OSBM is responsible for providing personnel services to employees of the Governor's Office and OSBM.

The OSBM performs the following activities, many of which are jointly performed by the various sections.

Budget Development, Execution and Oversight

- Prepares the Governor's recommended budget based on the Governor's priorities within the fiscal parameters determined by the Governor.
- Assists departments, institutions, and agencies in the preparation and submission of biennial continuation and expansion budgets.
- Certifies the Budget enacted by the General Assembly.
- Monitors agency budgets through the Budget Preparation System, Budget Revision System, Cash Management System, and Salary Control System.

- Reviews and approves/disapproves all requests for revision to current operation budget. Final decision on revision rests with OSBM.

- Ensures that agency budget actions are consistent with the Executive Budget Act and state budget bill enacted by the General Assembly.

- Allots funds to agencies on a monthly or quarterly basis to manage statewide spending.

- Each month, monitors agency expenditures, realized receipts against budgeted receipts, and appropriation balances (or more frequently as needed).

- Advises appropriate members of senior administration management on agency issues with significant and/or ongoing budgetary implications.

- Attends committee/commission meetings to stay informed of database and programmatic implications of appropriation recommendations and decisions.

- Analyzes special provisions submitted to OSBM by agencies, assists agency and Governor's senior management on provisions that are to be supported and submitted to Fiscal Research. Provides interpretation of legislatively adopted special provisions for agencies.

Economic and Fiscal Research

- Prepares projections of General Fund tax and non-tax revenue that support the Governor's biennial budget recommendations.

- Monitors the activities of the House and Senate finance committees regarding legislation affecting the state budget.

- Prepares projections of Highway Fund and Highway Trust Fund revenue that support the Governor's budget recommendations (in conjunction with the Transportation Analyst).

- Monitors monthly revenue collections (General Fund, Highway Fund and Highway Trust Fund) and provides appropriate briefings on the same.

- Develops the inflation guidelines provided to state agencies in the development of the biennial continuation budget.

- Prepares and publishes the North Carolina "Tax Guide," a compilation of information and statistics on state and local taxation.

- Prepares fiscal notes on the economic impact of changes in state rules on government and the private sector as required under the Administrative Procedures Act.

- Coordinates APA fiscal note activities with the Office of Administrative Hearings and the Rules Review Commission.

- Prepares and publishes an annual report on administrative rules having a fiscal impact on local governments.

Management Section

- Provides Management consultation and analysis for state agencies and institutions. Services include organization and operational reviews; workload and staffing analyses; workflow analysis, redesign, and reengineering; program evaluations; cost/benefit analyses; privatization assessment; performance measurement analyses; unit cost, activity costs and fee development; need assessments, etc.

- Conducts special or rapid response business and program analysis as directed by the Governor.

- Conducts special studies as directed by the General Assembly.

- Initiates or participates in studies/analyses addressing cross agency or enterprise wide issues.

- Performs activities related to legislatively mandated reporting by state agencies and other entities. Examples include fee reporting, designation of duty reporting, non-state entity reporting, budget flexibility reporting, etc.

- Provides staff support and analysis for special commissions and councils, such as the Governor's Business Council for Fiscal Reform, the Commission to Promote Efficiency in State Government, and the Governor's Loophole Closing and Efficiency Commission.

- Manages formal and informal data partnerships with the Census Bureau, the Bureau of Economic Analysis, and forty State Data Center affiliates to improve the quality and availability of federal statistics to all citizens.

- Designs and enhances mathematical models and computer programs for certified populations estimates and official projections, which are used for distribution of state-shared revenues and decision making.

- Formulates and promotes standards for data documentation and indexing to help researchers find information. Examples include the North Carolina Government Information Locator Service (NC GILS) and the Community Resource Information System (CRIS).

- Develops Web-enabled database applications to make preparation and reporting of statewide budget documents more user-friendly and efficient for budget stakeholders. Examples include the Governor's Recommended Budget, Post-Legislative Budget Summary, and the North Carolina State Government Fee Report.

- Develops Web-enabled database applications to collect, organize, and explain thousands of statistical data items at the state, county, and sub-county levels for users worldwide. Applications include Log Into North Carolina (LINC), Census Lookup, and State Comparisons.

- Provides back-up technical support to state agencies for mainframe budget systems and to OSBM staff for office PCs and networks in order to maintain vital computing services.

- Responds to demographic and socioeconomic data inquiries through consulting and analysis, technical assistance, product development, and training in use and application of data.

- Analyzes business processes and data in order to produce data models that support application development.

Salary and Benefits

- Collects and analyzes state agency, University System, Community College System, and public school position and salary data annually.

- Reviews and analyzes budget and policy issues related to employee compensation, the Retirement System, the State Health Plan, and related employee benefit plans.

- Conducts or participates in management studies on employee compensation and benefit programs.

- Prepares schedules reflecting costs of providing legislative increases, bonuses, and merit increases.

- Tracks State Health Plan monthly financial reports and reacts accordingly.

- Reviews, analyzes, and posts budget revisions that pertain to new positions and salary reserve transfers to the Salary Control System.

- Monitors meetings (and provides staff support as appropriate) of various benefits boards and commissions. Examples include the Retirement System Board(s), State Health Plan Board of Trustees, FLEX Benefits Committee, Employee Special Pay Plan Board, etc.

- Monitors current salary reserve balances and budgeted position values for all appropriation-supported positions and most federal and receipts-supported positions.

- Reconciles legislative salary increase schedules, certified budgets, and BD 119s against the salary reserve system.

- Reconciles and balances each operating fund and budget code related to salaries.

- Provides help desk support for personnel actions, legislative increase transmittals, certified budget, personnel documents, etc.

Information Technology

- Integrates and coordinates the information systems review and certification conducted by the Office of State Budget and Management (OSBM) and the Office of Information Technology Services (ITS).

- Provides technical support to OSBM and agency staff on mainframe budget systems, PC/LAN/server applications, and Web applications.

- Provides system and database administration and maintains computing infrastructure and security to ensure stable environment for application development and user access.

- Designs and develops enhancements to OSBM mainframe budget systems, PC/LAN/server applications and Web applications.

- Designs and develops new mainframe, PC/LAN/server, and Web applications.

- Maintains mainframe budget systems, PC/LAN/server applications, and Web applications.

- Provides project management and data base administration services.

- Provides training and staff development on OSBM applications to OSBM and agency staff.

- Provides security and disaster recovery services for OSBM systems.

- Provides various data analyses and specialized reports for OSBM management and staff.

- Interacts with Office of State Personnel, Office of the State Controller, and agency staff to ensure the appropriate interfaces with other business infrastructure systems.

Office of State Budget and Management
Continuation Budget

Fund **1310** **State Budget and Management**	**Actual** 2003-04	**Authorized** 2004-05	**Recommended Budget** 2005-06	2006-07
Number of Positions	52	54	54	54
Requirements	$4,591,973	$5,146,848	$4,870,514	$4,875,074
Receipts	$ 10,093	$ 280,488	$ 56,143	$ 56,143
Appropriation	$4,581,880	$4,866,358	$4,814,371	$4,818,931
Fund **1910**				
Reserves and Transfers	$ -	$ 100,000	$ 100,000	$ 100,000
Receipts	$ -	-	-	-
Appropriation	$ -	$ 100,000	$ 100,000	$ 100,000
Recommended Continuation Budget 13005			$4,914,371	$4,918,931

Breakdown of FY 2005-06 Recommended Budget: $4,914,371 and 54 employees

Personnel expenditures		$4,248,447	(86.5%)
- includes salaries, retirement, health, etc.			
Operating funds		$ 488,224	(9.9%)
- telephone, computer, ITS charges	$167,400		
- contractual services (DRI)	$153,610		
- maintenance, leases, travel, etc.	$167,214		
General administrative supplies		$ 20,028	(1.6%)
Furniture, computers, equipment		$ 51,086	
Dues, subscriptions, other expenses		$ 6,556	
Reserves and Transfers		$ 100,000	(2.0%)
		$4,914,371	

NORTH CAROLINA

HOUSING

FINANCE

AGENCY

Continuation Budget Overview

Prepared for the Joint
General Government Appropriations Subcommittee

By the
North Carolina Housing Finance Agency

March 1, 2005

NORTH CAROLINA
HOUSING
FINANCE
AGENCY

MEMORANDUM

TO: Appropriations Subcommittee on General Government

FROM: A. Robert Kucab
Executive Director

DATE: February 4, 2005

SUBJECT: Fiscal Year 2005/2006 Continuation Budget Overview

A self-supporting
public agency

A. Robert Kucab
Executive Director

PO Box 28066
Raleigh, NC
27611-8066

3508 Bush Street
Raleigh, NC
27609-7509

TEL. 919-877-5700
FAX. 919-877-5701
www.nchfa.com

STATEMENT: I appreciate this opportunity to review activities of the N.C. Housing Finance Agency and the Continuation Budget appropriation for affordable housing investments that have significant economic and social benefits.

Who we are:

- A public agency created in 1973 by the General Assembly
- Overseen by a 13 member Board of Directors (exhibit 1)
- Self-supporting for an operating budget of $9.1 million
- 105 professionals (exhibit 2)
- A balance sheet of $1.6 billion, separately audited by a national CPA firm

What we do:

- We have financed 163,600 affordable homes and apartments.
- We work through hundreds of for-profit and nonprofit partners.
- We manage the federal HOME Program, federal and state housing tax credits, the state Housing Trust Fund, and we sell tax-exempt bonds to raise capital for housing.
- We finance homes for first-time buyers, affordable apartments, housing rehabilitation, emergency repairs, and supportive housing for the disabled and the homeless (exhibit 3).
- In 2004, we financed 5,035 homes and apartments and rehabilitated 835 homes with a total real estate value of $494 million. We also managed $113.8 million of federal rent subsidies for 24,000 apartments. We initiated a Home Protection Program in 8 counties to provide counseling and loans to persons laid off from jobs who may lose their homes.

What the General Assembly provides:

- Since 1987, the General Assembly has appropriated money for the Housing Trust Fund and $3 million is in the base budget this year (exhibit 4).
- Since 1990, the General Assembly has appropriated a part of the match for the federal HOME Program and $1.75 million is in the base budget this year, less reversions of $48,750 (exhibit 4).

Why housing investments are important:

- Housing needs affect 2 million North Carolinians

Why the appropriations are important:

- The federal HOME Program match is vital to ensure that the state receives the full amount of federal housing funding that is available. The federal HOME Program is a block grant that requires a 25% match for funds expended each year. Based on forecasted activity, $5 million will be required in fy 2005/2006 to draw down approximately $20 million of federal funds. In previous years, our Agency has been required to raise the balance of the match through other activities. There is no assurance that we can continue to meet HUD's requirements.

- The Housing Trust Fund is the only state-designed and state-managed housing finance program with the flexibility to address critical housing problems like domestic violence shelters and emergency repairs for extremely low-income seniors. Our agency pays all administrative costs, so state appropriations are only for "bricks and mortar". The Trust Fund leverages $3 additional for every $1 of state funds and it has benefited all 100 counties. It is a proven success with investments in nearly 15,000 homes and apartments.

What the appropriations do:

- The $1.75 million appropriation for the federal HOME Program match will provide 185 disabled persons with critically needed rent assistance, and enable them to afford apartments in their community.

- The $3 million appropriation for the Housing Trust Fund will finance 100 new apartments of supported housing for persons with disabilities or who are homeless, and 60 home purchases by first time buyers, including Habitat for Humanity participants. A total of 160 families will benefit.

Why housing investments make business sense:

- These housing investments are economic development, as the construction activity will create 175 jobs and will expand the local tax base by about $10 million.

- These housing investments will return about $1.6 million to the state and to local governments through higher tax collections.

Exhibit 1

BOARD OF DIRECTORS

NORTH CAROLINA HOUSING FINANCE AGENCY

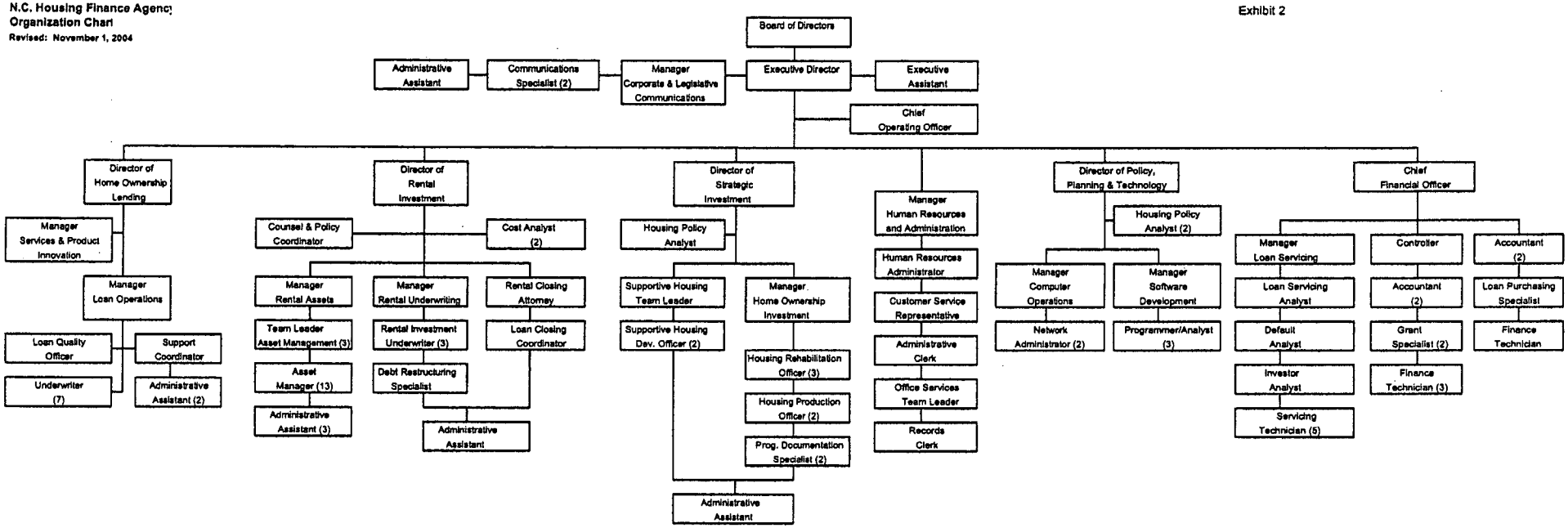
NAME	TELEPHONE	APPOINTED	OCCUPATION	TERM EXPIRES
Chairman				
Lucius Jones P.O. Box 128 Wendell, NC 27591	(919) 365-7196	12/2/93 10/23/97 8/17/01 Appointed by Governor Easley as Chairman	President, United Realty Wendell	6/30/05
Sam Ewell, Jr. P.O. Box 1507 Wendell, NC 27591	(919) 365-7503	9/23/03 Recommended by President Pro Tempore M. Basnight	Retired (undesignated)	6/30/05
William Fitzgerald 1303 Dunbar Drive Laurinburg, NC 28352	(910) 462-2016	7/21/99 Recommended by President Pro Tempore M. Basnight 12/5/01 Recommended by Speaker of the House J. Black	Private Businessman (undesignated)	6/30/05
Patricia Garrett 1201 Greenwood Cliff, Suite 300 Charlotte, NC 28204	(704) 342-0933	7/21/99 11/6/01 Recommended by President Pro Tempore M. Basnight	President, Charlotte-Mecklenburg Housing Partnership (undesignated)	6/30/07
Booker T. Jones 97 Water Lane Mesic, NC 28515	(252) 745-4800	9/6/94 6/12/98 7/15/02 Appointed by Gov. Easley	Housing Advocate Bayboro (subsidized housing management)	6/30/06
Mark McGoldrick Allen Tate Mortgage Services, Inc. 8640 University Executive Park Dr., Suite A Charlotte, NC 28262	(704) 547-5601	10/24/03 Recommended by Speaker R. Morgan	President Allen Tate Mortgage Services, Inc. Charlotte (mortgage servicing representative)	6/30/05

Exhibit 1

NAME	TELEPHONE	APPOINTED	OCCUPATION	TERM EXPIRES
James W. Oglesby J.W. Oglesby & Associates, Inc. P.O. Box 7156 Asheville, NC 28802	(828) 665-7733	10/24/03 Recommended by Speaker R. Morgan	J.W. Oglesby & Associates, Inc. Asheville (undesignated)	6/30/05
Joseph R. Parker Premier Mortgage 3200 Croasdale Drive Suite 205 Durham, NC 27705	(919) 383-9166	8/12/02 Appointed by Gov. Easley	Premier Mortgage Durham (community planning)	6/30/06
Jimmy W. Smith P.O. Box 608 Nashville, NC 27856	(919) 459-3025	4/14/94 3/14/96 4/16/98 4/7/00 4/18/02 Elected as Thirteenth Member	Owner, Insurance Center Nashville (undesignated)	4/16/05
James V. Tarlton Shook & Tarlton 926 2nd Street, NE Hickory, NC 28601	(828) 324-9780	10/24/03 Recommended by Speaker R. Morgan	Shook & Tarlton Hickory (licensed real estate broker)	6/30/05
William M. Womble, Jr. P.O. Box 910 Sanford, NC 27330	(919) 775-7604	7/27/95 Recommended by President of the Senate 7/21/99 12/6/01 Recommended by President Pro Tempore M. Basnight	Private Businessman Sanford (savings & loan institution)	6/30/05
Charles J. Worth P.O. Box 411 Manson, NC 27553	(252) 257-0787	11/1/01 Appointed by Gov. Easley	Charles J. Worth & Assoc., Inc. Manson (manufactured housing representative)	6/30/05
Robert Yatko 306 S. Columbia Street Gastonia, NC 28054	(704) 864-0094	7/21/99 12/6/01 Recommended by President Pro Tempore M. Basnight	President Wren Homes Builders (home building)	6/30/05

N.C. Housing Finance Agency
Organization Chart
Revised: November 1, 2004

Exhibit 2



105 Approved Full Time Positions

NORTH CAROLINA HOUSING FINANCE AGENCY

Summary of Programs



Homeownership Programs

• For Individuals

The First-Time Home Buyer Mortgage offers an interest rate below the market rate. It is targeted to moderate- and low-income individuals who haven't owned a home in three years. Also available are interest-free, deferred second mortgages up to $7,000 to pay a substantial part of the downpayment and closing costs for homebuyers below 80% of area median income.

A HomeSaver feature helps borrowers who use the Agency's mortgage to keep their home, even if they lose their job. The Agency will advance principal and interest payments for up to four months for borrowers who lose their jobs through no fault of their own. The funds are repaid at 0% interest when the home is sold or refinanced.

The Mortgage Credit Certificate (MCC) is an option for some buyers who do not qualify for the Agency's mortgages because of their debt ratios, credit issues or other reasons. An MCC reduces a homeowner's tax liability, dollar-for-dollar, by 20% of the mortgage interest they pay. The maximum MCC tax credit is $2,000 a year.

To learn more, visit www.nchfa.com or call the Agency at 919-877-5700 and ask to speak to an underwriter.

• For Local Governments & Nonprofit Organizations

The New Homes Loan Pool provides interest-free, deferred-payment second mortgage loans of up to $20,000 per unit for the purchase of newly constructed or like-new, substantially rehabilitated homes. Assistance is targeted to homebuyers below 80% of area median income. Grant funding is also available to organizations when for-sale homes meet certain standards of comfort, safety and energy efficiency. Contact Bill Bunting at 919-877-5629.

The Self-Help Housing Program provides interest-free second mortgage loans of up to $20,000 per home for permanent financing of newly-built homes using homebuyer sweat equity. Assistance is targeted to homebuyers below 50% of area median income. Grant funding is also available to organizations when homes are built to certain standards of comfort, safety and energy efficiency. Contact Sonia Joyner at 919-877-5630.

Rental Programs

The Housing Credit Program encourages the production of rental housing for low-income households by allowing a 10-year federal tax credit. The program has a two-part annual application cycle, requiring a preliminary site and market application to be submitted in January and a full application in April. Contact Scott Farmer at 919-877-5641. For Asset Management, contact Paul Kimball at 919-877-5652.

State Tax Credits are available for projects that receive an allocation of federal tax credits and meet certain income targeting requirements. The state tax credit cannot be used with projects financed using tax exempt bonds. It is not necessary to submit a separate application for the state tax credit. Contact Mark Shelburne at 919-877-5645.

The Rental Production Program provides loans of up to $1 million per development for the construction of rental housing for households below 50% of area median income. Contact Scott Farmer at 919-877-5641. For Asset Management, contact Paul Kimball at 919-877-5652.

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 pre-development costs for assisted-living apartments for the elderly. Applications are received as long as funding is available. Contact Kelly Irving at 919-877-5712.



Supportive Housing Programs

The Supportive Housing Development Program provides interest-free and deferred-payment loans of up to $500,000 per development for the production of transitional and permanent housing for homeless families, homeless individuals, and persons with special needs. This program serves households below 50% of area median income, and is targeted to households below 30% of area median income. Contact Candace Stowell at 919-877-5633 or Mike Mittenzwei at 919-877-5654.

The Supportive Housing Pre-Development Loan Program assists nonprofit organizations developing supportive housing by providing financing for pre-development costs such as architectural and engineering work, environmental reviews, appraisals, and consulting fees. Contact Mary Reca Todd at 919-877-5672.

Housing Rehabilitation Programs

The Single Family Rehabilitation Program provides up to $500,000 to local governments, regional agencies, and non-profit organizations for forgivable, deferred-payment loans to rehabilitate single-family, owner-occupied homes. Assistance is targeted primarily to homeowners below 50% of area median income. Contact Dick Smith-Overman at 919-877-5628.

The Urgent Repair Program provides up to $75,000 to local governments, regional agencies and nonprofit organizations for grants to correct housing conditions that pose an imminent threat to life or safety or that cause the displacement of households below 50% of area median income. Contact Dick Smith-Overman at 919-877-5628.

The Duke Home Energy Loan Program (HELP) makes available up to $150,000 to local governments, regional agencies and nonprofit organizations within the Duke Power service area that, when matched with local leveraged funds, provides loans to reduce energy costs of homeowners below 80% of area median income. Contact Cal Jordan at 919-877-5632.

The Lead Abatement Partnership works with the Department of Health and Human Services and the Department of Environment and Natural Resources to identify and eliminate lead paint hazards in the homes of children with elevated blood lead levels in owner-occupied housing. It also provides technical assistance through local rehab organizations, and deferred loans to fund lead abatement and comprehensive rehabilitation. Contact Mike Handley at 919-877-5627.

Policy and Research Activities

The Consolidated Plan is a housing and community development plan that provides details about the state's housing needs and conditions, sets out a strategy to meet needs, identifies resources available, and establishes one- and five-year investment plans to meet priority needs. Contact Erin Crossfield at 919-501-4264 or Keir Morton at 919-877-5634.

The Housing Resource Guide lists and describes organizations in North Carolina that provide housing services. An online, searchable version is available at www.nchfa.com. Contact Erin Crossfield at 919-501-4264 or Keir Morton at 919-877-5634.



Consumer Education and Training Activities

The Housing Tax Credit Compliance Training Program. One-day Tax Credit and half-day Rental Production Program training sessions assist owners and managing agents of rental properties in maintaining compliance with Housing Tax Credit regulations and/or Rental Production Program requirements. Sessions are held every other month at locations throughout the state. Visit the Agency website, www.nchfa.com, for a schedule. Contact Betty Ballentine at 919-877-5646.

The N.C. Elderly Housing Rights and Consumer Protection Program provides information and training for advocates, service protectors and consumers, on housing rights and related consumer protection issues. Contact Mary Reca Todd at 919-877-5672.

The Reverse Mortgage Counseling Program. North Carolina statute requires the North Carolina Housing Finance Agency to approve the training standards and certify individuals providing counseling to elderly homeowners who are applying for reverse mortgages. Contact Mary Reca Todd at 919-877-5672.

The Supportive Services Program provides training and consultation services for service coordinators, managers and developer/owners to promote service-enriched, affordable housing for families, elderly persons and other residents with special needs. Contact Mary Reca Todd at 919-877-5672.

The Training for Predatory Lending Counselors Program is required by North Carolina's predatory lending law. The law mandates that persons considering high-cost home loans must receive counseling from a North Carolina Housing Finance Agency-approved counselor before completing the loan process. The purpose of the counseling is to ensure that the borrower fully understands the material terms of the loan and the amount of fees and costs the borrower will be required to pay. Contact Mary Reca Todd at 919-877-5672.

General

The Housing Coordination and Policy Council is a 15-member advisory group representing state agencies and departments with responsibility for housing programs. It was established by the General Assembly to advise the Governor and the General Assembly concerning state housing policy and ways to improve the coordination of the state's housing efforts. Contact Patricia Amend at 919-877-5717.

The Housing North Carolina Awards recognize homeownership, rental, and supportive housing developments built in North Carolina that are judged by an expert panel to be outstanding examples of affordable housing. Contact Margaret Matrone at 919-877-5606.

The North Carolina Housing Partnership was established by the General Assembly to set policy for the use of the North Carolina Housing Trust Fund. The Housing Partnership comprises 13 members. Contact Bill Dowse at 919-877-5622.

NORTH CAROLINA HOUSING FINANCE AGENCY

3508 Bush Street
Raleigh, NC 27609-7509

PO Box 28066
Raleigh, NC 27611-8066

Tel: 919-877-5700
Fax: 919-877-5701
Internet: www.nchfa.com

North Carolina Housing Finance Agency
State Appropriations Summary

	2003-04 Actual	2004-05 Actual	2005-06 Recommended Appropriation	2006-07 Recommended Appropriation
Housing Trust Fund	$3,000,000	$3,000,000	$3,000,000	$3,000,000
HOME Match	$1,655,926	$1,702,195	$1,750,945	$1,750,945
Number of Positions	110	105	105	105

Winners of 2004 Housing North Carolina Awards

NORTH CAROLINA HOUSING FINANCE AGENCY

The seven developments selected for the North Carolina Housing Finance Agency's 15th annual Housing North Carolina Awards were chosen for their contribution to their communities, the quality of life they offer residents, design, sustainability as affordable housing, and other features. Like previous winners, they provide models of what affordable housing has come to mean in our state.



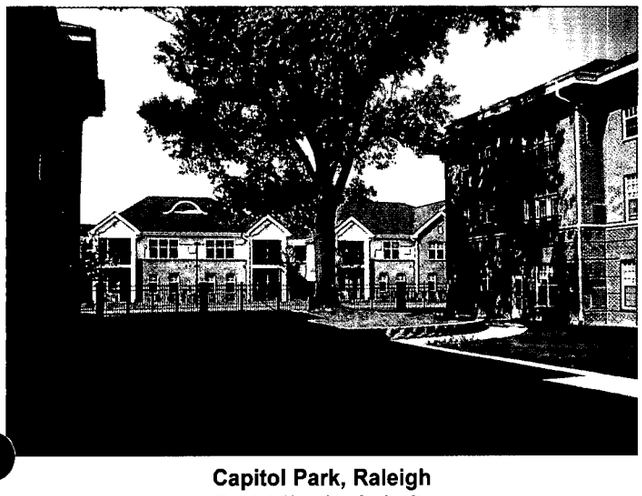
Jersey City Revitalization, Salisbury
Salisbury Community Development Corporation and City of Salisbury



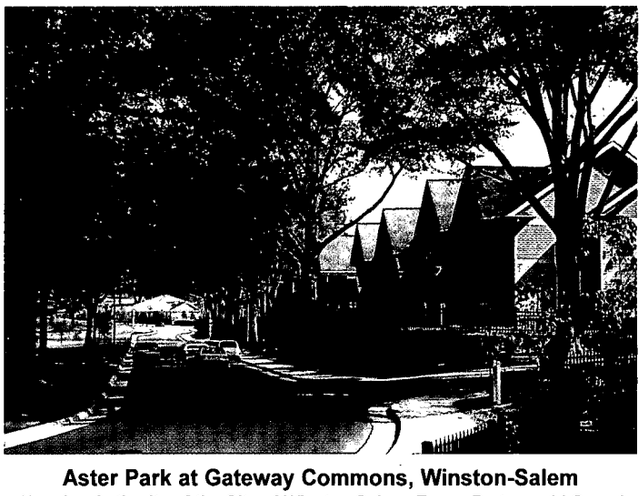
Cardinal Pointe, Shallotte
NRP Group, LLC



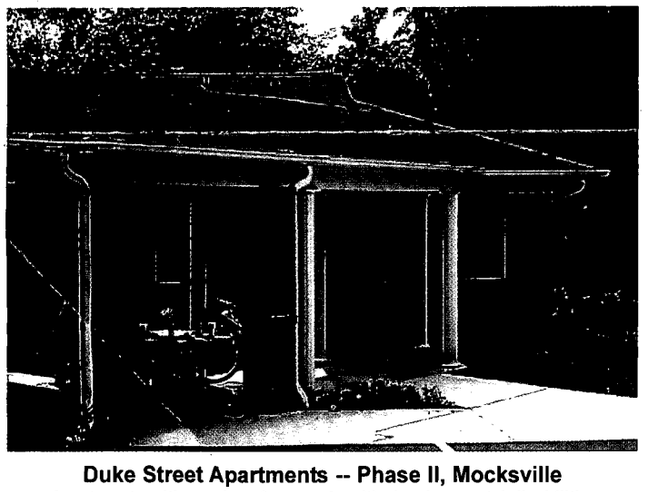
Rosemary Place Townhomes at Meadowmont, Chapel Hill
Orange Community Housing and Land Trust



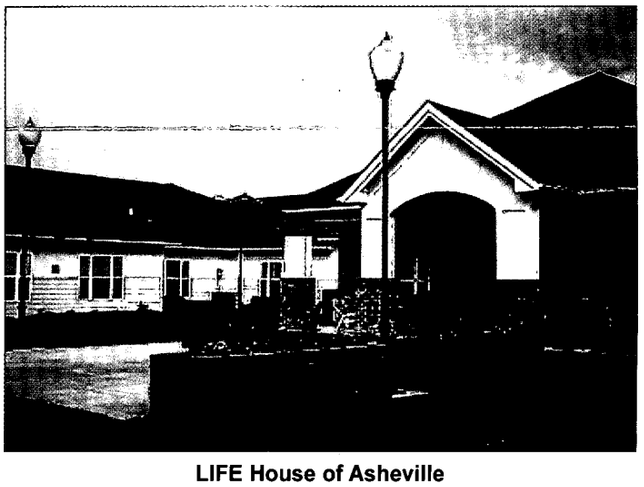
Capitol Park, Raleigh
Raleigh Housing Authority



Aster Park at Gateway Commons, Winston-Salem
Housing Authority of the City of Winston-Salem, Eagan Partners, LLC, and City of Winston-Salem



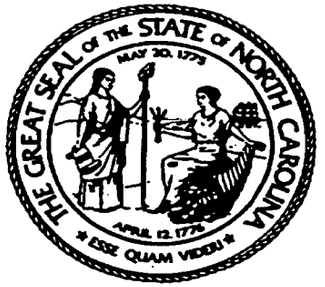
Duke Street Apartments -- Phase II, Mocksville
Apartments with services for people with developmental disabilities
Davie County Group Home, Inc., and Davie County Commissioners



LIFE House of Asheville
Apartments with services for people with spinal cord injuries
Volunteers of America of the Carolinas, Inc., Scott A. Redinger, Inc., and the CarePartners Foundation

February 2005

State of North Carolina
Governor's Office of State Budget and Management



- Michael F. Easley, Governor
  - Janie Johnson, Special Assistant
  - **David McCoy, State Budget Officer**
    - Julie Mitchel, Senior Analyst
    - Fiscal Office — Becky Medlin, Business Officer II
      - Frances Doak, Accounting Clerk V
    - Personnel and Support Services — Ursula Hairston, Personnel Officer I
      - Katie Shearon, Payroll Clerk V
      - Carolyn West, Administrative Asst III
      - Tonya Austin, Processing Asst IV
  - Zorida Maighnath, Executive Assistant
  - Charles Perusse, Deputy State Budget Officer

David Brown, Asst State Budget Officer for General Government
- Pat Taylor, Program Asst V
- Thomas Cheek, Senior Anlayst
- Greg Piner, Advanced Analyst
- Sheryl Stephens, Advanced Analyst
- Kari Barsness, Standard Analyst

Daphne Lyon, Asst State Budget Officer for Health and Human Services
- Deborah Barnes, Senior Analyst
- Wayne Williams, Advanced Analyst
- Pam Leaman, Advanced Analyst
- Tina Quiller-Morgan, Advanced Analyst

Anne Bander, Asst State Budget Officer for Education
- Susie Esealuka, Program Asst V
- Elizabeth Grovenstein, Senior Analyst
- Trey O'Quinn, Advanced Analyst
- Kristen Crosson, Standard Analyst
- Bryan Conrad, Standard Analyst

Jim Lora, Asst State Budget Officer For Capital Improvement
- Adam Brueggemann, Standard Analyst CI
- Vacant, Advanced Analyst CI COPS
- Vacant, Standard Analyst CI COPS

Transportation Justice & Public Safety
- Milton Alford, Senior Analyst (Trans.)
- Byron Harris, Senior Analyst (JPS)

Jonathan Womer, Asst State Budget Officer for Information Technology
- Data Services — Joel Sigmon, Appl Analyst Prog. Spec II
  - Francine Stephenson, Appl. Analyst Prog. Spec.
  - Bill Tillman, State Demographer
  - Sue Farr, Appl. Analyst Prog. I
  - Bob Coats, Analyst Programmer II
  - Nancy Strickland, Stat. Research Asst. I

Tom Newsome, Assistant State Budget Officer for Management
- Information Technology
  - John Davis, Appl Analyst Prog Spc II
  - Agness Gunter, Appl Analyst Prog Spec
  - Paul Young, Appl Analyst Prog Spec
- Management Analysis
  - Sally Hunter, Senior Analyst
  - Angela Houston, Senior Analyst
  - Kay Radford, Advanced Analyst
  - Donald Crooke, Advanced Analyst
  - Wendy French, Advanced Analyst
- Salaries & Benefits
  - Bill Stockard, Advanced Analyst
  - Emily Moore, Admin Asst II

Mike Kiltie, Chief Economist Economic Research
- Warren Plonk, Economist IV
- Vacant, Economist III

9

JOINT APPROPRIATIONS GENERAL GOVERNMENT
MINUTES

Wednesday, March 2, 2005
8:30 am

The Joint Appropriations Subcommittee on General Government met March 2, 2005 8:30 am in Room 425 of the Legislative Office Building. Senator Dorsett called the meeting to order. She welcomed the staff, Michele Nelson, Marilyn Chism and Kathie Austin, pages, clerk, agencies and Sgt. At Arms. Four Senate Members were present and Representatives Alma Adams, Roger West, Marvin Lucas, Marian McLawhorn, Gene Wilson, Leo Daughtry, and Garland Pierce.

After extending the welcome and making introduction, Senator Dorsett then recognized her Assistant Phyllis Cameron and former Assistant Joyce Hodge.

Secretary Marshall was recognized to give an overview of the Department of Secretary of State. Marshall expressed the importance of the Department of Secretary State. She informed the subcommittee of the department's yearly budget of 8.2 million. She also made them aware that the Department of Secretary State brought 41.6 million dollars of business to North Carolina alone last year.

N.C. Department of Secretary State Pie Chart

As of January 28, 2005 of this fiscal year the Secretary of State Department has generated a little over 26 million dollars, and project that this whole fiscal your will be 43.2 million. (See Attachment A page 3)

Secretary Marshall then recognized seven members of her fiscal staff to present the sectors of corporations, securities, publications, charitable solicitation licensing, certification filing division, computer information systems, and budget. She then turned the presentation over to Charlene Dawkins.

Corporation

The Director of the Corporation Division Charlene Dawkins reviewed the functions and structure of the division. The duty of the Secretary of State is to ensure uniform compliance with the statutes governing the creation of these entitles, record the information required to be kept as a public record, and provide that information to the public. During the fiscal year 2003-2004 over 500,000 records were provided to the public, and 19.3 million dollars were claimed as revenue from this division alone. (See Attachment A page 22)

Authentications Offices

This office is responsible for signing and issuing certificates of authenticity for documents intended for use in foreign countries. This office also authenticates a variety of documents from commercial organizations, private citizens, and governmental offices. Depending upon the country of intended use for the document the Authentication Office will issue either an Apostils or an Authentication. Last year this office processed over 22,000 documents for overseas adoptions alone. She covered the online health care options to help the public register on the internet and receive documents online anywhere in the world.

N.C. Secretary of State Trademark Section

This sector processes initial applications and renewal applications for trademark and service mark. They also perform legal research to determine the registrability of mark applications and write correspondence and briefs to support decisions made by the section. After all the functions were explained, Ms. Dawkins opened the floor to questions. The committees questioned Ms. Dawkins. (See Attachments A pages 42)

The Director of Securities David Massey gave an overview of the Securities Division. This division exists to protect the investing public by regulating persons and firms doing business as stockbrokers and investment advisers. The Securities Division budgets 25 positions. Twenty-one of those positions are assigned full-time to the Division; the other three, including two deputy secretaries and one Technologist, provide at least part-time support to the division's other necessarily related program. During the fiscal year of 2003-2004 this department generated 12.5 million dollars. After the overview of the Securities sector, David Massey opened the floor questions. The subcommittee questioned David Massey. (See Attachment A pages 27-37)

The Director of Certification & Filing Division Gayle Holder gave her overview.

UCC Section Functions

The Uniform Commercial Code Section serve as a vital source for "credit check" information used by bank and other lenders when a business or person in North Carolina wants to borrow money, for business or personal purchases. The section maintains hundreds of thousands of public filings regarding loans and federal tax liens, as part of nationwide system of centralized filing of certain loan and tax lien information. (See Attachment A page 38)

Notary Public Section Function

The Notary Public Section Commissions and regulates over 164,000 Notaries Public in North Carolina. The section also:

- Evaluates and processes all notary public commission applications
- Maintains a database of commission information
- Coordinates and communicates daily with North Carolina's 100 Registers of Deeds offices
- Responds to public inquiries
- Trains and certifies community college instructor to teach the statutorily required notary public education program
- Has an Enforcement Section that investigates and acts upon alleged violations of the North Carolina Notary Public Act

Land Records

The Land Records Management Program was established in 1977 to assist local governments establish uniform standards for the indexing security, and reproduction of land records.

Lobbyist Registration Office

The Lobbyist Registration Office regulates and maintains all filing for registered lobbyist and their principals. The duties of the Lobbyist Registration Office include:

- Maintaining and filing the original House and Senate Journals;
- Maintaining and certifying the original ratified bills and resolutions;
- Arranging the meeting of the Electoral College;
- Serving as the Chief Records Officer for the Department of the Secretary of State;
- Registration of Loan Brokers
- Registration of Campgrounds and Campground Salespeople;
- Registration of Business Opportunities;
- Registration of Telephonic Sellers;
- Issuance of State Identification Cards for elected officials.

Gayle Holder opened the floor for questions. The subcommittee questioned Gayle Holder regarding the Lobbyist Registration Office.

The Deputy Secretary for Information Technology Bruce Garner gave his overview. The functions of Information Technology Section provide:

- In-House Information Technology Expertise
- Application Development and Support
- Secure and Administer Local Area Networks
- Security for Departmental Information Technology Resources
- Wide Area and Local Area Network Connectivity

- Maintain Acceptable Customer Relation Support
- In-House Servers, Printers, Scanners, and Desktop hardware
- Purchased Software
- Electronic Commerce Act Administration

The Deputy Secretary also gave a breakdown of the functions of IT section by staff members (refer to attachment A pages 17-20). He then opened the floor to the subcommittee. The sub-committee questioned Bruce Garner regarding Information Technology Section.

The Deputy for Registration Haley Montgomery gave her overview.

Function

The function of Charitation Solicitation Licensing Section is to license persons, businesses, and organizations that solicit charitable contributions from North Carolina residents. Haley Montgomery opened the floor up to the subcommittee. The subcommittee questioned Haley Montgomery.

The Director of communication George Jeter gave his overview. This section gather data, writes, edits, publishes, and distributes North Carolina State government's leading reference works known as North Carolina Manual & Directory of state and county officials. He explained the new updates on the State's Department website. He opened the floor to questions. The subcommittee asked no questions.

The accountant Ann Harris did her overview on the budgets refer to the charts in attachment A page 48-59. She opened the floor up for questions. The subcommittee asked questions.

The meeting adjourned at 9:05 a.m.

Senator Katie Dorsett, Presiding

Phyllis Cameron, Committee Clerk

NC DEPARTMENT OF THE SECRETARY OF STATE

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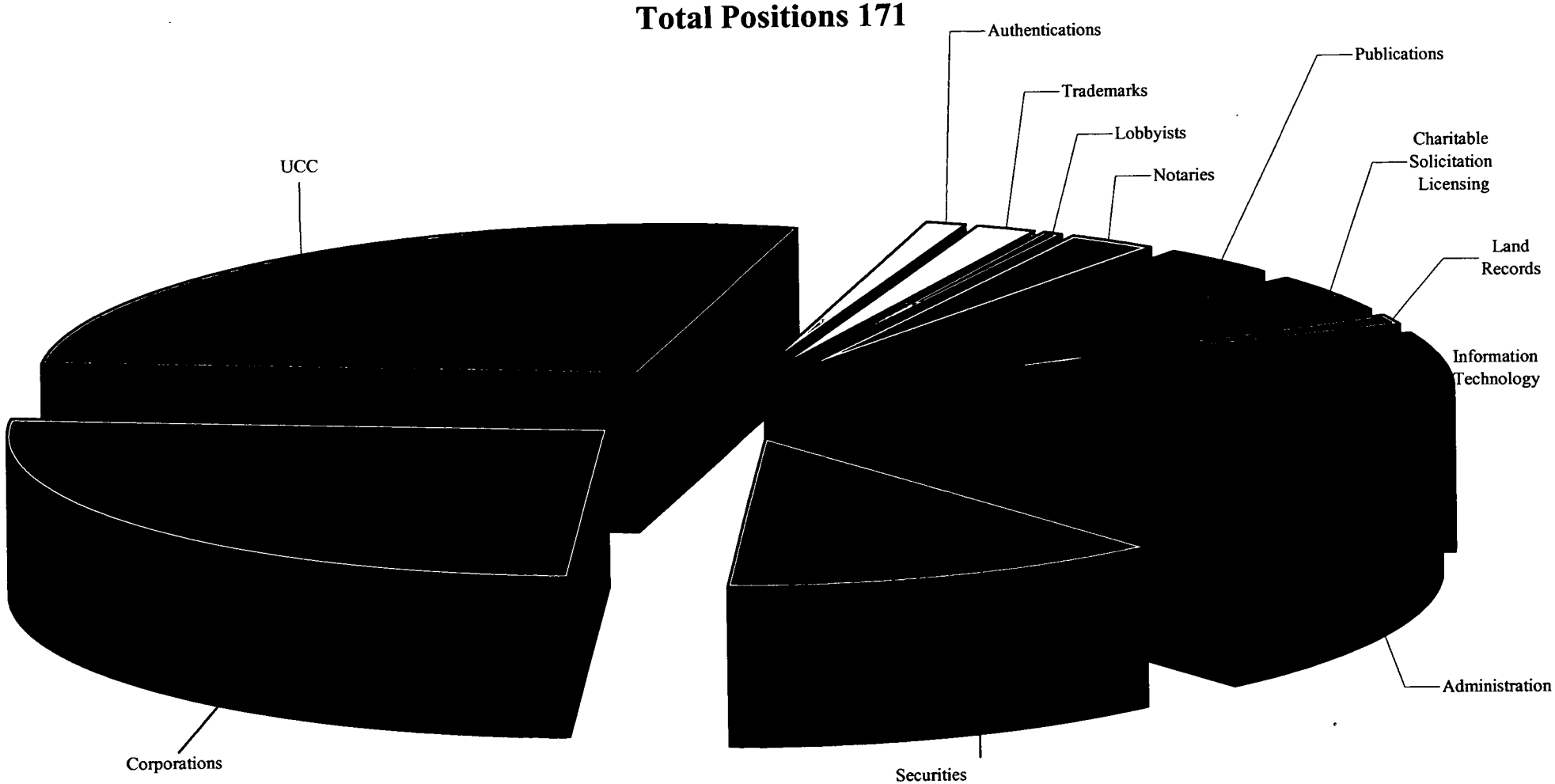
Report to the General Government Subcommittee

2005

Department of the Secretary of State

Elaine F. Marshall, Secretary of State

N.C. Department of the Secretary of State
Distribution of Staff by Function - FY 2004-05
Total Positions 171

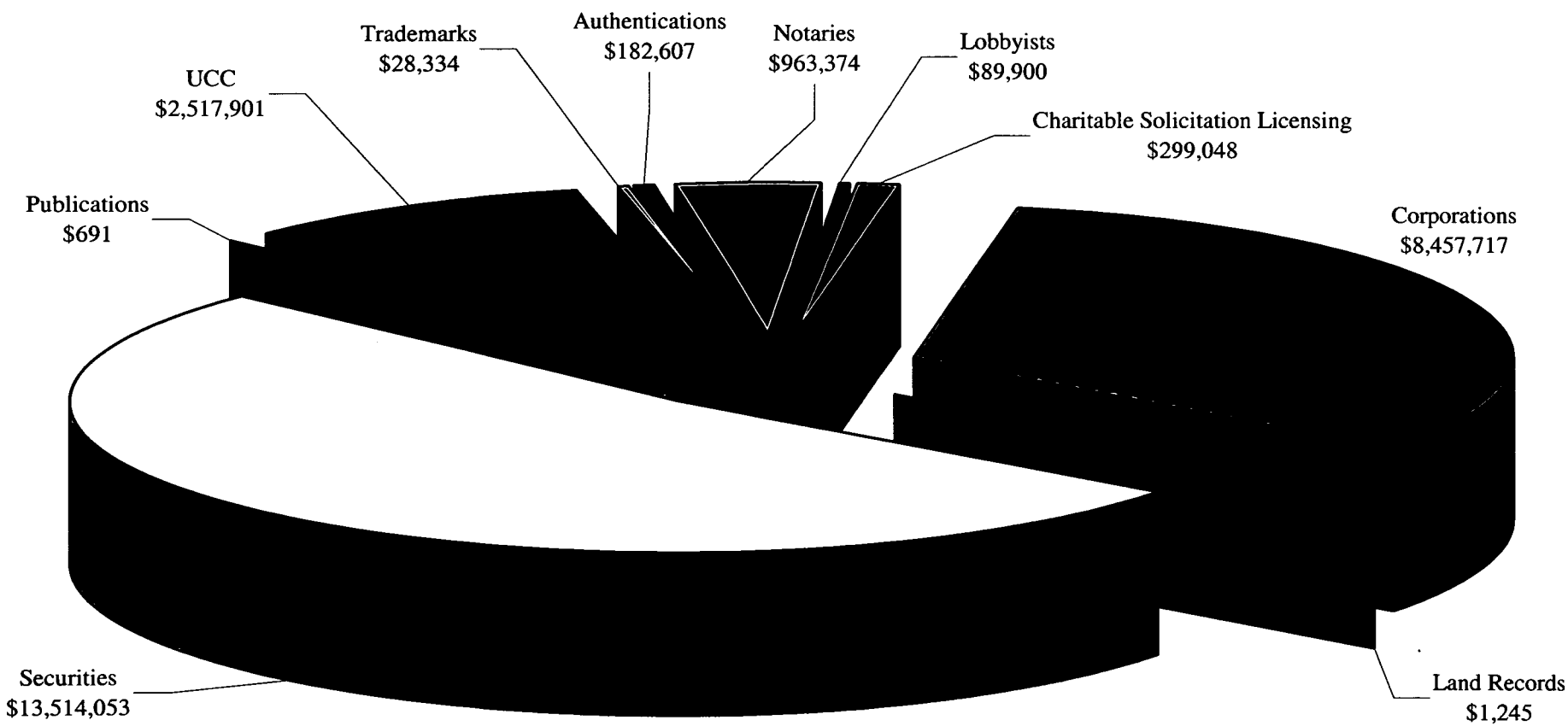


N.C. Department of the Secretary of State

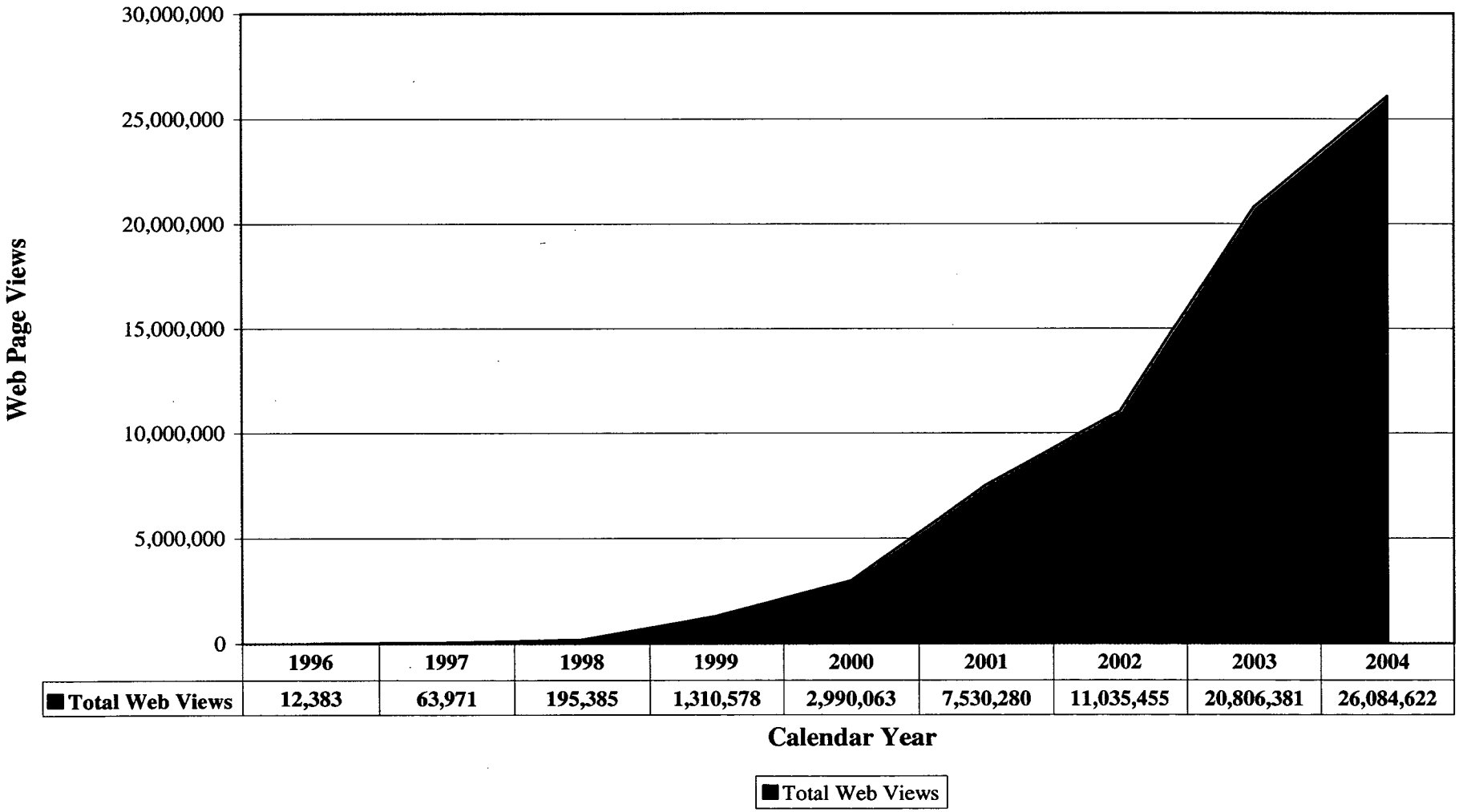
Total Revenue Generated to Date - FY 2004-05

As of Jan. 28, 2005

$26,054,870



N. C. Department of the Secretary of State
Total Web Page Views For Calendar Years 1996-2004

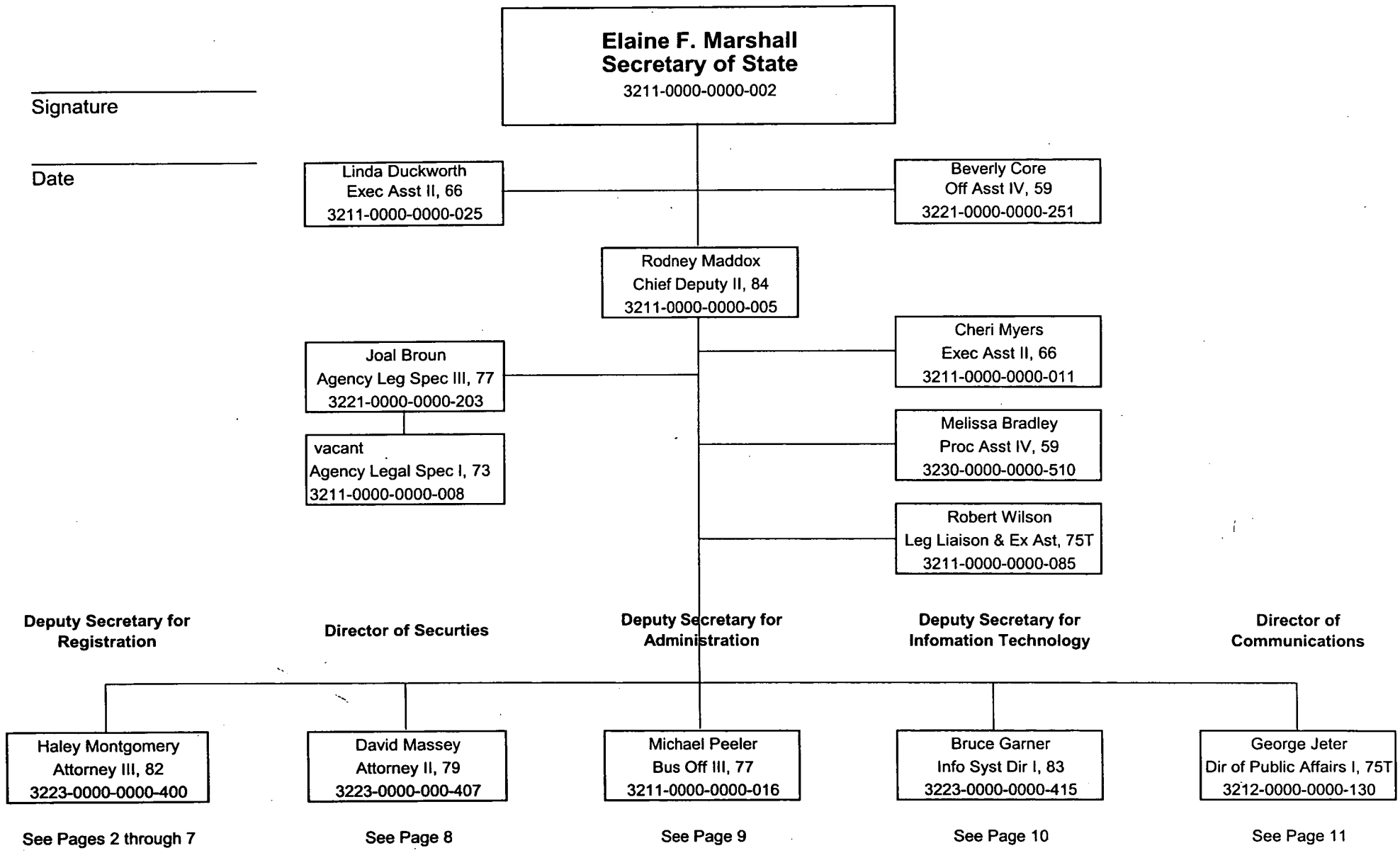


	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total Web Views	12,383	63,971	195,385	1,310,578	2,990,063	7,530,280	11,035,455	20,806,381	26,084,622

4

NC Department of the Secretary of State

Organizational Chart

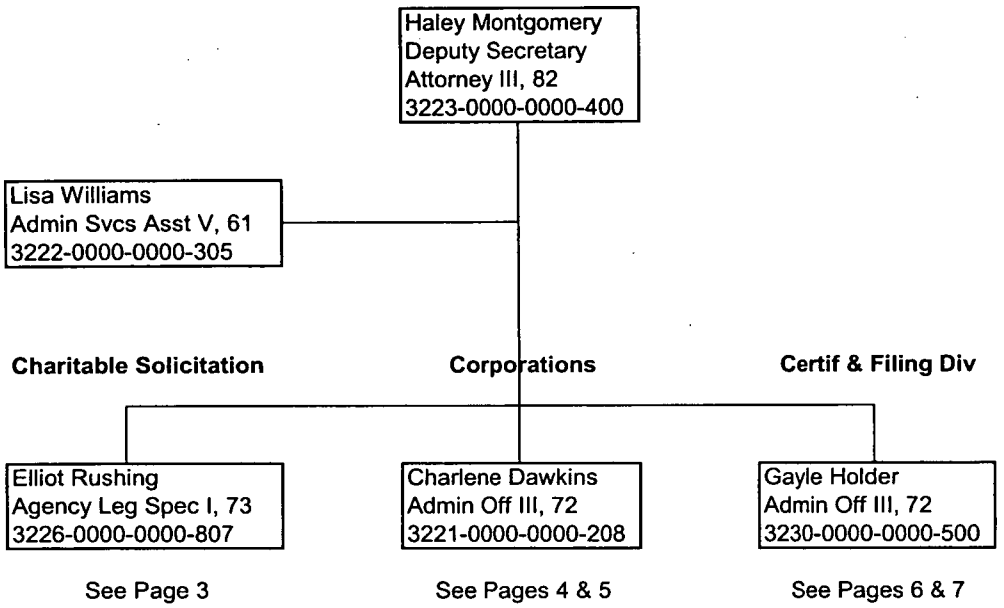


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Registration Services

Signature

Date



See Page 3

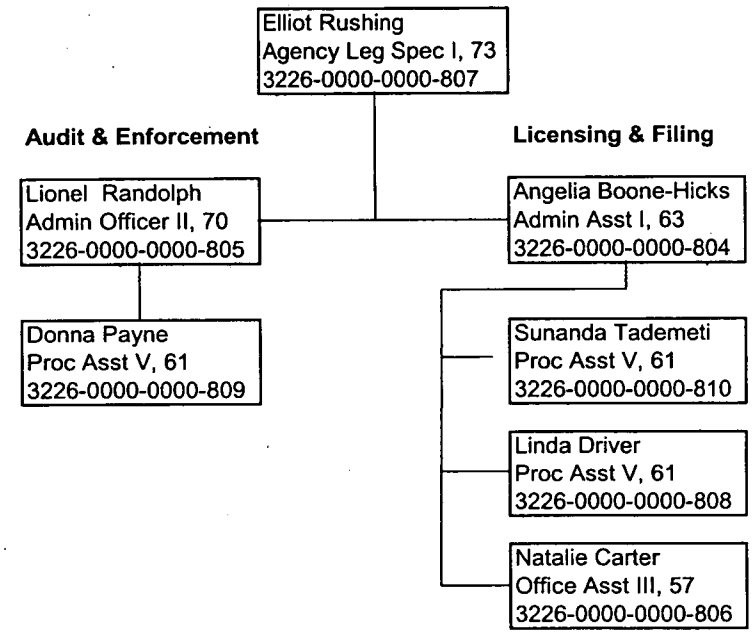
See Pages 4 & 5

See Pages 6 & 7

Charitable Solicitation Licensing

Signature

Date

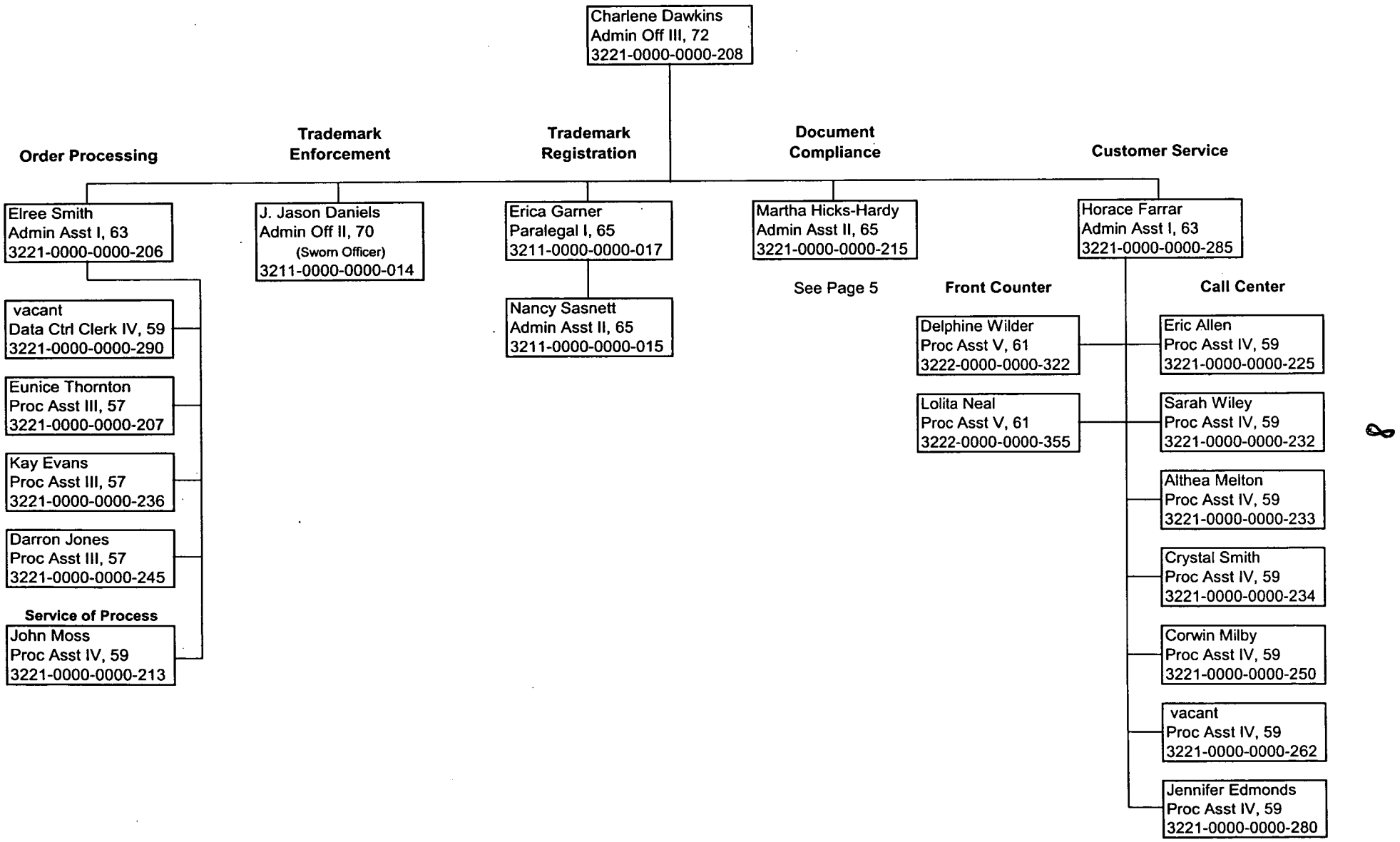


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Corporations

Signature

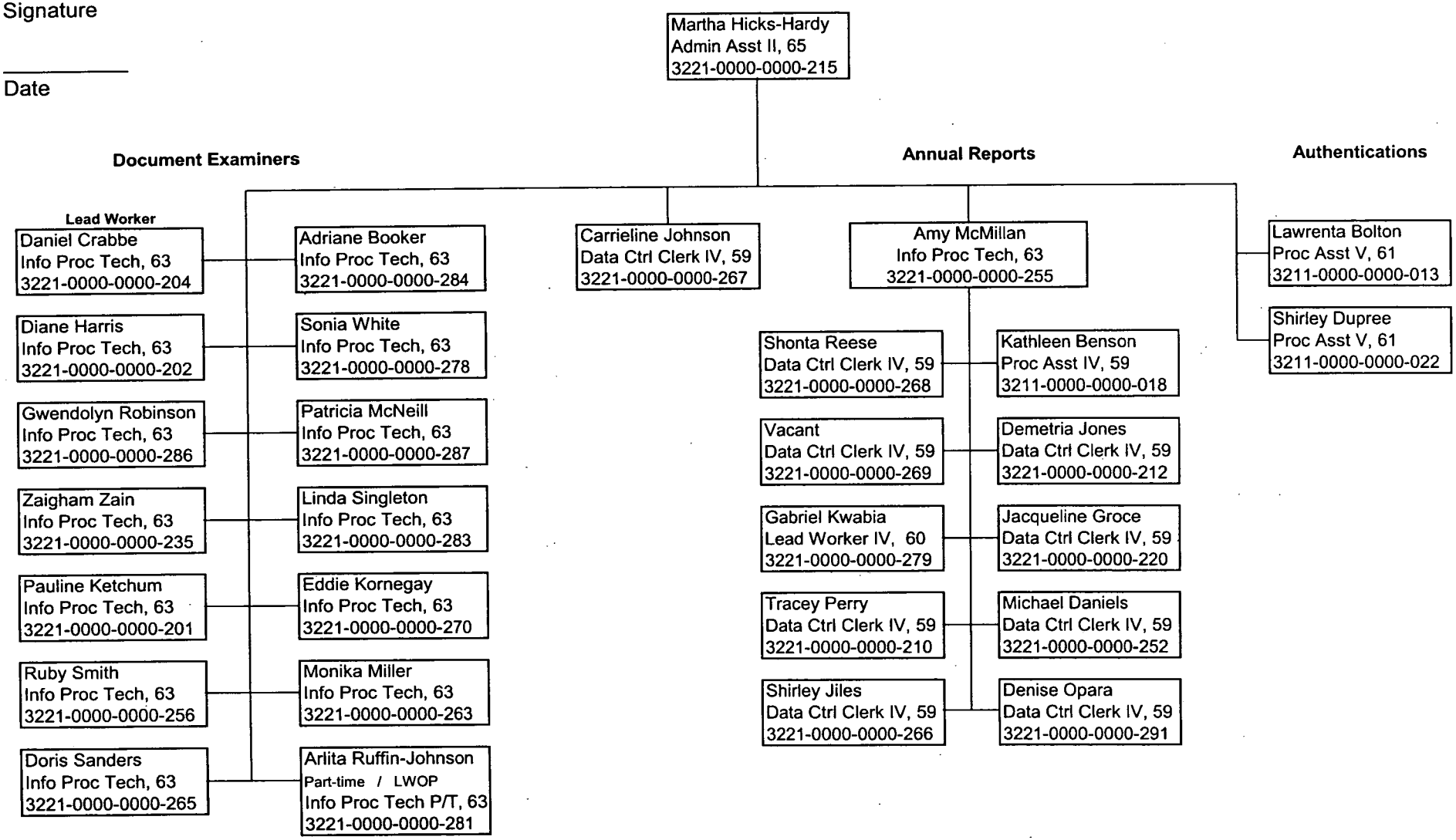
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Document Compliance

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Date

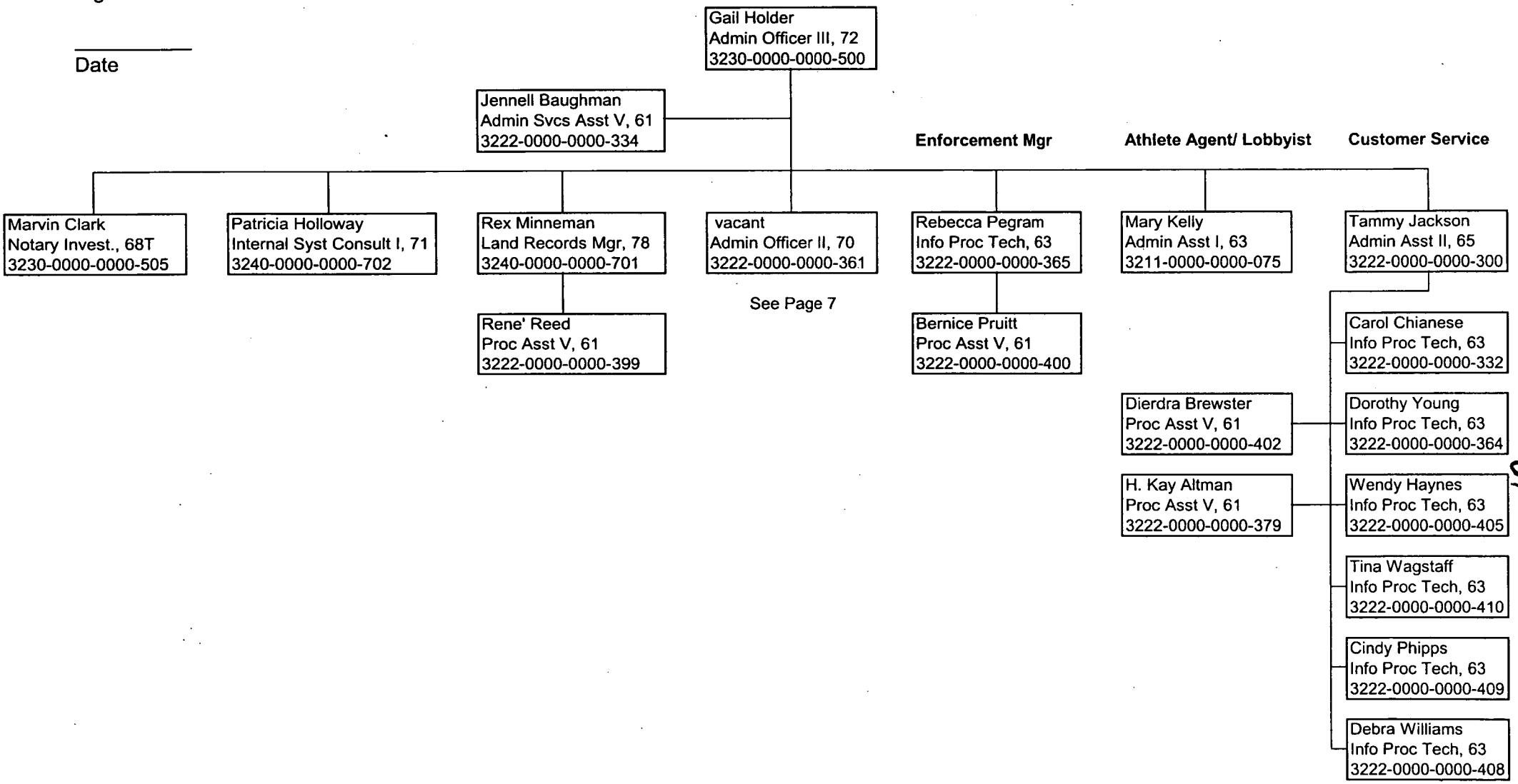


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Certification and Filing

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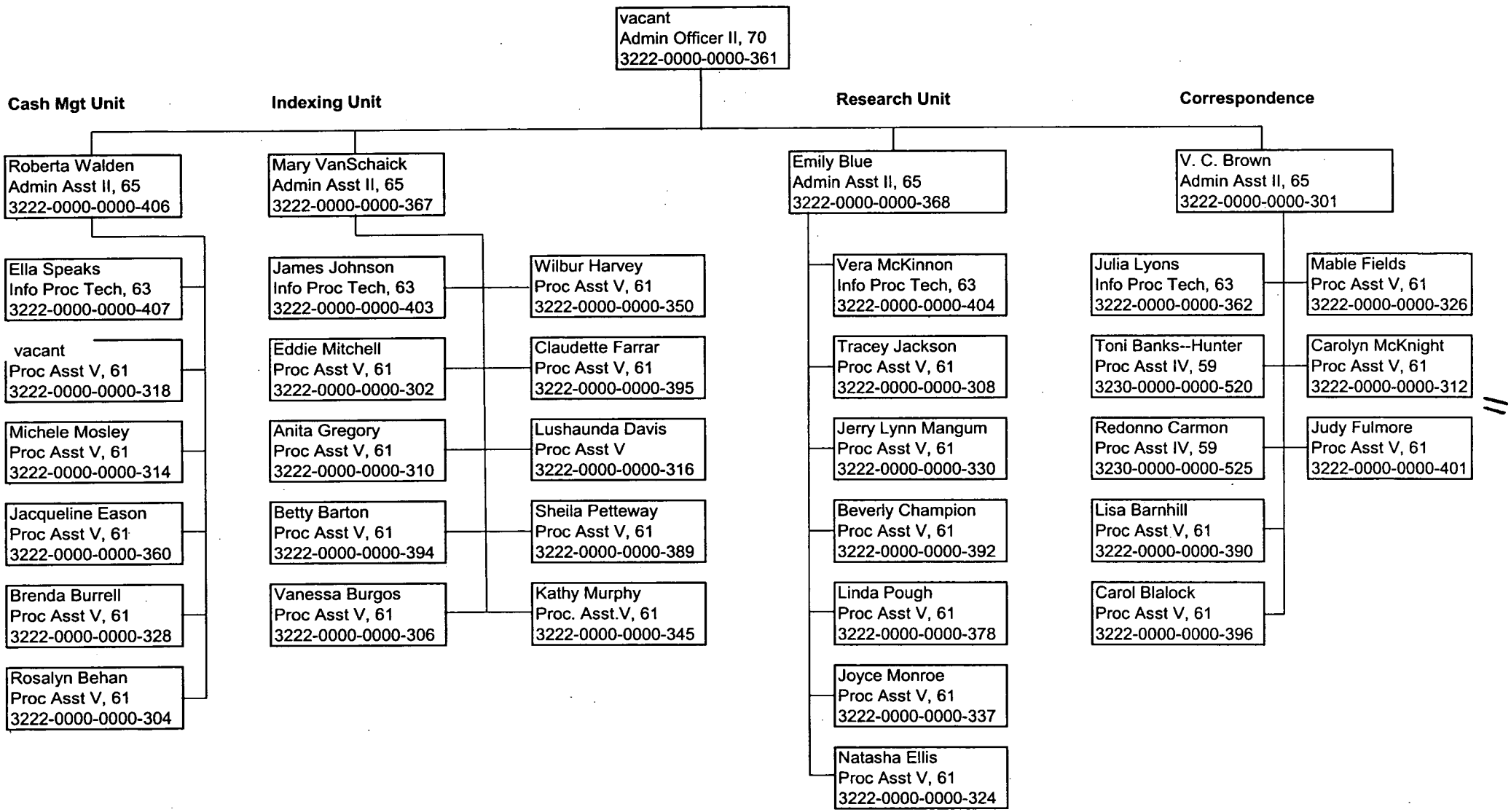
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Uniform Commercial Code

Signature

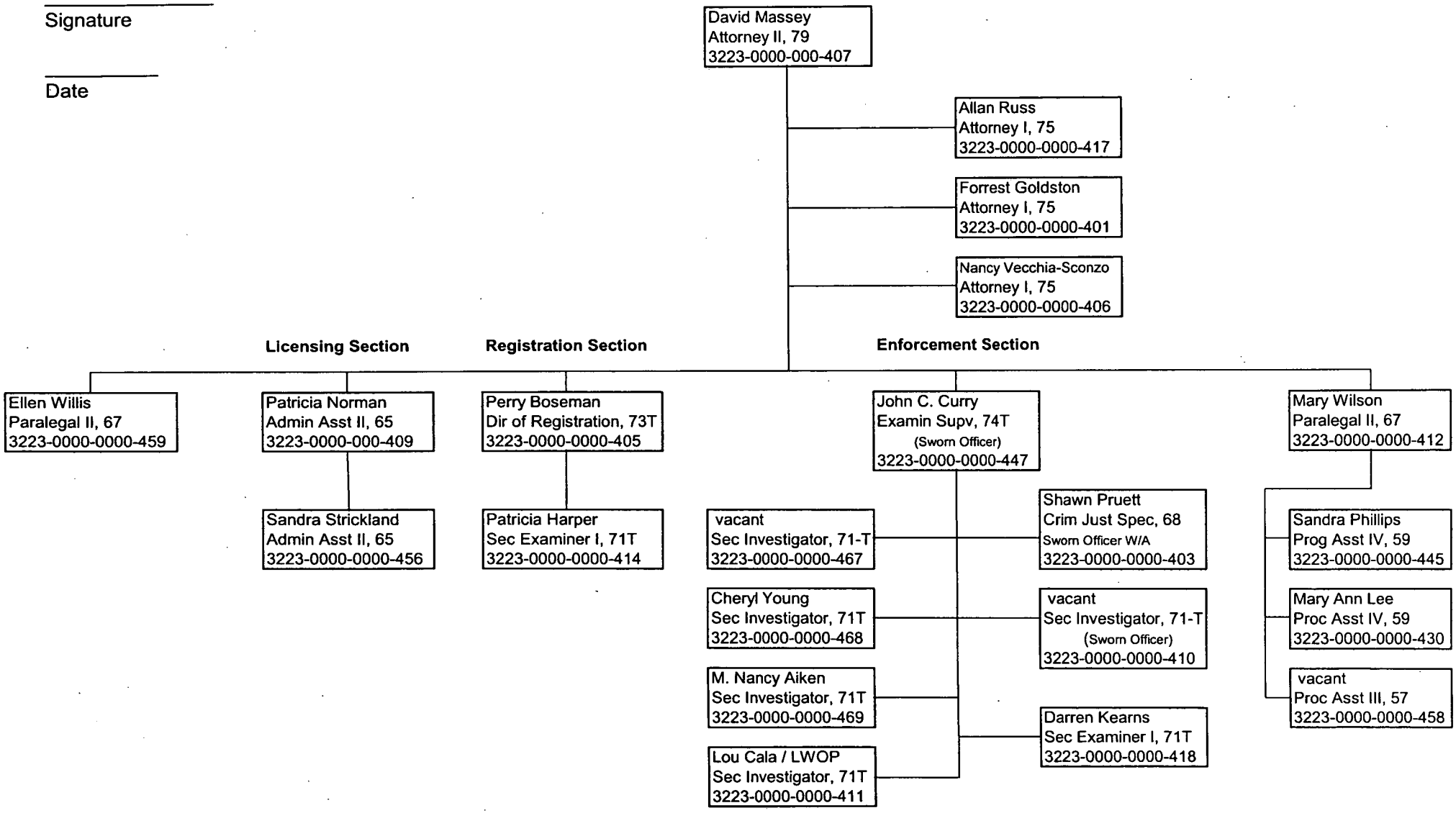
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Securities Division

Signature

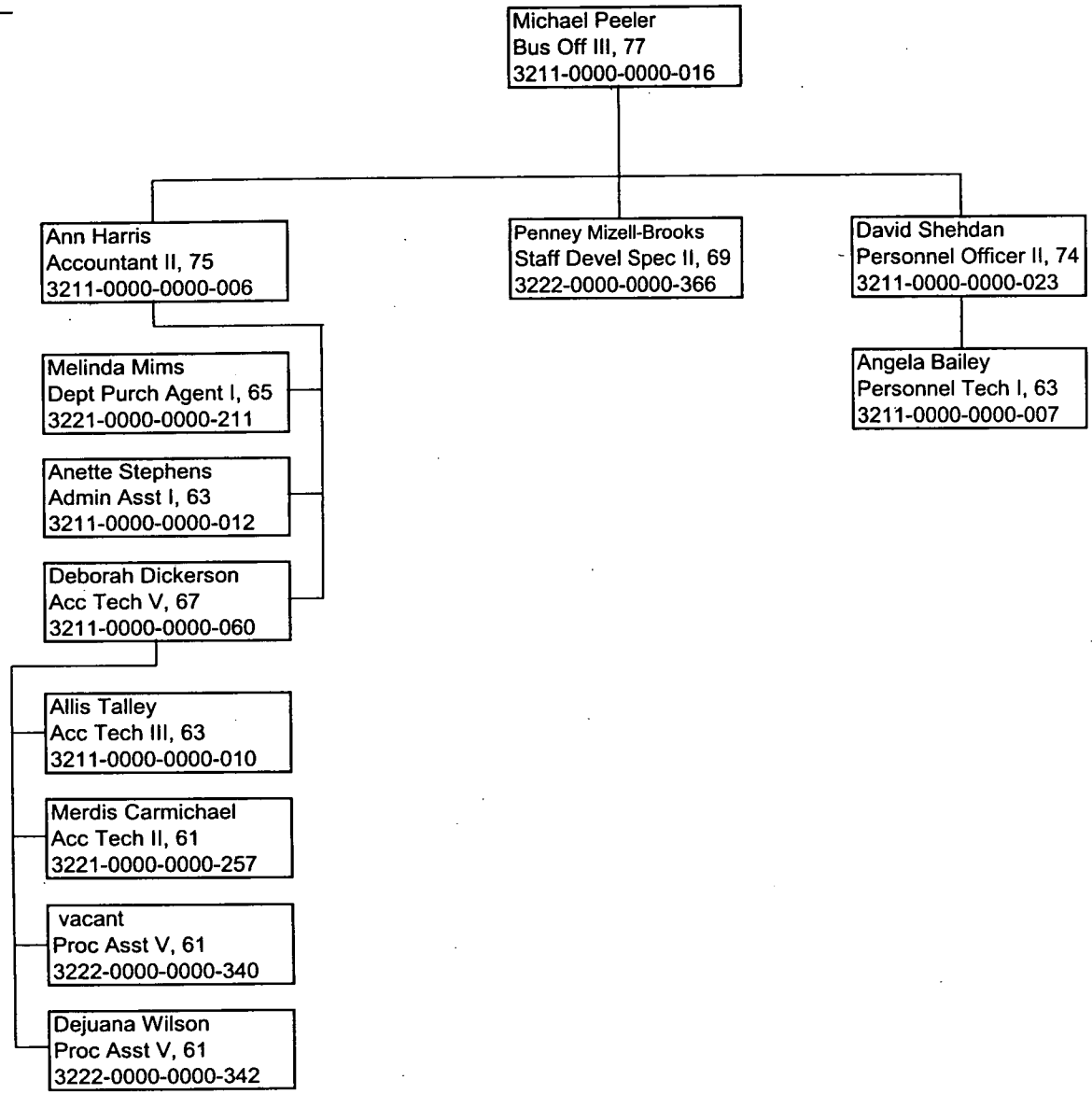
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Administrative Services Division

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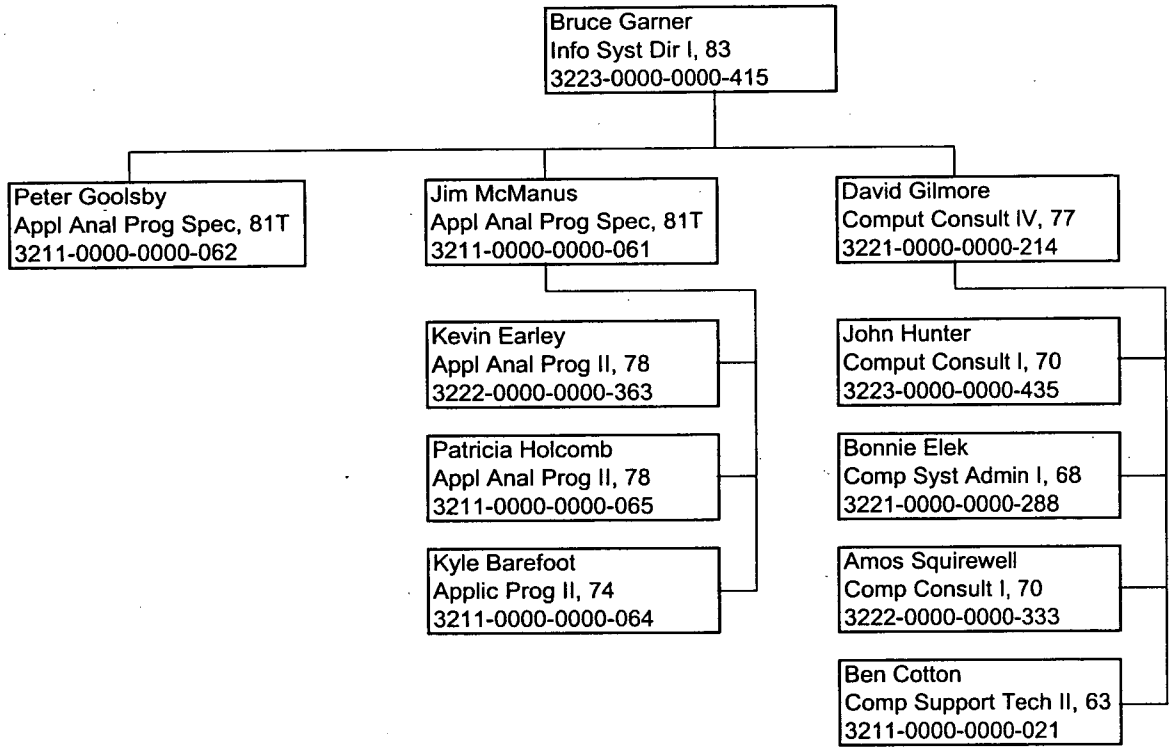


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Information Technology Division

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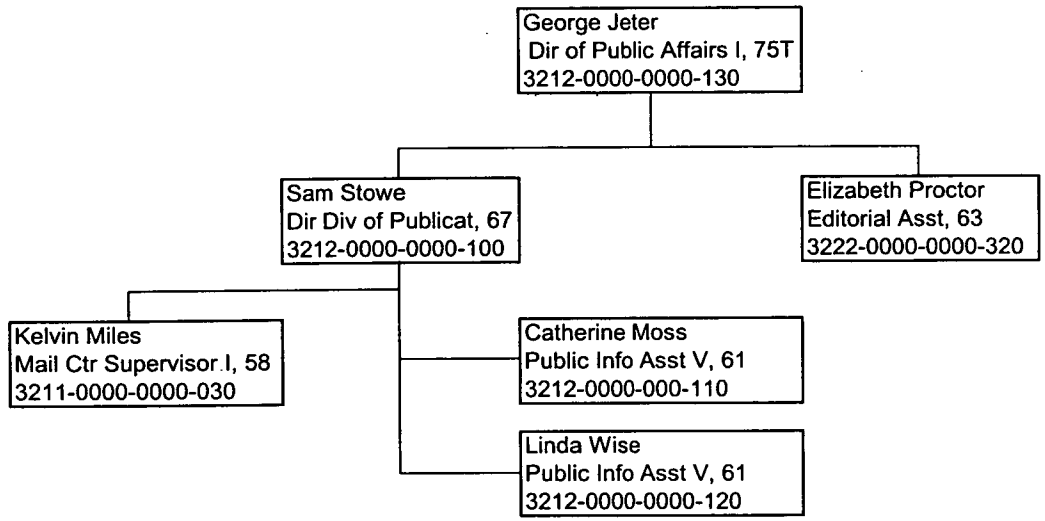
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Director of Communications

Signature

Date



15

N.C. Department of the Secretary of State
Information Technology Section

Prepared by Bruce Garner, Deputy Secretary for Information Technology

Functions of Information Technology Section

- **Provide In-house Information Technology Expertise**
  - Develop short-term goals, long-term goals, & IT objectives
  - IT guidance, direction, consultation, and procurement
  - Manage department's in-house IT efforts
  - Insure adherence to State's IT policies and standards
  - Conduct Business Impact Analysis (BIA) in connection with BCP
  - Develop and maintain Business Continuity Plan (BCP) for department
  - Provide information as required to ITS, OSC, General Assembly
- **Applications Development and Support**
  - Develop, administer, and maintain in-house databases and image vault
  - Develop and maintain Web pages & forms download site
  - Develop and maintain In-house Web-enabled applications
  - Develop and maintain Online Web services
  - Develop and maintain other in-house developed applications
  - Develop and maintain ITS developed and hosted applications
  - Develop and maintain FTP site for online Web customers
  - Provide data analysis and special reports from databases for management, customers, and General Assembly
- **Secure and Administer Local Area Networks**
  - **Security for Departmental Information Technology Resources**
    - Install, configure, monitor, and maintain firewalls and intrusion detection software
    - Install, configure, monitor, and maintain anti-spam filtering software and anti-virus software on servers and PCs
    - Design, install, and maintain secure DMZ for online Web services
    - Design, install, configure, and maintain secure wireless connectivity between buildings and internal LANs
    - Monitor software and hardware security patches and fixes from vendors and apply where needed
    - Report security breaches to ITS and law enforcement and restore integrity to breached components
    - Develop internal IT security policies and procedures
    - Train users to observe departmental & state IT security policies & procedures
    - Assess and enforce IT security compliance by employees
    - Review & test departmental BCP on a regular basis
  - **Wide Area and Local Area Network Connectivity**
    - Installation, configuration, & maintenance of departmental network switches, routers, bridges, and hubs
    - Installation, configuration, & maintenance of departmental connectivity among buildings

Monitor internal network performance & fine tune as necessary

- **Maintain Acceptable Customer (Internal & External) Relations & Support**
  - Add/change/remove user access to/from systems & networks
  - Add/change/remove equipment configurations and access to/from systems & networks
  - Apply asset tags to IT equipment and assign IT assets to users
  - Maintain accurate inventory and track location of IT assets
  - Train users to use software & services
  - Enforce Internal and statewide IT User Policies
  - Monitor internal Web activity
  - Provide User Help Desk support for internal & external customers
- **In-house Servers, Printers, Scanners, and Desktop hardware**
  - Install, move, configure, and maintain all IT resources
  - Provide for security, daily backup, & recovery of data on servers
  - Maintain, troubleshoot, & repair IT resources
- **Purchased Software**
  - Install new/upgraded off-the-shelf software
  - Insure that all installed software has proper licenses for intended use
  - Maintain original installation disks (CD-ROMs) of purchased software in vault
  - Maintain accurate inventory of software licenses in vault
- **Electronic Commerce (E-Commerce) Act Administration**
  - Develop & maintain administrative rules to implement and manage the E-Commerce Act
  - Implement & manage Certification Authorities Licensing Program
  - Promote and support electronic commerce in NC state government
  - Develop Electronic Notary (E-Notary or Cyber-Notary) program
  - Provide participation & leadership with state and national e-commerce initiatives

Functions of IT Section by Staff Members

- **Deputy Secretary for Information Technology:** actively oversees information technology in the department. This person manages the IT section, provides short-term and long-term IT directions and guidance to the department, represents, supports, advises the department on technical boards and committees, reviews and approves all technology purchases in the department to insure compliance with state standards and departmental directions in technology, and provides IT related information to ITS and General Assembly. This person serves as a member of: CIO Council, Infragard, NECCC workgroups, & departmental security liaison to State CIO. In addition, this person attends regular meetings of: Infragard. (1 position)

- **Electronic Commerce Specialist:** when the Electronic Commerce Act was passed by the General Assembly in 1998, the department was designated as the agency to administer the Act. This person manages the state's Certification Authority (CA) Licensing program, develops and updates administrative rules to administer the CA Licensing program, promotes electronic commerce in state government, serves as IT project manager for e-commerce initiatives in the department, and helps plan & initiate new e-government programs such as e-notary. This person serves as a member of: NECCC workgroups & E-Notary workgroup. In addition, this person

conducts the BIA for the department, writes and maintains the departmental BCP, drafts and updates department security policies and procedures, attends Infragard meetings, and helps design, assess, and enforce IT security in the department. (1 position)

- **Business Systems Analyst:** serves as applications development manager, provides project management for computer projects, and helps design and implement new in-house client/server applications. This position serves as the in-house business systems analyst and project manager for applications development projects, and the in-house systems integrator. This position assures in-house applications development conforms to state technical architecture standards and maintains accurate and adequate applications documentation. This person provides day-to-day supervision and work assignments for other applications development staff, serves as the in-house database administrator, develops data analysis applications & special reports from databases, assures and maintains ITS certification for in-house developed applications, and supervises IT contractors on a day-to-day basis. This person coordinates activities and licenses with SoSKB licensees on a daily basis. (1 position)

- **Applications Analyst/Programmer:** develops and supports new in-house client/server applications, ITS developed and hosted mainframe and client/server applications, and online Web applications. This person develops prototypes for new computer applications, interprets system specifications, meets with users and documents business processes and rules, and writes complex code to support the business processes and rules for the applications. This person serves as third level help desk resource, performs final testing before applications are promoted to production, prepares and maintains appropriate user documentation, helps trouble shoot complex testing and production applications problems, and works directly with ITS personnel to resolve problems with ITS hosted applications and services. This person maintains accurate and adequate program documentation. This person works with very little supervision. (1 position)

- **Applications Analyst/Programmer:** develops and supports new in-house client/server applications and online Web applications. This person develops prototypes for new computer applications, interprets system specifications, and writes complex code to support the business rules for the applications. This person develops reusable objects and components for the applications programmer(s). This person maintains accurate and adequate program documentation. This person works with very little supervision & helps applications programmer and consultants troubleshoot applications problems. (1 position)

- **Applications Programmer:** develops and supports new in-house client/server applications and Web pages. This person develops prototypes for new computer and Web applications and interprets system specifications, uses objects and components developed by application analyst/ programmer to develop new computer applications, and writes code to present screens & support the business rules for the applications and Web services. This person produces complex reports from the SOSKB. This person also helps trouble shoot complex testing and production application problems. (1 position)

- **Local Area Network Administrator:** serves as senior LAN administrator, the network manager for the department, and departmental IT security administrator. This person installs, configures, monitors, and fine tunes network hardware, firewalls, intrusion detection software, and servers. The position serves as the day-to-day supervisor for the other LAN support and

computer operations related positions and insures adherence to the state's network and security standards. This person provides day-to-day WAN, LAN, and PC support for difficult problems. This person helps design, procure, configure, and support the IT infrastructure for the department. This person reports and works closely with ITS and law enforcement when IT assets are compromised or stolen. This person also aids the Securities Division fraud investigative staff in the confiscation and analysis of computer evidence. This person has computer forensic training. (1 position)

- **Computer Support Technician:** serves as the imaging vault system administrator, computer operator, and departmental help desk person for the in-house employees. This position provides the installation, maintenance, support services for PCs, printers, copiers, scanners, video projectors, wireless technology, and fax machines at 3 different physical downtown locations. This person helps employees with PC hardware, desktop software, active computer virus protection, network, and imaging problems on a day-to-day basis. This position works with vendors' support staff to resolve difficult technology problems. This position serves as backup personnel for the computer systems administrator. (1 position)

- **Computer Systems Administrator:** provides employee mainframe and customer client/server security administration. This person handles day-to-day requests from the business customers for connectivity and information from all of the department's mainframe, FTP, and client/server applications. This person administers customer accounts, security, & access rights to our FTP site for subscribers. This person serves as the second level help desk person and liaison for external customers such as Dun & Bradstreet that use our online Web services. This person handles customer requests for system connectivity, special reports, data distribution, and other information from our systems. This person helps employees with PC hardware, desktop software, active computer virus protection, network, and imaging problems on a day-to-day basis. This person serves as the backup person for the computer support technician. (1 position)

- **Computing Consultant I:** serves as the assistant LAN administrator. This person maintains accurate daily backups for all in-house servers (databases & user files on servers) at off-site and in-house IT vault locations and restores lost or corrupted files on servers. This person installs and monitors anti-virus software on departmental servers and PCs, insures the virus definition files are constantly updated during the day, and that the updates are applied to servers and PCs. This person provides backup LAN support for the LAN administrator, and helps employees with day-to-day LAN problems, e-mail problems, PC problems, and software problems. This person serves as the departmental E-mail & E-calendar administrator and installs, monitors, and maintains anti-spam filtering software and anti-virus software on the e-mail server. This person preserves original software disks and software licenses in the vault. This person installs and configures new hardware and software on servers. This person works with vendors' support staff to resolve difficult server problems. (1 position)

- **Computing Consultant I:** serves as the serves as the primary IT support technician at the One Exchange Plaza location and restores lost or corrupted files on servers. This person installs and monitors Internet activity by employees and takes appropriate action when improper Internet activity is detected. This person provides backup LAN support for the LAN administrator, and helps employees with day-to-day LAN problems, e-mail problems, PC problems, and software

problems. This person installs and configures new hardware and software on servers. This person works with vendors' support staff to resolve difficult server problems. This person is responsible for maintaining accurate inventory records for the IT infrastructure in the department. This person also aids Securities Division fraud investigative staff in the confiscation and analysis of computer evidence. This person has computer forensic training. (1 position)

Key IT Section Facts

- We developed the first in-house client/server application in February 1999 in less than 4 weeks. It is real-time and Web-enabled. It provides many productivity enhancements such as: document imaging and tracking, automated cash management, bar coding, workflow routing, production work queues, management analysis and reporting capabilities, and Web connectivity. We call this system of integrated databases and applications the Secretary of State KnowledgeBase (SoSKB).

- To consolidate separate legacy systems and address legislative changes enacted in 1999, we migrated Corporations, Limited Liability Companies, and Limited Liability Partnerships from the mainframe computer to the SoSKB. These applications are real-time and Web-enabled.

- To address UCC-Revised Article 9 (RA9) changes enacted in 2000, we migrated the UCC system from the mainframe computer to the SoSKB. Most UCC lien research can now be conducted via Web browsers from anywhere in the world at any time of the day. This application is real-time and Web-enabled.

- We added Authentications and Service-of-Process applications to the SoSKB in 2002.

- We have licensed the SoSKB to 17 other Secretary of State offices and we have several other states interested in licensing the system. NC continues to own the SoSKB system. All enhancements and new modules developed by other licensees are made available to NC and the other licensees. We contribute and receive enhancements to the SoSKB on a regular basis.

- Total views of departmental Web pages have increased from 60,000 in 1997 to over 26 million in 2004.

- Official business forms and instruction booklets to do business with the department can be downloaded from the Internet.

- Certified documents and orders for many other official documents can be ordered, delivered, and verified, electronically, via our online Web services.

- Many documents can be e-filed with the department via our online Web services.

- Customers are offered the convenience of paying fees and service charges for online Web orders and services using credit cards, e-checks, or ACH accounts.

- Due to the declining demand for magnetic computer media, we created a FTP site with restricted access for subscribers. It replaces the monthly creation and shipping of magnetic computer media to external customers.

- The computer response time at the desktop from mainframe applications was improved from 10-20 seconds per screen in 1997 to less than 2 seconds today with client/server, PC, and fast Ethernet technology.

- We maintain and secure 200 active local area network connections and accounts (PCs, printers, servers), 180 PCs, 15 servers, 45 desktop scanners, 6 network scanners, 40 network switches, wireless LAN equipment and service in leased office space, wireless bridges for connectivity between buildings, etc.

North Carolina Department of the Secretary of State
Corporations Division
Charlene P. Dawkins, Director

Division Functions

The Corporations Division is responsible for the examination, custody, and maintenance of the legal documents filed by more than 700,000 corporations, limited liability companies, limited partnerships, and limited liability partnerships. The duty of the Secretary of State is to ensure uniform compliance with the statutes governing the creation of these entities, record the information required to be kept as a public record, and provide that information to the public.

Division Structure

Director of Corporations

Administrative Services Assistant V
This assistant is shared between the Corporations Director and a Deputy Secretary. It is the responsibility of the assistant to aid the Corporations Director in the administrative management functions of the division.

Three Units:

1. **Document Examination Unit**
   This unit is responsible for examining all documents presented for filing to ensure compliance with North Carolina law.
   A. One Assistant Director
   B. Thirteen FTE Document Examiners (Information Processing Technicians)
   C. One ¾ Document Examiner (Information Processing Technician)
   D. One Data Control Clerk IV
   E. Ten Annual Report Staff (Data Control Clerk IVs)

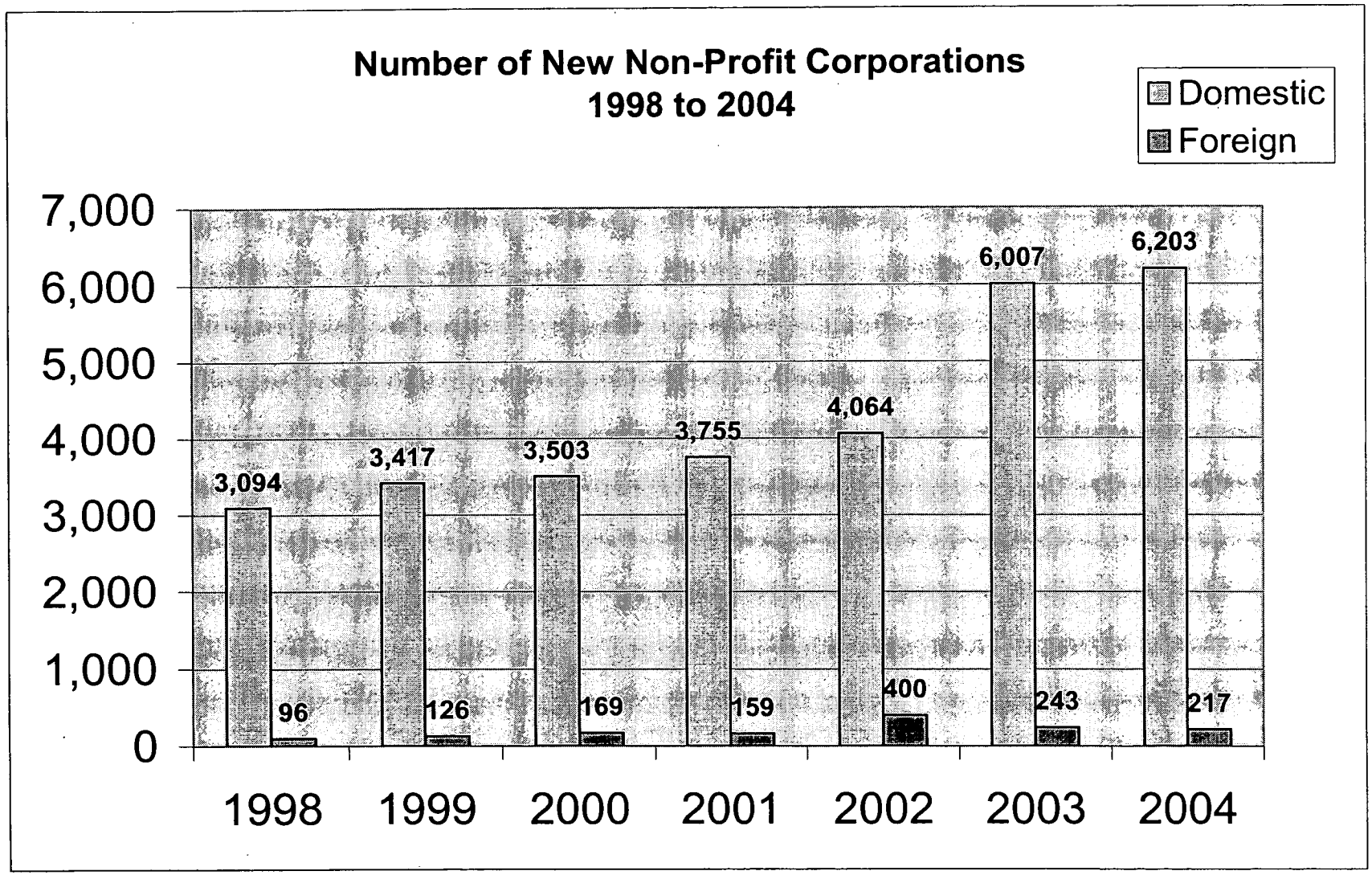
2. **Information Specialists and Front Counter Staff**
   The Information Specialists respond to the thousands of telephone and email inquiries that come into the office daily. The Front Counter Staff responds to inquiries from walk-in customers.
   A. One Assistant Director
   B. Seven Telephone Agents (Processing Assistant IVs)
   C. Two Front Counter Staff (Processing Assistant Vs)

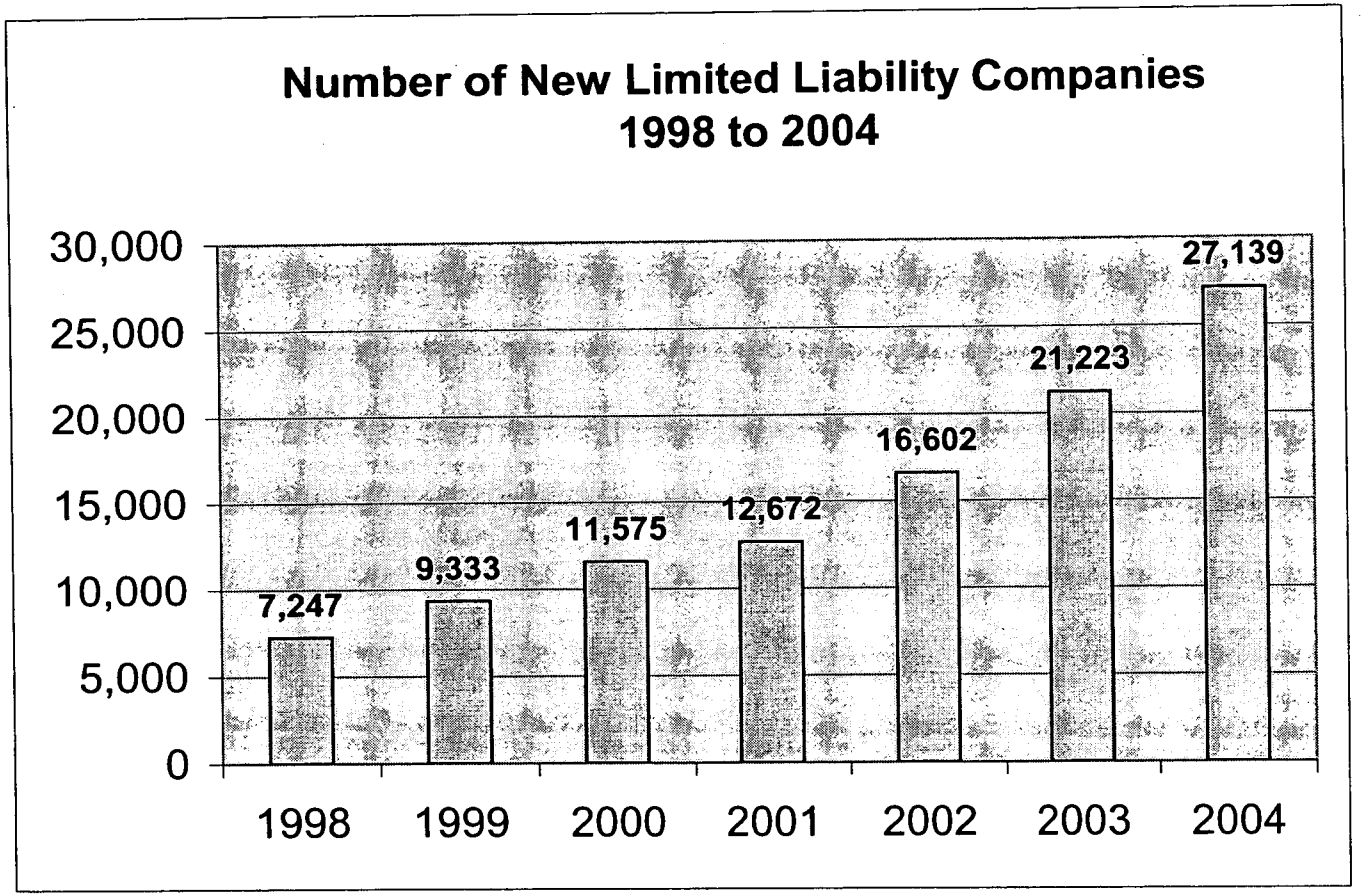
3. **Order Processing, and File Room Staff**
   The Order Processing Staff creates specific certifications of documents as requested by the general public. The File Room Staff maintains all the paper documents of the more than 500,000 entities on record, creates the files, and performs the copy work for customer requests.
   A. One Assistant Director
   B. One Order Processing Staff (Data Control Clerk IV)
   C. Three File Room Staff (Processing Assistant IIIs)
   D. One Service of Process Agent

Total Appropriations for FY 03-04: $1,817,741

Corporations Division Key Facts

- We are currently maintaining a 2-3 day turnaround for the processing of documents.
- The Corporations Division offers images of the documents filed on the web site with real time filing.
- The North Carolina Corporations Division is among the first states to offer images of documents online.
- LLC, LLP and Business Corporation Annual Reports can be filed online.
- The North Carolina Corporations Division was the first nationally to offer certified copies of documents online.
- There were a total of **14,981,304** hits to the Corporations Division web site in 2004; an average of **1,248,442** hits each month.
- Since 2002 the number of new domestic nonprofits in North Carolina increased **53%**
- Since 2002 the number of **new limited liability companies** has increased **63%.**
- Since 2003 the number of corporate dissolutions **increased 33%.**


Number of New Non-Profit Corporations
1998 to 2004
Domestic
Foreign
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
3,094
96
3,417
126
3,503
169
3,755
159
4,064
400
6,007
243
6,203
217
1998
1999
2000
2001
2002
2003
2004


Number of New Limited Liability Companies
1998 to 2004
30,000
25,000
20,000
15,000
10,000
5,000
0
7,247
9,333
11,575
12,672
16,602
21,223
27,139
1998
1999
2000
2001
2002
2003
2004

SECURITIES DIVISION
NORTH CAROLINA SECRETARY OF STATE

FUNCTIONS OF THE SECURITIES DIVISION

The North Carolina Securities Division exists to protect the investing public by regulating persons and firms doing business as stockbrokers and investment advisers.

This regulation includes the review and approval of applications for licenses from stockbrokers and investment advisers as well as analyses and clearance of securities offerings proposed to be sold in North Carolina.

The Division has an Enforcement Section that investigates allegations of securities fraud and which cooperates with local, state, and federal law enforcement agencies in preparing administrative enforcement actions and criminal prosecutions.

The Division also administers the Qualified Business Tax Credit Program, which offers tax credits to persons investing in certain types of businesses in North Carolina.

SECURITIES DIVISION'S STAFF

The Securities Division budget supports 25 positions. Twenty-one of those positions are assigned full-time to the Division; the other three, including two Deputy Secretaries and one Technologist, provide at least part-time support to the Division's other necessarily related programs.

The 21 positions assigned to the Division are:

1 Division Director
1 Stock Broker Firm/Salesman Examiner
1 Investment Advisor/IA Representative Examiners
2 Securities Examiners
1 Supervisor of Investigations
6 Securities Investigators (one absent on military leave, one position vacant)
3 Enforcement Attorneys
1 Investment Adviser Auditor
1 Administrative Manager
2 Administrative Assistants
1 Paralegal

LEVELS OF ACTIVITY

During the last fiscal year, the Securities Division generated over $14.5 million in registration and filing fees. The following statistics quantify the performance of the Securities Division for the period stated:

I. ENFORCEMENT SECTION DATA

During the past fiscal year, the Securities Division Enforcement Section actively participated in joint, coordinated investigations coordinated by the North American Securities Administrators Association (NASAA) targeting fraudulent practices by investment banking firms. As of the date of this report, these multi-state investigations are continuing. The Division is also presently working on two criminal investigations with federal investigative agencies.

Below is enforcement data for fiscal year 2003-2004 and the first six months of fiscal year 2004-2005..

TIME PERIOD	03-04	First 6 months of fiscal year 04-05
COMPLAINTS/INQUIRIES	1,300*	750*
INVESTIGATIONS OPENED	33	38
INQUIRY FILES OPENED	55	4
CRIMINAL ACTIONS INITIATED	6	2
ADMINISTRATIVE ORDERS ISSUED	16	26

* Approximate Number

EXAMPLES OF ENFORCEMENT CASES:

SHAWN DAVIS:

Shawn Davis was a registered stockbroker located in Smithfield, NC. The Securities Division began its investigation after receiving a complaint from a client of Davis'. The investigation concluded with Davis being indicted on numerous counts of securities fraud and obtaining property by false pretense. Davis converted in excess of $200,000.00 of clients' funds to his personal use and benefit. Davis has since pled guilty and has been ordered to pay full restitution to his victims.

TRI-STAR INVESTMENT GROUP:

This off-shore investment scheme involved losses in excess of $20 million and more than 900 victims from across the country, including more than 300 NC residents who lost more than $6 million. The FBI, US Attorney and the Securities Division investigated the case jointly. The six-year investigation culminated in guilty pleas of four individuals. Three defendants received a total of thirty-five (35) years in federal prison, while the fourth was placed in the pre-trial diversion program.

[NAME DELETED] PONZI SCHEME:

This case is currently under investigation by the Securities Division. Believed to be based in North Carolina, the alleged perpetrators have raised in excess of $8 million from more than three hundred NC residents. Investors were given promissory notes that stated they would receive 10% interest every ninety days. The investigation has determined that the perpetrators have been operating this scheme for over five years.

ANALYST CONFLICTS CASES:

Over the past two years the Securities Division has participated with other state and federal securities regulators investigating well-known Wall Street brokerages regarding conflicts of interest between their investment banking and their research divisions. The investigations revealed that a number of firms misrepresented information in their analysts' research report in order to obtain investment-banking business. The Division has issued Consent Orders against nine (9) firms and has received approximately $9.6 million in penalties. The Division is currently inquiring into similar allegations against additional firms.

II. LICENSING SECTION ACTIVITY

The Division issues occupational licenses to investment advisers, investment adviser representatives, securities dealers, and securities salesmen.

Applications for IA/IA Rep Registration:

	Jan 05
INVESTMENT ADVISER FIRMS	1,402
INVESTMENT ADVISER REPS	4,279

Applications for Dealer/Salesman Registration:

	Jan 05
SECURITIES DEALERS	2,170
SECURITIES SALESMEN	117,536

The Division also registers securities dealers and securities salesmen who are not required to be members of the NASD (National Association of Securities Dealers), and who consequently are not included in the registration figures (based on the CRD electronic registration network) shown above:

NON-NASD BROKER/DEALERS as of January 2005:	13
NON-NASD BROKER/DEALER SALESMEN as of January 2005:	50

The Division administers an expedited registration system for securities dealers and salesmen who are located in Canada but who are transacting business with clients in North Carolina. These registrants are not included in the statistics shown above:

CANADIAN BROKER DEALERS as of January 2005:	22
CANADIAN SALESMEN as of January 2005:	256

III. OFFERINGS OF SECURITIES REVIEWED (for period from 7/1/03-12/31/04)

The Division receives written notices of many types of securities offerings proposed to be offered and sold to the public in North Carolina. Some of these, the "registered offerings" and the "exempt offerings," are reviewed in detail by the Division's securities analysts prior to being approved for sale to the public. Other offerings, the "covered securities" regulated primarily under federal law, such as mutual funds and Rule 506 private placements, generate "notice filings" and notice filing fees" that must be summarized and accounted for on the Division's records. The following numbers of filings were received during the periods indicated.

Analysis of Revenue Generated by the Registration of Securities Offerings
(Using Data Obtained from the SIS Database)

Registrations by Coordination

Year Ended	# of Transactions	Fees	Revenue Generated
June 30, 2004 (Fiscal)	95	2,000.00	$190,000.00
December 31, 2004 (Calendar)	91	2,000.00	$182,000.00

Registrations by Qualification

Year Ended	# of Transactions	Fees	Revenue Generated
June 30, 2004 (Fiscal)	1	2,000.00	$2,000.00
December 31, 2004 (Calendar)	2	2,000.00	$4,000.00

Exemptions--§78A-16(9) (Nonprofit Issuers)

Year Ended	# of Transactions	Fees	Revenue Generated
June 30, 2004 (Fiscal)	120	0.00	$0.00
December 31, 2004 (Calendar)	112	0.00	$0.00

Exemptions--§78A-17(9) (Limited Offerings)

Year Ended	# of Transactions	Fees	Revenue Generated
June 30, 2004 (Fiscal)	9	150.00	$1,350.00
December 31, 2004 (Calendar)	10		$1,500.00

Exemptions--§78A-17(17) (Rule 505 Transactions)

Year Ended	# of Transactions	Fees	Revenue Generated
June 30, 2004 (Fiscal)	15	150.00	$2,250.00
December 31, 2004 (Calendar)	16	150.00	$2,400.00

Covered Securities: Investment Companies

Year Ended	# of Transactions	Fees	Revenue Generated
June 30, 2004 (Fiscal)	499	2,000.00	$998,000.00
December 31, 2004 (Calendar)	523	2,000.00	$1,046,000.00

Covered Securities: Rule 506 Transactions

Year Ended	# of Transactions	Fees	Revenue Generated
June 30, 2004 (Fiscal)	1,242	350.00	$434,700.00
December 31, 2004 (Calendar)	1,484	350.00	$519,400.00

Covered Securities: Investment Companies--Renewals

Year Ended	# of Transactions	Fees	Revenue Generated
June 30, 2004 (Fiscal)	1,771.6	250.00	$442,900.00
December 31, 2004 (Calendar)	1,718.2	250.00	$429,550.00

Grand Totals of Revenue Generated

Year Ended	# of Transactions	Revenue Generated
June 30, 2004 (Fiscal)	**3753**	**$2,071,200.00**
December 31, 2004 (Calendar)	**3956**	**$2,184,850.00**

IV. QUALIFIED BUSINESS REGISTRATIONS

The Division is responsible for the examination and registration of "Qualified Businesses," which are usually small (under $5 million gross revenue) North Carolina businesses that meet statutory criteria for a special tax credit incentive available to their investors and based on the amount of capital placed by each qualifying investor. The following statistics reflect the number and type of participants in the Qualified Business program as of January 31, 2005.

Total Qualified Businesses currently registered or under review:	149
Breakdown of the total shown above:	
Qualified Business Ventures currently registered:	126
Qualified Grantee Businesses currently registered:	23
Total registered:	149
Applications for reinstatement of revoked registrations under review:	0
Applications for initial registration under review*:	0

*As of the date of this report, all initial applications have been processed.

North Carolina Department of the Secretary of State
Certification & Filing Division
Notary Public Section
Fiscal-Year 2003-2004
Gayle P. Holder, Director

Notary Public Section Functions

The Notary Public Section commissions and regulates over 164,000 Notaries Public in North Carolina. The Section also:

- Evaluates and processes all notary public commission applications
- Maintains a database of commission information
- Coordinates and communicates daily with North Carolina's 100 Registers of Deeds offices (where commissions are sent before the applicant takes the oath of office)
- Responds to public inquiries
- Trains and certifies community college instructors to teach the statutorily required notary public education program
- Has an Enforcement Section that investigates and acts upon alleged violations of the North Carolina Notary Public Act

Notary Public Section Staff

The Section budget funds the Certification & Filing Director position, three Processing Assistant IV positions, and a Notary Investigator position. The Notary Section budget does not have adequate funding to staff the section for processing and enforcing statutory responsibilities, so UCC resources and staff are used to enable the Notary Section to function at an acceptable level.

Notary Public Section Budget

- 2003-04 Appropriations: $203,496.00
- 2003-2004 Revenue: $1,765,506.21

Notary Public Section Key Facts

- Effective January 1, 2005, the Notary Section transitioned to a new KB system created by the Department's Information Technology team. The new system allows the Notary section to operate more efficiently, in a more technologically advanced society. The section can now scan documents, creating images needed for processing and reference. The second developmental phase of the new system will allow the Registers of Deeds to access the scanned document database to instantly review and communicate required information.

- In 2003-2004 the Notary Public Section certified 75 persons as notary public education program instructors.

- In 2003-2004, the Notary Public Section received 1,553 complaints (230 of which were external) alleging notary misconduct. In addition, 637 violations of the Notary Public Act were found, and disciplinary actions were taken ranging from requiring the notary correct

the error, to suspending or revoking the notary's commission, to working with local law enforcement to bring criminal charges against the notary.

- The Section issued 92 suspensions and 72 revocations in 2003-2004.
- The Notary Public Section routinely processes 1300-1500 transactions per week (initial and reappointment applications, amendments, oath returns, certificates, etc.)
- On average, the Certification and Filing Division's Customer Service Team answers and responds to approximately 3,500 Notary inquiries monthly.

N. C. Department of the Secretary of State
Certification & Filing Division
Land Records Management Program. G.S. 147.54.3
Fiscal-Year 2003-2004
Gayle P. Holder, Director

Land Records Program Functions

The Land Records Management Program was established in 1977 to assist local governments establish uniform standards for the indexing, security, and reproduction of land records. Examples are as follows:

- Development and training on the minimum standards for indexing real property records in Registers of Deeds offices.
- Preparation of county base maps and cadastral maps in accordance with the State Plane Coordinate System and in conjunction with the Secretary of Revenue for tax appraisal purposes.
- Consultation on the automation of land records systems, storage and retrieval of land records, archiving and filing of historical records, and recording techniques and equipment.
- Certification of property mappers.
- Preparation of management audit reports and comparative salary studies for N.C. Registers of Deeds.
- Approval of satellite offices for Registers of Deeds.

Land Records Program Staff

The Land Records Management Section employs the Manager and the Internal Systems Consultant. These two employees are responsible for the statutory responsibilities in continuing this vital program for local governments. Technical assistance provided by the Section includes, but is not limited to: 1) reviewing mapping projects, computer systems, & contract proposals by outside vendors; 2) conducting workshops and training seminars; and 3) providing input on improving existing departmental and local programs in accordance with state laws and standards.

In addition to the statutorily mandated responsibilities, the Land Records Section staff also assists in other areas of the Certification and Filing Division affecting local governments such as:

- Uniform Real Property Electronic Recordation Act
  - Staff to the Secretary's E-Recordation/E-Notarization Advisory Council
  - Liaison with the various groups affected: NC Assn. of Registers of Deeds, NC Bar, NC Bar Assn., NC Title Assn., NC Tax Assessors, NC Bankers Assn., NC Notary Assn.
  - Research assistance to the N.C. General Statutes Study Commission
- Uniform Commercial Code (Revised Article 9)
  - Customer and Local Government Training
  - Customer Service
  - Forms/Instructions Development for the Web
  - Registers of Deeds Liaison
  - Administrative Rulemaking
- Notary Public
  - Instructors Training and Manual Development
  - Ex-Officio Training

- N. C. Notary Public Working Group on revising Article 10A – Notary Act
- Administrative Rulemaking

- State and Federal Associations Liaison
  - National Association of Secretaries of State – Notary Public Administrators Committee
  - N. C. Association of Registers of Deeds
  - N. C. Association of Tax Collectors/Assessors/Administrators
  - N. C. Community College System
  - N. C. Notary Public Association

Land Records Program Key Facts

Since the implementation of the Land Records Program, the following accomplishments have been realized through the direct assistance of the employees of this program:

- All one hundred county Registers of Deeds in North Carolina have adopted the "Minimum Standards for Indexing Real Property Records." These standards have been used by other states as model standards and have also been used by computer software developers in providing systems for Registrars across the Nation.
- All one hundred county Registers of Deeds offices have computerized indexing systems.
- Eighty-five counties have completed basic cadastral (property ownership) mapping.
- Seventy counties have cadastral data in digital form.
- Sixty counties have digital orthophotos (special aerial photographs); 57 counties have hardcopy orthophotos.
- Seventy counties have a GIS (geographic information system).

Land Records Program Measures of Output for July 1, 2003 – June 30, 2004

Description	Manager	Consultant
Requests for Technical Assistance/Response to Inquiries	340	450
On-Site Visits[1]	11	
Workshops /Number Trained	19/758	10/365
Number of Certified Property Mappers	163	
Number of Counties requesting Technical Assistance	34	25
Number of new Municipal Annexation Ordinances/Charter Amendments Received/Scanned/Recorded	763	
Number of previously received Municipal Annexation Ordinances/Charter Amendments Scanned/Recorded	7263	
Number of NCARD Conferences, Committee Meetings, & NC Notary Public Assn. meetings attended & responsible for a presentation	20	10
Number of NC Notary Public Instructors Certified/Re-Certified		75

[1] The Section's travel budget has been reduced considerably over the last few years. The staff must conduct their work, for the most part, by phone, fax, and email.

North Carolina Department of the Secretary of State
Certification and Filing Division
Uniform Commercial Code Section
Fiscal-Year 2003-2004
Gayle P. Holder, Director

UCC Section Functions:
The Uniform Commercial Code Section serves as a vital source for "credit check" information used by banks and other lenders when a business or person in North Carolina wants to borrow money, for business or personal purchases. The section maintains hundreds of thousands of public filings regarding loans and federal tax liens, as part of a nationwide system of centralized filing of certain loan and tax lien information.

A new UCC database was implemented July 1, 2001, allowing customers to file documents electronically online (E-Filing). We have two methods of payments, ACH (Automated Clearing House) accounts or Credit Card (Visa or MasterCard). In addition to online filing, the new system is image enabled, meaning that we scan all filed documents and store the images in our database. They are then available through a search inquiry for viewing or printing. Anyone with access to the Internet can print a copy of any document on file that has been imaged. The system provides a bulk filing process for parties who file documents in volume.

Pursuant to North Carolina General Assembly's 2003 budget act (House Bill 397; Session Law 2003-284), UCC filing fees increased on July 15, 2003 ($38.00 for 1-2 page filings, increasing with the number of pages). However, the electronic filing fee remained the same ($30.00 plus $2.00 processing fee).

UCC Section Staff:
- The UCC Section is currently staffed with fifty-six (56) budgeted positions.
- Primary responsibilities of the UCC staff include the following: Intake, Cash Management, Acknowledgments, Rejections, Correspondence, Indexing, Verifying, Scanning, Proofing, Research, Filing, Record Retention and Customer Service. The staff also provides substantial assistance to the business community by communicating program requirements and policies.

UCC Section Budget and Revenue:
- 2003-2004 Appropriations: $2,381,803.00
- 2003-2004 Revenue: $3,151,495.69

UCC Key Facts:
- 2003-2004 total number of UCC paper filings: 86,658
- 2003-2004 total number of filed tax liens: 2,197
- 2003-2004 total number of UCC E-Filings: 44,108 (up from 3,105 in FY 2001-2002)
- E-Filing volume was approximately 33.2% for the 2003/2004 fiscal year, up from 10% in the 2001/2002 fiscal year. As of January 2005, E-filing volume is already up to approximately 50% of our total UCC filings. In order to increase our E-filing volume, the UCC Section is undertaking a number of marketing initiatives in the business community.

North Carolina Department of the Secretary of State
Authentications Office
Charlene P. Dawkins, Director

Office Functions

The Authentications Office is responsible for signing and issuing certificates of authenticity for documents intended for use in foreign countries. The office authenticates a variety of documents from commercial organizations, private citizens, and governmental officials. Examples of such documents include: corporate bylaws, powers of attorney, academic transcripts, distributorship agreements, statements of marital status, employment certifications, real property deeds, assignments of interest, death certificates, patent applications, and adoption related papers. Depending upon the country of intended use for the document, the Authentication Office will issue either an Apostille or an Authentication.

Apostilles

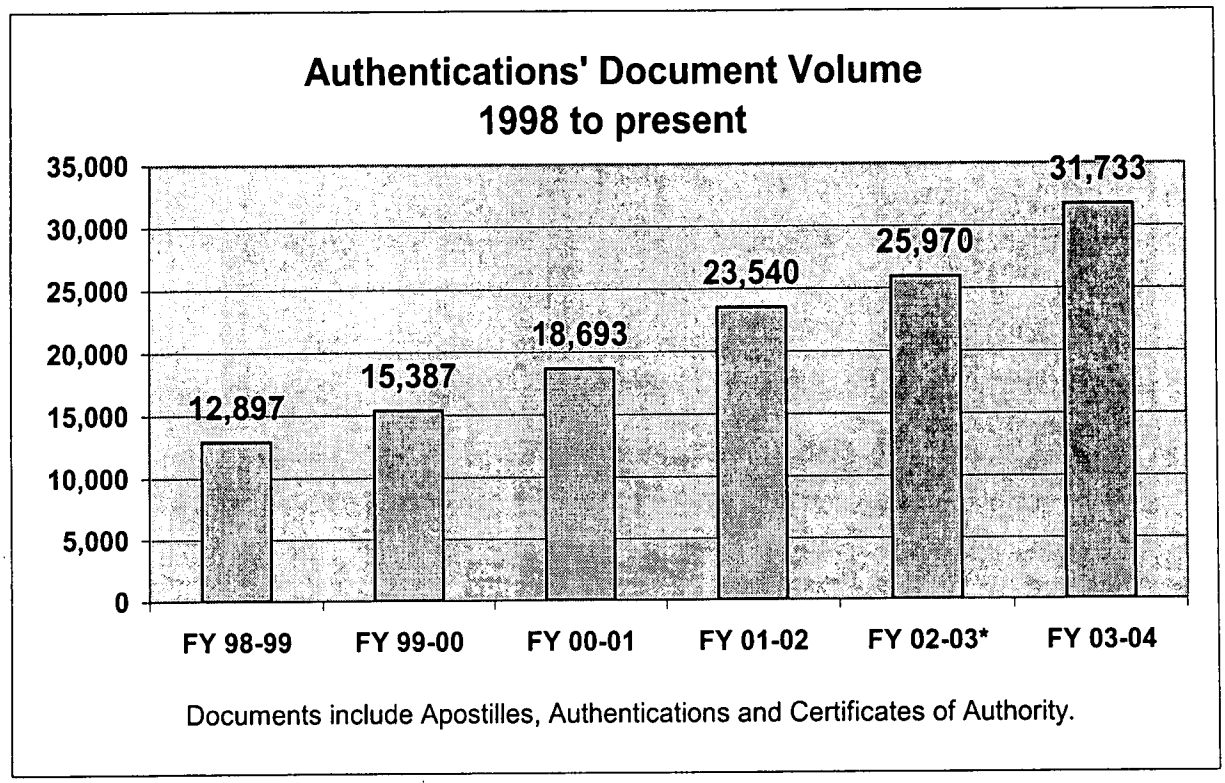
An Apostille is a special kind of authentication. If the document is to be used in one of the signatory countries of the *Convention de La Haye 5 Octobre 1961*, it should be notarized, then certified by the Register of Deeds in the county in which the notary is commissioned. The final stage is presentment for authentication with an Apostille by the Secretary of State of North Carolina. The Apostille requires no authentication by the United States Department of State. It is ready to go directly to the country of intended use.

Authentications

Countries not party to the *Convention de La Haye 5 Octobre 1961* still require that documents be authenticated. Those countries require that the document have the Great Seal of the State. Documents so authenticated by the Department of the Secretary of State of North Carolina are then transmitted to the Authentication Service of the United States Department of State for further action. Then they may be utilized in the country of intended use.

The staff for this section includes two (2) Processing Assistant V positions.

The budget is through the Administration Division.


Authentications' Document Volume
1998 to present
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
12,897
15,387
18,693
23,540
25,970
31,733
FY 98-99
FY 99-00
FY 00-01
FY 01-02
FY 02-03*
FY 03-04
Documents include Apostilles, Authentications and Certificates of Authority.

North Carolina Department of the Secretary of State
Charitable Solicitation Licensing Section

Section Functions

- Licenses persons, businesses, and organizations that solicit charitable contributions from North Carolina residents.
- Issues exemption determinations to persons and organizations that qualify for exemption from licensing requirements.
- Receives and files contracts, solicitation notices, and final accounting reports submitted by licensed professional fundraisers
- Enforces violations of charitable solicitation laws by acting on complaints and investigating potential violations.
- Maintains paper and electronic records for 3,184 charity and sponsor licensees, 542 professional fundraiser licensees, and 1,156 organizations exempt from licensing requirements. Many of these records and document images are accessible via the Agency's Internet website.
- Receives and responds to telephone, facsimile, mail, and electronic mail queries from consumers and licensees. Maintains a toll-free telephone number for consumer and licensee use.
- Generates annual reports regarding licensee information, filings, enforcement activity, and solicitation campaign results.

Section Function by Staff

- *Director / attorney* -- provides general oversight of section operations, develops and implements policy, manages records database conversion effort, supervises line supervisors. **1 position**
- *Supervisor, audit & enforcement* -- manages section audit and enforcement function, directly supervises one program assistant, with remaining three assistants available as shared resource. **1 position**
- *Supervisor, licensing & filing* -- manages section licensing and filing function. Directly supervises three program assistants, with additional program assistant available as shared resource. **1 position**
- *Program assistants* -- answer public requests for information, assist licensees with filings and compliance issues, process filings and examine submitted documents, scan filings into electronic format, input data into and maintain database information, produce response documents, open and investigate enforcement cases, handle incoming and outgoing mail, maintain consumer telephone hotline, manage all major document files. **4 positions**

Total positions: 7

Budget and Revenue

- The section is 100% fee supported with an approval budget of **$355,485.00** for fiscal year 2003-2004.
- During fiscal year 2003-2004, the section generated **$603,500.00** in receipts.

Section Facts

- During 2003-2004, the Section began scanning filed paper documents into electronic format for storage, retrieval and posting for consumer access via the Internet. Today North Carolina consumers can access filed license applications and attachments online -- including licensee audits and federal Form 990 filings. Document conversion continues.
- Between July 1, 2003 and June 30, 2004, the Section conducted 31 investigations of alleged violations. The unit recommended civil penalties for twelve cases. In November 2004 the unit began revisions to its enforcement process to improve efficiencies in case throughput and reporting.

N.C. Secretary of State Trademark Section

Section Functions

- Processes initial applications and renewal applications for trademark and service mark registration each year, which includes a review of the application and supporting specimens
- Performs legal research to determine the registrability of mark applications and writes correspondence and briefs to support decisions made by the Section
- Generates and mails out Five-year Affidavits of Use and Ten-year Applications for Renewal (approximately a total of 100 each month)
- Reviews and processes Five-year Affidavits of Use
- Enters data into the trademark database
- Generates and mails Certificates of Registration and Renewal for marks that are actually registered
- Processes assignments of marks from the original owner to other parties and records registrants' name changes
- Investigates and assists in the criminal prosecution of individuals who manufacture or sell counterfeit goods
- Conducts training for the law enforcement community within North Carolina to bring about greater awareness of what counterfeit goods are, their impact on consumers and the economic market, and how to properly investigate counterfeit trademark cases
- Distributes handbook entitled Registering a Trademark or Service Mark in North Carolina

Why These Functions Are Important

- Protects the consuming public, as well as the business community
  - For consumers, registration of trademarks and service marks helps to prevent the purchase and consumption of inferior and often dangerous goods
  - For businesses, registration prevents others from the unauthorized association with legitimate manufacturers and also prevents the marketing of inferior and often dangerous goods under a registered mark.
- Nationwide, it is estimated that $200 billion are lost annually as a result of the marketing of counterfeit goods. That figure is up from $60 billion in 1988. Goods that have been counterfeited include clothing, jewelry, clothing accessories, baby formula, shampoo, over-the-counter medications, sound and video recordings, etc..

Division Function By Staff

- Total number of positions is three (3).

  - Trademark Supervisor (Paralegal I - SG 65) - Responsible for supervision of the Trademark Specialist. This employee plans, organizes, and evaluates the organization of the Trademark Section; is responsible for procuring technological updates to the trademarks database; and ensures that current, helpful information is maintained on the Trademarks Section webpage.

- Trademark Specialist (AA II - SG 65) - Responsible for examining trademark applications and other documents submitted for filing in the Secretary of State's Office.

- Trademark Investigator (Admin. Officer II - SG 70) - Responsible for the detection, investigation and punishment of fraudulent and non-fraudulent violations of the various acts administered by the Department of the Secretary of State, including the Trademark Registration Act, Lobbyist Registration Act, Athlete Agent Registration Act, etc. This position is also responsible for conducting training for law enforcement officers statewide on the topic of counterfeit trademark enforcement.

Total Budget: Budget is through the Administration Division.

Key Trademark Section Facts

- A mark registration is effective for ten (10) years; however, mark owners must verify their continued use of the mark at the expiration of five (5) years from the original date of registration by filing an Affidavit of Use, which is reviewed and approved by the Trademark Section. The number of Affidavits received for review averages about 300 per year.

- The Trademark Section reviews an average of nearly 600 applications for trademark and service mark registration each year. Of those applications reviewed, the Trademark Section registers about 575 of the marks for which registration is sought. Additionally, the Trademark Section reviews about 150 additional 10-year applications for renewal each year.

- During the most recently completed fiscal year, FY 03-04, the Trademark Section reviewed 576 initial applications for registration and issued 504 new registrations based upon those applications. It also reviewed 160 applications for renewal and, of those, issued 133 renewal registrations. The renewal numbers fluctuate due to the fact that customers have six months to renew and therefore sometimes renew early.

- In response to customer requests, the Trademark Section distributes an average of 300 copies of our manual, Registering a Trademark or Service Mark in North Carolina, each year. During FY 03-04, the number of manuals distributed was 299. The manual is now available online at the Secretary of State Trademark Section website, thereby cutting down on the number of manuals that were previously mailed.

North Carolina Department of the Secretary of State
Certification and Filing Division
Lobbyist Registration Office
Fiscal-Year 2003-2004
Gayle P. Holder, Director

Lobbyist Registration Office Functions

The Lobbyist Registration Office regulates and maintains all filings (registration statements, registration fees, authorization statements and expense reports) for registered lobbyists and their principals.

Lobbyist Registration Office Structure

Total number of positions: 1

Office Budget: Budgeted through Administration.

2003-2004 Revenue: $275,800.00

Lobbyist Registration Office Key Facts

- Lobbyists register for a two-year period. The registrations for the 2003-2004 biennium totaled 1,242, (592 lobbyists and 674 principals), generating fees of $275,800. Currently, 349 registrations have been filed for January of 2005, consisting of 206 lobbyists and 201 principals.

- Lobbyists and principals are also required to file two expense reports per year identifying the amount of expenses incurred, to whom they were paid, and names of Legislators who benefited. The first expense report must be filed within 60 days of adjournment of the regular session of the General Assembly. The supplemental reports must be filed by February 28 of the following year. These reports must be filed whether or not expenses were incurred.

- The Lobbyist Registration Office compiles and publishes a Lobbyist Directory. The directory includes lobbyist and principal names, address and telephone information. The directory is continuously updated and available over the Internet. In addition, in 2003-2004 five paper editions were produced.

- The Lobbyist Registration Office experiences several peak periods during the year, which include when expense reports are due, when directories are produced, and when the legislative session begins and ends. During these peak periods, phone calls and visits to the office can reach 50-60 each day.

- Other duties of the Lobbyist Registration Office include:

    - Maintaining and filing the original House and Senate Journals;

    - Maintaining and certifying the original ratified bills and resolutions;

    - Arranging the meeting of the Electoral College;

- Serving as the Chief Records Officer for the Department of the Secretary of State;
- Registration of Loan Brokers (63 current filings);
- Registration of Campgrounds and Campground Salespeople (5 campgrounds/196 salespeople currently on file);
- Registration of Business Opportunities (1074 filings);
- Registration of Telephonic Sellers (56 current filings); and
- Issuance of State Identification Cards for elected officials.

N.C. Secretary of State
Publications Division

Division Functions

- Houses Public Information/Communications Office.
- Gathers data, writes, edits, publishes and distributes North Carolina State government's leading reference works:
  North Carolina Manual
  Directory of State and County Officials
  North Carolina Constitution
  Brochures concerning North Carolina facts, government, etc.

- Gathers data, writes, edits, publishes and distributes manuals and other reference materials to support the agency's other units and make transactions with them easier for agency customers.
- Maintains major State documents, including certified election results, boards and commissions notices, gubernatorial executive orders and international agreements between non-university system units of state government and other nations.
- Distributes House and Senate Journals.
- Maintains archive of House and Senate Journals dating back as far as 1824, as well as other historic documents – most importantly, the original handwritten version of the North Carolina Constitution of 1868 and the Book of Oaths of N.C. Council of State members dating back to the late 1880s.
- Digitizes archival holdings.
- Certifies copies of various documents in its possession for customers.
- Provides all department mailing functions and duties.
- Manages supply receiving and distribution and supply store room for entire agency.
- Operates a high-volume copy center for the entire agency.
- Acts as information resource for citizens who need specific information about an aspect of state government and have not been able to find it through other agencies.
- Maintains an extensive web site with North Carolina-related information for secondary school students and adults.

Division Function by Staff

- *Director of Communications* – provides general oversight of division operations, manages all press and media contacts and relations, writes press releases and works directly with the Secretary of State on presentations to the North Carolina public. **1 position**
- *Director of Publications* – manages division operations and personnel, writes and edits publications. **1 position**
- *Communications Assistant* – supports Director of Communications functions, writes press releases, works with press and media contacts and manages content for sections of the department's web site. **1 position**
- *Editorial Assistants* – gather data for publications, answer all public requests for information about state government, conduct outside bidding for agency publishing under supervision of Director of Publications, set and proof type, manage all major document files, digitize archival holdings. **2 positions**
- *Mail Center Supervisor* – manages mail center, operates mail equipment, manages relations with USPS and private express mail companies, manages supply receiving and distribution and supply room, manages copy center. **1 position** (position housed in Administration budget code)

Total Positions: **6** 2003-04 Appropriations: **$309,363**

Publications Division Facts

- The Publications Division responded to 6,400 requests for information about state government in the 03-04 fiscal year. Customers for this service include the general public, businesses, legislators, students and other state government agencies.

- The division distributed roughly 40,000 individual pieces of printed material at the 2004 North Carolina State Fair.

- The department's total book distribution totaled nearly 23,000 in 03-04. Improved distribution of *The Directory of State and County Officials* to other state agencies and county governments has driven demand for the book higher. In past years, each edition usually had several hundred copies left over by the time the next edition arrived. Now, almost all copies are distributed within 4-6 weeks after they arrive from the publisher.

- The mail center handled roughly 900,000 to 1 million pieces of mail. The center collects and meters outgoing mail; sorts and distributes incoming mail; sorts, distributes and tracks express and certified and registered mail

- The mail center handles supply receiving and distribution for the entire department and is maintaining a supply room stocked with roughly 20,000 different items.

- The division established a copy center for the entire agency in 00-01. So far this fiscal year, the copy center has printed 200,000 individual copies for divisions throughout the agency.

- The division expanded its web site over the last year to provide a large amount of North Carolina-related material for secondary school students and adult visitors. Among this material were the 1868 State Constitution and imaged samples of historic documents from the division's archives. The division is embarking on a program to digitize all archival holdings and make them available to the public via the WWW.

FISCAL DATA
DEPARTMENT OF THE SECRETARY OF STATE
CONTINUATION BUDGET

SUMMARY OF GENERAL FUND - 13200

DESCRIPTIONS	2003-04 ACTUAL	2004-05 AUTHORIZED	2005-06 RECOMMENDED	2006-07 RECOMMENDED
TOTAL REQUIREMENTS	$8,754,222	$8,740,762	$9,119,677	$9,100,591
RECEIPTS	$693,712	$548,247	$550,734	$550,734
APPROPRIATIONS	$8,060,510	$8,192,515	$8,568,943	$8,549,857
NUMBER OF POSITIONS	177.75	170.75	170.75	170.75

SUMMARY OF TRUST FUND - 63200

DESCRIPTIONS	2003-04 ACTUAL	2004-05 AUTHORIZED	2005-06 RECOMMENDED	2006-07 RECOMMENCED
TOAL REQUIREMENTS	$10,402,112	$0	$0	$0
RECEIPTS	$9,695,195	$0	$0	$0
ENDING CASH BALANCE	$959,706	$959,706	$959,706	$959,706
CHANGE IN CASH BALANCE	($706,917)	$0	$0	$0
NUMBER OF POSITIONS	0	0	0	0

FISCAL DATA
DEPARTMENT OF THE SECRETARY OF STATE
CONTINUATION BUDGET

SUMMARY OF GENERAL ADMINISTRATION
GENERAL FUND - 13200

DESCRIPTIONS	2003-04 ACTUAL	2004-05 AUTHORIZED	2005-06 RECOMMENDED	2006-07 RECOMMENDED
TOTAL REQUIREMENTS	$1,602,622	$1,658,363	$1,918,441	$1,922,724
RECEIPTS	$1,000	$1,000	$1,000	$1,000
GENERAL FUND APPROPRIATIONS	$1,601,622	$1,657,363	$1,917,441	$1,921,724
NUMBER OF POSITIONS	26	26	26	26

FISCAL DATA
DEPARTMENT OF THE SECRETARY OF STATE
CONTINUATION BUDGET

SUMMARY OF PUBLICATIONS DIVISION
GENERAL FUND - 13200

DESCRIPTIONS	2003-04 ACTUAL	2004-05 AUTHORIZED	2005-06 RECOMMENDED	2006-07 RECOMMENDED
TOTAL REQUIREMENTS	$330,807	$296,315	$339,802	$298,740
RECEIPTS	$21,442	$21,700	$21,700	$21,700
GENERAL FUND APPROPRIATIONS	$309,365	$274,615	$318,102	$277,040
NUMBER OF POSITIONS	4	4	4	4

FISCAL DATA
DEPARTMENT OF THE SECRETARY OF STATE
CONTINUATION BUDGET

SUMMARY OF CORPORATIONS DIVISION
GENERAL FUND - 13200

DESCRIPTIONS	2003-04 ACTUAL	2004-05 AUTHORIZED	2005-06 RECOMMENDED	2006-07 RECOMMENDED
TOTAL REQUIREMENTS	$1,858,710	$1,994,540	$1,994,508	$1,997,471
RECEIPTS	$40,970	$64,000	$64,000	$64,000
GENERAL FUND APPROPRIATIONS	$1,817,740	$1,930,540	$1,930,508	$1,933,471
NUMBER OF POSITIONS	46.75	46.75	46.75	46.75

FISCAL DATA
DEPARTMENT OF THE SECRETARY OF STATE
CONTINUATION BUDGET

SUMMARY OF UNIFORM COMMERCIAL CODE
GENERAL FUND - 13200

DESCRIPTIONS	2003-04 ACTUAL	2004-05 AUTHORIZED	2005-06 RECOMMENDED	2006-07 RECOMMENDED
TOTAL REQUIREMENTS	$2,447,102	$2,638,752	$2,699,235	$2,712,240
RECEIPTS	$65,300	$99,000	$99,000	$99,000
GENERAL FUND APPROPRIATIONS	$2,381,802	$2,539,752	$2,600,235	$2,613,240
NUMBER OF POSITIONS	56	56	56	56

FISCAL DATA
DEPARTMENT OF THE SECRETARY OF STATE
CONTINUATION BUDGET

SUMMARY OF SECURITIES DIVISION
GENERAL FUND - 13200

DESCRIPTIONS	2003-04 ACTUAL	2004-05 AUTHORIZED	2005-06 RECOMMENDED	2006-07 RECOMMENDED
TOTAL REQUIREMENTS	$1,344,357	$1,424,849	$1,433,973	$1,435,143
RECEIPTS	$19,000	$2,000	$2,000	$2,000
GENERAL FUND APPROPRIATIONS	$1,325,357	$1,422,849	$1,431,973	$1,433,143
NUMBER OF POSITIONS	24	24	24	24

FISCAL DATA
DEPARTMENT OF THE SECRETARY OF STATE
CONTINUATION BUDGET

SUMMARY OF BUSINESS LICENSE INFORMATION OFFICE
GENERAL FUND - 13200

DESCRIPTIONS	2003-04 ACTUAL	2004-05 AUTHORIZED	2005-06 RECOMMENDED	2006-07 RECOMMENDED
TOTAL REQUIREMENTS	$478,036	$0	$0	$0
RECEIPTS	$10	$0	$0	$0
GENERAL FUND APPROPRIATIONS	$478,026	$0	$0	$0
NUMBER OF POSITIONS	7	0	0	0

FISCAL DATA
DEPARTMENT OF THE SECRETARY OF STATE
CONTINUATION BUDGET

SUMMARY OF NOTARY PUBLIC COMMISSION
GENERAL FUND - 13200

DESCRIPTIONS	2003-04 ACTUAL	2004-05 AUTHORIZED	2005-06 RECOMMENDED	2006-07 RECOMMENDED
TOTAL REQUIREMENTS	$208,171	$228,282	$232,268	$232,268
RECEIPTS	$1,675	$0	$0	$0
GENERAL FUND APPROPRIATIONS	$206,496	$228,282	$232,268	$232,268
NUMBER OF POSITIONS	5	5	5	5

FISCAL DATA
DEPARTMENT OF THE SECRETARY OF STATE
CONTINUATION BUDGET

SUMMARY OF LAND RECORDS MANAGEMENT DIVISION
GENERAL FUND - 13200

DESCRIPTIONS	2003-04 ACTUAL	2004-05 AUTHORIZED	2005-06 RECOMMENDED	2006-07 RECOMMENDED
TOTAL REQUIREMENTS	$133,899	$139,114	$138,416	$138,971
RECEIPTS	$0	$0	$0	$0
GENERAL FUND APPROPRIATION	$133,899	$139,114	$138,416	$138,971
NUMBER OF POSITIONS	2	2	2	2

FISCAL DATA
DEPARTMENT OF THE SECRETARY OF STATE
CONTINUATION BUDGET

SUMMARY OF CHARITABLE SOLICITATIONS
GENERAL FUND - 13200

DESCRIPTIONS	2003-04 ACTUAL	2004 AUTHORIZED	2005-06 RECOMMENDED	2006-07 RECOMMENDED
TOTAL REQUIREMENTS	$350,518	$360,547	$363,034	$363,034
RECEIPTS	$544,315	$360,547	$363,034	$363,034
GENERAL FUND APPROPRIATION	($193,797)	$0	$0	$0
NUMBER OF POSITIONS	7	7	7	7

SECRETARY OF STATE

ZERO BASE BUDGETING EXPENDITURES

GOVERNOR'S RECOMMENDED BUDGET FY 2005-2006 & 2006-2007

	Administration	Publications	Corporations	Uniform Commercial Codes	Securities	Notary Public	Land Records	Charitable Fund Raising	
	1110	1120	1210	1220	1230	1300	1400	1600	TOTAL
TRAVEL & OTHER EMPLOYEE EXPENSE									
532711 Air - In State	0	0	0	0	0	0	0	0	0
532712 Air Trans - Out of State	800	0	700	500	2500	0	0	0	4500
532714 Trans - Grnd - In - State	7300	500	500	1000	12090	1000	3500	400	26290
532715 Trans Grnd - Out Sta, In US	450	0	100	100	1255	0	500	0	2405
532721 Lodging - In State	1700	0	63	200	3403	388	1414	0	7168
532722 Lodging - Out of State	3430	0	1224	844	3600	0	500	808	10406
532724 Meals - In State	1300	0	31	200	2500	505	1025	500	6061
532725 Meals - Out of State, In US	1300	0	244	300	1500	0	1000	111	4455
TOTAL	16280	500	2862	3144	26848	1893	7939	1819	61285
MISC CONTRACTUAL SERVICE									
532199 Mics Contractual Service	0	0	0	0	6000	0	0	0	6000
RENT/LEASE									
532512 Rent/Lease-Bldings/Office	0	0	0	404533	0	0	0	0	404533
532513 Rental of Real Property	0	0	150	0	0	0	0	0	150
532524 Rent/Lease-Office Equip	0	1300	6900	28500	0	0	0	0	36700
532590 Rent/Lease Other Property	200	1000	900	1500	450	0	0	210	4260
TOTAL	200	2300	7950	434533	450	0	0	210	445643
CELLULAR PHONE SERVICE									
532814 Cellular Phone Service	2650	100	500	200	3270	600	0	0	7320
FURNITURE/OFFICE EQUIPMENT/COMPUTERS/OTHER									
534511 Furn-Office	0	0	0	2734	0	0	0	5790	8524
534521 Office Equipment	2500	500	10195	11092	200	150	0	3720	28357
534522 Equip-Computers	0	0	0	0	0	0	0	0	0
534534 Per. Computers & Printers	105780	0	0	4500	0	0	0	12000	122280
	108280	500	10195	18326	200	150	0	21510	159161

Department of the Secretary of State, Span of Control

	Number of Employees	Number of Supervisors	Percentage of Supervisors to Total	Average Span Agency Wide	Agency Benchmark	Max No. Supervisor Levels
2001	196	32	16.3	6.13	6.37	6
2003	181	33	18.2	5.48	6.37	6
Current	171	36	21.05	4.75	6.37	6

State of North Carolina
Department of the Secretary of State

ELAINE F. MARSHALL
SECRETARY OF STATE

Memorandum

DATE: February 28, 2005

To: Joint Legislative Subcommittee for General Government
Fiscal Research Division, North Carolina General Assembly

From: David S. Massey, Director, North Carolina Securities Division

Re: Investor Protection and Education Trust Fund
Report for Fiscal Year 2003-04

Pursuant to N.C.G.S § 147.54.5(f) (attached), the Department of the Secretary of State respectfully submits this report on the Investor Protection and Education Trust Fund activity for fiscal year 2003-04.

The funds opening balance on July 1, 2003 was $1,516,596.41. During the 2003-04 fiscal year, deposits to the fund totaled $9,689,960.32. This amount is attributable to four components:

1. A $2,500 deposit resulting from a consent agreement in the matter of EFR Financial Services, LLC. This was in settlement of an investigation into charges of failures to register employees as investment adviser representatives.

2. A $2,500 deposit resulting from a consent agreement in the matter of Prime Meridian Assoc., Inc. This was in settlement of an investigation into an investment adviser's violation of the prohibition against guaranteeing a client against investment losses resulting from the investment advice given.

3. A $9,613,236 deposit resulting from "Global Settlements" of cases which the North Carolina Department of the Secretary of State's Securities Division, in cooperation with and as a member of the North American Securities Administrators Association ("NASAA"), and the US Securities and Exchange Commission ("SEC"), the New York Stock Exchange and the National Association of Securities Dealers have settled charges of violations of North Carolina securities laws. The North Carolina Securities Division has entered into consent agreements with and received payments in the following amounts from:

a.	U.S. Bancorp Piper Jaffray, Inc.	$310,104.00
b.	J.P. Morgan Securities, Inc.	620,209.00
c.	Goldman, Sachs & Co.	620,209.00
d.	Lehman Brothers, Inc.	620,209.00
e.	Morgan Stanley & Co. Incorporated	620,209.00
f.	UBS Securities LLC and UBS Financial Services, Inc.	620,209.00

g.	Bear, Stearns & Co. Inc.	620,209.00
h.	Credit Suisse First Boston LLC	1,860,626.00
i.	Citigroup Global Markets, Inc.	3,721,252.00
	Total	$9,613,236.00

These payments have been deposited to the State's General Fund as directed by a special provision in the 2003 budget bill (Session Law 2003-284; House Bill 397.)

> ***SECTION 2.2(I)*** *Notwithstanding any other provision of law, the sum of ten million dollars ($10,000,000) received by the State of North Carolina as the State's share of the Conflict of Interest Global Settlement shall be deposited in the General Fund. The revenue shall be used for educational purposes.*

4. $71,724.32 in interest income.

Disbursements from the fund totaled $788,876.27, consisting of the following:

a. A $25,000 payment to the North Carolina Council on Economic Education. The funds were used for operation of the "Stock Market Game" to teach investment principles to public school students in North Carolina.

b. A $749,991.00 payment to the NC Agency for Public Telecommunications for production of public service advertisements concerning investment fraud.

c. A $13,080.30 procurement of low-cost items for distribution to and informing the public of services offered through the Securities Division. (40,000 wooden rulers and 50,000 plastic bags each with messages imprinted)

d. $804.97 was paid out in travel and subsistence for Secretary Marshall to attend the NASAA Investor Education Training Conference in Philadelphia, PA.

Total	$788,876.26
Total Global Settlements amount collected and transferred to the State's General Fund	$9,613,236.00

The Trust Fund's closing balance on June 30, 2004 was $804,444.46. For your convenience, the Trust Fund statute is attached to this report.

Please contact me if the Department can provide further information.

§ 147-54.5. Investor Protection and Education Trust Fund; administration; limitations on use of the Fund.

(a) The Investor Protection and Education Trust Fund created in the Department of the Secretary of State as an expendable trust account to be used by the Secretary of State only for the purposes set forth in this section.

(b) The proceeds of the Investor Protection and Education Trust Fund shall be used by the Secretary of State to provide investor protection and education to the general public and to potential securities investors in the State through:

(1) The use of the media, including television and radio public service announcements and printed materials; and
(2) The sponsorship of educational seminars, whether live, recorded, or through other electronic means.

(c) The proceeds of the Investor Protection and Education Trust Fund shall not be used for:
(1) Travel expenses of the Secretary of State or staff of the Department of the Secretary of State, unless those expenses are directly related to specific investor protection and education activities performed in accordance with this section.
(2) General operating expenses of the Department of the Secretary of State, or to supplement General Fund appropriations to the Department of the Secretary of State for other than investor education and protection activities.
(3) Promoting the Secretary of State or the Department of the Secretary of State.

(d) Expenditures from the Investor Protection and Education Trust Fund shall be made in compliance with State purchasing and contracting requirements for competitive bidding in accordance with the provisions of Article 3 of Chapter 143 of the General Statutes.

(e) Revenues derived from consent orders resulting from negotiated settlements of securities investigations by the Secretary of State shall be credited to the Fund. The State Treasurer shall invest the assets of the fund according to law. Any interest or other investment income earned by the Investor Protection and Education Trust Fund at the end of each fiscal year shall not revert to the General Fund.

(f) Beginning January 1, 1997, The Department of the Secretary of State shall report annually to the General Assembly's Fiscal Research Division and to the Joint Legislative Commission on Government Operations on the expenditures from the Investor Protection and Education Trust Fund and on the effectiveness of the investor awareness education efforts of the Department of the Secretary of State. (1996, 2nd Ex. Sess., c. 18, s. 13.)

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 9, 2005
Room 425
8:30 a.m.

Chairman: Senator Katie Dorsett

Department of the Secretary of State

Investor Protection Trust Fund Report (G.S. § 147.54.5(f))

Elaine F. Marshall
Secretary

State Board of Elections

Continuation Budget Review
(Notebook pp. 1-10; 2005-2007 Recommended Continuation Budget pp. B 511- – B 522)

HAVA (Help America Vote Act) Federal Funding
(Notebook canary pp. 1-13)

Gary Bartlett
Executive Director

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT

March 9, 2005
8:30 am

ATTACHMENT
A

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOPVERNMENT
MINUTES

Wednesday, March 9, 2005
8:30 am

The Joint Appropriations Subcommittee on General Government met on March 9, 2005 in Room 425 of the Legislative Office Building. Senator Dorsett called the meeting to order. She welcomed the pages, clerk, agencies, and Sgt. at Arms. Four Senate Members were present and Representatives Alma Adams, Roger West, Marvin Lucas, Marian McLawhorn, Gene Wilson, Leo Daughtry, and Garland Pierce.

After extending the welcome and making introductions, Senator Dorsett then recognized staff, Michele Nelson, Marilyn Chism, and Kathie Austin. Before beginning Senator Dorsett asked the two Co-Chairs, Representatives Alma Adams and Roger West if they had any comments. They had no comments at this time.

Secretary of State Elaine Marshall was recognized to continue an overview of the Department of Secretary of State. An Investor Protection Trust Fund Report was presented to the Subcommittee as following:

The North Carolina Department of Secretary of State Distribution of Staff by Function 2004-2005
Total Positions 171

Securities	Corporation	UCC	Authentications
Trademarks	Lobbyists	Notaries	Publications
Charitable Solicit. Licensing	Land Records	Information Tech.	Administration

The North Carolina Department of Secretary of State Total Revenue Generated As of January 28, 2005

Securities	**($13,514.053)**	Corporation	**($8,457,717)**	UCC	**($2,517,901)**
Authentications	**($182,607)**	Trademarks	**($28,334)**	Lobbyists	**($89,900)**
Notaries	**($963,374)**	Publications	**($691.00)**	Land Records	**($1,245)**
Charitable Solicit. Licensing			**($299,048)**		

Each division of the department was reviewed in detail along with organizational charts. (Please refer to Attachment A)

Secretary Elaine Marshall in detailed reviewed the Fiscal Data for the Department of the Secretary of States Continuation Budget which included Summaries of the General Fund and the Trust Fund. Descriptions of the following were given: Total Requirements, Receipts, General

Fund Appropriations and Number of Positions for the years 2003 through 2007. (Please refer to Attachment A)

The Secretary of State Zero Base Budgeting Expenditures recommended by the Governor's Budget FY 2005-2006 and 2006-2007 was given. This presentation detailed Travel & Other Employee Expenses, Misc. Contractual Service, Cellular Phone Service and Furniture/Office Equipment/Computers/Other. (Please see Attachment A)

Within the Department of the Secretary of State there are currently:

Number of Employees	171
Number of Supervisors	36
Percentage of Supervisors of Total	21.05
Average Span Agency Wide	4.75
Agency Benchmark	6.37
Max. No. Supervisor Levels	6

Secretary Marshall explained the Turnover Analysis there were 14 vacant positions in the agency. 5 of them were clerical, 3 were Securities Investigators, 1 Agency Legal Specialist, 1 Notary Investigator and 1 Division Director. There were 3 positions that had been vacant for 6 months as of January 2005. They were: Securities Investigator, Administrative Officer II, and Processing Assistant III.

In Summary of the Expansion Budget Request the North Carolina Department of the Secretary of State Request the following:

	Requested 2005-2006	Requested 2006-2007
Staff Expansion	773.256	741,780
Total Positions	(12.00)	(12.00)

The additional resources were necessary for the Trademarks Division to effectively perform its responsibility to enforce the State's counterfeit trademark laws. It was expressed that attorney's are needed in the smaller counties.

Executive Director of the State Board Elections Gary Bartlett followed with his overview of his department. The Board of Elections is the State Agency that is overall responsibility for the administration of the elections process and campaign finance disclosure in North Carolina. The Administration Division supervises all primary and general elections held in North Carolina. Enforcing the laws, rules, and regulation governing the conduct of primaries and elections in the State. The Campaign Finance Division is responsible for assisting and educating the public, candidates; The Information Systems Division is directed by N.C.G.S. 163-82.11, a statewide elections management system to support the State Board and County Boards of Elections to conduct legal and orderly elections.

Mr. Gary Bartlett stated that there were three counties that needed to be converted to SEIMS a statewide ID. He gave an overview of the Organization Chart and the Budget Worksheet. (Please see Attachment A)

The meeting adjourned at 9:05 a.m.

Senator Katie Dorsett, Presiding

Phyllis Cameron, Committee Clerk

Organ Donor Registration

If you decide to have either organs or tissues donated upon your death, you may say YES to organ and tissue donation on your donor card or when asked by the examiner at your local driver's license office. You should discuss this decision with your family.

Organ and tissue transplantation saves lives. An average of 15 people die every day because not enough organs are available. For more information about organ and tissue donation please check out the following resources:

Carolina Donor Services
800-200-2672
www.carolinadonorservices.org

LifeShare of the Carolinas & Eye Bank
800-932-4483
www.lifesharecarolinas.org

Coalition on Donation
704-697-3303
www.shareyourlife.org

National Marrow Donor Program
800-627-7692
www.marrow.org

North Carolina Eye Bank
336-765-0932
www.nceyebank.org

North Carolina Lions Foundation, Inc.
800-662-7401
www.nclf.org

United Network for Organ Sharing
888-894-6361
www.unos.org

For Hospice and End of Life Care contact:
The Carolinas Center for Hospice and End of Life Care (800)-662-8859
www.carolinasendoflifecare.org



Thank you for your interest in studying what advance health care directives are available to you!

One of the most stressful times to make important life or death decisions, and decisions affecting mental health treatment or organ donation is during an actual medical emergency. The person having the emergency, his or her family and loved ones, and the health care providers are all under very critical, time-sensitive pressures during an emergency.

One of the best times to make some of these same decisions is when a person is not in a medical emergency and can take the time to reflect and study on what directions he or she wants family and medical providers to know in a crisis situation, before it ever happens.

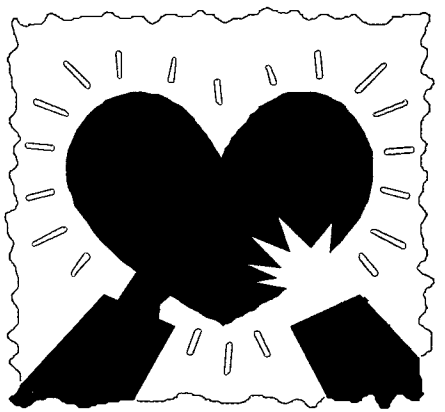
This is why so many people today do make the effort to put on record one or more of the advance health care directives available.

The North Carolina Department of the Secretary of State is proud to offer this voluntary registry program to people who want to plan ahead and to make sure that they always have a voice in their health care issues.

Elaine F. Marshall
N.C. Secretary of State

THE NORTH CAROLINA DEPARTMENT OF THE SECRETARY OF STATE

ADVANCE HEALTH CARE DIRECTIVE REGISTRY



P.O. Box 29622
Raleigh, NC 27626-0622

www.sosnc.com
www.nclifelinks.org

Phone: 919-807-2162
Voice Mail: 919-807-2298
Fax: 919-807-2215
Email: trademrk@sosnc.com

Health Care Directive Registry

The North Carolina Department of the Secretary of State maintains a registry where one may file their Advance Health Care Directives. Advance Health Care Directives are legal documents in which you give written instructions about your health care if, in the future, you cannot speak for yourself. Advance Health Care Directives may include any of the following:

- A health care power of attorney;
- A declaration of a desire for a natural death (or Living Will);
- An advance instruction for mental health treatment; or
- A declaration of an anatomical gift (or Organ/Tissue Donor Card).

A health care power of attorney allows you to name a person you trust to make your health care decisions if you cannot make them yourself.

A declaration of a desire for a natural death (or living will) is a statement that you desire not to have your life prolonged by extraordinary measures if you have a terminal or incurable illness or if you are in a vegetative state.

An advance instruction for mental health treatment makes a declaration of instructions, information and preferences regarding your mental health treatment. It also states that you are aware that the advance instruction authorizes a mental health treatment provider to act according to your wishes. It may also outline your consent or refusal of mental health treatment.

A declaration of an anatomical gift allows anyone over the age of 18 to make a gift by will, organ donor card or other document.

The Health Care Power of Attorney, Living Will and the Advance Instruction for Mental Health treatment must be notarized before you may submit them to the Secretary of State for filing in the Health Care Registry. The Organ/Tissue Donor Card need not be notarized, but does require your signature and that of two witnesses.

Please note that those documents that are notarized must have a readable image of the Notary Seal in order to be scanned and be accepted by the legal and medical communities. For those seals that are embossed, please use either carbon paper or a pencil to highlight the seal so that the scanner will pick up the image.

The North Carolina Secretary of State is only the Administrator of the Advance Health Care Directive Registry and is prohibited from giving legal advice.

Questions about advance health care directives may be answered by consulting with your attorney or other agencies that specialize in end of life care choices and issues.

How it works

Please note that first and foremost, registration of your Advance Health Care Directive is entirely voluntary.

Print a registration sheet from our website (www.sosnc.com) and fill in the required information. For each directive you wish to register with the North Carolina Secretary of State, please attach a $10.00 fee. Please submit one (1) cover sheet for all directives you wish to file. Mail the registration sheet and directive to the North Carolina Secretary of State to the attention of Advance Health Care Directive Registry, P.O. Box 29622, Raleigh, North Carolina 27626-0622.

Upon receipt of your paperwork we will set up a profile for you in the Secretary of State Knowledge Base (SOSKB) and scan in your paperwork. We will then return all documentation to you along with a registry card that contains our file number and password. Upon receipt of your card, you will then be able to access your directives over the Internet at www.sosnc.com or www.nclifelinks.org. This site will be available for use 24 hours a day, seven days a week, 365 days a year.

Once we have returned your registry card with your access information on it, you may want to make copies for everyone who you would like to have access to your directives. You may also want to consider placing an extra copy in the glove compartment of your vehicle and a copy in any other residences you may have. Directives should be readily available to those who will need to make decisions for you in the event you are unable to. Therefore, if you place your card in a hidden location or a safety deposit box, the directive information may not be nearby when you need it the most.

Who should you notify of your Advance Health Care Directives? Whether or not you decide to register your directives with the North Carolina Secretary of State, you should notify everyone that needs to know your wishes for any of the above directives. Make sure you tell your doctor, hospital, agent or surrogate and other family members.

Revocation

You may, at any time, revoke any of your directives filed with the Secretary of State. Simply fill out the Revocation sheet located on our website and have it notarized. Then mail it to the North Carolina Secretary of State to the attention of Advance Health Care Directive Registry. We will revoke (delete) your documents that are filed online and they will no longer be accessible over the Internet. There is no fee for the revocation. The person who originally sent the paperwork is the only one who may revoke a directive.



Mammal
Gray Squirrel

The General Assembly of 1969 designated the Gray Squirrel as the official State Mammal.
(Session Laws, 1969, c. 1207; G.S. 145-5)



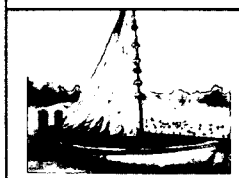
Flag

The first date, May 20, 1775 found on the state flag refers to the Mecklenburg Declaration of Independence. The second date, April 12, 1776 commemorated the Halifax Resolves.
(Session Laws, 1991, c. 361)



Dog
Plott Hound

The General Assembly of 1989 adopted the Plott Hound as the official State Dog.
(Session Laws, 1989, c. 773; G.S. 145-13)



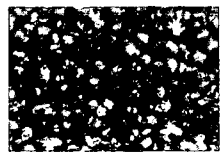
Boat
Shad Boat

The General Assembly of 1987 adopted the Shad Boat as the official State Historical Boat.
(Session Laws, 1987, c. 366)



Blue Berry
Blueberry

The General Assembly of 2001 designated the Blueberry as the State's Blue Berry.
(Session Laws, 2001, c. 488)



Red Berry
Strawberry

The General Assembly of 2001 designated the Strawberry as the State's official Red Berry.
(Session Laws, 2001, c. 488)



Tartan
Carolina Tartan

The General Assembly of 1991 designated the Carolina Tartan as the official Tartan of North Carolina.
(Session Laws, 1991, c. 85)



Elaine F. Marshall
Secretary of State

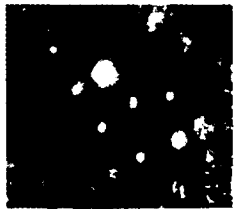
North Carolina State Symbols

Elaine F. Marshall
Secretary of State

Office of the Secretary of State
PO Box 29622
Raleigh, NC 27626-0622
Web site address: www.sosnc.com
(919) 807-2000

Prepared by the Publications Division

30,000 copies of this brochure were printed at a total cost of $2,959.00 or $0.09 per copy.



Fruit
Scuppernong Grape

The General Assembly of 2001 designated the Scuppernong Grape as the official State Fruit.
(Session Laws, 2001, c. 488)



Tree
Pine

The Pine Tree was officially designated as the State Tree by the General Assembly, 1963.
(Session Laws, 1963, c. 41)



Reptile
Eastern Box Turtle

The General Assembly of 1979 designated the Eastern Box Turtle as the official State Reptile for North Carolina.
(Session Laws, 1979, c. 154)



Shell
Scotch Bonnett

The General Assembly of 1965 designated the Scotch Bonnet (pronounced bonay) as the State Shell.
(Session Laws, 1965, c. 681)



Vegetable
Sweet Potato

The Sweet Potato was officially designated the State Vegetable by the General Assembly of 1995.
(Session Laws, 1995, c. 521)



Bird
Cardinal

The Cardinal was selected by popular choice as our State Bird on March 4, 1943.
(Session Laws, 1943, c. 595; G.S. 145-2)



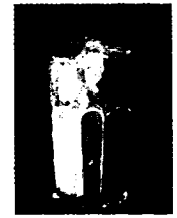
Flower
Dogwood

The General Assembly of 1941 designated the Dogwood as the State Flower.
(Public Laws, 1941, c. 289; G.S. 145-1)



Insect
Honey Bee

The General Assembly of 1973 designated the Honey Bee as the official State Insect.
(Session Laws, 1973, c. 55)



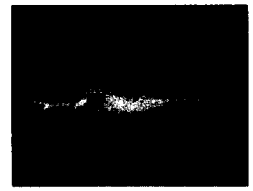
Beverage
Milk

The General Assembly of 1987 adopted Milk as the official State Beverage.
(Session Laws, 1987, c. 347)



Precious Stone
Emerald

The General Assembly of 1973 designated the Emerald as the official State Precious Stone.
(Session Laws, 1973, c. 136)



Salt Water Fish
Channel Bass

The General Assembly of 1971 designated the Channel Bass (Red Drum) as the official State Salt Water Fish.
(Session Laws, 1971, c. 274; G.S. 145-6)



Rock
Granite

The General Assembly of 1979 designated Granite as the official State Rock.
(Session Laws, 1979, c. 906)

N C Department of the Secretary of State

Zero Based Budget Presentation

to

General Government Joint Subcommittee

March 31, 2005

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Secretary of State
Selected General Fund Expenditures

	FY 2005 02/28/2005 YTD AUTH BUDGET
532199 MISC CONTRACTUAL SERVICES	16,064.00
532712 TRANS AIR-OUT STATE,IN US	4,770.00
532713 TRANSP AIR-OUT OF COUNTRY	500.00
532714 TRANSP-GRND - IN STATE	26,290.00
532715 TRANS GRND-OUT STA,IN US	2,430.00
532716 TRANS GRND-OUT OF COUNTRY	0.00
532721 LODGING - IN STATE	7,017.00
532722 LODGING-OUT STATE, IN US	8,271.00
532723 LODGING-OUT OF COUNTRY	411.00
532724 MEALS - IN STATE	5,125.00
532725 MEALS-OUT OF STATE,IN US	3,848.00
532726 MEALS - OUT OF COUNTRY	100.00
532731 BD/NON-EMPLOYEE TRANSP	2,620.00
532732 BD/NON-EMPLOYEE SUBSIS	500.00
532732900 WORKSHOP/CONF-SUBSIS	1,097.00
532814 CELLULAR PHONE SERVICES	7,070.00
534511 FURN-OFFICE	10,289.00
534521 OFFICE EQUIPMENT	26,863.00
534528 EQUIP-VOICE COMMUNICATION	597.00
534529 EQUIP-CUSTODY & SECURITY	672.00
534530 OTHER DP EQUIPMENT	617.00
534531 WAN EQUIPMENT	0.00
534533 LAN EQUIPMENT	1,542.00
534534 PC/PRINTER EQUIPMENT	18,718.00
534535 SERVER EQUIPMENT	13,111.00
534539 OTHER EQUIPMENT	1,322.00
Sum of Selected Accounts	**159,844.00**

Targeted Zero-Based Budgeting Expenditure Accounts
For Fiscal Years 2003-04 to 2006-07

Budget Code	Fund	Account	Account Title	2003-04 Act	2004-05 Auth	2004-2005 YTD 2/28/05	2005-06 Rec	2006-07 Rec	Explanation of Expenditure
13200	1110	53 2199	MISC CONTRACTUAL SERVICI	$3,060	$0	$2,185	$0	$0	FY 03-04 - Contractor to plan an outreach, public information and service campagn regarding the dept's programmatic activities; FY 04-05 - Electoral College recording done by Public Telecommunications
13200	1110	53 2712	AIR TRANS - OUT OF STATE	$819	$800	$117	$800	$800	(Most Out of State Travel for Trademarks is funded through private funds and would be necessary for educational or speaking engagements). Deputy for IT attended national E-government and Secretary of State IT conferences and training to maintain up-to-date knowledge about IT directions and online Secretary of State services across the nation and represent the Department and NC.
13200	1110	53 2713	TRANSP AIR-OUT OF COUNTR	$957	$0	$0	$0	$0	Agency IT representation at the annual IACA conference
13200	1110	53 2714	TRANSP-GRND - IN STATE	$7,560	$7,300	$6,148	$7,300	$7,300	Trademarks Investigator, Senior Staff, HR and Secretary Travel
13200	1110	53 2715	TRANS GRND-OUT STA,IN US	$402	$450	$30	$450	$450	Trademarks Investigator, Senior Staff, HR and Secretary Travel
13200	1110	53 2716	TRANS GRND-OUT OF COUNT	$24	$0	$0	$0	$0	Agency IT representation at the annual IACA conference
13200	1110	53 2721	LODGING - IN STATE	$229	$1,700	$1,331	$1,700	$1,700	Trademarks Investigator, Senior Staff, HR and Secretary Travel
13200	1110	53 2722	LODGING - OUT OF STATE	$1,723	$2,430	$586	$3,430	$3,430	Senior Staff, HR and Secretary Travel. For Trademarks investigator may include educational, speaking engagements or investigation related travel.
13200	1110	53 2723	LODGING-OUTOF COUNTRY	$729	$0	$0	$0	$0	Agency IT representation at the annual IACA conference
13200	1110	53 2724	MEALS - IN STATE	$397	$800	$368	$1,300	$1,300	Trademarks Investigator, Senior Staff, HR and Secretary Travel
13200	1110	53 2725	MEALS-OUT OF STATE,IN US	$387	$800	$106	$1,300	$1,300	Trademarks Investigator, Senior Staff, HR and Secretary Travel
13200	1110	53 2726	MEALS-OUT OF COUNTRY	$32	$0	$0	$0	$0	Agency IT representation at the annual IACA conference
13200	1110	53 2731	BD/NON-EMPLOYEE TRANSP	$105	$0	$0	$0	$0	Lobbyist Advisory Board mileage reimbursement
13200	1110	53 2732	BD/NON-EMPLOYEE SUBSIS	$422	$0	$0	$0	$0	Lobbyist Advisory Board meals
13200	1110	53 2814	CELLULAR PHONE SERVICES	$2,169	$2,400	$1,354	$2,650	$2,650	Includes Trademark Investigagor cell phone. Many cases require calls/return calls while on the road. Not returning a call may mean loss of business to North Carolina. Secretary, Chief Deputy, & Legislative Liaison also have cell phones.
13200	1110	53 4511	FURN-OFFICE	$624	$0	$119	$0	$0	Replacement of worn or non serviceable furniture as needed
13200	1110	53 4521	OFFICE EQUIPMENT	$3,825	$500	$619	$2,500	$2,500	Replacement of worn or non serviceable equipment as needed
13200	1110	53 4528	EQUIP-COMMUNICATIONS	$3,310	$0	$0	$0	$0	Communication equipment in vehicles used by Law Enforcement Officers and two way radio purchase for IT technical staff
13200	1110	53 4529	EQUIP-CUSTODY & SECU	$428	$250	$0	$500	$500	Firearms and ammunition is required for training and in-service training. Not having the equipment would cause failure to certifiy.
13200	1110	53 4530	OTHER DP EQUIP	$109	$267	$0	$40,320	$40,320	Replace worn-out, outdated, and obsolete, IT Assets on a 4 to 5 year cylce (as determined by State CIO). IT assets include PCs, servers, printers, scanners, switches, routers, and other LAN & desktop related hardware & software necessary to provide efficient services to citizens & businesses in NC.

2

Targeted Zero-Based Budgeting Expenditure Accounts
For Fiscal Years 2003-04 to 2006-07

Budget Code	Fund	Account	Account Title	2003-04 Act	2004-05 Auth	2004-2005 YTD 2/28/05	2005-06 Rec	2006-07 Rec	Explanation of Expenditure
13200	1110	53 4531	WAN EQUIPMENT	$0	$0	$0	$16,000	$16,000	Replace worn-out, outdated, and obsolete, IT Assets on a 4 to 5 year cylce (as determined by State CIO). IT assets include PCs, servers, printers, scanners, switches, routers, and other LAN & desktop related hardware & software necessary to provide efficient services to citizens & businesses in NC.
13200	1110	53 4533	LAN EQUIPMENT	$0	$0	$0	$18,465	$18,465	Replace worn-out, outdated, and obsolete, IT Assets on a 4 to 5 year cylce (as determined by State CIO). IT assets include PCs, servers, printers, scanners, switches, routers, and other LAN & desktop related hardware & software necessary to provide efficient services to citizens & businesses in NC.
13200	1110	53 4534	PER. COMP. & PRINTERS	$6,019	$1,000	$0	$105,780	$107,780	Replace worn-out, outdated, and obsolete, IT Assets on a 4 to 5 year cylce (as determined by State CIO). IT assets include PCs, servers, printers, scanners, switches, routers, and other LAN & desktop related hardware & software necessary to provide efficient services to citizens & businesses in NC.
13200	1110	53 4535	PC & PRINTER SUPPORT SER	$0	$4,781	$4,781	$65,750	$65,750	Replace worn-out, outdated, and obsolete, IT Assets on a 4 to 5 year cylce (as determined by State CIO). IT assets include PCs, servers, printers, scanners, switches, routers, and other LAN & desktop related hardware & software necessary to provide efficient services to citizens & businesses in NC.
13200	1110	53 4539	OTHER EQUIPMENT	$116	$0	$619	$0	$0	Equipment replacement as needed
13200	1120	53 2714	TRANSP-GRND - IN STATE	$297	$500	$393	$500	$500	Yearly parking space payment and monthly gasoline payment for mail/supply van. Failure to fund will eliminate van, which is used to move mail and material between several buildings.
13200	1120	53 2814	CELLULAR PHONE SERVICES	$85	$100	$7	$100	$100	Yearly payment for pager for mail/supply supervisor. Failure to fund will make it difficult to locate supervisor in a timely manner during the workday.
13200	1120	53 4521	OFFICE EQUIPMENT	$14,748	$500	($65)	$500	$500	Yearly purchase and maintenance of essential office equipment. Failure to fund will leave several copiers, fax machine and other equipment unmaintained. Copiers are aging and will require replacement within the next few years.
13200	1120	53 4534	PER. COMP. & PRINTERS	$2,630	$0	$0	$0	$0	Yearly purchase of computers and printers. Division will need to replace at least two aging computers in the next 1-2 years.
13200	1120	53 4535	PC & PRINTER SUPPORT SER	$408	$1,190	$1,189	$0	$0	Currently used to allocate new server costs. Agency IT may need funding in this line item to assess more new server costs in the immediate future.

Targeted Zero-Based Budgeting Expenditure Accounts
For Fiscal Years 2003-04 to 2006-07

Budget Code	Fund	Account	Account Title	2003-04 Act	2004-05 Auth	2004-2005 YTD 2/28/05	2005-06 Rec	2006-07 Rec	Explanation of Expenditure
13200	1210	53 2712	AIR TRANS - OUT OF STATE	$1,232	$700	$280	$700	$700	To visit other State Secretary of State offices in order to learn and implement effective processes which could ultimately lead to improved service and better cost effective processes within the NC Secretary of State's Office and/or travel associated with the annual IACA conference.
13200	1210	53 2713	TRANSP AIR-OUT OF COUNTR	$548	$500	$489	$500	$500	For the Corporation's director to attend the annual IACA conference/planning meetings when held in a US Territory or Canada. Conference is held in May.
13200	1210	53 2714	TRANSP-GRND - IN STATE	$782	$500	$287	$500	$500	Use of motor fleet car or personal car for travel to and from airport, training facilities, or speaking engagements within North Carolina on behalf of the Office of the Secretary of State.
13200	1210	53 2715	TRANS GRND-OUT STA,IN US	$121	$100	$13	$100	$100	When Director of Corporations attends the annual IACA conference/planning meeting, ground transporation is necessary to/from airport. Specifically, the Director of Corporations as a member of IACA was assigned to a taskforce to study aspects of a Uniform Registered Agent Act.
13200	1210	53 2716	TRANS GRND-OUT OF COUNT	$47	$0	$0	$0	$0	When Director of Corporations attends the annual IACA conference/planning meeting is held in a U S Territory or Canada.
13200	1210	53 2721	LODGING - IN STATE	$60	$0	$0	$63	$63	Director of Corporations may need an overnight stay when speaking on behalf of the Secretary of State's office/or when attending leadership training.
13200	1210	53 2722	LODGING - OUT OF STATE	$1,170	$500	$223	$1,224	$1,224	It is highly recommended that the Director of Corporation attends the annual IACA conference in order to network with other Secretary of State agencies, gather information and ultimately provide cost effective ways for the NC Secretary of State's office to do business with the public. Specifically, the Director of Corporations as a member of IACA was assigned to a taskforce to study aspects of a Uniform Registered Agent Act.
13200	1210	53 2724	MEALS - IN STATE	$30	$0	$0	$31	$31	Director of Corporations when traveling in-state overnight on behalf of the Secretary of State.
13200	1210	53 2725	MEALS-OUT OF STATE,IN US	$233	$200	$122	$244	$244	It is highly recommended that the Director of Corporation attends the annual IACA conference in order to network with other Secretary of State agencies, gather information and ultimately provide cost effective ways for the NC Secretary of State's office to do business with the public. Specifically, the Director of Corporations as a member of IACA was assigned to a taskforce to study aspects of a Uniform Registered Agent Act.
13200	1210	53 2726	MEALS-OUT OF COUNTRY	$111	$100	$89	$100	$100	For the Corporation's director to attend the annual IACA conference and/or planning meeting and the conference when held in a US Territory or in Canada.

4

Targeted Zero-Based Budgeting Expenditure Accounts
For Fiscal Years 2003-04 to 2006-07

Budget Code	Fund	Account	Account Title	2003-04 Act	2004-05 Auth	2004-2005 YTD 2/28/05	2005-06 Rec	2006-07 Rec	Explanation of Expenditure
13200	1210	53 2814	CELLULAR PHONE SERVICES	$494	$500	$285	$500	$500	For the use of the General Counsel so that she may be reached in order to gain her opinion on the N.C. General Statute as it pertains to the Secretary of State's office.
13200	1210	53 4511	FURN-OFFICE	$186	$1,401	$0	$0	$0	Replacement of worn or non serviceable furniture as needed
13200	1210	53 4521	OFFICE EQUIPMENT	$11,092	$10,195	$9,536	$10,195	$10,195	For the purchase of a high-capacity copier to facilitate processing documents to the general public. In addition, routine office supplies for the Corporations Division employees.
13200	1210	53 4530	OTHER DP EQUIP	$5,694	$215	$214	$0	$0	Three check scanners for mail intake area. The productivity per hour increased with the use of these additional scanners enabling corporate documents to be processed in a timely manner.
13200	1210	53 4531	WAN EQUIPMENT	$3,310	$0	$0	$0	$0	Replacement of IT equipment
13200	1210	53 4534	PER. COMP. & PRINTERS	$3,622	$130	$130	$0	$0	Replacement of IT equipment
13200	1210	53 4535	PC & PRINTER SUPPORT SER	$307	$1,190	$1,189	$0	$0	Replacement of IT equipment
13200	1220	53 2199	MISC CONTRACTUAL SERVICI	$9,095	$3,360	$3,360	$0	$0	Used for contracted services for an IT employee during recruitment for a vacant position.
13200	1220	53 2712	AIR TRANS - OUT OF STATE	$267	$500	$0	$500	$500	Director and Asst. Director to International Association of Commercial Administrators (IACA) conference - current UCC laws
13200	1220	53 2714	TRANSP-GRND - IN STATE	$1,472	$1,000	$336	$1,000	$1,000	Director serves as liason for Registers of Deeds and attends conferences twice a year and eight district workshops. SOS governs ROD indexing standards
13200	1220	53 2715	TRANS GRND-OUT STA,IN US	$50	$100	$0	$100	$100	IACA conference - driving to and from airport/to meetings
13200	1220	53 2721	LODGING - IN STATE	$0	$200	$62	$200	$200	ROD conferences (last 3 days/each) and 8 District workshops
13200	1220	53 2722	LODGING - OUT OF STATE	$807	$700	$0	$844	$844	IACA conference (lasts 6 days) 2 people
13200	1220	53 2724	MEALS - IN STATE	$114	$200	$15	$200	$200	ROD conferences (last 3 days)
13200	1220	53 2725	MEALS-OUT OF STATE,IN US	$91	$300	$0	$300	$300	IACA conferences (lasts 6 days) 2 people
13200	1220	53 2814	CELLULAR PHONE SERVICES	$157	$200	$104	$200	$200	Pager for IT employee - coordinates work between floors and buildings
13200	1220	53 4511	FURN-OFFICE	$3,246	$2,734	$0	$2,734	$2,734	Replacement of furniture on rotational basis / new filing cabinets
13200	1220	53 4521	OFFICE EQUIPMENT	$11,148	$11,092	$79	$11,092	$11,092	Purchase scanners, check scanners, microfilm reader/printers
13200	1220	53 4530	OTHER DP EQUIP	$95	$135	$135	$0	$0	IT equipment replacement as needed
13200	1220	53 4531	WAN EQUIPMENT	$202	$0	$0	$0	$0	IT equipment replacement as needed
13200	1220	53 4534	PER. COMP. & PRINTERS	$14,458	$4,500	$3,092	$4,500	$4,500	Replacement of computers on a rotational basis
13200	1220	53 4535	PC & PRINTER SUPPORT SER	$67,548	$1,190	$1,189	$0	$0	Replacement of IT equipment

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Targeted Zero-Based Budgeting Expenditure Accounts
For Fiscal Years 2003-04 to 2006-07

Budget Code	Fund	Account	Account Title	2003-04 Act	2004-05 Auth	2004-2005 YTD 2/28/05	2005-06 Rec	2006-07 Rec	Explanation of Expenditure
13200	1230	53 2199	MISC CONTRACTUAL SERVICI	$17,163	$11,384	$9,096	$6,000	$6,000	Used funds for miscellaneous contracts in moving office. Will continue to need funds for transcription services to transcribe tapes of witnesses and to hire temporary workers for end-of-year renewals of registrations.
13200	1230	53 2712	AIR TRANS - OUT OF STATE	$1,838	$2,500	$2,691	$2,500	$2,500	Conducted ivestigations, statewide and multi-state; personnel attended NASAA Zone/Enforcement meetings relating to pertinent laws/issues/trends in various scams; and sent attorneys/investigators to NASAA training seminars. Continued funding needed for trainings/meetings.
13200	1230	53 2714	TRANSP-GRND - IN STATE	$8,971	$12,090	$9,622	$12,090	$12,090	Investigations-related travel;travel to investor education speaking engagements.
13200	1230	53 2715	TRANS GRND-OUT STA,IN US	$138	$1,255	$169	$1,255	$1,255	Attend NASAA's zone meetings and training seminars for attorneys and investigators.
13200	1230	53 2721	LODGING - IN STATE	$1,200	$3,403	$187	$3,403	$3,403	Investigations-related travel;travel to investor education speaking engagements.
13200	1230	53 2722	LODGING - OUT OF STATE	$2,752	$3,600	$2,593	$3,600	$3,600	Investigations-related lodgings.
13200	1230	53 2724	MEALS - IN STATE	$1,151	$2,500	$70	$2,500	$2,500	Investigations-related travel.
13200	1230	53 2725	MEALS-OUT OF STATE,IN US	$929	$1,500	$889	$1,500	$1,500	Out-of-state travel-related expenditures; trips to other securities agencies for coordination of investigative strategies, etc.
13200	1230	53 2814	CELLULAR PHONE SERVICES	$3,073	$3,270	$1,733	$3,270	$3,270	Expenses related to investigations and audits of Investment Advisers. Seven investigators and auditors as well as the division director have cell phones or pagers.
13200	1230	53 4511	FURN-OFFICE	$2,826	$383	$383	$0	$0	Furniture replacements as needed
13200	1230	53 4521	OFFICE EQUIPMENT	$9,235	$706	$9,878	$200	$200	Dictaphone equipment purchased to transcribe taped testimonies of witnesses for upcoming court actions. Other replacements as needed.
13200	1230	53 4528	EQUIP-COMMUNICATIONS	$142	$0	$218	$0	$0	Nextel phones purchased for investigators and auditors.
13200	1230	53 4530	OTHER DP EQUIP	$338	$0	$0	$0	$0	Replacement of IT equipment
13200	1230	53 4531	WAN EQUIPMENT	$4,645	$0	$0	$0	$0	Replacement of IT equipment
13200	1230	53 4533	LAN EQUIPMENT	$13,058	$0	$12,425	$0	$0	Replacement of IT equipment
13200	1230	53 4534	PER. COMP. & PRINTERS	$5,732	$1,088	$1,087	$0	$0	Replacement of obsolete personal computers; internet surveillance.
13200	1230	53 4539	OTHER EQUIPMENT	$1,442	$84	$84	$0	$0	Purchased law enforcement equipment as needed
13200	1240	53 2714	TRANSP-GRND - IN STATE	$2,303	$0	$0	$0	$0	Reimbursement to Community College personnel for BLIO training
13200	1300	53 2714	TRANSP-GRND - IN STATE	$1,423	$1,000	$1,064	$1,000	$1,000	Director and Asst. Director to National Association of Secretaries of State - Notary Public Administrators (NASS-NPA) conference for e-notarization; also to Registers of Deeds conferences and district workshops concerning notary laws

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Targeted Zero-Based Budgeting Expenditure Accounts
For Fiscal Years 2003-04 to 2006-07

Budget Code	Fund	Account	Account Title	2003-04 Act	2004-05 Auth	2004-2005 YTD 2/28/05	2005-06 Rec	2006-07 Rec	Explanation of Expenditure
13200	1300	53 2721	LODGING - IN STATE	$371	$300	($22)	$388	$388	NASS-NPA conference (5 days) and ROD conferences (3 days)
13200	1300	53 2724	MEALS - IN STATE	$483	$100	$0	$505	$505	NASS-NPA conference (5 days) and ROD conferences and workshops; also pays for lunch for notary instructor workshops (100+ instructors)
13200	1300	53 2732	BD/NON-EMPLOYEE SUBSIS	$1,005	$0	$0	$0	$0	Paid for URPERA Council meetings
13200	1300	53 2814	CELLULAR PHONE SERVICES	$654	$600	$291	$600	$600	Notary Investigator uses cell phone during travels all over state with investigations into notary misconduct
13200	1300	53 4521	OFFICE EQUIPMENT	$0	$150	$0	$150	$150	Replacement scanners
13200	1400	53 2714	TRANSP-GRND - IN STATE	$2,115	$3,500	$853	$3,500	$3,500	Land Records Manager and Consultant to ROD conferences, Mapper's Association Conference, Surveyor's conference, City Commissioner's conference, Town Clerks conference; travel to 100 ROD offices for consulting on LR indexing standards
13200	1400	53 2715	TRANS GRND-OUT STA,IN US	$87	$500	$12	$500	$500	LR Manager and Consultant to conferences (above) occasionally held out of state
13200	1400	53 2721	LODGING - IN STATE	$773	$1,414	$353	$1,414	$1,414	LR Manager and Consultant to conferences across state
13200	1400	53 2722	LODGING - OUT OF STATE	$181	$500	$324	$500	$500	LR Manager and Consultant to conferences held out of state
13200	1400	53 2724	MEALS - IN STATE	$389	$1,025	$0	$1,025	$1,025	LR Manager and Consultant to conferences; on-site visits to RODs
13200	1400	53 2725	MEALS-OUT OF STATE,IN US	$65	$1,000	$178	$1,000	$1,000	LR Manager and Consultant to conferences held out of state
13200	1600	53 2712	AIR TRANS - OUT OF STATE	$177	$0	$0	$0	$0	Agency representation at the Nat'l Assoc of State Charity Officials Seminar
13200	1600	53 2714	TRANSP-GRND - IN STATE	$303	$400	$213	$400	$400	Prorated share of mail vehicle expenses paid to Motor Fleet Mgmt
13200	1600	53 2715	TRANS GRND-OUT STA,IN US	$26	$0	$0	$0	$0	Agency representation at the Nat'l Assoc of State Charity Officials Seminar
13200	1600	53 2722	LODGING - OUT OF STATE	$772	$0	$0	$808	$808	Agency representation at the Nat'l Assoc of State Charity Officials Seminar
13200	1600	53 2724	MEALS - IN STATE	$0	$500	$0	$500	$500	Travel within the state not requiring overnight stay but early departure and late return
13200	1600	53 2725	MEALS-OUT OF STATE,IN US	$106	$0	$0	$111	$111	Agency representation at the Nat'l Assoc of State Charity Officials Seminar
13200	1600	53 4511	FURN-OFFICE	$2,275	$5,790	$0	$5,790	$5,790	Replacement of furniture as needed
13200	1600	53 4521	OFFICE EQUIPMENT	$11,232	$3,720	$2	$3,720	$3,720	Replacement of equipment as needed
13200	1600	53 4530	OTHER DP EQUIP	$12,524	$0	$0	$0	$0	IT equipment replacement on a 4 - 5 year cycle
13200	1600	53 4534	PER. COMP. & PRINTERS	$0	$12,000	$0	$12,000	$12,000	IT equipment replacement on a 4 - 5 year cycle
13200	1600	53 4535	PC & PRINTER SUPPORT SER	$508	$1,190	$1,189	$950	$950	IT equipment replacement on a 4 - 5 year cycle

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March 31, 2005

N C Department of the Secretary of State
Use of Lapsed Salary Funds

FY 2003-04 (Actual)

Purpose	Amount
Temporary Employees	$55,705
Contractual Services	24,744
Worker's Compensation	7,844
Longevity	40,573
Hurricane Isabel Recovery Obligation	36,952
Carry Forward to FY 2004-05 for BLIO RIF'd employees Severance	137,297
Overtime	3,532
Unemployment Compensation Payment to ESC	107
Advisory Board Members' Per Diem	75
Total	**$306,829**

FY 2004-05 (YTD)

Purpose	Amount
Contractual Services	$3,505
Unemployment Compensation Payment to ESC	347
Longevity	18,069
Advisory Board Members' Per Diem	510
Worker's Compensation	21,277
Overtime	8,333
Temporary Employees	13,449
Total	**$65,490**

FY 2004-05 Projected through June 30, 2005

Purpose	Amount
Disaster Relief Obligation	$61,390
Temporary Employees	43,000
Longevity	18,400
Contractual Services	7,260
Worker's Compensation	28,818
Legal Fees	50,000
Total	**$208,868**

NC Dept of the Secretary of State
Turnover Analysis

Turnover Data for FY 03-04

Schem #	Classification	Salary Grade	Total Pos	Total Vol. Separations	% Rate	Total Separations*	% Rate
409	Adm Svc Asst V	61	2	1	50%	1	50%
438	Info Proc Tech	63	26	5	19%	6	23%
440	Proc Asst III	57	4	2	50%	3	75%
441	Proc Asst IV	59	13	5	38%	6	46%
442	Proc Asst V	61	38	4	11%	6	16%
481	Data Ctrl Clerk VI	59	10	2	20%	4	40%
1415	Attny III	85	1	1	100%	1	100%
1606	Adm Off II	70	4		0%	1	25%
2227	Comp Cons IV	77	1	1	100%	1	100%
2297	Comp Supp Tech II**	63	1	2	200%	2	200%
32105	Sec Invest	71	6	1	17%	1	17%
32509	Sec Exam I	71	2	1	50%	1	50%
34847	Notary Invest	68	1	1	100%	1	100%
33357	Inves Prot Spec***	65	0	1	xx	1	xx
	Totals			27		35	
	Agency Wide Turnover based on 171 FTE				16%		21%

Turnover Data for FY 04-05 YTD 3/28/05)

Schem #	Classification	Salary Grade	Total Pos	Total Vol. Separations	% Rate	Total Separations*	% Rate
409	Adm Svc Asst V	61	2	1	50%	1	50%
431	Exec Asst II	66	2	0	0%	1	50%
438	Info Proc Tech	63	26	4	15%	4	15%
440	Proc Asst III	57	4	1	25%	2	50%
441	Proc Asst IV	59	13	5	38%	6	46%
442	Proc Asst V	61	38	9	24%	10	26%
481	Data Ctrl Clerk IV	59	10	1	10%	3	30%
1402	Ag Leg Spec I	73	2	1	50%	1	50%
1404	Ag Leg Spec III	77	1	1	100%	1	100%
1422	Paralegal I	65	1	1	100%	1	100%
1601	Admin Asst II	65	5	0	0%	1	20%
1606	Admin Officer II	70	4	0	0%	1	25%
1631	Admin Officer III	72	1	1	100%	1	100%
2297	Comp Support Tech II	63	1	1	100%	1	100%
32105	Sec Invest	71	6	3	50%	3	50%
32509	Sec Exam	71	2	1	50%	1	50%
33558	Bus Lic Consult****	68	0	0	xx	5	xx
34847	Notary Invest	68	1	1	100%	1	100%
	Totals			31		44	
	Percentage Agency Turnover based on 171 FTE				18%		26%
	Overall Turnover Total FY 03-04 through YTD			58		79	

*Total Separations: Vol Sep + all other separations (e.g. retirement, RIF, LWOP, death, dismissal)
**Comp Supp Tech II: One of two positions were reallocated upon becoming vacant
*** Invest Prot Spec: Position reclassified upon becoming vacant
****Bus Lic Consult: Positions and employees reduced in force (RIF)

NC Dept of the Secretary of State
Turnover Analysis

Schem #	Classification	Salary Grade	Total Pos	Total Vol. Separations	% Rate	Total Separations*	% Rate	Comments
32509	Sec Exam I	71	2	2	100%	2	100%	Critical Satus: Unable to Recruit & Retain employees. Salary grade and min training & exper requirements not represent role nor labor mkt. **Lack of parity with other similar roles in state gov't that examine financial institutions.**
32105	Sec Invest	71	6	4	67%	4	67%	Critical Satus: Unable to Recruit & Retain employees. Salary grade and min training & exper requirements not represent role nor labor mkt. **Lack of parity with other similar roles in state gov't that examine financial institutions.**
438	Info Proc Tech	63	26	9	35%	10	38%	Statewide voluntary turnover is 5% with total separations at 8% based on 309 positions. Retention issue due to salaries being near the minimum of salary grade. Only 4 employees are paid above midpt. **Agency's avg pay for this class is the lowest in the state.** These are our most senior specialist roles intricate to all agency programs.
441	Proc Asst IV	59	13	10	77%	12	92%	Statewide voluntary turnover 6% with total separations at 10% based on 1196 positions. Retention issue most likely due to salaries being at or near the minimum. Only 2 employees are paid above midpt. **Agency's avg pay for this class is the lowest in the state.**
442	Proc Asst V	61	38	13	34%	16	42%	Statewide voluntary turnover 7% with total separations at 10% based on 567 positions. Retention issue most likely due to salaries being at or near the minimum. Only 1 employee is paid above midpt. **Agency's avg pay for this class ranks near the lowest statewide.**

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March 31, 2005

N C Department of the Secretary of State

Review of Vacant Positions

There are currently 14 vacant positions in the agency. 5 of them are clerical and are being actively recruited to fill; 3 are Securities Investigators in the severe retention category but active recruitment is in progress (2 offers made this week); 1 Agency Legal Specialist; 1 Notary Investigator, active recruitment in progress and 1 Division Director position vacant as of 3/11/05.

There are 3 positions in the agency that have been vacant for 6 months as of January 1, 2005:

Securities Investigator
Administrative Officer II
Processing Assistant III

The reasons these three positions remained vacant include the following:

1. The agencies strategy to meet budget requirements

Agency management addressed lapsed salary and salary reserve utilization needs in a manner least damaging to the agency in carrying out its mandated duties.

Our primary sources of funds to meet mandatory reversion requirements are lapsed salaries and over realized receipts. (The agency has only one100% receipts supported program, which is Charitable Solicitation and Licensing)

Unfunded and underfunded obligations such as worker's compensation, unemployment compensation, longevity, temporary employees are funded by lapsed salaries. (see enclosed report on uses of lapsed salaries)

Estimates of future lapsed salaries occurring as a result of employee turnover is not an appropriate method of identifying or securing funds for mandatory agency budget reversions. Also the Agency's salary reserve balances are less than the minimum need for reserves and under present circumstances must be generated by cannibalizing vacant positions funded above the minimum salary.

Position # 3223-458 Processing Assistant III was held vacant as a source of funds for mandatory budget reversions. The position is located in the Securities Division and to hold this position open temporarily appeared to be the least damaging option during this time frame.

2. Recruitment and Retention Strategies.

The retirement of an Administrative Officer from position # 3222-361 created the opportunity to generate some salary reserve for critical retention and promotion needs. As a consequence, the salary available for recruitment for this position is less than what is needed. Once reserve is taken from the position we must wait for other opportunities to create replacement reserves to re-fund the amount taken from the position. The agency actively recruited for the position (including posting and interviewing) during the vacancy period. We have been unsuccessful in filling the position to date. Recruitment efforts continue.

3. Legal and policy requirements to preserve the position

The person occupying position #3223-411, Securities Investigator was called to active military reserve duty and on 12/15/02 was put on Leave without Pay status. This US Marine Corp Officer's active duty orders have been renewed on an annual basis. His current period of duty expires 1/26/06.

We have not actively recruited for this particular position because of the Agency's legal obligation to reinstate the employee under the provisions of the federal USERRA (Uniformed Services Employment and Reemployment Rights Act). This Agency has no other classifications available to suit his re-employment rights. Recruiting for a temporary appointment does not appear viable due to the on-going vacancies related to recruitment and retention labor market difficulties for this position classification. Additionally, Securities Investigators perform highly specialized and complex investigations. Large scale investigations can typically take between one (1) and three (3) years to complete. Therefore, recruitment for a temporary appointment against this position would not be in the best interests of the Agency.

It is important to note that we are aggressively recruiting for other identical positions (Securities Investigator) and that the existing turnover for these positions is a severe problem for which the Agency is seeking a solution.

March 31, 2005

N C Department of the Secretary of State
Reversions

FY 2002-03

Description	1110-Admin	1120-Pub	1210-Corp	1220-UCC	1230-Securities	1240-BLIO	1300-Notary	1400-Land Rec	1600-CSL	Total
531xxx Personal Services	13,283	14,043	68,686	46,499	57,007	20,801	27,686	954	72,527	321,486
532xxx Purchased Serv.	329	10	2,863	118	14	6	768	3	152	4,263
533xxx Supplies	2	1	1	1	1	1	136	4	1	148
534xxx Equipment	5	3	3	5	5	3	3	1	3	31
535xxx Other Expenses	1	1	2	1	1	0	0	0	46	52
537xxx Reserves	0	0	0	38,863	0	0	0	0	0	38,863
538xxx Intragov. Transfers	31	4	0	0	0	16	0	0	0	51
Total Expenditures	**13,651**	**14,062**	**71,555**	**85,487**	**57,028**	**20,827**	**28,593**	**962**	**72,729**	**364,894**
43xxxx Revenues	**-1,051**	**14,060**	**62,800**	**85,485**	**500**	**100**	**-5,098**	**0**	**-224,388**	**-67,592**
Total Reversions	**14,702**	**2**	**8,755**	**2**	**56,528**	**20,727**	**33,691**	**962**	**297,117**	**432,486**
Mandatory Reversion Amount - 5% of Appropriations										**406,240**
Difference										**26,246**

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FY2003-04

Description	1110-Admin	1120-Pub	1210-Corp	1220-UCC	1230-Securities	1240-BLIO	1300-Notary	1400-Land Rec	1600-CSL	Total
531xxx Personal Services	4	252	32,305	30,962	33,190	3,819	10,759	981	4,958	117,230
532xxx Purchased Serv.	755	6	1,581	2,116	230	4	6	4	7	4,709
533xxx Supplies	2	1	1	2	3	0	1	0	1	11
534xxx Equipment	5	102	206	391	6	0	1	0	2	713
535xxx Other Expenses	1	1	1	1	1	0	0	0	1	6
537xxx Reserves	0	0	0	0	0	0	0	0	0	0
538xxx Intragov. Transfers	166	0	338	363	0	12	0	0	0	879
Total Expenditures	**933**	**362**	**34,432**	**33,835**	**33,430**	**3,835**	**10,767**	**985**	**4,969**	**123,548**
43xxxx Revenues	**0**	**258**	**34,350**	**33,700**	**300**	**90**	**0**	**0**	**-188,830**	**-120,132**
Total Reversions	**933**	**104**	**82**	**135**	**33,130**	**3,745**	**10,767**	**985**	**193,799**	**243,680**
Mandatory Reversion Amount - 2% of Appropriations										**166,084**
Difference										**77,596**

SUMMARY LIST OF EXPANSION REQUESTS

1 **Agency:** N. C. Department of the Secretary of State

	Priority Number	Program Description (Concise Sentences)		Requested 2005-06	Requested 2006-07
2	1	Trademarks - Staff Expansion		773,256 (12.00)	741,480 (12.00)
	3				
	4				
	5				
	6				
	7				
3	2	Technology - Corporations and UCC Business Practice Changes	Requirements	$ 773,256	$ 741,480
			Receipts	(126,075)	(126,075)
4a			Federal		
4b			Local		$
4c			Other		
5			Appropriation	$ 899,331	$ 867,555
6			No. of Positions	(12.00)	(12.00)
7			Total Requirements	$ 773,256	$ 741,480
			Total Receipts	(126,075)	(126,075)
8a			Federal		
8b			Local		$
8c			Other		
9			Total Appropriation	$ 899,331	$ 867,555
10			Total No. of Positions	(12.00)	(12.00)

(Insert and copy additional lines as needed for each expansion item.)

Submit 2 copies on 8 1/2 x 11-inch green paper ***and an electronic copy (Excel, Non- PDF file via e-mail or CD-ROM) to your OSBM budget analyst***.

WORKSHEET II EXPANSION BUDGET REQUEST

Priority No. 1 of 2

1
2 BUDGET CODE: 13200 DEPARTMENT: Secretary of State DIVISION/ INSTITUTION: Trademarks
3 FUND NUMBER: 1110 FUND TITLE: General Administration
4 TITLE OF REQUEST: Staff Expansion
5a STATUTORY CHANGES/SPECIAL PROVISIONS REQUIRED TO IMPLEMENT?
6a YES [ ] NO [X]
7a IF YES, ATTACH A COPY OF THE DRAFT.

		2005-06	2006-07
5b	TOTAL REQUIREMENTS	773,256	741,480
6b	TOTAL RECEIPTS	0	0
7b	APPROPRIATION	773,256	741,480
8b	TOTAL POSITIONS	12.00	12.00

9

JUSTIFICATION: Address all questions and topics listed on page 22 of the instructions.

Need:
Additional resources are necessary for the Trademarks division to effectively perform its responsibility to enforce the State's counterfeit trademark laws under the Trademark Registration Act. Currently, the department employs only one investigator who handles all trademark violations and training for other law enforcement personnel in the State. The investigator is also charged with investigating violations of the Charitable Solicitation Licensing Act.

Changes to Present Strategy:
1. Addition of six trademark investigators whose position and responsibilities would be identical to the current trademark investigator.
2. Addition of three paralegals to assist with warrant preparation, documentation following raids, inventory, court case preparation, evidence inventory and storage arrangements.
3. Addition of three attorneys to prosecute trademark violator cases.

Outcome:
Hiring six additional investigators, three paralegals and three attorneys would allow the Department to expand its role in both the areas of investigation/enforcement and training of other law enforcement personnel. The duties of these jobs require special training with recruitment and retention concerns. It is therefore, requested that they be funded at midpoint of the requested salary grade.

15

10 Does this request require additional resources from another agency [ ] Yes [X] No

11 Name the agency and the funds required: _____ Funds Requested: _____ _____

_____

For assistance contact your OSBM analyst.

For online access:
http://www.osbm.state.nc.us/instructions/

Priority No. 1 of 2

BUDGET: G.S. 143-3.5 *Detail of budget is to be provided at the NCAS Agency Management Report detail level.*
REQUIREMENTS:

	ACCOUNT NO.	ACCOUNT TITLE	Actual 2003-04	Authorized 2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
12	1110 531211	Salaries & Wages	1,111,889	1,136,917	532,029	532,029	532,029	532,029	532,029
	531511	Social Security Contributions	90,882	97,301	40,701	40,701	40,701	40,701	40,701
	531521	Retirement Contributions	39,855	69,981	16,548	16,548	16,548	16,548	16,548
	531531	LEO Retirement	3,330	4,310	26,766	26,766	26,766	26,766	26,766
	531561	Medical Insurance	81,844	89,232	41,184	41,184	41,184	41,184	41,184
	532712	Transportation - Air out of state	819	0	9,000	9,000	9,000	9,000	9,000
	532714	Transportation - Ground in state	7,560	7,300	28,800	28,800	28,800	28,800	28,800
	532715	Transportation - Ground out of state	402	450	7,500	7,500	7,500	7,500	7,500
	532722	Lodging - Out of state	1,723	4,430	9,000	9,000	9,000	9,000	9,000
	532724	Meals	397	1,300	6,000	6,000	6,000	6,000	6,000
	532811	Telephone Service	15,650	29,138	10,128	6,552	6,552	6,552	6,552
	533110	Office Supplies	6,284	12,841	2,400	2,400	2,400	2,400	2,400
	533150	Security & Safety Supplies	0	0	90	0	0	0	0
	533510	Uniforms & Clothing	163	0	4,140	0	0	0	0
	534521	Office Equipment	3,826	2,500	4,200	0	0	0	0
	534529	Security Equipment	428	0	1,770	0	0	0	0
	534534	Personal Computer & Printers	6,019	1,000	18,000	0	0	0	0
	535830	Membership Dues	4,627	4,000	15,000	15,000	15,000	15,000	15,000
13		**Requirements**	1,375,698	1,460,700	773,256	741,480	741,480	741,480	741,480
14		**Number of FTE***	26.00	26.00	12.00	12.00	12.00	12.00	12.00
15	**RECEIPTS:**								
16		**Receipts**	1,000	1,000	0	0	0	0	0
17		**APPROPRIATION**	1,374,698	1,459,700	773,256	741,480	741,480	741,480	741,480
18		**CHANGE IN CASH BALANCE**							

* *Complete Detail information for total positions requested on the following page.*

16

Priority No. 1

POSITIONS REQUESTED: *Detail of the positions included in this expansion request.*

	GRADE	CLASSIFICATION/EFFECTIVE DATE:	2005-06 FTE	2006-07 FTE	Annual Salary**	2005-06 Budgeted Salary	2006-07 Budgeted Salary
19	70	2 - Administrative Officer II / July 1, 2005	6.000	6.000	$41,248	$247,488	$247,488
	79	Attorney II / July 1, 2005	3.000	3.000	$61,572	$184,716	$184,716
	65	Paralegal / July 1, 2005	3.000	3.000	$33,275	$99,825	$99,825
20		Total#	12.000	12.000		$532,029	$532,029

*** Minimum level salary for the classification requested unless otherwise justified in the Narrative section above.*
#Total F.T.E's equal the number of total FTE's shown on Page 3, Line 14 of this request.

21 DOES THIS EXPANSION REQUEST RELATE TO A CAPITAL IMPROVEMENT PROJECT? YES [ ] NO [X]
22 IF YES, TITLE OF C.I. PROJECT:
23 C.I. BUDGET CODE: _____ ITEM NUMBER: _____ PROJECTED COMPLETION DATE: _____

SPACE REQUIREMENTS: G.S. 120-36.7 (c)

24 DOES THIS REQUEST REQUIRE ADDITIONAL SPACE? YES [ ] NO [X] IF YES, COMPLETE THE FOLLOWING:

		Office	Storage	Other	2005-06	2006-07	20007-08	2008-09	2009-10
25	Type of Space:								
26	Additional Square Footage Required								
27	Estimated Cost of Space Requirements								

MOTOR POOL REQUIREMENTS:

28 DOES THIS REQUEST REQUIRE ADDITIONAL VEHICLES FROM THE STATE MOTOR POOL YES [X] NO [ ]
29 IF YES, HOW MANY? 2

Submit 2 copies on 8 1/2 x 11-inch green paper and an electronic copy (In Excel via e-mail or CD-ROM) to your OSBM budget analyst .

WORKSHEET II EXPANSION BUDGET REQUEST

Priority No. 2 of 2

1
2 BUDGET CODE: 13200 DEPARTMENT: Secretary of State
3 FUND NUMBER: 1210 FUND TITLE: Corporations
4 TITLE OF REQUEST: Technology related business practice changes
5a STATUTORY CHANGES/SPECIAL PROVISIONS REQUIRED TO IMPLEMENT?
6a YES [ ] NO [X]
7a IF YES, ATTACH A COPY OF THE DRAFT.

DIVISION/ INSTITUTION: Corporations

		2005-06	2006-07
5b	TOTAL REQUIREMENTS	0	0
6b	TOTAL RECEIPTS	-61,900	-61,900
7b	APPROPRIATION	61,900	61,900
8b	TOTAL POSITIONS	0.00	0.00

9

JUSTIFICATION: Address all questions and topics listed on page 22 of the instructions.

Until fiscal year 1998-99, the Corporations division had quite a few customers who received bulk data by purchasing data tapes. These tapes were prepared by ITS, returned to the agency, and then mailed to the customers. The department paid ITS for the cost of producing the tapes. Since 1998-99 the demand for those tapes has declined and now we have no customers at all who purchase these tapes. Additionally, our data was moved from the ITS mainframe to inhouse servers in 1999, so the capability to create data tapes no longer exists. Customers needing bulk data now subscribe to our FTP site. The cost to move data to the FTP site is negligible, therefore, the cost for such a subscription is much lower than data tape costs. Thus, technology changes have directly impacted the department's ability to meet the receipt obligations imposed upon it.

From FY 2000-01 through 2002-03, the department's ITS budget has been permanently cut by more than $222,000 with no comparable reduction in receipts. The expenditure costs related to producing the data tapes was included in these cuts. This request is to bring the receipt obligation to the level of funds actually received.

18

10 Does this request require additional resources from another agency [ ] Yes [X] No

11 Name the agency and the funds required: _____ Funds Requested: _____ _____

_____

For assistance contact your OSBM analyst.

For online access:
http://www.osbm.state.nc.us/instructions/

WORKSHEET II EXPANSION BUDGET REQUEST

Priority No. 2 of 2

2 BUDGET CODE: 13200 DEPARTMENT: Secretary of State DIVISION/ INSTITUTION: Uniform Commercial Code

3 FUND NUMBER: 1220 FUND TITLE: Uniform Commercial Code

4 TITLE OF REQUEST: Technology related business practice changes

5a STATUTORY CHANGES/SPECIAL PROVISIONS REQUIRED TO IMPLEMENT?

6a YES [ ] NO [X]

7a IF YES, ATTACH A COPY OF THE DRAFT.

		2005-06	2006-07
5b	TOTAL REQUIREMENTS	0	0
6b	TOTAL RECEIPTS	-64,175	-64,175
7b	APPROPRIATION	64,175	64,175
8b	TOTAL POSITIONS	0.00	0.00

9

JUSTIFICATION: Address all questions and topics listed on page 22 of the instructions.

Until fiscal year 1998-99, the UCC division had quite a few customers who received bulk data by purchasing data tapes. These tapes were prepared by ITS, returned to the agency, and then mailed to the customers. The department paid ITS for the cost of producing the tapes. Since 1998-99 the demand for those tapes has declined and now we have no customers at all who purchase these tapes. Additionally, our data was moved from the ITS mainframe to inhouse servers in 1999, so the capability to create data tapes no longer exists. Customers needing bulk data now subscribe to our FTP site. The cost to move data to the FTP site is negligible, therefore, the cost for such a subscription is much lower than data tape costs. Thus, technology changes have directly impacted the department's ability to meet the receipt obligations imposed upon it.

From FY 2000-01 through 2002-03, the department's ITS budget has been permanently cut by more than $222,000 with no comparable reduction in receipts. The expenditure costs related to producing the data tapes was included in these cuts. This request is to bring the receipt obligation to the level of funds actually received.

10 Does this request require additional resources from another agency [ ] Yes [X] No

11 Name the agency and the funds required: _____ Funds Requested: _____ _____

_____

STATE BOARD OF ELECTIONS

6400 Mail Service Center • Raleigh, North Carolina 27699-6400

GARY O. BARTLETT
Executive Director

MAILING ADDRESS:
P.O. BOX 27255
RALEIGH, NC 27611-7255

Mission Statement

The mission of the State Board of Elections is to promote among the citizens of North Carolina confidence in the integrity of the free election process through the consistent administration and equal application of all elections and campaign finance laws, rules and regulations.

LOCATION: 506 NORTH HARRINGTON STREET • RALEIGH, NORTH CAROLINA 27603 • (919) 733-7173

Agency Functions

The State Board of Elections is the state agency charged with overall responsibility for the administration of the elections process and campaign finance disclosure in North Carolina. The five-member Board, appointed by the Governor, is a statutory bi-partisan, quasi-judicial directory board—the only one in state government. To fulfill its mission, the State Board of Elections office is comprised of three functional units: administration, campaign finance, and information systems.

Administration Division

- Supervises all primary and general elections held in North Carolina, enforcing election laws and promulgating reasonable rules and regulations governing the conduct of primaries and elections in the State
- Determines the form and content of ballots, instruction sheets, poll books, tally sheets, abstract and return forms, certificates

of election, and other forms to be used in the conduct of primary and general elections

- Determines content and approves county ballots as required by law
- Certifies all district, state, and elections for federal office and all voting equipment for use in the State
- Appoints, trains, and supervises county board members, directors, and county-level staff
- Supervises the appointment and training of precinct officials and other election-day staff
- Compiles and issues voter registration statistics and other reports
- Administers all voter registration laws and is the agency responsible for coordinating and maintaining compliance with the National Voter Registration Act of 1993 (NVRA)
- Administers the HAVA 2002 and the State's compliance legislation
- General supervisory duties which includes: complaints arising from public concerns regarding the conduct of a county board of elections or a county board member; investigates the

administration of election laws and any potential frauds and irregularities in elections; and conduct hearings

Campaign Finance

- Responsible for educating and assisting the public, candidates and political committee treasurers, and county and municipal boards of elections and staff
- Reviews and audits all campaign finance disclosure reports filed with the State Board
- Corresponds and assists political committees with achieving compliance
- Responsible for investigating complaints, conducting research, and preparing analyses in preparation for the State Board to hold evidentiary hearings, training seminars, and make recommendations to the General Assembly
- Responds to complaints regarding the conduct of campaigns by candidates and by individual voters
- Maintains a database of all disclosure reports filed with the State Board

- Provides monthly compliance training sessions to treasurers and campaign staff
- Serves as the depository for campaign financial disclosure reports filed by candidates for statewide offices, the political parties, and political action committees
- Manages and administers the Judicial Public Financing Program
- Administers and manage the distribution of appropriations from the North Carolina Political Parties Financing Fund and the Judicial Public Financing Fund
- Monitors and regulates groups engaging in "electioneering communications"
- Monitors and regulates "Stand By Your Ad"

Information Systems

- Maintains, as directed by N.C.G.S. 163-82.11, a computerized statewide elections management system (SEIMS) to support efforts of the State Board and county boards of elections to conduct legal and orderly elections.
- Responsible for the implementation of HAVA functions for the statewide Voter Registration System

- Provide technical computer support for the State Board of Elections
- Maintains the agency's presence on the World Wide Web
- Provides support for software within the counties: the State Elections Information Management System, Campaign Finance Reporting software, SEIMS software and the state provided server hardware and operating system
- Supports approximately 100 remote database servers and 550 workstations in the counties
- Supports the central state database that provides information on registered voters and voter history
- Work conjunctively with Legislative Services to cross-check and synchronize precinct lines in elections databases per the General Assembly data

HAVA Update

HAVA Work Completed

- New voter registration forms
- Grants to counties for buying out punch-card and lever voting machines
- Information posters for voter rights (English & Spanish)
- Upgraded server hardware and software in 97 counties
- SEIMS automatic driver's license validation with DMV (for SEIMS and non-SEIMS counties)
- SEIMS ID requirement support
- Provisional voting SEIMS support
- Converted Mecklenburg County to SEIMS
- 12 time-limited positions approved for the support of HAVA mandates
- 1-800 Help Desk
- Grants to make polling places accessible
- Student Elections Assistants grants
- Additional one-stop absentee voting sites
- Technology grants to the counties

Remaining Work

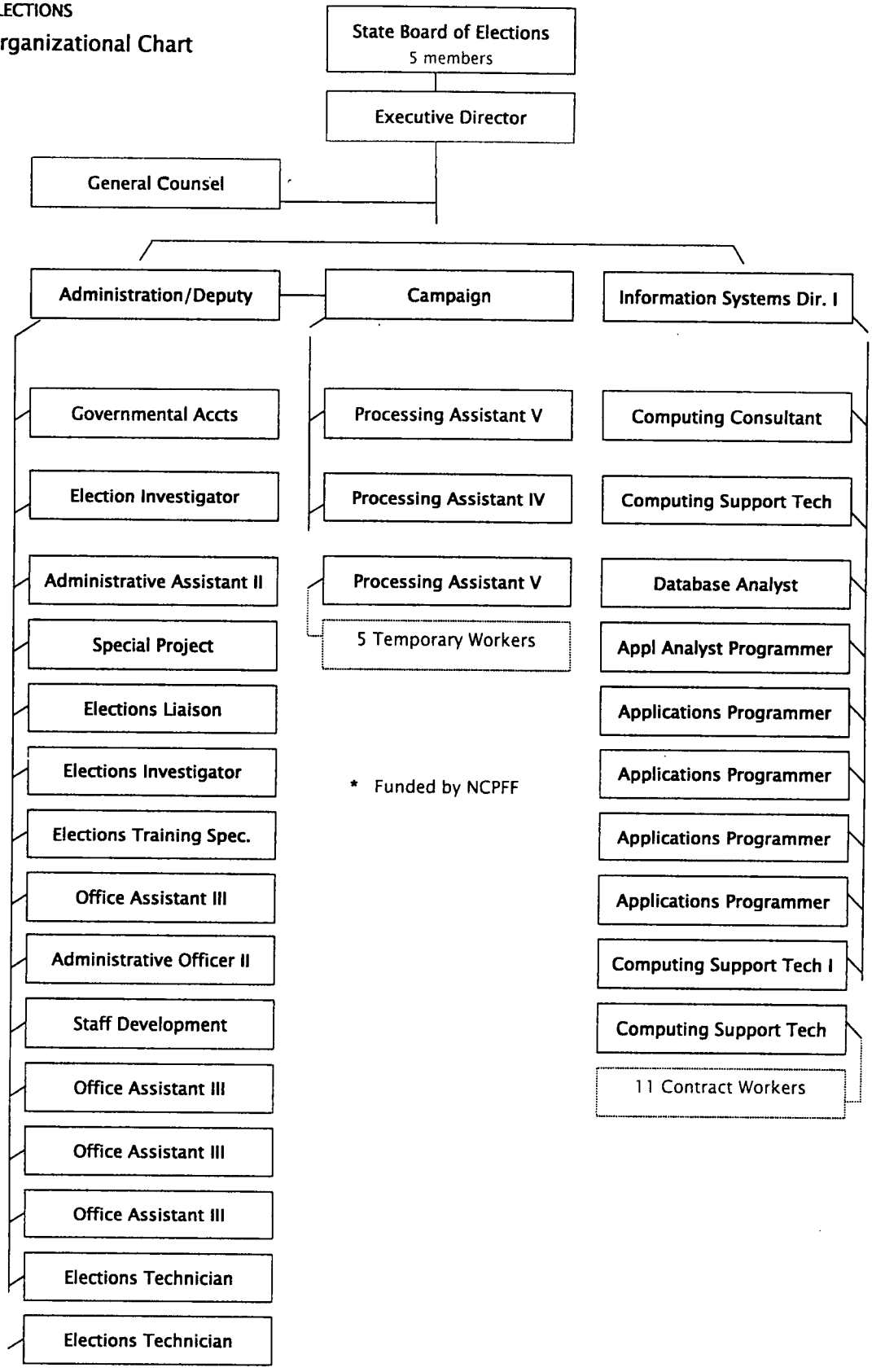
- Convert 3 counties to SEIMS (Forsyth, Guilford, Wake)
- Unique statewide ID

- SSN validation
- Update ID processing
- Voting equipment upgrades for the counties
- Verification confirmation and list maintenance mailings
- Focus group studies
- Polling place registry/sample ballot/request for service
- Certification programs for election officials, support materials & media, and non-partisan voter education programs
- Public computer terminals
- Electronic records access at polling place

NORTH CAROLINA BOARD OF ELECTIONS

March 7, 2005

Organizational Chart



SPAN OF CONTROL

State Board of Elections	5 members appointed by the Governor
Executive Director	Three Divisions
Administration	1:16
Campaign Reporting	1:3 NOTE: Does not include 3-6 contracted through Temporary Solutions.
Information Technology	1:10 NOTE: Does not include11 contract workers from Technisource. These provides skills and subject matter knowledge that is not provided through ITS.

SUMMARY BY PURPOSE

ATTACHMENT 2

8025 -
18025 State Board of Elections - General

DESCRIPTION (1)	2003-2004 ACTUAL (2)	2004-2005 CERTIFIED (3)	2004-2005 AUTHORIZED (4)	2005-2006 INCR/DECR (5)	2005-2006 TOTAL (6)	2006-2007 INCR/DECR (7)	2006-2007 TOTAL (8)
REQUIREMENTS							
1100 ADMINISTRATION	6,526,894	4,566,329	4,566,329	10,886	4,577,215	11,927	4,578,256
1200 CAMPAIGN REPORTING	421,442	399,675	429,936	20,877	450,813	21,600	451,536
1900 RESERVES AND TRANSFERS	0	2,246,918	2,246,918	-2,246,918	0	-2,246,918	0
1901 HAVA MAINTENANCE OF EFFO	3,457,586	3,457,586	3,457,586	0	3,457,586	0	3,457,586
TOTAL REQUIREMENTS	10,405,922	10,670,508	10,700,769	-2,215,155	8,485,614	-2,213,391	8,487,378
ESTIMATED RECEIPTS							
1100 ADMINISTRATION	3,528,495	3,494,586	3,494,586	0	3,494,586	0	3,494,586
1200 CAMPAIGN REPORTING	17,404	3,224	33,485	0	33,485	0	33,485
TOTAL RECEIPTS	3,545,899	3,497,810	3,528,071	0	3,528,071	0	3,528,071
NET APPROPRIATION	6,860,023	7,172,698	7,172,698	-2,215,155	4,957,543	-2,213,391	4,959,307

Changes in HAVA Federal Funding

N.C. State Board of Elections

March 2005

TITLE ONE HAVA FUNDS

States received this money based on population and were directed to use the funds only for the following:

- SECTION 102 FUNDS...To buy out punch-card and lever voting machines.

  ($894,000 distributed to 13 Counties)

SECTION 101 FUNDS.

To improve election administration.

$1,528,000 for accessible polling places

$2,625,000 for SEIMS compliance

$722,000 for One-Stop Absentee (early) voting additional sites

$68,500 for Student Election Assistants

$149,000 for Voter registration information as part of 4 million voter guides sent out.

TITLE TWO HAVA FUNDS
SECTION 252 FUNDS

Provides the states with funds to implement Title III HAVA requirements.

- Requires a matching 5% state expenditure.
- Maintenance of effort requires the state to meet the level of 2000 spending.

TITLE THREE MANDATES
Section 301 Voting Systems Standards

- Provide voters an opportunity to check for and correct ballot errors.
- Provide a voting system with manual audit capacity.
- Provide at least one handicapped accessible voting machine per precinct (standards to be determined by the EAC).
- Provide alternative language accessibility.
- Provide a voting system with an error rate not exceeding the existing rate established by the EAC.
- Define what constitutes a legal vote for each type of voting machine used in the state.

TITLE THREE MANDATES
Section 302 Provisional Voting and Voting Information

- Provide provisional ballots as a fail safe measure to ensure no individual is denied the right to vote.
- Provide special provisional ballots to voters casting ballots after designated poll-closing time due to court order.
- Provide voter information at the polls

TITLE THREE MANDATES
Section 303 Computerized Statewide Voter Registration Database

- State to implement and manage a uniform, centralized computerized statewide voter registration database.
- Individuals registering to vote must provide a driver's license number or the last 4 digits of the social security number. If the individual does not have either number, they will be assigned a unique identifier.
- First-time voters who register by mail are required to provide identification before they cast their ballots if driver's license and/or Social Security number cannot be validated.

HAVA TITLE TWO SECTION 252 SPENDING

- $1,269,000 employment costs for SEIMS
- $366,415 Electronic poll book pilot project in Guilford County
- $1,384,000 Technology grants to counties
- $218,701 (as of 2/28/05) costs of HAVA time-limited positions at SBE
- $40,000 for Voter Information Posters

HAVA Accomplishments

- Voter registration forms updated to be HAVA compliant
- Grants to counties to buy out punch-card and lever voting machines
- Posting of voting information at polling place
- Upgrade server hardware and software in 96 counties
- SEIMS automatic drivers license validation with DMV
- SEIMS ID requirement support
- Provisional voting support
- 12 time limited positions approved for the support of HAVA
- 1-800 help desk number
- Funding to make polls accessible
- Polling place registry/sample ballot/request for service available on website
- Additional one-stop absentee voting sites funding
- County technology improvements
- Provided extensive training to election officials regarding the implementation of HAVA requirements
- Public computer terminals
- Pilot program electronic records access at polling place
- Converted Mecklenburg County to SEIMS

HAVA TASKS TO BE PERFORMED

- Voting equipment upgrades for the counties
- Convert remaining 3 counties to SEIMS (Forsyth, Guilford, Wake)
- Unique statewide identifier assigned to each registered voter
- SSN validation
- Update ID processing
- Training videos, teleconferencing, and other media for training of election officials
- PSA's and voter education through TV, Public Access Television and other media
- Verification, confirmation and list maintenance mailings for voter registration
- Focus group studies
- Certification programs for election officials, support materials & media, and non-partisan voter education programs
- Electronic records access at polling place

CURRENT FUNDING ESTIMATES as set out in State HAVA Plan

	Federal Funds					
	HAVA 101	HAVA 102	HAVA 252	TOTAL FEDERAL FUNDS	State Matching Funds	State Maintenance of Effort Funds
2003 Based on Appropriated Federal Funds	$7,900,000	$876,498	$22,600,000	$31,376,498	$1,130,000	$1,791,935
2004 Estimate			$13,944,000	$13,944,000	$697,200	$1,791,935
2005 Estimate			$13,944,000	$13,944,000	$697,200	$1,791,935
Total	$7,900,000	$876,498	$50,488,000	$59,264,498	$2,524,400	$5,375,805

ACTUAL HAVA RELATED RECEIPTS

	Federal Funds					
	HAVA 101	HAVA 102	HAVA 252	TOTAL FEDERAL FUNDS	State Matching Funds (Only applies to 252 funds)	State Maintenance of Effort Funds
2003 Based on Appropriated Federal Funds	$7,877,740	$893,822	$23,431,708	$32,203,270	$1,232,508	$1,791,936
2004 Appropriated			$42,046,100	$42,046,100	$2,211,625	$1,791,936
2005 Estimated			$0	$0	$0	$1,791,936
Total	$7,877,740	$893,822	$65,477,808	$74,249,370	$3,444,133	$5,375,808

Additional Funds Available

- Total increase in available HAVA 252 funds and State matching funds of $16,868,874.
- (Interest earned through end of 2004 was $629,332. Interest currently earned at $165,000 per month.)

VISITOR REGISTRATION SHEET

Gen. Gov't. 3-9-05

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Julie Batchelor	OSC
Ben McLawhorn	OSC
John Morgan	OSC
Connie Canady	OSC
Robert Powell	OSC
Deborah Smith	OSC
Clayton Mullaney	OSC
Anne Godwin	OSC
John Mattox	Gov. Office
[illegible]	Asst. to AG's O.
Arielle Bynum	OSC
Ben McLawhorn	OSC
Kari Barsness	OSBM
Greg Piner	"
George Millsap	DOA
Ken McHan	D.O.R.

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 9, 2005
Room 425
2:00 p.m.

Chairman: Senator Katie Dorsett

Office of the State Controller

Web Access and Statutory Provisions
(Notebook p 1)

Mission Statement and Management Team
(Notebook pp 2-3)

Administration Division
(Notebook pp 5 - 7)

Financial Systems Division
(Notebook pp 8 - 10)

Statewide Accounting Division
(Notebook pp 11 - 13)

Budget Data
(Notebook pp 14- 17)
(Budget Book B 387 - B 393)

2005 Major Initiatives
(Notebook pp 18- 22)

Robert Powell
State Controller

REQUIRED REPORTS

Annual Report on Agencies Accounts Receivable
(G.S. 147-86.26)

Report on the Status of the Overpayments Project
(S.L. 2004-124, Section 28.1)

Gwen Canady
Deputy State Controller

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERENMENT
MINUTES

Wednesday, March 9, 2005
2:00 pm

The Joint Appropriations Subcommittee on General Government met on March 9, 2005 2:00 am in Room 425 of the Legislative Office Building.

Senator Dorsett called the meeting to order. She welcomed the staff, Michele Nelson, Marilyn Chism and Kathie Austin, pages, clerk, agencies and Sgt. at Arms. In addition to the Chairman Katie Dorsett, four Senate Members were present and Representatives Alma Adams, Roger West, Marvin Lucas, Marian McLawhorn, Gene Wilson, Leo Daughtry, and Garland Pierce.

Senator Dorsett explained to the committee members and agencies that meeting needed to end no later than 3:10 pm due to the Senate going into Session at 3:30. She also asked that the presenters keep the time frame in mind as well.

Mr. Robert Powell, State Controller from the Office of the State Controller was recognized to give an overview of his department. (Please see Attachment B)

Mr. Powell explained that his position is a seven-year term that is nominated by the Governor but approved by the General Assembly. He continued to give a brief background of the budget crisis.

Mr. Powell introduced his staff to the committee and then began his presentation. The Office of the State Controller is one of the newest offices in State Government. Under the Office of the State Controller are Financial Systems, Statewide Accounting and Administration.

The major responsibilities are to maintain the North Carolina Accounting System (NCAS) – policies, procedures, and system processes. To maintain a central payroll system for approximately 80,000 state employees and provide policy guidance for the twelve other payroll systems in state government. Maintain the States' Statewide Cash Management System.

The organization chart was given in detailed description of each division to the committee. (Please see Attachment B)

Focusing on electronic Commerce in North Carolina State Government.

Gwen Canady, Deputy State Controller was introduced by State Controller Robert Powell to explain the Annual Report on Agencies Accounts Receivable and Report on the Status of the Overpayments Project.

Some Committee members wanted to know what they do with the Statewide Accounts Receivables. Gwen Canady stated that there were two very facts to mention. An important fact is that Receivables are based on general excepted accounting principles. This is a snap shot at June 30th and it does not mean that it is bad debt for the State.

There are seven different areas. (Please see Attachment A)

This year Accounts Receivables increased 7.9 billion dollars. Increased 16% over the same period last year. Revenues for the state increased over 17% of the same period last year. Most of the Receivable are collected 60 days after the year's ends.

The two areas that can be collected aggressively are in the areas of Tax Receivables and Accounts Receivables.

Policies and Procedures are outlined for all state agencies to follow in collections. An account should be billed on a timely basis. After 60 days follow-up with a letter and phone call. After 90 days collection should be turned over to the Attorney Generals Office.

The Overpayment Audit and Recovery Program, this is a directive of the General Assembly back in 1998 Session. A Special Provision passed that directed the Office of State Controller Office to contact with a third party to look for processing for the collection of overpayment in State Government. Stipulating that the vendor would be paid from the recovery and medical expenses would be exempted from the process, any recovery would go into a reserved fund for future directions from the General Assembly. A report is given to the General Assembly on a quarterly basis. 4.3 million dollar recovery over a 9-year period. 99% of all transactions are being process correctly in State Government. The vendor gets 31% of the recovery.

A question was raised about the vendor getting 31% of the recovery. Ms. Canady stated that the 31% as a bid. The presentation was completed.

The meeting adjourned at 3:05 p.m.

Senator Katie Dorsett, Presiding

Phyllis Cameron, Committee Clerk

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT

March 9, 2005
2:00 pm

ATTACHMENT
B

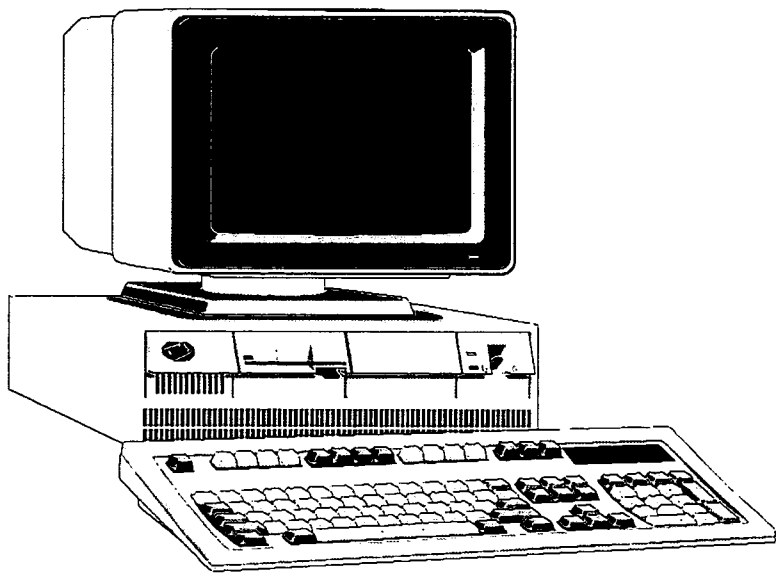
North Carolina
Office of the State Controller

Robert L. Powell
State Controller

Feb 2005

OSC Website

http://www.ncosc.net/

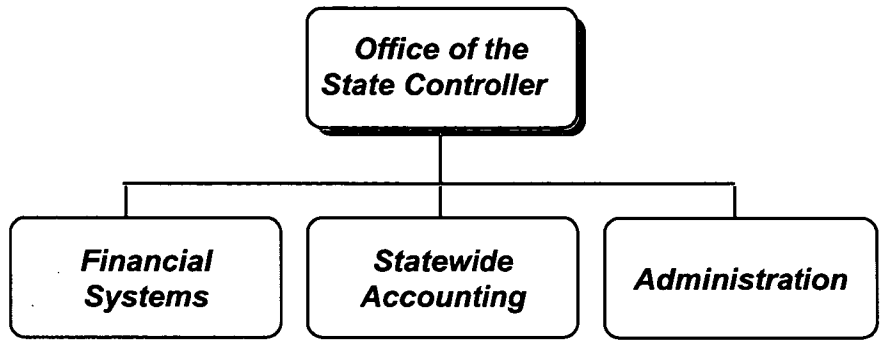


Office of the State Controller
Major Statutory Provisions

§ 143-3.	Examination of officers and agencies; disbursements.
§ 143-3.2.	Issuance of warrants upon State Treasurer; delivery of warrants and disbursements for non-State entities.
§ 143-17.	Requisition for allotment.
§ 143-20.	Accounting records.
§ 143-20.1.	Annual financial statements.
§ 143B-426.39.	Powers and duties of the State Controller.
§ 147-86.11.	Cash management for the State.
§ 147-86.21.	State agencies to collect accounts receivable in accordance with statewide policies.
§ 147-86.22.	Statewide accounts receivable program.
§ 147-86.25.	Setoff debt collection

State of North Carolina

Office of the State Controller



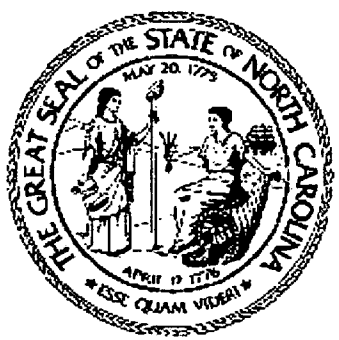
OSC Mission Statement :

1) Ensure proper financial reporting and accounting of all state agencies and institutions by providing leadership, guidance, and policies in all accounting matters. 2) Maximize the cash availability and ensure compliance with all applicable state and federal requirements by providing an effective statewide cash management system. 3) Ensure that all state employees are accurately paid on a timely basis by providing both an effective central payroll system and leadership, guidance and support to all payroll functions in state government. 4) Encourage an enterprise approach to the business systems of state government, including the use of e-commerce where practical. 5) Promote best business practices in the management of state resources.

Major Responsibilities

- **Maintain the North Carolina Accounting System (NCAS) - policies, procedures, and system processes**
  - Coordinate central compliance of federal/state programs
  - Provide comprehensive and timely financial information
  - Provide business direction for statewide eCommerce initiatives, such as credit card acceptance, and ePayments
- **Maintain a central payroll system for approximately 80,000 state employees and provide policy guidance for the twelve other payroll systems in state government**
- **Maintain the States' Statewide Cash Management System**

Organizational Charts

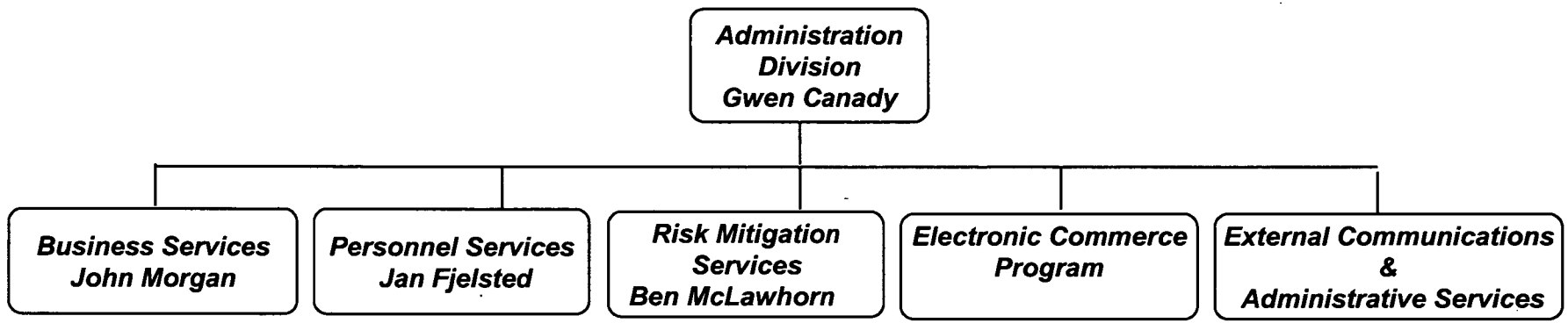


Management Team

- Robert Powell, State Controller
- Gwen Canady, Deputy State Controller
- Julie Batchelor, Assistant State Controller
- John Barfield, Assistant State Controller
- John Morgan, Chief Financial Officer

State of North Carolina
Office of the State Controller

Administration Division



Division Mission Statement :

The Administration Division is responsible for the overall support for the Office of the State Controller & coordination of statewide initiatives. Service areas include: (1) Business Services represents a broad range of accounting functions including accounts payable, accounts receivable, fixed assets, budgeting, purchasing, maintenance of the accounting system, financial reporting, switchboard operator/receptionist duties and building security and maintenance; (2) Personnel Services includes recruitment/selection, employee benefits, maintenance of personnel records, employee relations and personnel policies and procedures; (3) Risk Mitigation Services – Functions performed in this area include: (a) Internal & External Reviews – determine compliance with prescribed policies, procedures, standards and guidelines issued by other regulatory authorities; identify operational inefficiencies and make recommendations for improvement; monitor internal controls statewide; and, when necessary, perform special internal investigations; (b) Security – coordinate the overall security program for OSC and serve as liaison on all security matters with the appropriate law enforcement authorities and other state agencies; monitor compliance with statewide security standards; plan and coordinate the business continuity and disaster recovery efforts for OSC's Biennial Technology Plan. (4) Electronic Commerce Program – Coordinate collection processing and payment processing with third party vendors; develop strategic E-Commerce plan for the state. (5) Additional responsibilities within this division include legislative coordination; handling external communications and providing overall administrative support.

State of North Carolina

Office of the State Controller

Administration Division Functions

Administration Division

Business Services

- Administrative Policies & Procedures
- Accounts Payable/ Accounts Receivable
- Fixed Assets
- Budgeting
- Purchasing
- NCAS Agency Mgt.
- Financial Reporting
- OSC Receptionist/ Switchboard
- Building Maintenance/ Security
- Agency Payroll
- Agency Cash Mgt.

Personnel Services

- Personnel Policies & Procedures
- Recruitment & Selection
- Performance Mgt.
- Employee Benefits
- Employee Relations
- Equal Employment Opportunity Training
- Maintenance of Personnel Records
- Compensation

Risk Mitigation Services

- Internal & External Reviews
- Special Investigations
- Internal Control Follow-up
- State Auditor Liaison
- Policies & Procedures
- Security Charter
- Vulnerability Tests
- Business Continuity/ Disaster Recovery Planning and Testing
- Biennial Information Technology Plan

Electronic Commerce Prog.

- Strategic Plan Development
- Vendor Management
- Policies & Procedures Coordinator
- Marketing, Training and Education
- Risk Mitigation
- Regulate Compliance
- Coordinate with other government and external bodies, including State Treasurer's Office, CIO, NACHA, etc.

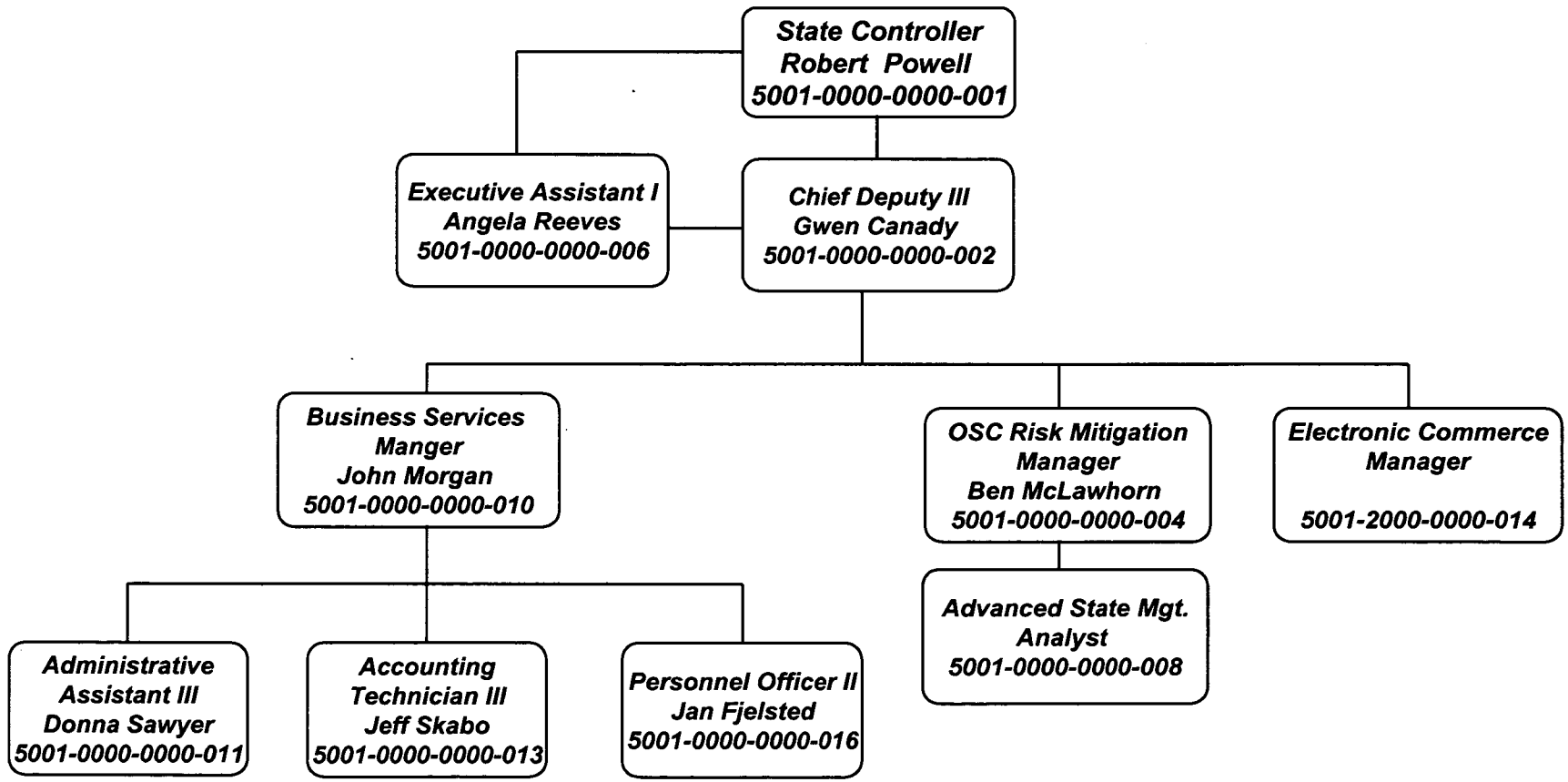
External Comm. & Admin. Services

- Committee Representation for OSC
- Fiscal Research Contact
- Legislative Package Preparation
- Legislative Presentations
- Public Records Compliance
- Media & Public Inquiry Response
- Attorney General Requests
- Coordination with other Governmental & External Bodies including CIOC, GASB, AGA, CPA Board, etc.
- Planning & Scheduling
- Public Contact
- Correspondence
- Records & Reports
- Special Projects

2/1/05

State of North Carolina
Office of the State Controller

Administration

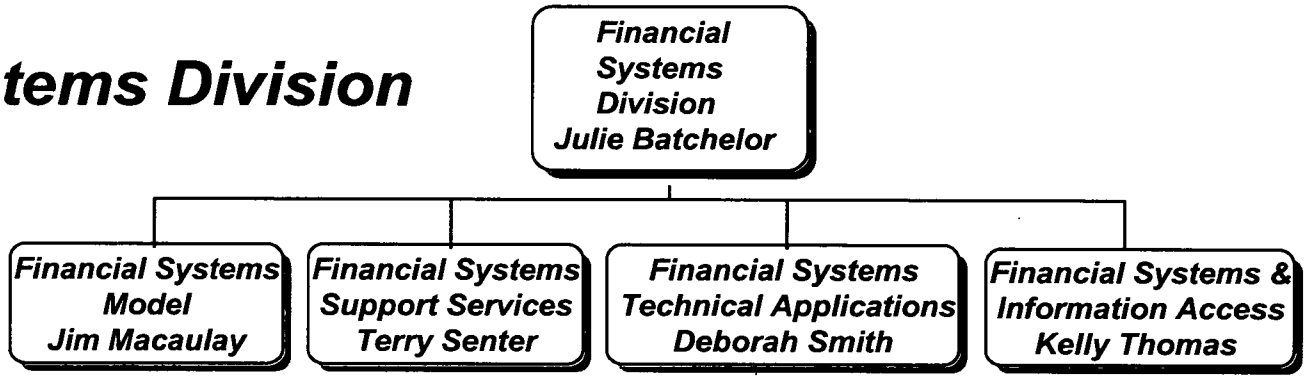


2/1/05

State of North Carolina

Office of the State Controller

Financial Systems Division



Division Mission Statement :

The Financial Systems Division designs, develops, implements and maintains the policies, procedures and software that form the North Carolina Accounting System (NCAS). It provides agency implementation, functional and technical systems administration, client support, and maintenance of the NCAS. The NCAS utilizes the GEAC Enterprise Server (formerly Dun & Bradstreet Software MARS/G "E" series) financial software and includes the following modules: General Ledger, Budgetary Control, Purchasing, Inventory, Accounts Payable, Accounts Receivable, Fixed Assets, and Financial Controller. A custom built Procurement Card module is also included in the NCAS suite of financial solutions. The NCAS provides information access through the use of the mainframe based on-line real-time inquiries, GEAC Information Expert (IE) report generator, Systemware report management and distribution system (for on-line report viewing/printing), and client/server based GEAC Decision Support System (DSS).

State of North Carolina

Office of the State Controller

Financial Systems Division Functions

Financial Systems Division

Financial Systems Model

- NCAS Model Support
  - Development
  - Maintenance
  - Enhancements
  - Documentation
- Model Expansion & Support Training
- Electronic Payment Support
- NCAS Implementations & Upgrades
  - Project Management
  - Business Design/Analysis
  - System Design/Analysis
  - Agency Operations Analysis
  - Agency Implementations
  - Agency Training
  - Agency Impact Assessment
  - Quality Control
  - Post Implementation Support
  - Post Implementation Reviews
- Business Recovery Plan Management
- Review of Accounting System Changes
- Oversee Statewide Audit of Overpayments
- Provide IRMC Project Certification Review
- Comply with IRMC Privacy & Security Policies and Procedures
- Coordinate & Compile Statewide Information on Information Technology Expenditures
- Participate In Financial Business Infrastructure Study

Financial Systems Support Services

- NCAS Support Services
  - Maintain HEAT Call Management System
  - Maintain Automated Call Distributor Unit
- Statewide Help Desk Coordination & Service Request Management
- Central Files Management
  - Manage Vendor File QA / Update
  - Manage Item File QA / Update
  - Manage NCAS Application Security Control
- NCAS Documentation Development and Maintenance
- Training Development, Coordination and Scheduling
- Web Development/Design/Maintenance
  - Monitor Intranet/Internet
- E-Payment Vendor Support
- PO Faxing Support
- Month End Certification Responsibilities
- E-Procurement Support
- Statewide Communication Coordination & Support

Financial Systems Technical Applications

- NCAS Application Software Support
  - Production Support
  - Technical Client Support
  - System Installation &Upgrades
  - System Maintenance
  - Agency Interfacing
  - Agency Training & Practice Region Technical Oversight
  - NCAS Reporting
  - Technical Project Management
  - Systems Design/Analysis
  - Application Programming
  - Application Systems Analysis
  - Operations Support
  - Report Management & Administration
    - Systemware/XPTR/XTND/XNET
    - Information Expert Administration
  - Version Management (of program code)
  - Technical Documentation
  - Performance & Capacity Administration
  - Archival Administration
  - Disaster Recovery
  - Security Administration
  - ITS Technical Compliance
- NCAS Data Base Administration
  - Tuning, File Sizing, & Dataframes
- NCAS System Security
  - RACF & GEAC On-Line Security
- E-Procurement Interface Support
- Demand Projections for Computing Resources
- Compliance with IRMC and Statewide Technical Policies & Procedures

Financial Systems & Information Access

- Business Recovery Plan Management
- Compliance with IRMC & Statewide Technical Policies & Procedures
- NCAS Decision Support System
  - Production Support (Daytime/Nighttime)
  - Data Warehouse Administration
  - Technical Client Support
  - DSS Hardware/Server Support
  - Report Distribution
  - System Upgrades/Compliance
  - UNIX Administration
  - New Projects/Legislative Requirements Development
- NCAS Payment Systems Support
  - Laser Check User Support
  - Laser Check Hardware/Software Admin.
  - E-Payment Development & Administration
- OSC Network & Security Systems
  - Desktop & Software Administration
  - Server & Database Administration
  - Network Administration
  - Security & Vulnerability Administration
  - NCAS Supplemental System Administration
- Disaster Recovery All Systems

2/1/05

State of North Carolina

Financial Systems Division

Office of the State Controller



Admin. Secretary II
Barbara Leonard
5008-0000-0000-024

Assistant State Controller
Julie Batchelor
5008-0000-0000-023

Information Tech. Project Manager IV
Linda Hudson
5008-2000-0000-025

Information Tech. Project Manager II
5008-2000-0000-026

OSC Systems Manager
Jim Macaulay
5008-0000-0000-029

Business Systems Support Manager
Terry Senter
5008-0000-0000-048

Applications Development Manager
Deborah Smith
5008-0000-0000-064

Applications Development Manager
Kelly Thomas
5008-0000-0000-081

NCAS Model

Help Desk

Training & Documentation

Technical Applications

System & Information Access

Barbara Roper
Advanced State Mgmt. Analyst
5008-0000-0000-030

John Dew
Senior State Mgmt. Analyst
5008-0000-0000-031

Rick Pieringer
Senior State Mgmt. Analyst
5008-0000-0000-032

Teresa Shingleton
Senior State Mgmt. Analyst
5008-0000-0000-033

Richard Urrutia-Lane
Advanced State Mgmt. Analyst
5008-0000-0000-035

Edith Cannady
Senior State Mgmt. Analyst
5008-0000-0000-036

Randy Smith
Advanced State Mgmt. Analyst
5008-0000-0000-038

Rokos Isaak
Advanced State Mgmt. Analyst
5008-0000-0000-040

Lisa Stubbs
Standard State Mgmt. Analyst
5008-0000-0000-043

Crystal Cole
Business Systems Support Specialist
5008-0000-0000-062

Owen Auman
Information Systems Liaison II
5008-0000-0000-053

Doug Wentz
Business Systems Support Specialist
5008-0000-0000-055

Kelly Hildreth
Business Systems Support Specialist
5008-0000-0000-056

Jan Prevo
Business Systems Support Specialist
5008-0000-0000-057

Amy Whitley
Business Systems Support Specialist
5008-0000-0000-058

Susan Crittenden
Computing Consultant I
5008-0000-0000-050

Janet Patchell, Temp-W/A
Computing Consultant I
5008-0000-0000-051

Sue Rader
Executive Assistant II
5008-0000-0000-059

Anna Toong
Applications Analyst Programmer II
5008-0000-0000-069

Gary Miller
Systems Programmer I
5008-0000-0000-071

Freda Hall
Computing Consultant III
5008-0000-0000-074

Mike Edwards
Computing Consultant II
5008-0000-0000-075

Darryl Cox
Applications Analyst Programmer Specialist
5008-0000-0000-077

Graham Smith
Applications Analyst Programmer I
(Pos. AAPII)
5008-0000-0000-078

Allene Morton
Applications Analyst Programmer II
5008-0000-0000-068

Dianne Jones
Applications Analyst Programmer II
5008-0000-0000-070

Virgil Leggett
Applications Analyst Programmer I
5008-0000-0000-072

Fernando Guevarra
Applications Programmer II
5008-0000-0000-073

Steve Hall
Computing Consultant II
5008-0000-0000-076

Bob Swenson
Applications Analyst Programmer II
5008-0000-0000-086

Deborah Raif
Applications Analyst Programmer II
5008-0000-0000-085

Ben Lassiter
Applications Analyst Programmer II
5008-0000-0000-084

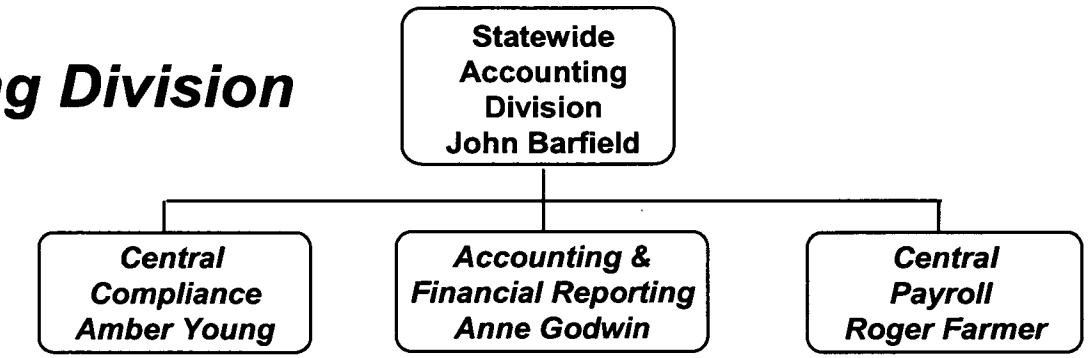
Lu Zhao
Applications Analyst Programmer I
5008-0000-0000-087

Danny Bell
Applications Programmer II
5008-0000-0000-090

Staff Organization

State of North Carolina
Office of the State Controller

Statewide Accounting Division



Division Mission Statement :

The Office of the State Controller (OSC) has the responsibility to operate the North Carolina Accounting System (NCAS). The Statewide Accounting Division is responsible for the day-to-day policy and procedural control of agencies operating within the NCAS environment. The Division establishes and provides systems control over the NCAS to ensure that all financial transactions are entered, balanced, and reconciled. The division also researches technical accounting standards and incorporates these standards into financial reporting on the State entity and provides daily, monthly, quarterly, and annual reporting on the financial condition and results of operations of the State entity. Another major responsibility involves the administration of the statewide cash management program which includes statewide appropriation and allotment control. In addition, the division operates a Central Payroll System, a Flexible Benefit Program and also provides tax compliance, cost allocation and disbursing services to agencies.

State of North Carolina

Office of the State Controller

Statewide Accounting Division

Functions

Statewide Accounting Division

Central Compliance

- Statewide Compliance Policies & Procedures
- Coordinate Cash Management/Allotment Control (CMCS)
- CMCS System Maintenance
- Central Accounts Control
- Internal Control Policy/Procedures
- Inter/Intra Fund Transfer Control
- Statewide Cash Management Plan
- Agency Cash Management Plans
- Federal Funds Control
- Coordinate Federal Cash Mgmt. Improvement Act Requirements
- Agency Disbursing Services
- Indirect Costs Compliance (Statewide Cost Allocation Plan - SWCAP)
- IRS Tax Compliance
- Statewide Employee Benefit Program
- Statewide Accounts Receivable Program
- Monthly Statewide Reporting
- Quarterly/Special Reporting

Accounting and Financial Reporting

- NCAS Accounting Policy & Procedures
- NCAS Chart of Accounts
- NCAS Internal Controls & Reporting Standards
- Agency Accounting Assistance
- Interface Agency Coordination
- Agency Monthly Closeouts
- Statewide Reconciliations
- Annual Cash Basis to GAAP Conversion
- Agency Annual Financial Statements
- CAFR Funds & Footnote Compilation
- Accounting System Change Coordination
- NCAS Policy/Procedure Agency Implementation Support
- Comprehensive Annual Financial Report (CAFR)
- Financial Trend Analysis
- Research Technical Accounting Standards
- Respond to GASB Exposure Drafts & Discussion Memos
- Management Consultation Related to Financial Reporting
- Continuing Professional Education (CPE)

Central Payroll

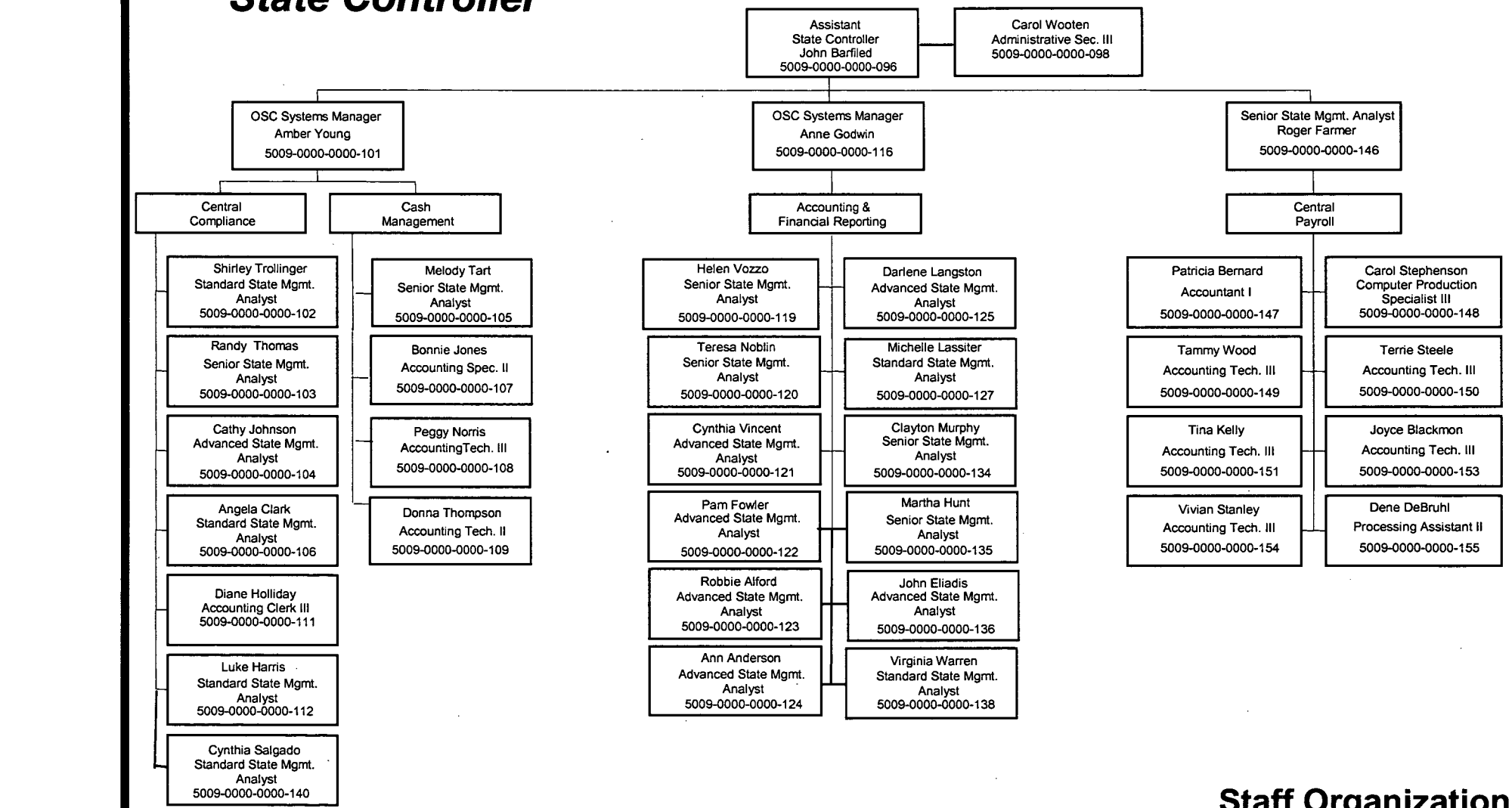
- Monthly Payrolls
- Additional Payroll Cycles
- Deferred Income Option
- Legally Mandated Deductions
- Authorized Voluntary Deductions
- Payroll Expenditure Distribution
- Central Payroll System Maintenance
- Payroll Reporting
- Central Payroll User Forum

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State of North Carolina

Office of the State Controller

Statewide Accounting Division



Staff Organization

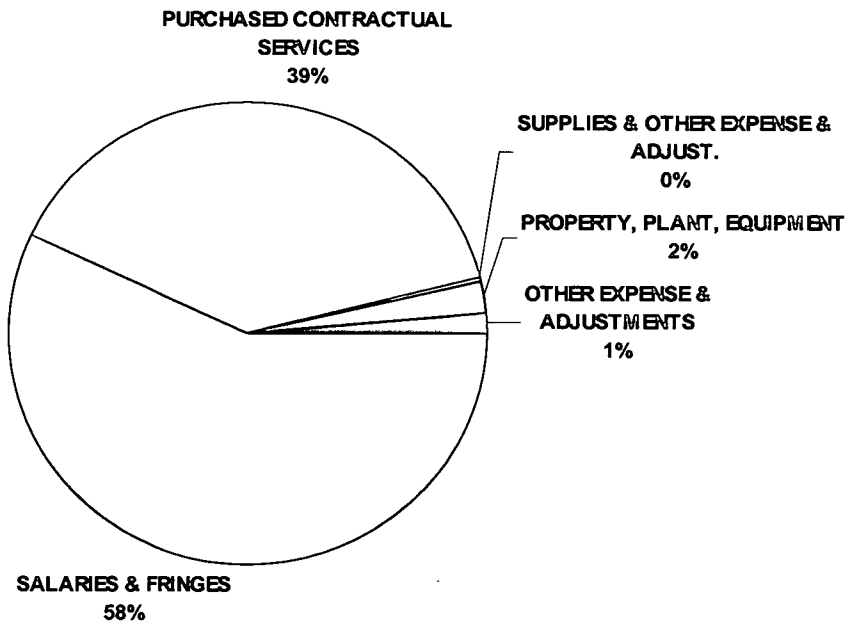
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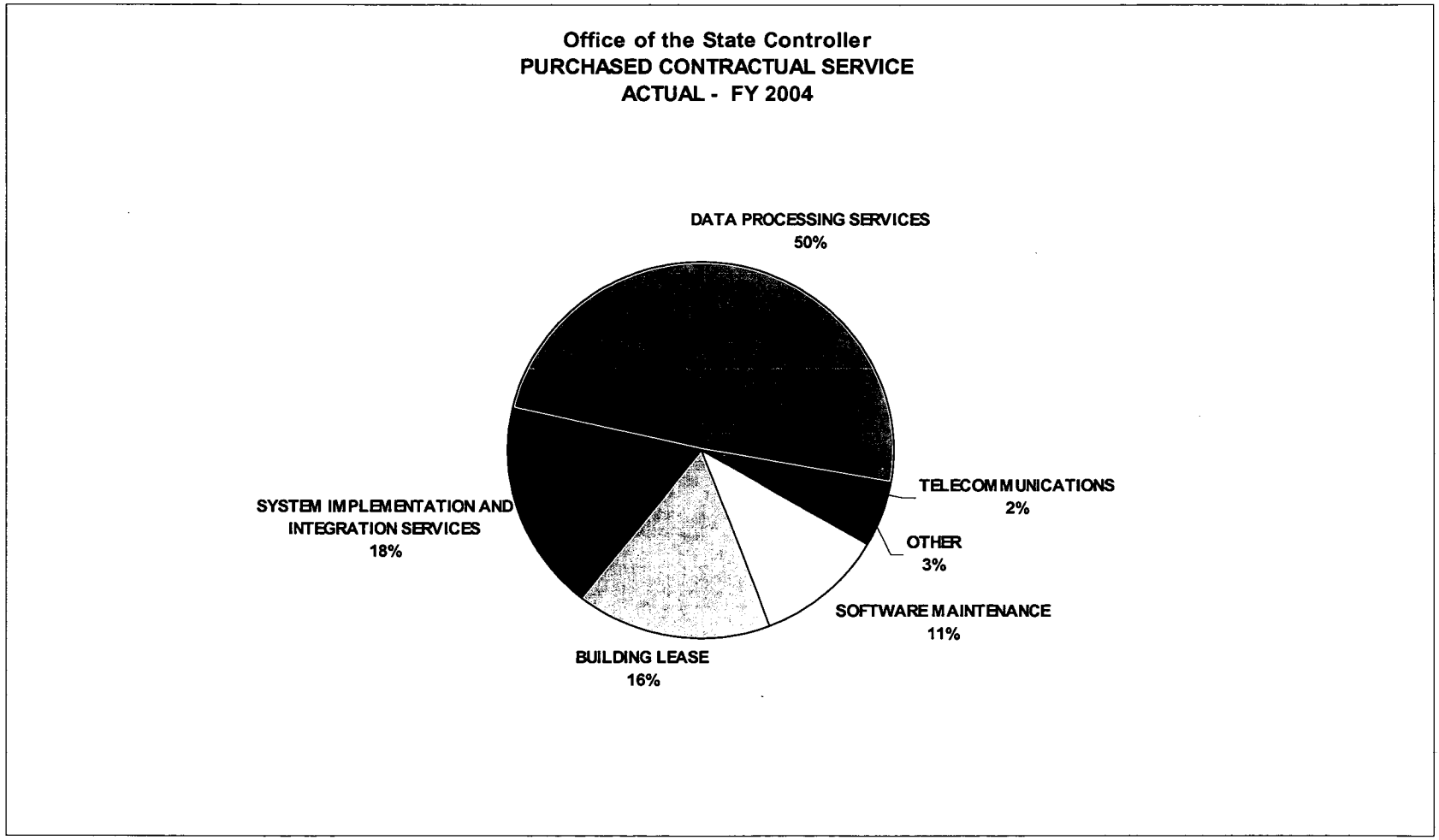
Budget Data

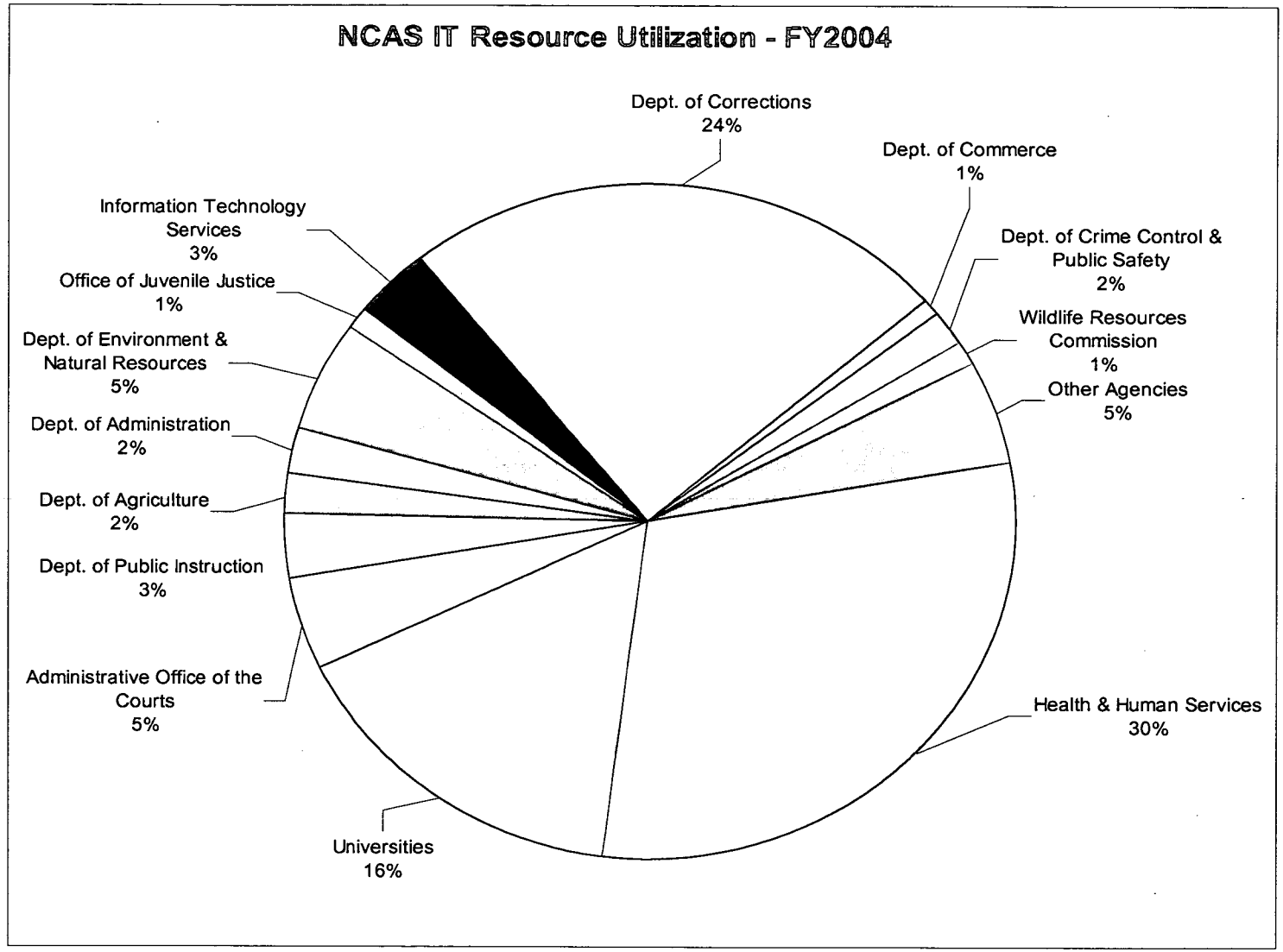
Office of the State Controller
Budget Data
General Fund

General Fund	Authorized Budget 6/30/2004	Authorized Budget 12/31/2004
Requirements	$10,081,601	$10,187,979
Less: Receipts	$266,013	$230,597
Appropriation	$9,815,588	$9,957,382
Increase (Decrease) from prior Fiscal Year	($151,544)	$141,794
Percentage Increase (Decrease)	-1.52%	1.44%
Position Count	84.75	84.75
Increase (Decrease) from prior Fiscal Year	(1.00)	0.00
Percentage Increase (Decrease)	-1.04%	0.00%

Office of the State Controller
FY 2003-2004 ACTUAL




Office of the State Controller
PURCHASED CONTRACTUAL SERVICE
ACTUAL - FY 2004
DATA PROCESSING SERVICES
50%
TELECOMMUNICATIONS
2%
OTHER
3%
SOFTWARE MAINTENANCE
11%
BUILDING LEASE
16%
SYSTEM IMPLEMENTATION AND
INTEGRATION SERVICES
18%


NCAS IT Resource Utilization - FY2004
Dept. of Corrections
24%
Dept. of Commerce
1%
Dept. of Crime Control &
Public Safety
2%
Wildlife Resources
Commission
1%
Other Agencies
5%
Health & Human Services
30%
Universities
16%
Administrative Office of the
Courts
5%
Dept. of Public Instruction
3%
Dept. of Agriculture
2%
Dept. of Administration
2%
Dept. of Environment &
Natural Resources
5%
Office of Juvenile Justice
1%
Information Technology
Services
3%

2005 Major Initiatives

2005 Initiatives

- Lead **Statewide Business Infrastructure Program**, beginning with replacement of the States' Human Resource and Payroll Systems
- Implement enterprise approach to monitoring and paying **Foreign Nationals**
- Improve fiscal management of state agencies by proactively educating and conducting **Compliance Reviews of Internal Control Systems**
- Expand the **State's Electronic Commerce Program** to improve services to the citizens, enhance operational efficiencies and minimize risks to agencies

Statewide Business Infrastructure Program (SBIP)
HR/Payroll Planning Project

- The SBIP - HR/Payroll Project, began this past November, 2004. Deloitte Consulting was the selected vendor to help develop a set of business and functional requirements with a corresponding business process re-design approach for the State of North Carolina.

- Since November, ten HR Joint Application Design (JAD) sessions have been completed on topics including training, employee safety and health, employee relations, career and succession planning, employee separation, recruiting and benefits. Payroll JAD sessions will begin towards the end of February and continue into March.

- As JAD sessions come to an end, the complete vision for the next generation of State Payroll and Human Resources will be determined. All project deliverables and findings will be completed and presented to the General Assembly later this spring before moving forward into Phase 2.

- Pending secured funding, the requirements will be subsequently used for implementing a new, fully automated human resources and payroll system to accommodate statewide business needs.

Foreign Nationals Compensation

- The OSC implemented a statewide program for monitoring and paying/compensating foreign nationals in the summer of 2004.
- Uniform policies and procedures were developed collaboratively with participants from state agencies, the University system, and the Community Colleges system.
- OSC has entered into an enterprise license agreement with Windstar Technologies for a software solution to help comply with IRS rules and regulations with regards to payments made to foreign nationals. Statewide rollout of the software is in process.
- Agencies are defining the business processes and workflows needed to gather and maintain the foreign nationals data.

Internal Control Compliance Reviews

- Internal Controls are an integral part of the organizational structure of an entity and provide reasonable assurance that the State's assets are adequately protected.

- Audit reports issued by the Office of the State Auditor, as well as newspaper articles citing cases of misuse and theft of state property among our state agencies and universities, have recently pointed to the need for greater attention to and proper execution of the State's internal control systems.

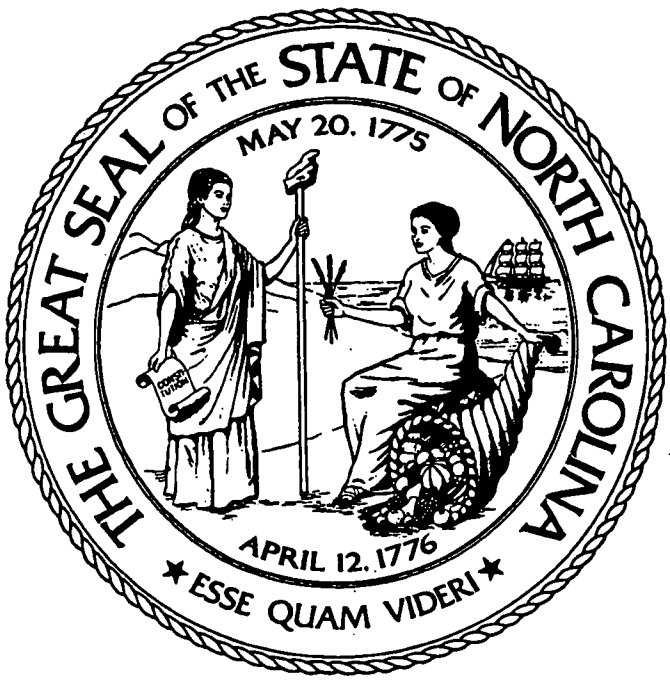
- OSC is conducting on-site compliance reviews to mitigate risk. The goals of these reviews are to:
  - Provide reasonable assurance that the State's internal control systems are adequately functioning
  - Improve the fiscal management of our state agencies, institutions and entities by identifying existing or potential internal control weaknesses within their operations
  - Provide an educational opportunity for raising awareness of appropriate internal controls and to educate entity personnel on internal control best practices.

Electronic Commerce Program

- NC's current E-Commerce activities support both collections and payments processing with credit cards, debit cards, and electronic funds transfer.
- The opportunity exists to greatly expand State Government's E-Commerce components.
- OSC needs to research current practices, research other states, identify potential opportunities, evaluate technologies, and develop a strategic plan for an expanded E-Commerce Program for State Government.
- Expected benefits include:
  - Improved cash management
  - Lower payment processing costs
  - Enhanced operational efficiencies
  - Better risk management
  - Improved service to citizens

NORTH CAROLINA

STATEWIDE ACCOUNTS RECEIVABLE REPORT



For the Year Ended June 30, 2004

North Carolina Office of the State Controller

Robert L. Powell, State Controller

ANNUAL STATEWIDE ACCOUNTS RECEIVABLE REPORT
FEBRUARY 2005

EXECUTIVE SUMMARY

The *Statewide Accounts Receivable Report* includes all receivables reflected in the State's Comprehensive Annual Financial Report (CAFR). These receivables are recorded in the financial statements based on generally accepted accounting principles (GAAP) for governments and reflect a "snapshot" of balances owed to the State at June 30, the conclusion of the fiscal year. The receivable balances, for the most part, are related to timing issues and are not considered past due or bad debts at that time. Although the States' receivables totaled $7.898 billion, Accounts Receivable and Taxes Receivable categories are the primary areas that provide additional follow up opportunities on past due or previously uncollected debts.

Total Receivables consist of the following:	2004	% of Total	2003	% of Total
Notes Receivable	$ 3,736,809	47.31%	$ 3,405,005	50.04%
Intergovernmental Receivables	827,359	10.48%	776,902	11.42%
Contributions, Premiums, Other Receivables	477,067	6.04%	445,772	6.55%
Interfund Receivables	790,715	10.01%	467,639	6.87%
Interest Receivable	60,429	0.77%	72,599	1.07%
Taxes Receivable	**1,044,701**	**13.23%**	**1,046,460**	**15.38%**
Accounts Receivable	**960,649**	**12.16%**	**590,774**	**8.68%**
Total Receivables	$ 7,897,729	100.00%	$ 6,805,151	100.00%

Notes Receivable primarily consists of student loans, housing mortgage loans and EPA revolving loans that will be collected on a predetermined contractual basis.
Intergovernmental Receivables primarily consist of funds due from federal and local governments that will be collected within 60 days after the June 30 year-end close.
Contributions, Premiums, Other Receivables primarily consist of participant contributions to the health and pension plans that are due at June 30 and collected in early July.
Interfund Receivables primarily consist of funds moving between different State fund types that are due at June 30 and will be collected in early July.
Interest Receivables primarily consist of State Treasurer investment earnings (distributions) owed to those funds (trust, special) that earn interest. These interest distributions will occur in early July.
Taxes Receivable primarily consist of individual income tax, sales and use tax and local sales tax collections due to the State at June 30 that will be collected within 60 days after the June 30 year-end close.
Accounts Receivable primarily consists of student, patient and medical provider payments due at June 30.

How the State Collects Debt Currently

- Agencies within state government invoice businesses and individuals for services rendered through multiple front end billing systems attached to multiple accounts receivable systems. The State's current business infrastructure is not able to take advantage of best practices because of system limitations associated with this multitude of agency specific billing/AR systems.
- Current state policy requires agencies to
    - Bill accounts on a timely basis, whether the receivables are due from private entities, the federal government, localities, or state agencies and institutions.
    - Mail first past due letter when debt is 30 days past due and contact debtor by phone. Continue contact process until debt is 90 days past due at which time the debt is forwarded to the Attorney General for collection by an approved private collection agency.
    - Maintain an accurate record of receivables transactions.
    - Provide an aged trial balance of receivables. OSC requires that the following aging categories be used for Statewide reporting: 1-30 days, 31-60 days, 61-90 days, 91-120 days, 121-180 days, 181 days-1 year, and over 1 year. Accounts continue to be aged after they are forwarded to collection agencies.
    - Provide information relative to specific collection efforts on each past-due account.
    - Submit delinquent accounts to the DOR debt set-off program, whereby delinquent accounts are offset against State and federal income tax refunds, once all (including garnishment) other collection efforts fail.
    - Provide realistic estimates of, and properly account for, doubtful accounts and properly account for receivables that are written off.
    - Provide for the accrual of interest and penalties as allowed or as required.

- Other current State collection activities include:
    - DOR Project Collect Tax and newly implemented Taxpayer Assistance and Call Center (TACC) have been implemented to specifically address Taxes Receivable collection efforts.
    - Other debt collection methods such as wage garnishment and administering interest and penalties on delinquent accounts are used in limited circumstances due to statutory restrictions and system limitations.
    - Other collection services for universities, community colleges and state agencies such as state contracted collection agencies and the Attorney General's Office.
- Discussion of Potential Centralized Debt Collection Environment
    - Previous accounts receivable/debt collection studies have evaluated the feasibility of implementing a new statewide accounts receivable system, including the creation of a centralized clearinghouse for bad debt collection. These studies recommended consideration of expanding the authority of the Department of Revenue to collect non-tax debt. However, implementation of a bad debt clearinghouse could (can) not be implemented because system(s) technical restrictions do not allow electronic data interchange, information sensitivity legally restricts sharing of some debtor information, and collection fees cannot be levied against certain debts.

Next Steps

OSC continues to strive for improvements in the management of accounts receivable in state government. We work with the agencies and the Attorney General's staff to encourage an increased effort on the management and collection of these accounts. We recognize that there are a number of system limitations and strongly support the recommendation for a new business infrastructure for accounts receivable, billing and collections systems. A separate proposal is being made to the 2005 General Assembly for funding to begin the replacement of the State's Business Infrastructure.

Recognizing the time frame for a new business infrastructure is yet to be determined, the State, as an interim measure, could continue to identify and resolve issues to the extent possible to better position the State for a more centralized past due debt collection effort. Initially, this would involve OSC and DOR working together to:

- Review and update policies and procedures, and identify legislative changes needed to the centralized debt collection.
- Analyze and prioritize current past due debt to determine which types can be transferred to DOR with minimal legal and processing support effort.
- Define business, technical and resource requirements for a centralized debt collection effort housed within DOR.

We seek the guidance of the General Assembly as we continue to seek improvements in the way we manage accounts receivable and debt collection efforts in State Government.

State of North Carolina
Office of the State Controller
Statewide Accounts Receivable Report
Based on CAFR Receivables
June 30, 2004

Background

The Office of the State Controller (OSC) is responsible for the Statewide Accounts Receivable Program. The authority originates from North Carolina General Statute 147-86.20-.27. In fulfilling the reporting requirements, the OSC provides you with the Statewide Accounts Receivable Report for fiscal year end June 30, 2004, displayed in a three-year analysis of receivables format. The *Statewide Accounts Receivable Report* includes all receivables reflected in the State's Comprehensive Annual Financial Report (CAFR). These receivables are recorded in the financial statements based on generally accepted accounting principles (GAAP) for governments.

Current Situation

The State of North Carolina total receivables for the fiscal year ended June 30, 2004 totaled $7.898 billion. As compared to the previous fiscal year, receivables increased by $1.093 billion or 16.06% while total State revenues increased by 17.06% for the same period. A table reflecting summary information by receivable type follows. Additionally, a detail analysis of each receivable type is included on pages 7 through 14 of the report.

Total Receivables consist of the following:	2004	% of Total	2003	% of Total
Notes Receivable (page 9)	$ 3,736,809	47.31%	$ 3,405,005	50.04%
Taxes Receivable (page 10)	1,044,701	13.23%	1,046,460	15.38%
Intergovernmental Receivables (page 11)	827,359	10.48%	776,902	11.42%
Accounts Receivable (page 12)	960,649	12.16%	590,774	8.68%
Interfund Receivables (page 13)	790,715	10.01%	467,639	6.87%
Contributions, Premiums, Other Receivables (page 14)	477,067	6.04%	445,772	6.55%
Interest Receivable (page 15)	60,429	0.77%	72,599	1.07%
Total Receivables	$ 7,897,729	100.00%	$ 6,805,151	100.00%

Total receivable write-offs for the fiscal year ended June 30, 2004 totaled $1.891 billion consisting of $365.3 million of Bad Debt write-offs, $1.249 billion of Contractual Adjustments and $276.2 million of Indigent Care write-offs. Total receivable write-offs increased by $413.9 million over the prior fiscal year.

Receivable Collection Initiatives

The NC Department of Revenue (NCDOR) continues to effectively administer the State's Setoff Debt Collection Program that requires NCDOR and State agencies to cooperate in identifying debtors who owe money to the State and who qualify for refunds from the NCDOR. The procedure for setting off against any refund the sum of any debt owed to the State resulted in $22.2 million of net refunds to claimant agencies during the report period.

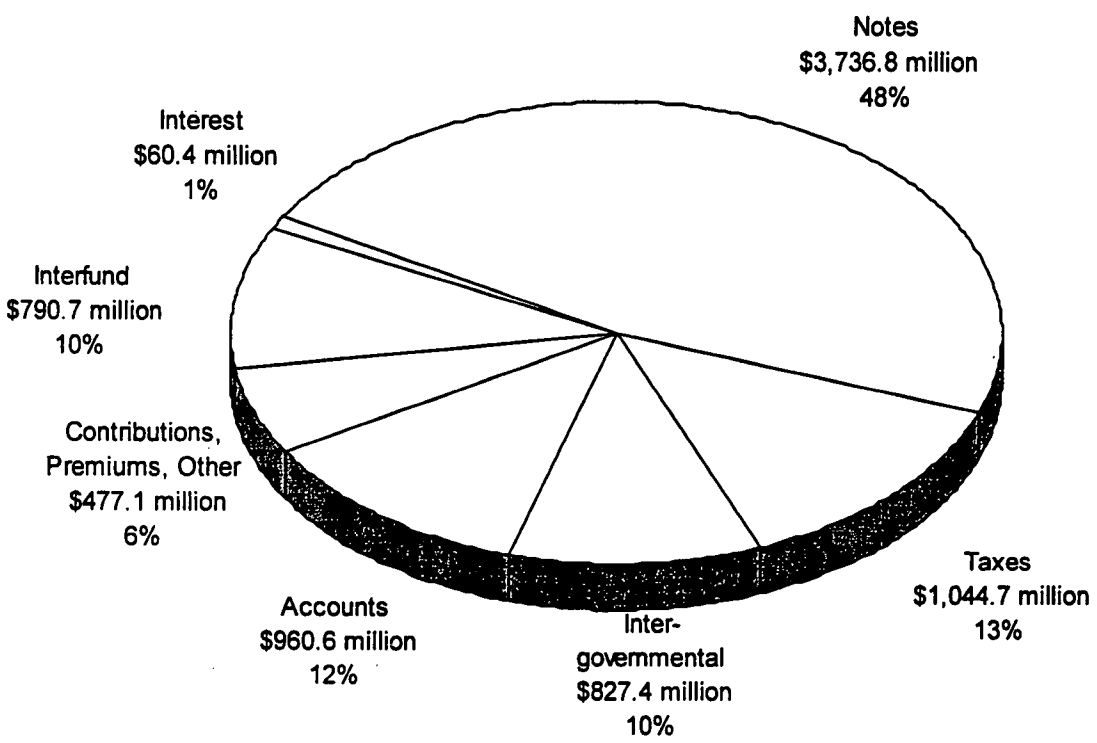
NCDOR Project Collect Tax is an initiative to boost compliance with State revenue laws. The project focuses on the collection of delinquent tax debt over 90 days old resulting in a total of $479.9 million of collections for the forty-two month period ending December 31, 2004. In addition, the NCDOR officially began operations at its new Taxpayer Assistance and Call Center (TACC) located outside of Rocky Mount, NC on October 1, 2003. The purpose of this center is to provide a more centralized location and focus for collection activities and taxpayer assistance.

The NC Department of Justice (NCDOJ) awarded the state contract for collection services to eight (8) collection agencies on August 1, 2003. A total of $59 million has been submitted to collection agencies from contract date through July 31, 2004. A total of $7.6 million has been submitted the NCDOJ for collection on

behalf of universities, community colleges and state agencies for the fiscal year end June 30, 2004. According to suggested guidelines set by the Attorney General's Office, an agency should submit a past due receivable to a collection service after a 90-day cycle. The Collection Section of the NCDOJ continues to provide informative conferences designed to facilitate efficient communications between the collection agencies and the clients to maximize recovery of debts owed to state agencies, universities and the community colleges. In fiscal year 2004, the Attorney General's Office implemented new software to accept payments by credit card.

The following chart summarizes the State of North Carolina's receivable components:

State of North Carolina Total Receivables for the Fiscal Year Ended June 30, 2004
$7.898 billion

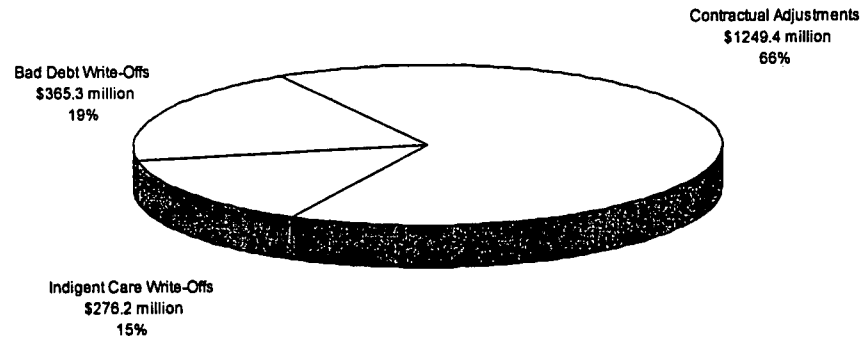


Accounts Receivable Write-offs

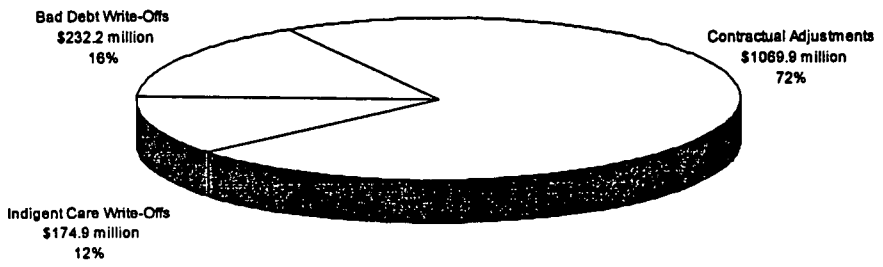
Accounts receivable written off during the fiscal year ending June 30, 2004 were $1.891 billion. Contractual adjustments account for the largest portion of write-offs. A decision by UNC Hospitals, including Rex Healthcare, to write off $1.049 billion of receivables was made based on related Medicare and Medicaid adjustments, indigent care provider adjustments, and managed care contractual adjustments. In addition, $361 million of receivables associated with the patient accounts at mental health institutions across the State were written-off by the Department of Health and Human Services. Contractual adjustments of another $201 million for Medicare and Medicaid, the Workers' Compensation Program, indigent care, and bad debt receivables were written-off by the University of North Carolina at Chapel Hill for the Physicians and Associates operation and the School of Dentistry.

The following charts summarize the State of North Carolina's major write-off components:

State of North Carolina Total Write-offs for the Fiscal Year Ended June 30, 2004
$1.891 billion



State of North Carolina Total Write-offs for the Fiscal Year Ended June 30, 2003
$1.477 billion



When compared to the prior year, indigent care write-offs increased by $101.3 million due to a new project implemented by the Department of Health and Human Services to remove several accounts that were five or more years past due. The Department of Health and Human Services bad debt write-offs also increased by $133.1 million from the prior year due to a project to remove child support and mental health accounts that were five or more years past due. These past due accounts were previously accounted for in an allowance account and this is reflected in the $145 million decrease in allowance for doubtful accounts for fiscal year 2005.

Contractual Adjustments - The differences between revenue at established rates and the amounts realizable from third-party payors under contractual agreements. These adjustments are made to customer, patient, business, or taxpayer accounts as the result of a contractual agreement to provide certain services or products at a previously negotiated price. The contractual adjustment is the difference between the value assigned by the State provider/supplier of the product or service and the predetermined price as negotiated with a third-party payor (*example: insurance company*).

Indigent Care Write-Offs - The differences between revenue at established rates and the amounts realizable from the financially responsible party for those receiving the State product or service. In this instance, the write-off is the result of the financially responsible party being **unable** to meet the financial obligations due to poverty or a lack of subsistence.

Bad Debt Write-Offs - All write-offs of bad debts other than those for contractual or indigent care reasons.

Setoff Debt Collection Program Activity

G.S. 105A, the Setoff Debt Collection Act, requires all claimant agencies and the NCDOR to cooperate in identifying debtors who owe money to the State through its various agencies and who qualify for refunds from the NCDOR. It further requires that procedures be established for setting off against any refund the sum of any debt owed to the State.

Recent changes to G.S. 105A have expanded the list of claimant agencies to include all state agencies. This change was effective January 1, 2000. The OSC requested that the NCDOR provide summary debt setoff information for the last five tax years to be included in the annual Statewide Accounts Receivable Report. Summary data for the prior five tax years is reflected below (whole dollars).

Tax Year	**2003**	**2002**	**2001**	**2000**	**1999**
Debt Setoff Occurs in Calendar Year	**2004**	**2003**	**2002**	**2001**	**2000**
Gross Amount of Refunds Setoff	$30,182,268	$22,545,441	$22,452,410	$24,144,003	$21,964,609
Collection Assistance Fee Applied Based on Prior Year Actual Expenses *	(478,859)	(324,251)	(301,839)	(346,767)	(700,827)
Net Amount of Refunds Paid to Claimant Agencies	$29,703,409	$22,221,190	$22,150,571	$23,797,236	$21,263,782
DOR Administrative Expenses - Current Year	$443,959	$447,671	$442,834	$450,000	$379,483
Total Setoffs (includes completed, denied and canceled setoffs)	142,320	104,608	106,006	112,965	104,255
Number of Completed Setoffs	136,685	101,125	102,426	109,127	100,870
Average Gross Setoff Amount	$220.82	$222.95	$219.21	$221.25	$217.75
Average Cost per Setoff	$3.12	$4.28	$4.18	$3.98	$3.64
Average Net Amount of Refunds Setoff	$217.31	$219.74	$216.26	$218.07	$210.80

- Effective for the calendar year 2000, the cost of collecting child support debts is not charged against the taxpayer's refund. Instead, the gross amount of the refund is applied to the debt and the NCDOR receives a collection assistance fee for these debts from individual income tax collections. For the calendar year 2004, collection assistance fees for child support debts collected through setoff were $124,843, bringing the total collection assistance fees received by the NCDOR to $603,702.

- Effective for the calendar year 2005, the 2004 Law Changes has been amended to impose a flat collection assistance fee of $5.00 for each debt collected through setoff. The subsection was also amended to delete the provision that required the NCDOR to set the amount of the collection assistance fee based on the actual cost of collection ($15.00) maximum for the immediate preceding year.

NCDOR Project Collect Tax

Project Collect Tax is an initiative to boost compliance with State revenue laws. The project focuses on the collection of delinquent tax debt over 90 days old, which is not measurable and available. Based on a law passed by the NC General Assembly in 2001, every delinquent taxpayer will receive a special notice from NCDOR informing them of the amount of the debt and allowing the delinquent account holder 30 days to pay in full or set up a payment plan. If the debt is not paid within the allotted time, a 20% fee will be added to the total tax debt.

The Collection Division has collected a total of $479.9 million in Project Collect Tax initiatives for the forty-two month period ending December 31, 2004. The NCDOR continues to review procedures to automate collection processes to aid citizens in becoming compliant with the State's revenue laws. The following link provides more detailed information regarding Project Collect Tax, http://www.dor.state.nc.us/collect/.

The NCDOR officially began operations at its new Taxpayer Assistance and Call Center (TACC) located outside of Rocky Mount, NC on October 1, 2003. Implementation of the TACC allowed NCDOR to discontinue using private collection agencies. The center is staffed with 78 people. The purpose of this center is to provide a more centralized location for collection activities and taxpayer assistance. State of the art telephone technology has allowed the NCDOR to answer 99% of its incoming calls. Prior to the opening of the call center, the NCDOR was only able to answer 25% of its incoming calls from taxpayers. The NCDOR is now able to provide a much higher level of customer service to taxpayers. In January 2004, NCDOR implemented a predictive dialing system that makes calling delinquent taxpayers much more efficient.

Past Due Receivables

The UNC hospitals account for $52.5 million of patient receivables that are past due over 120 days and the Department of Health and Human Services accounts for the other $40 of patient receivables shown on the right. The Department of Health and Human Services account for $47 million of accounts receivable that are past due over 120 days. All agencies and universities currently submit their past due receivables to either the Attorney General's office or a state approved collection agency.

Need for Aggressive Attitude Toward Collecting Debt

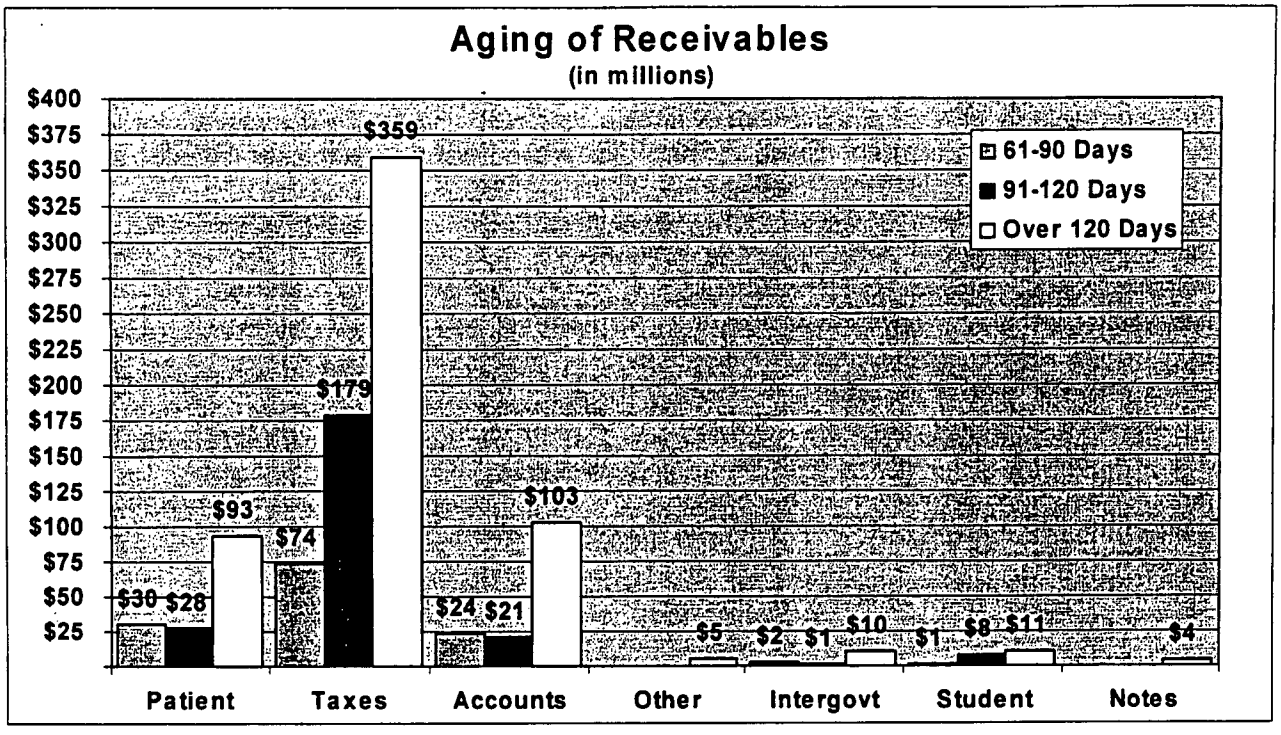
Opportunities exist for the State to increase revenues by adopting a more aggressive attitude toward collecting debt.

Collection experience varies significantly from industry to industry, however, it is well-documented that the longer that debts remain uncollected, the lower the likelihood of collection of all or part of the debt. As the rate or likelihood of debt collection declines, the cost of collection tends to increase significantly.

Potential areas for results include decreasing the time period before bad debts are turned over to a collection agency (currently 90 days or more); passing the cost of debt collection to the debtor; and increasing the use of wage garnishment. For long-term results, the NCDOR has already taken steps to improve debt collection procedures as well as obtain legislation to pass the cost of debt collection on to the debtor.

Category/Agency	61-90 Days	91-120 Days	Over 120 Days	Total
Taxes Receivable				
Revenue	$14,967,494	$18,425,989	$291,846,752	$325,240,235
Employment Security	59,125,971	160,227,949	67,649,219	287,003,139
	74,093,465	178,653,938	359,495,971	612,243,374
Patient Receivable				
UNC-Hospitals	25,051,563	22,716,681	52,544,841	100,313,085
DHHS	3,850,415	3,445,801	40,187,675	47,483,891
UNC-Chapel Hill	603,340	1,912,948	181,254	2,697,542
	29,505,318	28,075,430	92,913,770	150,494,518
Accounts Receivable				
DHHS	1,456,315	12,505,650	47,163,057	61,125,022
Employment Security	15,600,760	4,434,030	22,179,780	42,214,570
UNC-Chapel Hill	4,415,299	2,726,882	8,364,958	15,507,139
Transportation	183,334	267,232	11,556,905	12,007,471
Corrections	672,474	403,314	3,090,453	4,166,241
Labor	362,087	195,802	3,384,328	3,942,217
ITS	365,204	213,786	2,439,297	3,018,287
NCSU	126,195	62,378	2,490,064	2,678,637
DENR	267,898	1,500	2,296,961	2,566,359
East Carolina Univ.	84,140	23	312,980	397,143
Other	21,590	25,721	108,694	156,005
	23,555,296	20,836,318	103,387,477	147,779,091
Other Receivable				
UNC-Hospitals	173,565	111,626	4,831,208	5,116,399
DHHS	77,093	29,814	485,959	592,866
	250,658	141,440	5,317,167	5,709,265
Student Receivable				
NC Central	57,427	4,715,717	—	4,773,144
NCSU	342,867	121,447	3,569,831	4,034,145
NC A&T	208,340	758,850	1,591,185	2,558,375
UNC-Charlotte	—	17,775	2,487,656	2,505,431
Fayetteville State	63,721	448,289	761,474	1,273,484
East Carolina Univ.	411,680	248,290	425,520	1,085,490
Elizabeth City State	—	—	979,609	979,609
UNC-Greensboro	134,808	74,374	735,177	944,359
Appalachian State	27,366	233,139	466,278	726,783
Winston-Salem State	32,471	505,277	—	537,748
UNC-Wilmington	35,510	299,692	162,038	497,240
Western Carolina	163,550	122,125	—	285,675
Other	10,250	9,296	90,726	110,272
	1,487,990	7,554,271	11,269,494	20,311,755
Intergovernmental				
NCSU	1,578,272	501,301	3,538,043	5,617,616
Transportation	89,453	208,512	3,998,452	4,296,417
Western Carolina	53,086	83,083	723,233	859,402
DENR	64,640	42,859	519,370	626,869
Appalachian State	9,783	120,207	300,574	430,564
UNC-Charlotte	111,013	134,783	101,640	347,436
School of the Arts	—	47,912	104,882	152,794
NC Central	33,804	5,471	126,685	165,960
UNC-Wilmington	24,436	10,770	40,223	75,429
Fayetteville State	11,913	—	47,872	59,785
Winston-Salem State	3,445	33,377	—	36,822
Other	676	—	21,239	21,915
	1,980,521	1,188,275	9,522,213	12,691,009
Notes Receivable				
NC Central	6,637	7,538	3,561,676	3,575,851
	6,637	7,538	3,561,676	3,575,851
	$130,879,886	$236,457,210	$585,467,768	$952,804,863

The following chart summarizes the State of North Carolina's past due receivables:



The State should continue to pursue multiple strategies related to adopting a more aggressive attitude toward debt collection:

- Continue to expand and enhance the acceptance of electronic payments. Electronic payments offer a convenience to citizens and may serve as a preventive measure for reducing bad debts.
- Increase the use of debt collection tools available, i.e., collection agencies, debt set-off, and wage garnishments.
- Pass the cost of debt collection to the debtor. NCDOR has achieved a legislative change permitting this cost transference.
- Decrease the time before debts are turned over to collection agencies. Consider sending only one notice to the debtor, with automatic turnover to the Attorney General and a collection agency if there is no response.
- Enforce agencies' assessment of interest and penalties on delinquent debt.
- Provide staff training on a routine basis.
- Consider expanding the authority of the NCDOR to collect non-tax debt until other long-term automation and system changes are in place. By centralizing debt collection, the State has the opportunity to leverage existing technologies; lower overall costs; and allow other agencies to focus on their core mission.
- Continue to pursue a new accounts receivable billing and collections system through the implementation of a new business infrastructure for the State.

Conclusion

The State Controller believes with emphasis on the commitment of state entities to enforce the established policies and procedures, monitoring agency activity closely, and coordinating best business practices among agencies, the State can strengthen the collection efforts of past due accounts receivable.

Pages 7 through 14 of this document contain a three-year analysis of receivables. Please contact the Office of the State Controller if additional information is required.

State of North Carolina
Office of the State Controller
Statewide Accounts Receivable Program
Three-Year Receivables - June 30
(Expressed in Thousands)

	2004	2003	2002
Total Receivables			
Governmental Funds:			
General Fund	$ 1,853,852	$ 1,685,062	$ 1,578,266
Special Revenue Funds	894,524	669,674	847,987
Capital Projects Funds	2,951	3,483	8,710
Permanent Funds (GASB 34)	4	2	2
Total Governmental Funds	2,751,331	2,358,221	2,434,965
Proprietary Funds:			
Enterprise Funds	733,016	669,192	197,556
Internal Service Funds	34,624	37,536	42,873
Total Proprietary Funds	767,640	706,728	240,429
Fiduciary Funds:			
Pension Trust Funds	239,579	223,610	228,987
Private Purpose Trust Funds (GASB 34)	2	2	2
Investment Trust Fund	1,673	4,685	7,246
Agency Funds	179,564	121,399	145,228
Total Fiduciary Funds	420,818	349,696	381,463
Component Units:			
College and University	1,084,073	756,938	714,960
Other Component Units	2,873,867	2,633,568	2,437,128
Total Component Units	3,957,940	3,390,506	3,152,088
Total Receivables [1]	$ 7,897,729	$ 6,805,151	$ 6,208,945
Percent Increase/Decrease from Prior Year	16.06%	9.60%	
Receivables as % of Total Revenues	17.54%	17.69%	19.72%
Total State Revenues	$ 45,020,552	$ 38,460,438	$ 31,491,678
Percent Increase/Decrease from Prior Year	17.06%	22.13%	

[1] Total Receivables consist of the following:

	2004	% of Total	2003	% of Total
Notes Receivable	$ 3,736,809	47.31%	$ 3,405,005	50.04%
Taxes Receivable	1,044,701	13.23%	1,046,460	15.38%
Intergovernmental Receivables	827,359	10.48%	776,902	11.42%
Accounts Receivable	960,649	12.16%	590,774	8.68%
Interfund Receivables	790,715	10.01%	467,639	6.87%
Contributions, Premiums, Other Receivables	477,067	6.04%	445,772	6.55%
Interest Receivable	60,429	0.77%	72,599	1.07%
Total Receivables	$ 7,897,729	100.00%	$ 6,805,151	100.00%

Source: State of North Carolina
Comprehensive Annual Financial Report

State of North Carolina
Office of the State Controller
Statewide Accounts Receivable Program
Three-Year Receivables - June 30
(Expressed in Thousands)

	2004	2003	2002
Notes Receivable			
Governmental Funds:			
General Fund	$ 1,240	$ 1,892	$ 2,952
Special Revenue Funds	281,438	242,189	519,732
Total Governmental Funds	282,678	244,081	522,684
Proprietary Funds:			
Enterprise Funds	435,220	410,313	-
Total Proprietary Funds	435,220	410,313	-
Fiduciary Funds:			
Pension Trust Funds	128,244	115,440	109,466
Total Fiduciary Funds	128,244	115,440	109,466
Component Units:			
College and University	100,191	88,814	85,639
Other Component Units	2,790,476	2,546,357	2,360,083
Total Component Units	2,890,667	2,635,171	2,445,722
Total Notes Receivable [1]	$ 3,736,809	$ 3,405,005	$ 3,077,872
Percent Increase/Decrease from Prior Year	9.74%	10.63%	

[1] Notes Receivable consists of the following:

	2004	% of Total	2003	% of Total
State Education Assistance Authority	$ 1,624,561	43.47%	$ 1,338,685	39.32%
NC Housing Finance Agency	1,154,724	30.91%	1,196,208	35.13%
EPA Revolving Loan Fund	435,220	11.65%	410,313	12.05%
Clean Water Funds	116,908	3.13%	119,766	3.52%
401(k) Supplemental Retirement Income Plan	128,244	3.43%	115,440	3.39%
Natural Gas Bond Proceeds	140,618	3.76%	98,047	2.88%
University Funds	99,001	2.65%	88,814	2.61%
Other	37,533	1.00%	37,732	1.10%
Total Notes Receivable	$ 3,736,809	100.00%	$ 3,405,005	100.00%

Source: State of North Carolina
Comprehensive Annual Financial Report

State of North Carolina
Office of the State Controller
Statewide Accounts Receivable Program
Three-Year Receivables - June 30
(Expressed in Thousands)

	2004	2003	2002
Taxes Receivable			
Governmental Funds:			
General Fund	$ 759,276	$ 827,616	$ 745,719
Special Revenue Funds	120,325	112,344	115,041
Total Governmental Funds	879,601	939,960	860,760
Fiduciary Funds:			
Agency Funds	165,100	106,500	126,912
Total Fiduciary Funds	165,100	106,500	126,912
Total Taxes Receivable [1]	$ 1,044,701	$ 1,046,460	$ 987,672
Percent Increase/Decrease from Prior Year	(0.17%)	5.95%	

[1] Taxes Receivable consists of the following:

	2004	% of Total	2003	% of Total
Individual Income Tax	$ 343,615	32.89%	$ 369,749	35.33%
Sales and Use Tax	321,222	30.75%	371,768	35.53%
Local Sales Tax Collections	165,100	15.80%	106,500	10.18%
State Highway Fund	85,791	8.21%	81,688	7.81%
Highway Trust Fund	29,888	2.86%	28,496	2.72%
Franchise Tax	43,679	4.18%	33,584	3.21%
Corporate Income Tax	17,678	1.69%	21,259	2.03%
Beverage Tax	18,005	1.72%	16,536	1.58%
Other	19,723	1.89%	16,880	1.61%
Total Taxes Receivable	$ 1,044,701	100.00%	$ 1,046,460	100.00%

Source: State of North Carolina
Comprehensive Annual Financial Report

State of North Carolina
Office of the State Controller
Statewide Accounts Receivable Program
Three-Year Receivables - June 30
(Expressed in Thousands)

	2004	2003	2002
Intergovernmental Receivables			
Governmental Funds:			
General Fund	$ 714,716	$ 680,934	$ 659,024
Special Revenue Funds	31,468	11,173	31,206
Capital Projects Funds	2,312	2,677	5,725
Total Governmental Funds	748,496	694,784	695,955
Proprietary Funds:			
Enterprise Funds	36	3,598	1,616
Total Proprietary Funds	36	3,598	1,616
Fiduciary Funds:			
Agency Funds	954	1,051	3,068
Total Fiduciary Funds	954	1,051	3,068
Component Units:			
College and University	72,497	73,379	75,852
Other Component Units	5,376	4,090	5,630
Total Component Units	77,873	77,469	81,482
Total Intergovernmental Receivables [1]	$ 827,359	$ 776,902	$ 782,121
Percent Increase/Decrease from Prior Year	6.49%	(0.67%)	

[1] Intergovernmental Receivables consist of the following:

	2004	% of Total	2003	% of Total
Due From Federal Agencies	$ 646,309	78.12%	$ 614,649	79.12%
Due From Local Governments	83,624	10.11%	82,874	10.67%
University Funds	72,497	8.76%	73,379	9.45%
State Highway Fund	24,929	3.01%	6,000	0.76%
Total Intergovernmental Receivables	$ 827,359	100.00%	$ 776,902	100.00%

Source: State of North Carolina
Comprehensive Annual Financial Report

State of North Carolina
Office of the State Controller
Statewide Accounts Receivable Program
Three-Year Receivables - June 30
(Expressed in Thousands)

	2004	2003	2002
Accounts Receivable			
Governmental Funds:			
General Fund	$ 333,791	$ 142,845	$ 105,399
Special Revenue Funds	24,566	31,001	31,769
Capital Projects Funds	196	455	276
Total Governmental Funds	358,553	174,301	137,444
Proprietary Funds:			
Enterprise Funds	23,658	19,087	20,150
Internal Service Funds	13,979	17,880	24,126
Total Proprietary Funds	37,637	36,967	44,276
Fiduciary Funds:			
Pension Trust Funds	24,267	6,648	5,603
Agency Funds	849	856	532
Total Fiduciary Funds	25,116	7,504	6,135
Component Units:			
College and University	529,359	357,407	366,606
Other Component Units	9,984	14,595	12,401
Total Component Units	539,343	372,002	379,007
Total Accounts Receivable [1]	$ 960,649	$ 590,774	$ 566,862
Percent Increase/Decrease from Prior Year	62.61%	4.22%	

[1] Accounts Receivable consists of the following:

	2004	% of Total	2003	% of Total
University Funds	$ 467,019	48.61%	$ 288,563	30.04%
Community College Funds	62,340	6.49%	67,701	7.05%
DHHS-Division of Mental Health	53,258	5.54%	55,410	5.77%
DHHS-Division of Medical Assistance	127,305	13.25%	28,843	3.00%
Unemployment Compensation Funds	23,205	2.42%	18,362	1.91%
Other	227,522	23.69%	131,895	13.73%
Total Accounts Receivable	$ 960,649	100.00%	$ 590,774	100.00%

Source: State of North Carolina
Comprehensive Annual Financial Report

State of North Carolina
Office of the State Controller
Statewide Accounts Receivable Program
Three-Year Receivables - June 30
(Expressed in Thousands)

	2004	2003	2002
Interfund Receivables*			
Governmental Funds:			
General Fund	$ 11,185	$ 3,623	$ 36,465
Special Revenue Funds	419,208	255,708	132,098
Capital Projects Funds	443	348	2,704
Total Governmental Funds	430,836	259,679	171,267
Proprietary Funds:			
Enterprise Funds	91	42	9
Internal Service Funds	20,463	19,602	18,667
Total Proprietary Funds	20,554	19,644	18,676
Fiduciary Funds:			
Agency Funds	7,090	6,349	8,673
Total Fiduciary Funds	7,090	6,349	8,673
Component Units:			
College and University	295,155	145,228	130,468
Other Component Units	37,080	36,739	25,793
Total Component Units	332,235	181,967	156,261
Total Interfund Receivables	$ 790,715	$ 467,639	$ 354,877
Percent Increase/Decrease from Prior Year	69.09%	31.77%	

*Interfund Receivables are comprised of:
- Due From Other Funds
- Due From Component Units
- Due From Primary Government
- Advances to Component Units
- Advances to Other Funds

(For detail see Comprehensive Annual Financial Report - Note 9)

Source: State of North Carolina
Comprehensive Annual Financial Report

State of North Carolina
Office of the State Controller
Statewide Accounts Receivable Program
Three-Year Receivables - June 30
(Expressed in Thousands)

	2004	2003	2002
Contributions, Premiums, Other Receivables			
Governmental Funds:			
General Fund	$ 28,139	$ 20,744	$ 19,987
Special Revenue Funds	10,417	10,002	6,292
Total Governmental Funds	38,556	30,746	26,279
Proprietary Funds:			
Enterprise Funds	271,376	233,408	174,853
Internal Service Funds	141	-	21
Total Proprietary Funds	271,517	233,408	174,874
Fiduciary Funds:			
Pension Trust Funds	85,730	98,571	110,095
Total Fiduciary Funds	85,730	98,571	110,095
Component Units:			
College and University	80,111	81,414	78,862
Other Component Units	1,153	1,633	375
Total Component Units	81,264	83,047	79,237
Total Contributions, Premiums, Other Receivables	$ 477,067	$ 445,772	$ 390,485
Percent Increase/Decrease from Prior Year	7.02%	14.16%	

Source: State of North Carolina
Comprehensive Annual Financial Report

State of North Carolina
Office of the State Controller
Statewide Accounts Receivable Program
Three-Year Receivables - June 30
(Expressed in Thousands)

Interest Receivable	2004	2003	2002
Governmental Funds:			
General Fund	$ 5,505	$ 7,408	$ 8,720
Special Revenue Funds	7,102	7,257	11,849
Capital Projects Funds	-	3	5
Permanent Funds (GASB 34)	4	2	2
Total Governmental Funds	12,611	14,670	20,576
Proprietary Funds:			
Enterprise Funds	2,635	2,744	928
Internal Service Funds	41	54	59
Total Proprietary Funds	2,676	2,798	987
Fiduciary Funds:			
Pension Trust Funds	1,338	2,951	3,823
Private Purpose Trust Funds (GASB 34)	2	2	2
Investment Trust Fund	1,673	4,685	7,246
Agency Funds	5,571	6,643	6,043
Total Fiduciary Funds	8,584	14,281	17,114
Component Units:			
College and University	6,760	10,696	9,580
Other Component Units	29,798	30,154	32,846
Total Component Units	36,558	40,850	42,426
Total Interest Receivable	$ 60,429	$ 72,599	$ 81,103
Percent Increase/Decrease from Prior Year	(16.76%)	(10.49%)	

Source: State of North Carolina
Comprehensive Annual Financial Report

NORTH CAROLINA

OVERPAYMENTS AUDIT AND RECOVERY PROGRAM REPORT



February 2005

North Carolina Office of the State Controller

Robert L. Powell, State Controller

Office of the State Controller
Overpayments Audit and Recovery
February 2005

AUTHORIZATION

The Office of the State Controller (OSC) was charged with the responsibility of overseeing a statewide audit of inadvertent payments. This audit was authorized in accordance with Session Law 1998-212, Section 26.1. G.S. 147-86.22(c) and amended to include the following special provision:

"No later than January 1, 1999, the State Controller shall negotiate a contract with a third party to perform an audit and collection process of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors. The third party shall be compensated only from funds recovered as a result of the audit. Savings realized in excess of costs shall be transferred from the agency to the Office of State Budget and Management and placed in a special reserve account for future direction by the General Assembly. Any disputed savings shall be settled by the State Controller. This paragraph does not apply to the purchase of medical services by State agencies or payments used to reimburse or otherwise pay for health care services."

Special provisions in each subsequent budget session have allowed the Office of the State Controller to utilize a portion of the collections for data processing, debt collection, e-commerce costs, Business Infrastructure Study or information technology.

CONTRACT FOR THE OVERPAYMENT RECOVERY PROGRAM

The Profit Recovery Group International-Shultz, Inc. ("PRG-Shultz"), selected as the contractor through a competitive bid, has been performing this audit since March 1999. The contractor's responsibility is to perform an audit and collection process of inadvertent overpayments by state agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes and related errors. The 1999 contract provided for five annual extensions with the contractor. The fifth and final extension granted to the contractor in January 2004, which includes a review of payments for the fiscal year 2003, is still in the collection process. The contractor has now completed reviews of the accounts payable records of agencies and universities from July 1, 1995 through June 30, 2003.

Under separate competitive bid processes, PRG-Shultz was also awarded a contract to conduct an audit of utility services and telecommunications payments. The telecommunications audit was completed in November 2003 by TSL, a division of PRG-Shultz, and a final audit report has been issued.

PRG's COMPENSATION STRUCTURE

The contractor receives compensation for its recovery effort only when funds are recovered as a result of the audit and is a percentage of actual collections. For the accounts payable audit this percentage was established at 31% for all overpayment recoveries. The percentage share for the contractor, related to the utility services audit (gas, electric and water), was 35%. The initial telecommunications recovery compensation was also contracted at 35%. When no claims were generated from the initial telecommunications audit, the contractor presented a proposal to perform a re-audit, which was contracted at 25% for the retroactive recoupment of claims based on issues the State has identified but not pursued, and 30% for claims based on new findings.

TELECOMMUNICATION AUDIT

TSL obtained Customer Service Records (CSR's) detailing all fixed monthly charges for each of the State's telephone accounts. They obtained CSR's, bill copies, or account information for each of the following Vendors:

- Bell South
- Alltel
- Lexington Communications
- North State
- Surry Telephone
- GTE/Verizon
- Atlantic Telephone
- Citizens Communications
- Concord Telephone Company
- Time Warner
- Sprint
- AT&T
- BTI
- MCI
- CTC Communications

The CSR's through September 30, 2001, were reviewed to ensure that all charges complied not only with tariffs on file with the North Carolina Public Utilities Commission, but also with the contractual agreements between the State and the participating vendor. Additionally, the contractor drew upon their proprietary database of billing errors to maximize the results of the audit. This database also provides a checklist by which each telephone account is examined in a methodical manner.

At the resolution of the claims, TSL coordinated all correspondence with local and long distance vendors and obtained refund credits for the State of North Carolina. TSL worked with Bell South and AT&T to ensure that the identified billing overcharges were eliminated from all future bills and that the State of North Carolina received maximum benefit of ongoing savings.

It is a testament to how well the State of North Carolina administers the telephone services that TSL did not find more routine errors, items such as vacated property, dead tie lines, or abandoned circuits.

Results of Telecommunications Audit:

Claims Filed	Refunds	Monthly Savings	Annual Savings	Total
AT&T	$ 67,855	$ 23,614	$283,368	$ 351,223
Bell South	$604,069	$ 58,310	$699,720	$1,303,789
Total Settlements:	**$671,924**	**$ 81,924**	**$983,088***	**$1,655,012**

***These savings have resulted in telecommunications rate reductions which will benefit all users.**

ACCOUNTS PAYABLE AUDIT

Under the direction of OSC, the contractor conducted four types of audits as part of their procedures in finding claims for the State agencies/universities upon data extraction:

1. *Detailed Review* – Invoices and adjustment transactions were compared to state term contracts, purchase orders, and other documentation. This process was accomplished using electronic data provided by the NCAS system, Department of Transportation (DOT), UNC Hospitals, and the major universities.

2. *Computer Systems* – A comprehensive electronic audit was done on paid history data to detect potential duplicate payments, missed discounts, and other allowances. The contractor's audit tool was used to review these areas for potential claims. The tool was developed using the electronic data from both accounts payable and purchase order files.

3. *Vendor Statements* – Vendor statements were solicited for the agencies, DOT, UNC Hospitals and Universities. Letters were mailed to the vendors requesting any open transactions or a copy of an aged trial balance.

4. *Price Verification* – A software audit was conducted on a limited selection of term contracts provided by the NC Office of Purchase and Contract to identify unit price overcharges.

The audits performed by the contractor concluded that OSC's accounts payable policies, along with the effectiveness of the various processing systems, resulted in over 99 percent of all transactions and disbursements being processed correctly by State entities. Despite that high rate of accuracy, the small percentage of errors uncovered by the audits has resulted in claims of approximately $4.3 million, netting the State approximately $2.6 million in recovery earnings.

In addition to the money recovered by the State, the auditors' findings and recommendations have resulted in a number of procedural improvements at the various agencies.

1. The OSC has implemented safeguards in the North Carolina Accounting System (NCAS) to prevent duplicate vendor remit-to addresses, which eliminates a potential cause for duplicate payments.
2. The audit findings led at least one agency to record credits on returned goods immediately, rather than relying on the vendor to issue a credit memo.
3. Agencies are reviewing vendor statements for open credits more efficiently.
4. The OSC created a report for all NCAS agencies listing all credits that have been on the books for 180 days or more, to remind agencies to request refunds from vendors, where appropriate.

In addition to the enhanced procedures already implemented, the contractor also has suggested several other actions the State can take to both minimize overpayments and to enhance the effectiveness of future overpayment audits. These recommendations will be communicated to agencies and implemented as practical.

1. Procedures should be developed to ensure application of a unique invoice number in situations where an agency must assign its own numbers. The contractor has provided best practice methods. These will be available on the OSC's State Information Guide (SIG).
2. Accounts payable transactions should include the vendor's part number and an item description.
3. Multiple vendor numbers should be eliminated in the Lawson system which is in use at UNC Hospital.
4. A review of the duplicate payment edits in the university accounts payable systems should be conducted to insure that internal controls in this area are adequate.
5. Credits for returns of goods and services should be recorded promptly in all State agencies/universities' accounts payable system.
6. Agencies must ensure correct entry of the vendor's invoice numbers in accounts payable.
7. Accounts payable clerks should review similar supplier names to reduce wrong supplier payments
8. The State should continue to perform an annual overpayment audit, including the review of unit price charges for commodities under state term contract, in order to achieve benefits listed above.

CONCLUSION

OSC is pleased that this audit and collection process has documented that over 99% of all transactions and disbursements are being processed correctly by state entities. Still, we recognize through this process that there are additional efficiencies to be achieved and dollars to be recovered that make this effort worthwhile. This is especially true since the contractor's payment is a percentage of monies recovered, so unless there is a collection, there is no payment. With a limited investment of OSC and agency staff time, the benefits certainly outweigh the costs. Therefore, the OSC has decided to re-bid this audit and collection process and is currently soliciting proposals. The RFP responses will be opened on February 14, 2005 and we hope to have the awarded vendor in place by April 2005.

Attached is a financial schedule of activities to date for this contract.

Office of the State Controller (OSC)
Recovery of Overpayment Audit
Collections to date - December 31, 2004

	Total	Accounts Payable Audit	Telecommunication Audit
Deposits	$ 4,355,915.51	$ 3,683,975.60	$ 671,939.91
Disbursements:			
PRG	$ (1,360,735.15)	$ (1,159,158.15)	$ (201,577.00)
Other Payments	$ (10,685.07)	$ (10,685.07)	
Transfer to OSC General Fund (Note 1)	$ (149,627.29)	$ (149,627.29)	
DP*,Debt Collection and E-Commerce Cost (Note 2 & 4)	$ (200,000.00)	$ (175,935.06)	$ (24,064.94)
DP*, Debt Collection and other IT Initiatives (Note 4)	$ (80,000.00)	$ (80,000.00)	
Business Infrastructure (Note 3)	$ (500,000.00)	$ (73,582.90)	$ (426,417.10)
General Assembly - General Fund Transfer FY 03	$ (1,300,000.00)	$ (1,300,000.00)	
Department of Public Instruction Disputed Claims Settlement (FY 03)	$ (317,496.13)	$ (317,496.13)	
Transfer to Department of Health and Human Services (Federal Grant Refund)	$ (32,774.40)	$ (32,774.40)	
Ending Cash Per Cash Management	$ 404,597.47	$ 384,716.60	$ 19,880.87
Disbursement Obligations:			
Due to PRG	$ (15,460.74)	$ (15,460.74)	
Unobligated Cash Balance Prior to OSC Transfers	$ 389,136.73	$ 369,255.86	$ 19,880.87
Amounts to be transferred to OSC per Session Laws (Note 5)	$ (520,000.00)		

Note 1: Paid FY 01 - Transferred to OSC General Fund

Utilized for CPS-ACH Project	$ 115,883.96
Reverted to General Fund	$ 33,743.33
	$ 149,627.29

Note 2: Paid FY 03 as authorized by:
OSC FY 02 - DP*,Debt Collection or E-Commerce Cost $ 140,000.00 Session Law 2001-424, Senate Bill 1005, Section 10.1.(b)

Note 3: Paid FY 03 as authorized by:
OSC FY 03 - Business Infrastructure $ 500,000.00 Session Law 2002-126, Senate Bill 1115, Section 25.1. ©

Note 4: Paid FY 05 as authorized by:

OSC FY 02 - DP*,Debt Collection or E-Commerce Cost	$ 60,000.00	Session Law 2001-424, Senate Bill 1005, Section 10.1.(b)
FY 03 - DP*, Debt Collection and other IT Initiatives	$ 80,000.00	Session Law 2002-126, Senate Bill 115, Section 25.1.(b)
	$ 140,000.00	

Note 5: An additional $520, 000 is due to the OSC:

Due from Recovery of Overpayments Audit Fund:

FY 03 - DP*, Debt Collection and other IT Initiatives	$ 120,000.00	Session Law 2002-126, Senate Bill 115, Section 25.1.(b)
FY 04 - DP*, Debt Collection or E-Commerce Cost	$ 200,000.00	Session Law 2003-284, House Bill 397, Section 27.1 (a-e)
FY 05 - DP*, Debt Collection or E-Commerce Cost	$ 200,000.00	Session Law 2004-124, House Bill 1414, Section 28.1.(b)
	$ 520,000.00	

* DP = Data Processing

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 10, 2005
Room 425
8:30 a.m.

Chairman: Representative Alma Adams

Office of State Personnel

Executive Summary
(Notebook pp 1 - 3)

OSP Divisions
Director's Office
(Notebook pp 4 - 6)

Consulting Groups 1-3
(Notebook pp 7 - 12)

Accountability and Compliance Review
(Notebook pp 13 - 15)

Operations and Total Compensation Group
(Notebook pp 16 - 18)

Human Resources Development Group
(Notebook pp 19 - 20)

Human Resources Information Systems [PMIS]
(Notebook pp 21 - 22)

Summary of Budget
(Notebook p 23)
(Budget Book pp B 270 - B 272)

Reports Due to the General Assembly
(Notebook p 24)

REQUIRED REPORTS

Unified Leave Report (S.L. 2004-124, Section 31.16C(a))

Compensation and Benefits Report: 2005
(G.S. 126-7(b))

Special Emphasis Project: Female Employment in
NC State Government (G.S. 126-6.2(c))

Special Emphasis Project: African-American Males and
Employment in NC State Government (G.S. 126-6.2(c))

Thom Wright
Director

House Pages

Name Of Committee: _____ Date: March 10, 2005

1. Name: Julie Bourrous
   County: Burke (Waldese)
   Sponsor: Senator Jaconin
2. Name: _____
   County: _____
   Sponsor: _____
3. Name: _____
   County: _____
   Sponsor: _____
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

(Jamilah Salim-Calloway my L.A.)

Sgt-At-Arms

1. Name: Richard Telfair, Senate
2. Name: Leslie Wright, Senate
3. Name: Martha Parrish, House
4. Name: Willie Dixon, House
5. Name: _____

VISITOR REGISTRATION SHEET

General Government — 03/10/05
Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Kari Barsness	OSBM
Greg Piner	"
George Millsaps	DOA
Thom Arnold	OSP
Carl Goodwin	OSP
Nellie Riley	OSP
Gary Wiggins	OSP
Pam Wortham	DST
Gwen Canady	OSC
Courtney Peterson	NCDOT
R. Paul Wilms	NCHBA
Robert Bowen	OSC

Joint Appropriations Subcommittee on General Government Meeting
Minutes
Thursday, March 10, 2005
8:30 am

The Joint Appropriations Subcommittee on General Government met on Thursday, March 10, 2005 at 8:30am in room 425 LOB. Representative Alma Adams chaired the meeting.

Rep. Adams called the meeting to order. She welcomed the staff, pages, clerk, agencies and Sgt. At Arms. In addition to Chairman Adams, also present were Reps. McLawhorn, Goforth, Lucas, Wilson, and Tucker and Senators Dorsett, Graham, Cowell, and Jacumin. A visitor registration sheet is attached and made a part of the record. Staff present: Michele Nelson and Kathie Young.

Rep. Adams introduced Tom Wright, Director of State Personnel office. Presented three members of his staff: Paul Goodman, Nellie Riley, Gary Wiggins. He briefly reviewed their mission, statutory responsibilities, goals, organizational structure as well as their budget. He referred us to OPS tab in our notebooks.

Page 1 of report provides executive summary and summary of vision, mission, statutory responsibilities and goals of the department.

Mission is to provide leadership and supports agencies and universities and local government in creating and sustaining a dynamic human resources system to attract, retain, develop, and motivate a diverse and competent workforce.

Some of their statutory responsibilities include providing policy and rule development for the State Personnel Commission and implementing and administering all policies, rules and procedures established by the Commission. Provide training in personnel development; negotiate decentralization agreements with agencies, departments and institutions where it is cost-effective; maintain a computer database of all relevant information on employees and positions subject to the State Personnel Act in the State's personnel system; and development criteria and standards to measure compliance and non-compliance.

Statutory responsibilities basically dictate their course and impact their ability to create a modern HR system. Their goals are listed on page two of their report. The foundation of their system is the State Personnel Act. The original act was effective in 1949; it was revised in 1960, and it's 2005. Since then it has endured numerous minor revisions thus creating a document that is widely viewed as unorganized, confusing, and sometimes contradictory. It places restraints on the types of programs the system can offer, thus creating restrictions on their ability to recruit and retain and active workforce. He gave examples of what he meant.

Continuous improvement of the compensation system is vital to the HR system. As noted in the 2005 Compensation report (attached in the yellow pages of report). If NC wants to be competitive in the market we need to be making progressive strides to that end which include financial and benefit offerings. Two of their goals will hopefully lead them to that.

Goal: Market Based Pay
Develop a compensation system that aligns employee pay with the State labor market and promotes employee career development. The career part of the career banding needs to be enlightened by a more performance pay system.

Goal: Centralized Benefits
Enhance the benefits package for State workers. To evaluate options for cafeteria-style plan, improve existing benefits, make supplemental benefits portable, and determine the feasibility of centralizing benefits. Each Agency has its own insurance committee. Each agency decides which supplemental insurance offerings they are going to provide employees. If an employee of one agency goes to another state agency, they may have to stop an insurance coverage that was offered formerly but is not offered at the new agency. The department thinks they are one employee and thinks they should have the same supplemental insurance package for all state employees.

Goal: Equal Employment Opportunity/Special Emphasis
Lead State government's EEO/diversity efforts by developing programs to promote equal opportunity, monitoring effectiveness, targeting specific groups for special emphasis and forming partnerships with advocacy groups to assure involvement and that the work environment respects and values all employees.
When working the African-American Male project they noticed they were not reaching full workforce representation for that demographic group. They were experiencing disparities in promotions, performance management ratings and disciplinary actions. So they tested 9 initiatives to see if that could help improve those trends. He listed the 9 initiatives.

Goal: HRIS/PMIS
Update the Human Resource Information System HRIS)/PMIS to efficiently complement and support all HR operations.

Goal: Employee Relations
Provide programs and services for employees and managers that minimize workplace conflict and enhance employee morale and productivity.

He then reviewed the organizational structure of the department. He stated the need for both generalists and specialists, and the overall need to provide increased training and consulting services to agencies and university led to the creation of a service oriented organization structure. He directed all to the organizational structure on page 4 of hand out and outline of program and services on pages 5 and 6.

He reviewed the role of the Consulting Groups 1, 2 and 3. Pages 7 through 12 provide the organizational structure and agency assignments, descriptions of programs and services provided by each of the three consulting groups. In addition to those consultant groups there are four other groups that drive continuous improvement, insuring that our human capital is developed, informed, leveraged across state government systems, and support agencies in carrying out the HRDs that they are assigned.

Operations & Total Compensation Group org chart and description is on pages 16 through 18 of the report.

The human resources development group (the training center) is listed on page 19 and 20. The mission of this group is to provide management. Supervises employee training, and organization development services to all NC state government, universities and local governments.

Human Resources Information System is pictured on page 21.

Budget information is on page 23. They had to learn a new way to provide the services to the state as they loss 26 positions in the last 4 years. There recommended budget for 2005-06 is $7,459,160. 81% of their budget is salaries. 19% is for operating expenses and of that 19%, 43% goes to our human resources information systems to maintain that. Page 24 lists the legislative required reports that their office provides. These reports are attached.

Question: Sen. Jacumin
Wouldn't it make more sense to have one insurance package than to have each agency negotiate their respective agreements?

Answer: Yes. The state is looking into consolidating the insurance options for all state employees.

Comment: Sen. Dorsett
I would like to see us to have a study to look into this issue to answer some of the unanswered questions before we change anything.

Question: Sen. Graham
What is taking it so long to implement something that seems to be so basic?

Comment: Sen. Dorsett
It seems to me that there are some questions that need to be answered before we make such a drastic move.

Rep: Goforth
What would be the difference between the employee benefits package?

Mr. Wright: What we are talking about is only the supplemental package. All agencies have the same core benefits but the supplemental package differs from agency to agency.

Rep. Pierce: Do you say there are opportunities for youth mentoring types programs. What is the time period that those jobs are available?

Mr. Wright: There is a mentoring program for all state employees. That puts less experienced employees and couples them with more experienced employees so that they can learn the job culture among their duties a lot quicker. And then there is a partnership with the Inroads Project which is an internship program that we have been working with for two years in partnership with the agencies because they are paying for these interns to get young, bright students in their workforce.

Rep. Pierce: What's the age range.

Nelly Riley: University age students. They are recruited from state universities. Must have GPA of 2.8 or better. Must maintain a certain type of interaction with their supervisors over the year, they also must be able to meet the criteria. They go through three stages of selection to even get in the program. So when they come to the agency they have been pre-screened. All state agencies that want to participate have the opportunity to do so.

Mr. Wright: Nelly Riley put on the first state's diversity conference which was very successful. We hope to be able to do that again this year.

Sen. Dorsett: What is the State Employees incentive program.

Mr. Wright: It is slowly dying. They've had meeting after meeting and have major issues. One issue deals with the formula, when there is a one-year savings of a certain amount of money, 20% of that goes back to the employee, 50% goes back to the general fund, 10% goes to the agency, 10% goes back into the program to fund the positions that are doing the work and then 10% of the savings goes into the OSP training fund to train employees and managers. Because 50% of the first years' savings goes back to the general fund, that means their budget's reduced by that amount. So the agencies are not promoting this program. Then there is the other issue, especially at the universities, where a lot of their positions are not general funded positions. They are research funded or the funds are coming from somewhere else. What the position supporters are saying is that 50% of that money goes to the general fund but the general fund is not support any part of the position. So the universities are having a hard time promoting the program because they are having to take their grant funds and pay it back into the general fund. Issue number three has to do with intellectual properties and we need attorneys to talk about that.

Question: Sen. Cowell
What is the plan to address the report of which the findings where that women are paid less overall and are at lower grade levels than their male counterparts? What are the legal risks?

Nelly Riley: We are in the process of looking at the findings of the female report and looking at that we have established subcommittees that will take each of the those particular ideas and initiatives and will write pilots to determine what should be done. One of the things we've worked on is the low salaries. As far as the legal implications will be we have to leave that to the attorneys.

Rep. Adams: In terms the legal implications it looks like the disparities are supported by the data so there should not be many legal implications.

Mr. Wright: We have not had a lot of legal questions on this issue.

Sen. Dorsett: Has there been a study on the opportunity for advancement and promotion. Did the African American Male and well as Female study deal with this question at all?

Ms. Riley: Yes, we looked at promotional opportunities and we are finding that there are a lot of issues that come into play with regard to promotions and that we would like to find out how we can help people move up. In our career development institute we inform individuals of the many things that need to happen when one wants to move. Not just the

technical side, but there are a lot of other things that one has to look at as well. During that 5-day institute we looked at personal acumen, personal acumen, your own life skills, what you bring to the table, etc. to help individuals determine where they want to go. We are addressing the issue from the individual point of view as well as from the system point of view.

Rep: Goforth: Is there a job classification for these individuals?

Mr. Wright: Yes. There is a pay range.

Rep. Goforth: Regardless of skill don't they have to get the pay that is for that job?

Mr. Wright: Yes, but there is a range. Each applicant comes with different skills.

Sen. Graham: Can I get a copy of the study? Going back to benefits, are there any studies that have been conducted that are available on this issue.

Mr. Wright: There is some information on the costs of the various packages but not official study. The women's study is attached in your material.

Rep. Adams: Is there any demographic information available on race, gender, pay rate, etc. across the state?

Mr. Wright: Yes, however we will be able to dig a lot deeper once we get our new HR payroll system in place.

Meeting adjourned at 9:50 a.m.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

The North Carolina
Office of State Personnel



"SUCCESS THROUGH SERVICE..."

2005 Legislative Report
General Government Appropriations Committee

Thomas H. Wright
State Personnel Director
February 2005

NORTH CAROLINA OFFICE OF STATE PERSONNEL

Executive Summary

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Vision.....

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EXECUTIVE SUMMARY

INTRODUCTION

The primary purpose of the Office of State Personnel (OSP) is to establish and maintain a system of human resources administration, under the Governor, which is based on accepted and successful principles of human resources administration used in government and industry. The purpose of this report is to provide an overview of the Office of State Personnel to include the statutory responsibility, organizational structure, and major projects of this Office.

VISION

The Office of State Personnel is valued by agencies, universities, and the General Assembly as a strategic business partner and an expert in human resource systems. OSP is a leader in the public sector in its application of best practices and innovations.

MISSION

The Office of State Personnel provides leadership and supports agencies and universities in creating and sustaining a dynamic human resources system to attract, retain, develop, and motivate a diverse and competent workforce.

STATUTORY RESPONSIBILITY

- Provide policy and rule development for the State Personnel Commission, and implement and administer all policies, rules and procedures established by the Commission
- Provide training in personnel management
- Provide technical assistance in management of personnel programs and activities
- Negotiate decentralization agreements with agencies, departments, and institutions where it is cost-effective
- Administer centralized programs and services which have not been delegated. Provide approval authority of personnel actions involving classification and compensation which have not been delegated or where authority has been rescinded for non-compliance
- Maintain a computer database of all relevant information on employees and positions subject to the State Personnel Act in the State's personnel system
- Develop criteria and standards to measure compliance and non-compliance
- Implement corrective action in cases of non-compliance or rescind authority in cases of non-compliance

GOALS

State Personnel Act

Revise the State Personnel Act to introduce more flexibility in human resources program design.

Market Based Pay
Develop a compensation system that aligns employee pay with the State labor market and promotes employee career development.

HRIS/PMIS
Update the Human Resource Information System (HRIS)/PMIS to efficiently complement and support all HR operations.

Centralized Benefits
Enhance the benefits package for State workers. To evaluate options for cafeteria-style plan, improve existing benefits, make supplemental benefits portable, and determine the feasibility of centralizing benefits.

Accountability and Compliance Reviews
Monitor and execute compliance processes to assure that the State's Human Resources system is operated fairly and in compliance with State, Federal, and other laws and regulations and that the HR system is efficient and effective in supplying the human resources necessary for the State to fulfill its responsibilities to the Citizens.

Equal Employment Opportunity/Special Emphasis
Lead State government's EEO/diversity efforts by developing programs to promote equal opportunity, monitoring effectiveness, targeting specific groups for special emphasis and forming partnerships with advocacy groups to assure involvement and that the work environment respects and values all employees.

Employee Relations
Provide programs and services for employees and managers that minimize workplace conflict and enhance employee morale and productivity.

Recruitment/Workforce Planning
Redesign and enhance recruitment efforts. Establish a workforce-planning program that provides a systematic process for analyzing the current workforce, identifying future needs, and designing strategies to meet those needs.

Pay for Performance
Provide pay based upon contribution to organization, demonstration of competencies, and recognition of outstanding performance.

Career Development
Promote acquiring and/or improving skills to enable employees to meet organizational goals while progressing through a career path.

HR Staff Development
Increase training and development opportunities for employees through e-learning and collaboration.

ORGANIZATIONAL STRUCTURE

- The need for both generalists and specialists, and the overall need to provide increased training and consulting services to agencies and universities led to the creation of a service oriented organizational structure. The core of the organizational structure is three Consulting Groups led by Human Resources Managing Partners. Each of the consulting groups is assigned a group of agencies and universities and is responsible for providing a variety of human resources consulting services to their clients.

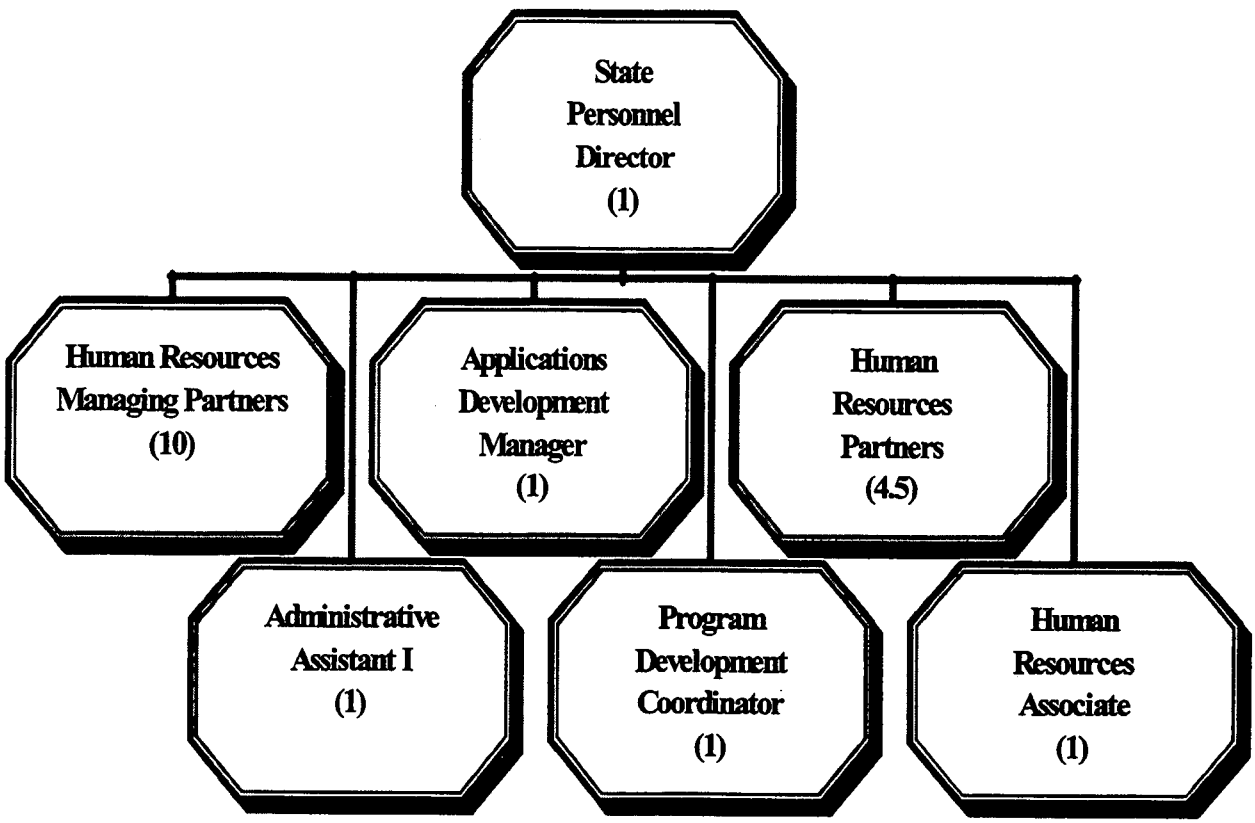
Mission of Consulting Groups

- The mission of the three consulting groups is to provide comprehensive human resource (HR) services to an assigned group of State agencies, universities, and boards and commissions. The consulting services include classification, compensation, policy administration, career banding, local government, organizational design, FLSA, recruitment and staffing, employee relations, accountability, workforce planning, investigations, and equal opportunity services.

Functions Staffed to the State Personnel Director

- In addition to the three Consulting Groups, there are six functions staffed to the State Personnel Director: Special Projects, Human Resources Information System, Human Resource Development Group, Operations and Total Compensation, Human Resources Accountability and Compliance Reviews, and the Director's administrative staff.

North Carolina Office of State Personnel
Office of the Director



STATE PERSONNEL DIRECTOR'S OFFICE

PROGRAMS AND SERVICES

Special Projects

- Work with the State Personnel Director on planning and monitoring agency-wide projects and new initiatives.

- **Workforce Planning**

  - Develop a contemporary, dynamic workforce planning system for NC State Government that supports efforts to allocate and manage human resources as well as reduce employment costs while continuing to attract, retain, and motivate a diverse and competent workforce.

- **Career Banding and Classification Program**

  - As part of the development of a contemporary classification and compensation system, a Career Banding Project is being conducted. Implementation of the Career Banding Project will result in a classification and compensation system that is easier to administer, is labor market driven, and supports employee career development. Project goals include the simplification of the administrative process associated with classification of positions; recognition of employee pay based on level of contribution, demonstrated competencies, and relevant labor market information; and the delegation of compensation decisions to managers who are held accountable for pay decisions and spending.
  - Lead the effort to re-design the State's classification and compensation system including the research and development of standards, methods, and procedures related to Career Banding and a market-pay philosophy.
  - Evaluate and determine the best solutions to implement the new system Statewide.

ADA (Americans with Disabilities Act)

- Provide technical assistance to citizens, colleges and universities, State, county, and local government entities, as well as businesses and public accommodations.
- Provide training and consultation to many government agencies, advocacy groups, and State disability network members and prepare and present customized training to diverse groups.
- Research, formulate, draft and deliver program specifics to assure compliance with the ADR process mandated by revised GS 168-A

Policy Development

- Research various policies and practices from other jurisdictions to determine if OSP policies are in line with current trends in the labor market
- Draft new or revised rules and/or policies in response to input from Personnel Roundtable members, labor market changes, or Federal/State statutory changes

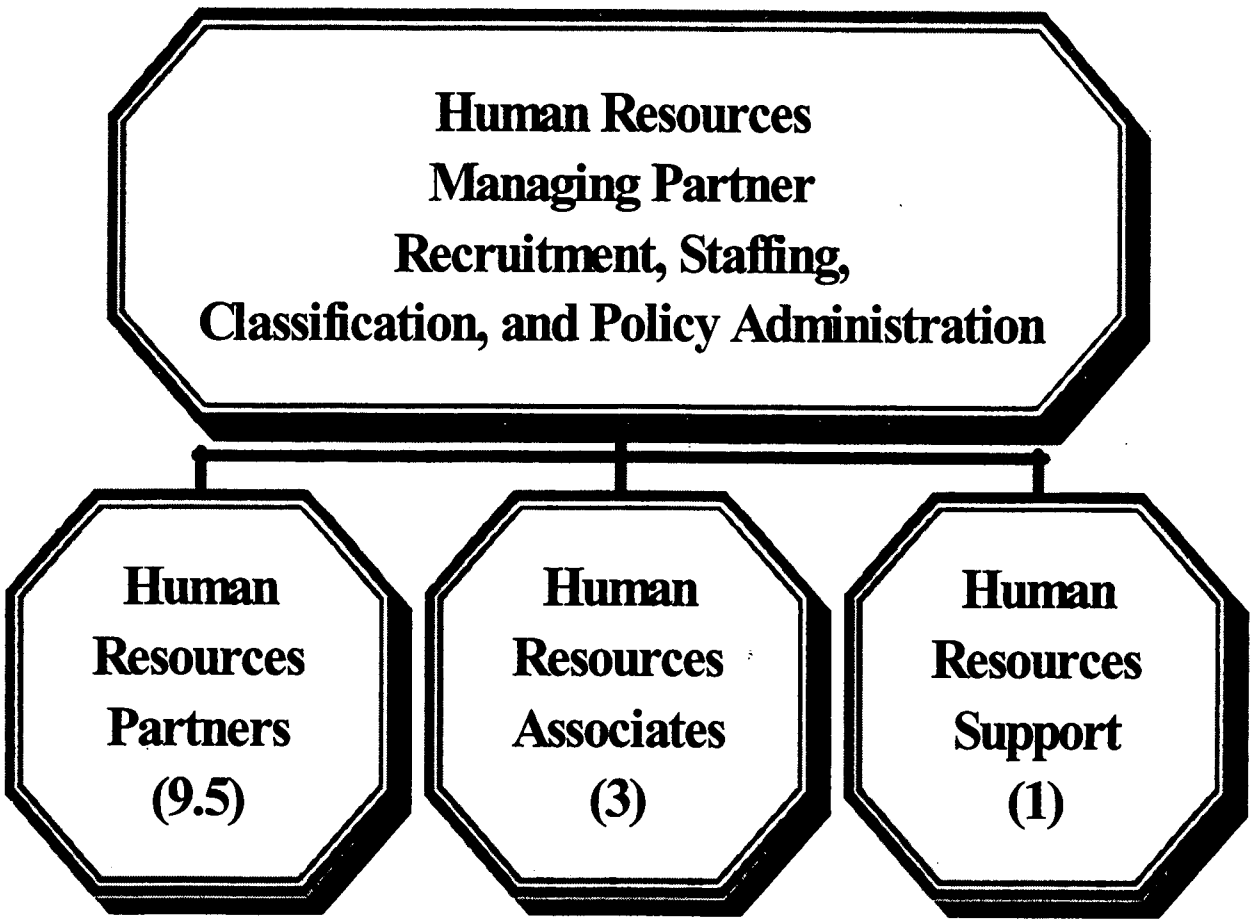
Legislative Executive Liaison

- Monitor the enactment of legislation impacting the State's human resource system. The Legislative Liaison also functions as manager of the Operations and Total Compensation Group.

Designations for Exempt Policymaking and Managerial

- Provide oversight of the process for the designation of exempt policymaking and managerial exempt positions for cabinet and council of State agencies. The office also maintains a list of positions with these designations.

North Carolina Office of State Personnel
Consulting Group 1



Agencies Served:

Agriculture
Boards/Commissions
DENR
Cultural Resources
Governor's Office
OSBM
DJJ
ITS
Auditor
Major Medical
State Controller
Wildlife Resources
ECSU
ECU
UNC-CH
UNC-A/Arboretum
UNC-OP
Local Government

CONSULTING GROUPS

PROGRAMS AND SERVICES

CONSULTING GROUP 1

Staffing

- Provide interpretation and advice related to the State's recruitment and selection rules, policies, and procedures including reduction in force, employment and reemployment priorities, and posting of vacancies.
- Provide training to HR staffs on administering effective recruitment and selection programs.
- As needs require, provide targeted assistance to employees notified of reduction in force. Resume preparation, job search tools, and other resources are available.

A major focus is to redesign the recruitment and selection program utilized by State agencies and universities. Efforts will be concentrated to research, assess, design, and implement innovative methods, strategies, and policies to enhance and refine the recruitment and selection process for NC State Government. Program redesign will incorporate necessary changes associated with the State's move to the Career Banding system.

Policy Administration Program

- Analyze and respond to inquiries and requests for interpretation of various policies related to salary administration and various types of leave
- Identify the need for training in existing policies based on the inquiries and requests received.
- Identify the changes required to policies based on the Career Banding system and develops new policies or changes to existing policies as needed.

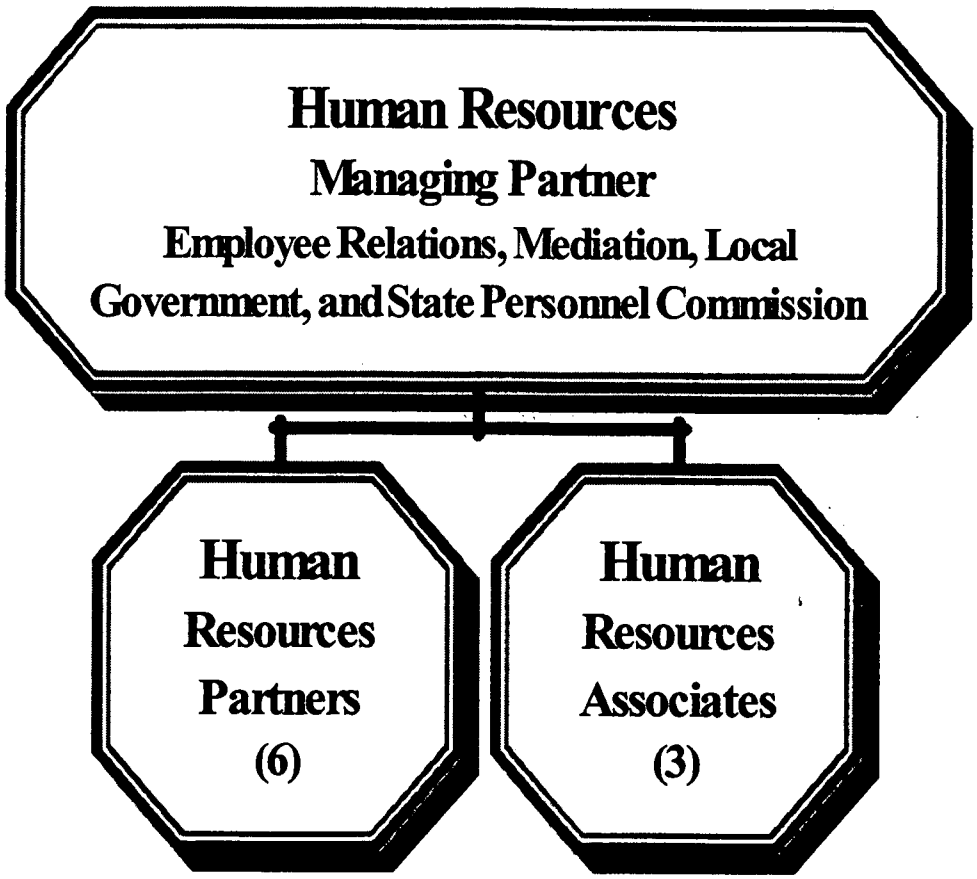
Classification

- Analyze and respond to requests for revisions to the State's classification and pay plans
- Support the maintenance of a viable, responsive system for maintaining equity in pay level for State employees and for meeting the State's workforce needs

Recruitment Program Design

- Research, design, and implement innovative methods, strategies, and policies to enhance and refine the recruitment and selection process for NC State Government.

North Carolina Office of State Personnel
Consulting Group 2



Agencies Served:

Administration
OAH
Justice
Correction
DHHS
Revenue
Labor
Local Government
ASU
School of Science & Math
WCU
WSSU
NC School of the Arts
NC A&T
UNC-G

CONSULTING GROUP 2

Employee Relations

- Administers policies, rules and statutes that govern the State's grievance and appeals procedures, employee disciplinary procedures, settlement agreements, back pay and front pay, and alternative dispute resolution services. A key component of this program is alternative dispute resolution which emphasis mediation as the primary strategy for resolving employment disputes at the agency, school, and university level.

Local Government Services

- Provide for a fair, equitable HR system for local governments that complies with all applicable federal and State employment laws
- Monitor local systems for compliance with federal merit standards and with the State Personnel Act.
- Assess requests from counties for substantially equivalent systems to determine whether or not local HR programs are legally compliant with the State Personnel Act. If compliant, OSP staff recommends designation of local systems as substantially equivalent to the State Personnel Commission.

This program supports 211 local agencies that employ approximately 30,000 SPA employees

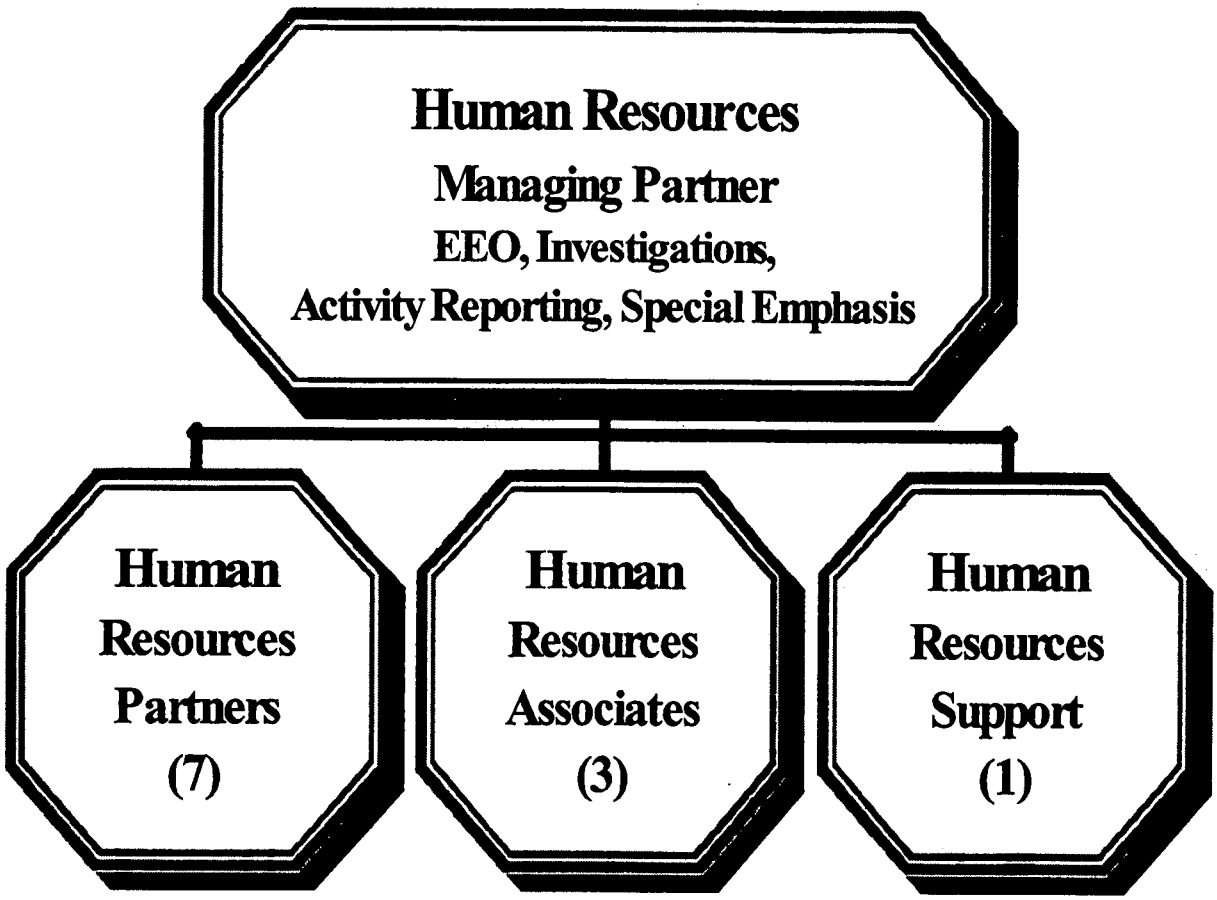
Mediation

- This project represents a major initiative by the Office of State Personnel to develop and implement an alternative method of resolving employment disputes through the use of a Statewide mediation service. The goal of this service is to offer a cost-effective and non-adversarial strategy for addressing workplace conflict. A centralized training and certification program has been developed to produce qualified, neutral third party mediators to form a Statewide mediation pool.

State Personnel Commission Support

- Provide administrative services for the State Personnel Commission; coordinate the rule-making process for rules impacting GS-126, preparation and communicating administrative and advisory decisions and orders rendered by the Commission

North Carolina Office of State Personnel
Consulting Group 3



Agencies Served:

Commerce
CC&PS
Secretary of State
ESC
FSU
NCSU
UNC-W
Local Government
Community Colleges
DPI
Treasurer
Insurance
NCCU
UNC-P
UNC-C

CONSULTING GROUP 3

EEO Plans & Resource Programs

- Provide technical assistance/consultation and resource programs to departments, agencies and universities in the development and implementation of EEO plans and programs.

Workforce Diversity Programs

- Develop and implement innovative initiatives that promote and increase diversity and fairness in the workplace.

Investigations

- Provide agencies and universities an opportunity to address complaints and concerns through a systematic process and an objective third party.

EEO Oversight and Reporting Program

- Review, analyze and report workforce representation, salary/pay grades, new hires and promotions by demographics to determine EEO progress.

HR Data Reporting

- Provide a systematic, consistent tracking system for all HR activities to monitor trends and opportunities for improvement.

Special Emphasis Projects

- To ensure a working environment in which employees are treated in a fair and equitable manner. Special Emphasis Projects are an on-going view of the State's workforce. Our first initiative dealt with African American males; the second phase is females; followed by older workers, other minorities, disabled, and white males.

Other Services

- EEO issues training
- Monitoring and reporting EEO progress
- Positive Emphasis Program (ADA)
- Older Workers Program
- Diversity Partnership/Council

North Carolina Office of State Personnel
Accountability & Compliance Review



ACCOUNTABILITY AND COMPLIANCE REVIEWS

MISSION

To support North Carolina State Government in meeting its responsibilities and improving its performance in carrying out its human resource duties. Within this framework, the Accountability Group seeks to enhance the efficiency, effectiveness, contribution and credibility of the human resource function.

PROGRAMS AND SERVICES

Assessments

- Conduct full-scale onsite assessments to evaluate the degree of compliance with human resource laws, regulations, policies and guidelines.
- Make recommendations for future strategic program direction and development.

Program Reviews

- Evaluate one or more human resource program components to determine its current effectiveness and to make recommendations for future enhancement.
- Promote the use of self-assessment tools that the organization can used to evaluate and to provide rapid feedback on program effectiveness.

Benchmarking

- Develop and promote industry-based measures and best practices to provide feedback regarding the strengths and areas for improvement within the human resource program.
- Make relevant comparisons of North Carolina state government HR outcomes to industry standards as indicators of effectiveness.

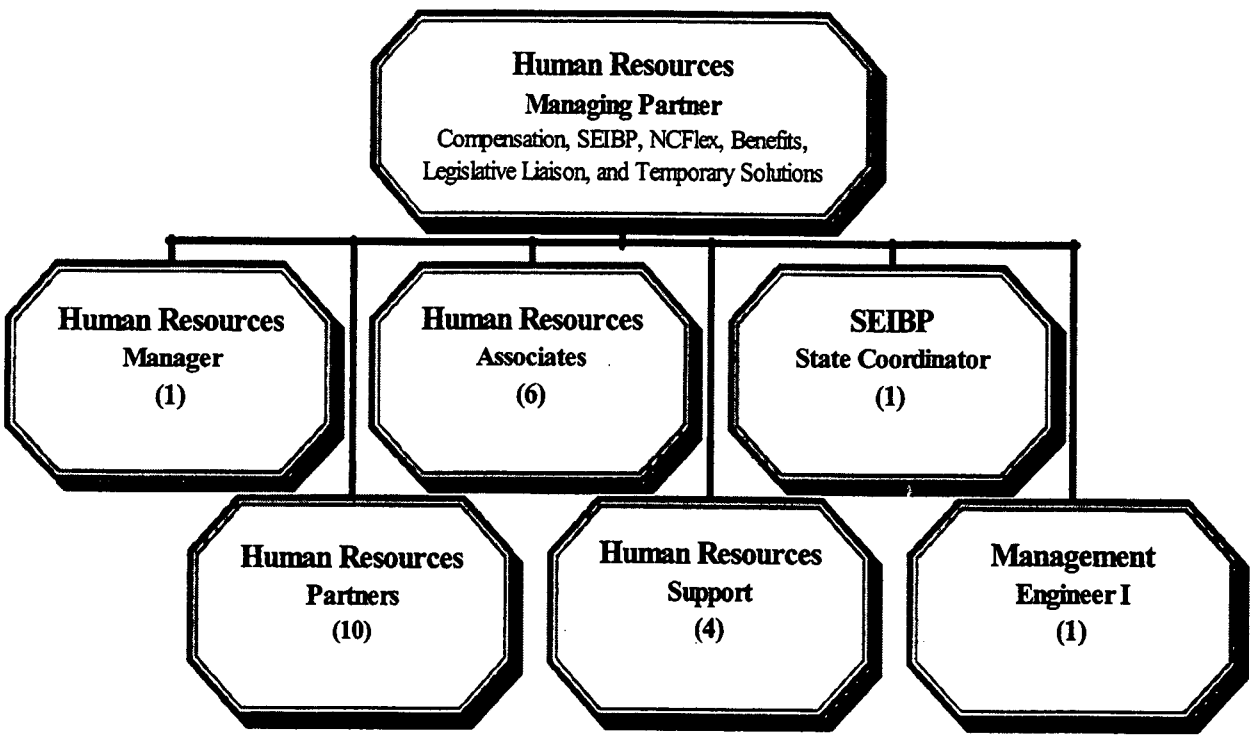
Human Resource Metrics

- Establish and publish indicators to be used as measures of productivity and effectiveness in each human resource key result area such as selection, performance management and retention.
- Promote the use of human resource metrics to be used in agency/university planning for improved cost savings and more economical use of resources.

HR Accountability Enhancements

- Internal manual to be developed for OSP Partners and Associates to use in conducting accountability compliance reviews. The manual is to include standards and criteria based on State and federally mandated policies and regulations. Reviews are scheduled periodically and episodically. Reviews are conducted on HR programs that manage the work and relations of ~89,000 State employees who are subject to the State Personnel Act (G. S. 126).

North Carolina Office of State Personnel
Operations & Total Compensation Group



OPERATIONS AND TOTAL COMPENSATION GROUP

MISSION

To provide administrative support for the Office of State Personnel
To develop and analyze compensation and benefits programs for State government.

PROGRAMS AND SERVICES

Operations

- Provide administrative services for the Office of State Personnel including budget, payroll, human resources and support services.

Compensation

- Provide data and analysis based on market surveys to support compensation ranges for the State classification system and to design, implement and support the new career banding pay plan
- Develop internal and external compensation training tools and implement a compensation database management system
- Work in conjunction with other benefits programs to promote a total compensation concept for all State government

Centralize Benefits

- Post-tax benefits are very different from each agency/university thereby causing confusion to employees. This project brings uniformity, portability and a competitive benefit for all State employees.

Workplace Requirements Program for Safety and Health

- Provide technical and consultative services in support of agency occupational safety and health programs and to develop and maintain loss control services that incorporate environmental, occupational, life safety, and property protection to provide a safe and healthful workplace for State employees.

State Government Workers' Compensation Program

- Provide consultative and technical services in support of agency programs and injured employees to ensure that benefits are equitably provided to eligible employees in a cost effective manner.

Unemployment Insurance Cost Management Program

- Ensure unwarranted unemployment claims are protested, provide effective management training and implement administrative cost avoidance strategies to keep the State's liability at the lowest possible level.

State Employee Incentive Bonus Program (SEIBP)

- This is a receipt supported program that encourages State employees to make suggestions or provide innovations whose implementation result in State savings, increased revenues or improvements in productivity and quality of State services.

Statewide Flexible Benefits Program (NC Flex)

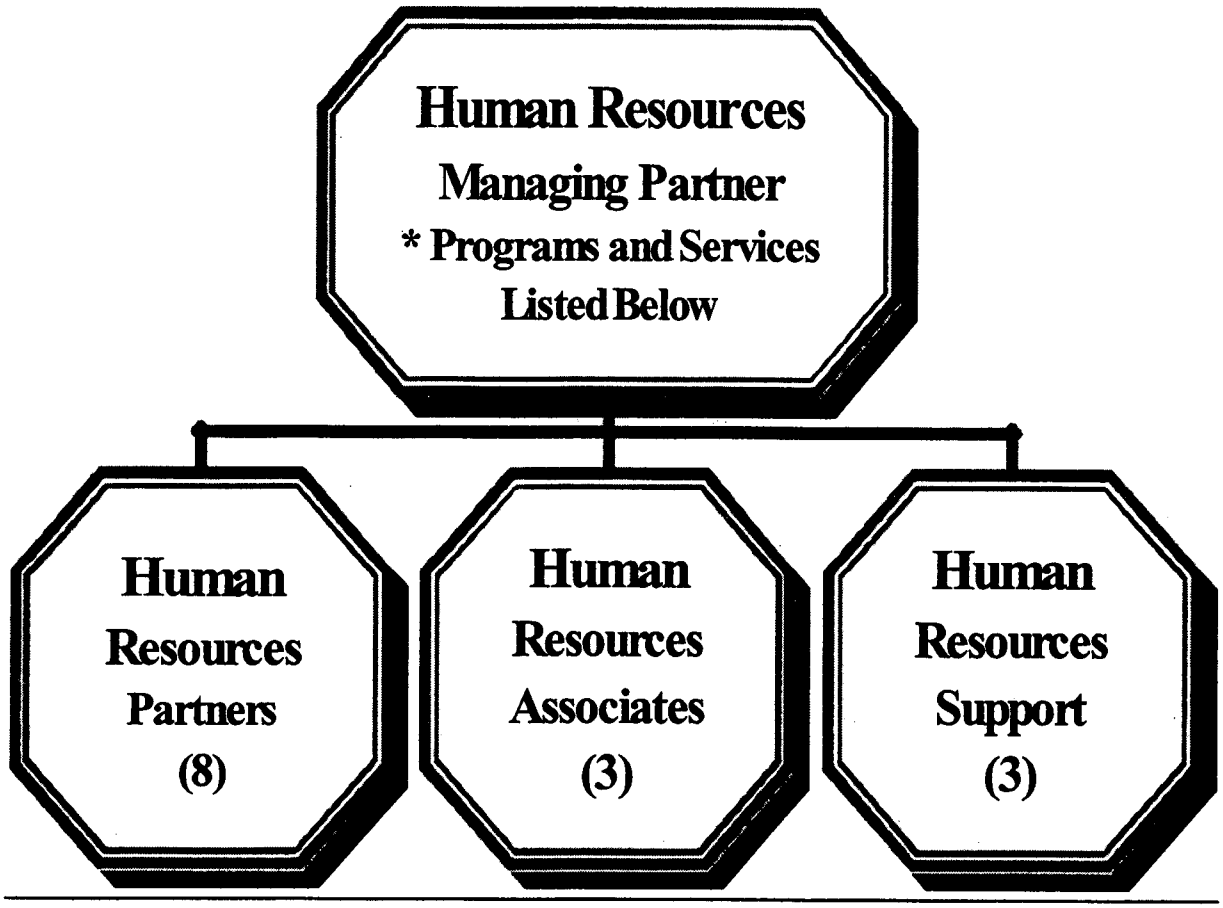
- Provide a uniform competitive compensation package to State employees, which provides tax-advantaged benefits in compliance with federal and State rules and regulations
- Enable the State to maintain and recruit a quality work force and provide uniform benefits package to all State employees by:
  - Providing cost effective benefits products to employees
  - Ensuring uniformity in benefits available to all employees
  - Providing fiscal rewards to employees and the State through FICA savings

The program is funded by FICA savings resulting from program participants. Since its creation in 1995, enrollment has risen to approximately 131,000 employees participating in seven supplemental products.

Temporary Solutions

- This is a receipt supported program that provides qualified temporary employees to meet State agency work force needs for short-term replacement, overload, seasonal, emergency and time-limited project work. Services provided at for less than private sector companies resulting in cost savings for the State.

North Carolina Office of State Personnel
Human Resources Development Group



* Programs and Services:

Certified Public Manager Program
Equal Employment Opportunity Institute
HR Professional Development
Leadership and Workforce Development System
Enterprise-Wide License
Organizational Development
Performance Management
Professional Skills Program
Supervisory Training and Development Programs

HUMAN RESOURCE DEVELOPMENT GROUP

MISSION

To provide management, supervisor and employee training and organizational development services to all North Carolina State government agencies, universities and local governments.

PROGRAMS AND SERVICES

- **Certified Public Manager Program:** Provide training to increase the managerial skills and competencies of NC State government managers through a nationally certified, comprehensive training curriculum.

- **Equal Employment Opportunity Institute:** Develop, coordinate and conduct training for managers and supervisors to promote the importance of fair employment practices in the workplace.

- **HR Professional Development:** Provide in-depth technical training to HR professionals to support the delegation of authority to agencies and universities.

- **Leadership and Workforce Development System Enterprise-Wide License:** Improve the job performance of employees, supervisors and managers by building specific, job-critical competencies and positive work behaviors.

- **Organizational Development:** Provide consultation, workplace assessment, facilitation and survey services to support organizational effectiveness and improvement efforts.

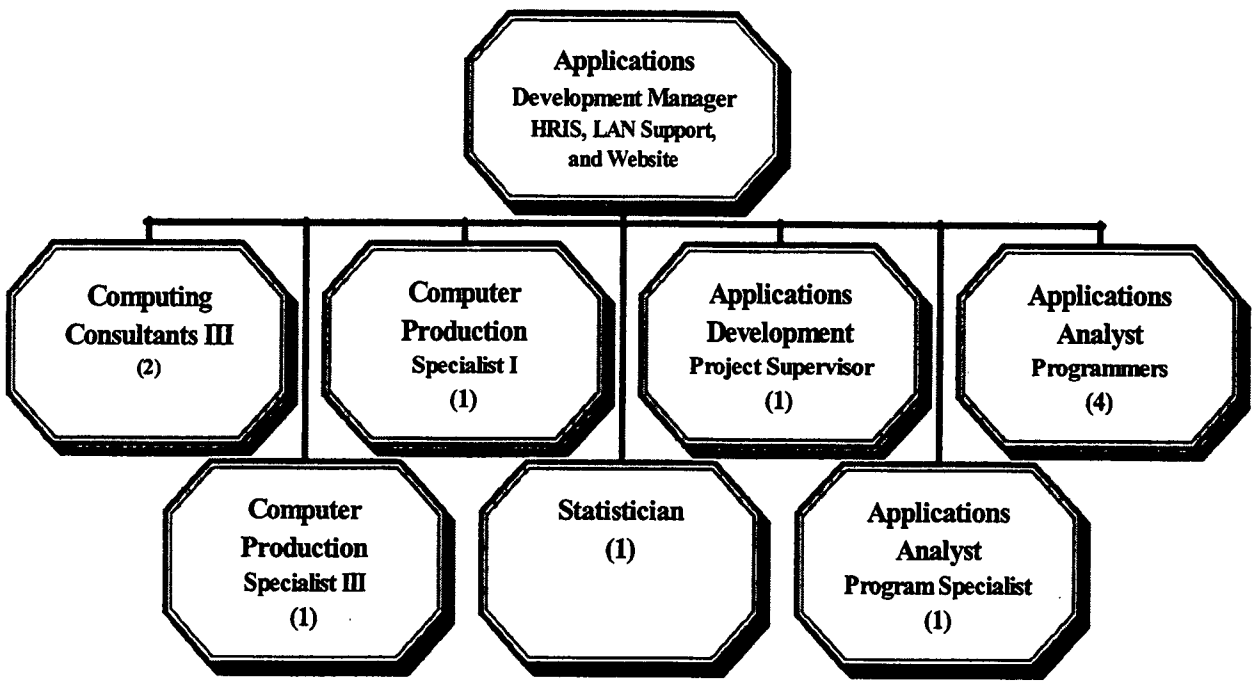
- **Performance Management:**: Provide leadership, consultation and training services to agencies and universities on the performance management system.

- **Professional Skills Program:** Develop employees' skills in using computer hardware, operating system hardware, application software, networking technologies and internet-related instruction that will enhance job performance.

- **Supervisory Training and Development Programs:** Develop effective supervisors who consistently demonstrate sound, legal supervisory behaviors and decision-making ability.

- **E-Learning Initiative:** Design training and learning resources to improve the skills and knowledge of managers, supervisors and employees that will be delivered on-line via desktop computers. The initial courses will focus on computer skills and HR management skills for new supervisors. E-learning provides continuous access to current courses and information while reducing costs for travel, time away from the workplace, facilities, etc.

North Carolina Office of State Personnel
Human Resources Information System



HUMAN RESOURCES INFORMATION SYSTEMS (HRIS)

MISSION

To develop and maintain Information Systems that improve administrative and procedural processes, improve management information availability and make information more accessible.

PROGRAMS AND SERVICES

Automated Information System

- Maintain an automated, centralized database of all relevant and necessary information on employees and positions within the State personnel system including:
  - State Employees and Position history
  - Statewide Vacancy Posting subsystem
  - Workers' Compensation, Safety and Health subsystem
  - Grievance Tracking subsystem
  - EEO subsystem
  - Document Imaging subsystem
  - Time and leave recording subsystem
  - Span of control subsystem

Development

- Develop PC and Technical Web applications to streamline processes both externally and internally
- Develop Statewide Salary Overpayment subsystem, flagging employees that have left State employment owing funds to the State of NC
- Further enhance the electronic personnel/payroll interface to reduce forms processing time and effort

Local Area Network Support

- Maintain LAN and up-to-date software for the Office of State Personnel

Web Site

- Design and maintain OSP's internal and external websites

Training

- Provide on-going agency training for the efficient use of HRIS

Improvements to the Human Resources Information System (HRIS)

- This project involves identifying the human resources information technology needs of system users and developing short and long-range strategies to meet those needs.

Office of State Personnel
Fund 4100
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$7,096,516	$7,627,054	$7,652,867	$7,652,867
Total Estimated Receipts	$249,130	$192,270	$193,707	$193,707
Net Appropriations	$6,847,386	$ 7,434,784	$7,459,160	$7,459,160
Number of Positions	106.00	104.00	104.00	104.00

REPORTS DUE TO 2005 GENERAL ASSEMBLY

TYPE	REQUIRED LEGISLATION	DATE
886 Report *State Personnel Commission Report on certain personnel functions.*	GS 126-6.2 (b) & (c)	May 1, 1998 and Annually thereafter
EEO Plans *A report concerning the status of Equal Employment Opportunity plans and programs for all State departments, agencies, and universities.*	GS 126-19(b)	June 1st each year
EEOI Report *A summary of individuals who have attended EEO training.*	HB-959 Ratified 1991 Legislative Session	January 1, 1992 and semi-annually thereafter
Workplace Requirements Program for Safety and Health Report *A summary of the safety and health program activities of State agencies and universities.*	GS 143-583	Annually
Compensation Report *A guide for the Governor and the General Assembly in making appropriations to fund the Comprehensive Compensation System [CCS].*	GS 126-7(b)	May 1st of even years and within two weeks after convening of legislature in odd years.
Personal Service Contract Report *OSBM & OSP compile and analyze utilization of personal service contracts and report to Governmental Operations.*	SB 1005 Section 6.19	March 15, 2002 and Bi-annually thereafter
Exempt Designation	GS 126-5 (d)(3)	May 1, of the year in which the oath of office is administered to the Governor or within 120 days of position change

UNIFIED LEAVE REPORT

Office of State Personnel

and

University of North Carolina

February 11, 2005

EXECUTIVE SUMMARY

Office of State Personnel and University of North Carolina
Unified Leave Report

The 2004 Session of the North Carolina General Assembly enacted legislation requiring that the State Personnel Commission and the University of North Carolina Board of Governors report to the Senate and the House of Representatives Appropriations Committees by February 15, 2005, on their joint recommendations to implement a unified leave policy for all State employees, subject to Article 2 of Chapter 126 of the General Statutes. See Attachment 1 for a copy of the ratified legislation (SECTION 31.16C(a)).

To comply with the legislation, a joint committee, composed of human resources representatives from the Office of State Personnel (OSP), the UNC Office of the President, the State agencies, and the UNC campuses, was established in October 2004 to study unified leave practices and to make recommendations to the State Personnel Commission and the UNC Board of Governors.

In order to prepare this report and address the items outlined in the legislation, the committee completed the following tasks:

- Literature search
- Comparative survey of employers with unified leave programs
- Identification of unified leave advantages and disadvantages
- Identification of risk factors, short and long term costs
- Identification of impact on human resources systems
- Preparation of recommendations and a draft report
- Presentation of the report to interested constituents
- Revision of the report based on feedback from interested constituents
- Presentation of the report to the State Personnel Commission and the UNC Board of Governors

Recommendations:

The Committee does not recommend implementation of a Unified Leave Program at this time. However, if OSP or UNC decide to pursue the feasibility of offering a Unified Leave Program, the Committee recommends consideration of the following before a decision is made:

- Additional information on current leave use patterns should be collected. Currently, several projects are underway to replace and/or improve the State's HRIS/Payroll systems. These improvements should enhance the State's/University's ability to collect needed information. However, full implementation is contingent upon funding and will take several years to complete.

- Hiring of an outside contractor to complete the following tasks:
  - Further analyze other employer Unified Leave Programs. Data collected by the Committee revealed few trends among the programs reviewed. They appear to have been designed around traditional programs already in place and the specific employer's organizational needs. Since the State already has a relatively complex leave program, it will be a challenge to design a program that retains the attractive features of the current program while achieving the program goals identified by the Committee.
  - Analyze baseline information and prepare initial program design options that meet program goals.

- Conduct surveys and/or focus groups with employees to test the desirability of the offering of a Unified Leave Program and various design options.
- Prepare an initial program design if a Unified Leave Program is determined to be feasible.

- If an outside contractor recommends the implementation of a Unified Leave Program, then any such program should begin as a demonstration project in a specified agency/university to allow the State to measure its success, to determine if there is any adverse impact on the State Retirement System, to fine-tune the program, and to determine the viability of offering it statewide.

Unified Leave Report

Introduction

The 2004 Session of the North Carolina General Assembly enacted legislation requiring that the State Personnel Commission and the University of North Carolina Board of Governors report to the Senate and the House of Representatives Appropriations Committees by February 15, 2005, on their joint recommendations to implement a unified leave policy for all State employees, subject to Article 2 of Chapter 126 of the General Statutes. See Attachment 1 for a copy of the ratified legislation (SECTION 31.16C(a)).

To comply with the legislation, a joint committee, composed of human resources representatives from the Office of State Personnel, the University of North Carolina Office of the President, the State agencies, and the UNC campuses, was established in October 2004 to study unified leave practices and make recommendations to the State Personnel Commission and the University of North Carolina Board of Governors. The committee was composed of the following members:

- Gary Wiggins, Human Resources Manager, Office of State Personnel
- Peggy Oliver, Human Resources Policy Administrator, Office of State Personnel
- Kitty McCollum, Associate Vice President for Human Resources and University Benefits Officer, UNC Office of the President
- Robin Hicks, Personnel Analyst, Department of Transportation
- Becky Smith, Senior Benefits Coordinator, East Carolina University
- Lorri Allison, Director, Employee Services, UNC-Chapel Hill

In order to prepare this report and address the items outlined in the legislation with respect to implementation of a proposed unified leave policy, the committee completed the following tasks:

- Literature search
- Comparative survey of employers with unified leave programs. See the following attachments:
  - Attachment 2: Unified Leave Survey Questionnaire
  - Attachment 3: Unified Leave Survey Questionnaire Summary
  - Attachment 4: Summary of Yearly Accrual in Days
- Identification of unified leave advantages and disadvantages
- Identification of risk factors, short and long term costs
- Identification of impact on human resources systems
- Preparation of recommendations and a draft report
- Presentation of the report to interested constituents
- Revision of the report based on feedback from interested constituents
- Presentation of the report to the State Personnel Commission and the University of North Carolina Board of Governors

Background on Current Leave Program

The State of North Carolina provides a traditional leave program for employees based on specific employee needs that include the following paid leave categories:

- Vacation leave: The amount of vacation earned is based on the eligible employee's years and months of creditable service, from a minimum of 7 hours and 50 minutes to a maximum of 17 hours and 10 minutes per month.
- Sick Leave: Each eligible full-time employee earns 12 days of sick leave per year.
- Community Service Leave: An employee receives 24 hours per year or 36 hours if tutoring in a school.
- Holidays: Eligible employees receive 11 to 12 paid holidays a year.
- Military Leave: Leave is granted to employees for certain periods of service in the uniformed services.
- Civil Leave: Employees may use civil leave when serving on a jury or subpoenaed as a witness.
- Bonus Leave: Eligible employees who were employed on September 30, 2002, received 10 days of bonus leave and those employed on July 1, 2003, received an additional 10 days of bonus leave.

Unified Leave Program

A Unified Leave Program concept would combine certain employer-paid leave programs into one program. When employers transition from a traditional leave system to a Unified Leave Program, they typically combine vacation and sick leave or vacation, sick and holidays into what is called a Paid Time Off account (PTO). Because military and civil leave are not used by all employees, they are not included in PTO accounts. In programs where employers limit the consolidation to sick and vacation leave, unified leave would be used for vacation, personal illness, illness of family members, and other personal time off. Unified Leave Programs combine some of these categories for the following reasons:

- Employees have more flexibility in planning their leave. Some or all of what was sick leave in a traditional system is made available for employees to use as they need.
- Program administration is simplified because of a reduction in the number of leave categories that must be tracked.
- Employers typically report that unscheduled leave is reduced. Under traditional systems, some employees may choose to take an unannounced day of sick leave rather than use their vacation leave causing workplace disruption.
- The verification process required of managers to confirm legitimate use of leave is eliminated as they are no longer required to verify that an employee is eligible to take sick leave.

Other common features and typical practices of Unified Leave Programs include the following:

- ***Catastrophic Leave Account (CAT):*** In addition to a PTO account, most programs have an additional CAT account limited in use to extended illness of the employee or family member.
- ***Sell-back provision:*** In order to reduce leave balances and to provide an incentive for employees not to use excessive amounts of leave, some employers allow employees to sell back a portion of unused PTO, typically once each year. The cost of buying back PTO may be the full hourly value of the leave or a portion of the full hourly value.
- ***Minimum and maximum PTO Use:*** In order to encourage employees to use some leave to renew physical and mental capabilities and remain productive as well as providing a mechanism for holding PTO balances down, some employers have designated a minimum amount of leave that an employee must use in a one-year period. Some employers set one minimum (10 days, for example) and some employers require longer-term employees to use more days. In addition, some employers establish a maximum limit on the amount of PTO that an employee can use in a one-year period since employee leave balances typically increase under this type of program.

- ***Sliding-Scale Payouts of PTO upon Separation:*** Because PTO balances can increase dramatically upon implementation of a Unified Leave Program, some employers place limits on the percent of PTO balances that are paid upon separation to limit costs. This is typically limited to the first few years of employment. Afterwards, employees receive payment for all of their PTO upon separation. Some employers also do not pay out any PTO upon separation if the employee leaves without adequate notice or is discharged.

Attachment 5 provides a good example of a Unified Leave Program with many of the features listed above.

Advantages and Disadvantages of Unified Leave Programs

Based on information gathered in the literature search and information received from other employers with Unified Leave Programs, the following advantages and disadvantages were identified:

Advantages:

- Provides greater flexibility for employees to use leave to meet their needs
- Reduces unscheduled absences
- Simplifies administration
- Eliminates questions about categorizing leave
- Empowers employees
- Improves employer/employee relationships
- Reduces the abuse of sick leave

Disadvantages:

- Perceived negatively by some employees who may perceive it to be an inferior benefit
- Increase in employer liability since leave that is paid out upon separation typically increases
- Difficulties in budgeting the sell-back option
- Strengthening the manager's role in managing employee time off may be challenging
- Transitioning from existing traditional system to new system may be difficult since a decision must be made about whether current employees are provided a grandfather option or not
- Complex design issues as programs are designed to accommodate existing traditional systems and baseline data is often incomplete
- Political issues

Unified Leave System Design Goals

The literature indicates that clear and attainable goals should be established prior to deciding if a Unified Leave Program is a good fit for an employer. The committee identified the following system goals:

- Provide employees with flexibility in their leave use
- Simple/easy to understand and administer
- Affordable impact on separation payouts
- No or minimal reduction in leave immediately available for employees
- No adverse impact on an employee's ability to use sick leave balances for retirement credit
- Acceptable fiscal impact on the retirement system
- Acceptable impact on liability for leave balances
- Lower unscheduled absences
- Encourage employees to take appropriate amounts of leave

- Enhance the State's benefit package to improve recruitment and retention

Unified Leave System Design Considerations

Unified Leave Categories

The first question that must be addressed in designing a program for the State is which categories of leave should be included in the PTO and CAT accounts. The literature indicates that most employers combine sick and vacation leave into their PTO account. Employers that include holiday leave are typically hospitals that require continual employee presence. If employees are able to choose their holidays, coverage for designated holidays is eased. Many employers that include holidays eliminate holiday premium pay, resulting in employer cost savings. The State has a significant number of administrative and 24/7 operations. A PTO account that combines sick, vacation, and holiday leave could potentially work well in the State's 24/7 operations. In administrative departments, operational costs are increased if offices have to stay open for employees who elect to work on a holiday. In addition, production levels may decrease for employees who work on a holiday, as their "clients" may not seek services on holidays. Therefore, a PTO account that includes sick and vacation leave, but not holidays, would be more ideal for administrative operations.

The State has two additional leave categories that must be considered in program design – Bonus Leave and Community Service Leave. Only eligible employees who were employed on a certain date received bonus leave. Many employees who have Bonus Leave tend not to use it but save it to enhance average final compensation upon retirement. Inclusion of bonus leave in a Unified Leave Program would eliminate this benefit. To retain this benefit, Bonus Leave could be left in a separate account which would increase the difficulty of program administration since an additional leave account would have to be managed.

Although it seems logical to include Community Service Leave in the PTO account, this would immediately increase the amount of leave that would be payable upon separation. An increase in the average leave paid upon separation of one day will cost the State approximately $1.2 million per year. In addition, the purpose of Community Service Leave is to promote volunteerism by State Employees. If Community Service is combined into a PTO program, it is difficult to predict whether this would reduce volunteer work by State employees. However, leaving Community Service Leave as a separate account would be counter to one of the program goals identified above, to simplify administration, and would continue to require managers to determine if outside activities qualify for Community Service Leave. Therefore, it is recommended that Community Service Leave be included in the PTO account and that efforts be made to encourage employees to use PTO for volunteerism.

In addition, rules must be developed that require employees to use their PTO account for most absences rather than their CAT account. Most employers accomplish this by limiting access to the CAT account unless the absence event lasts for a certain length of time (5 days, for example) or the Paid Time Off account is reduced to a certain amount (96 hours, for example). This creates one of the largest communication challenges in implementing a Unified Leave Program. Under the current system, sick leave is more available for employees to use. Under a Unified Leave Program, limits are placed on accessing the CAT account. Of course, there will be more time available for employees to use in the event of illness in the PTO account but some employees will perceive this as a negative feature.

Leave System Accrual Rates

Leave systems are often overlooked when considering the cost of benefits. The U.S. Chamber of Commerce's 1999 Edition of Employee Benefits reports that leave benefits are the most expensive

benefit, surpassing medical, retirement, and savings benefits. In designing a Unified Leave Program, extreme care must be taken so that there is not a significant increase in the amount of leave employees may take. A significant increase in leave taken would require additional manpower, as workloads will not decrease. A significant consideration in program design is determining how much leave to include in the PTO account. One's first inclination is to include the total amount of Sick, Vacation, and Community Service leave in the PTO account. The following tables illustrate this combination:

Current Leave Accrual Schedules

Years of Total State Service	Vacation Hours Earned Monthly	Sick Leave Hours Earned Monthly	Community Service Hours Earned Monthly	Total PTO Hours Earned Monthly (rounded)	Total PTO Hours Earned Annually
Less than 2 years:	7 hrs. 50 mins.	8	2	17	204
2 but less than 5 years:	9 hrs. 10 mins.	8	2	19	228
5 but less than 10 years:	11 hrs. 10 mins	8	2	21	252
10 but less than 15 years:	13 hrs. 10 mins.	8	2	23	276
15 but less than 20 years:	15 hrs. 10 mins.	8	2	25	300
20 years or more:	17 hrs. 10 mins.	8	2	27	324

If Sick, Vacation, and Community Service leave were simply combined into the PTO account, new State employees would receive 25½ days of leave per year and employees with 20 or more years of service would receive 40½ days of leave per year. This combination would place the State at the upper end of those employers surveyed in the amount of PTO available to employees. The amount of leave available for general use would increase considerably and one can expect leave use to increase accordingly. Leave balances would greatly increase and, if not limited, separation payouts would increase. These results are counter to the program design goals. Several approaches that limit leave use are possible. The literature recommends that the amount of leave available to employees in their PTO account should approximate the amount of leave actually taken. Since employees do not tend to use all of their sick leave, only a portion of sick leave accrual should be added to the PTO account with the remaining balance accrued in the CAT account. However, this design approach may create significant communication challenges, since some employees would perceive this as a loss of leave that was previously readily available to them. If the entire Sick, Vacation and Community Service leave balances are all rolled into the PTO account, then the State must rely on other features to control leave taken and separation pay-outs. These features include:

- A sell-back feature to encourage employees not to use excessive amounts of leave. The amount of leave that an employee can sell back to the State must be limited so that it is affordable but large enough so that it has the necessary effect of limiting leave taken.
- A minimum amount of PTO that must be taken in one year to reduce balances. This has the added benefit of encouraging employees to take some leave.
- A maximum amount of PTO that can be taken in one year to reduce leave taken. This could be equal to the current maximum vacation leave accumulation – 240 hours (30 days).
- A sliding scale reducing the amount of pay-out upon separation.

Legislative funding would be essential if a buy-out feature is included, as this would represent a new cost for agencies. Without a buy-out feature, it is strongly recommended that the amount of leave accrued in the PTO account be less than current total Sick, Vacation, and Community Service Leave accrual rates.

Under the current system, there is a cap of 240 hours in the vacation leave account. At the end of each year, excess hours are rolled over into the sick leave account. It is recommended that this practice be

continued under a Unified Leave Program, if adopted, with all hours over 240 at year-end in the PTO account rolled over into the CAT account. Attachment 6 is a comparison of the State's Current Leave Program and a conceptual Unified Leave Program.

Implementation

Once PTO and CAT accounts are defined, another issue to address is the transition from the traditional system to the Unified Leave system. In moving employees to the new system, it is recommended that current Vacation Leave be converted to PTO, current Community Service Leave be converted to PTO, and current Sick Leave be converted to CAT. As recommended above, Bonus Leave would remain in a separate account. A major consideration is whether all employees should be required to transition to the Unified Leave Program. Some employees may feel as though the new system offers no benefit to them and may therefore resist changing to the new program. Some organizations have given existing employees an option to continue with the current program or switch to the new Unified Leave Program, while all new employees would be required to use the new program. Using this approach, a dual system would need to be maintained for an extensive period of time. One employer reported that it had been managing a dual system for 19 years and still had a considerable number of employees in their traditional system. Operating a dual system does not meet the goal of simplification but it might be necessary to allay employee discontent.

Portability of Leave System Balances

The portability of PTO and CAT Leave balances between branches of State government and between the State and local governments is another design consideration. Currently, when a State employee transfers between branches of government, his or her Sick and Vacation Leave transfer. This is also the case when employees transfer either to or from local government jobs covered by the State Personnel Act. A simple and workable solution would be to consider CAT Leave to be equivalent to Sick Leave and PTO to be equivalent to Vacation Leave as employees transfer to or from systems with traditional and Unified Leave Programs. Since most State government employees are members of the N.C. Teachers' and State Employees' Retirement System, it is important that an equivalent amount of sick leave credit continue to be converted to retirement credit when an employee retires.

Impact on the Retirement System

Under the current system, unused Vacation Leave over 240 hours at year-end is converted to Sick Leave. When an employee retires, accumulated Sick Leave converts to years and months of retirement credit. Any Unified Leave Program design that increases the amount of leave that an employee may convert to service credit at retirement will adversely affect the State Retirement System. Therefore, it is important that an actuarial study be conducted to measure the impact on the Retirement System. While the program objective might be to design a program that would provide for an equivalent amount of leave to be converted to retirement service credit as allowed under the current system, it may be difficult to attain. An appropriately crafted sell-back option might provide a mechanism to limit the amount of leave that converts to the CAT account, or allowing employees greater access to their CAT accounts may also result in limiting the conversion. However, a sell-back option may affect the employee's Average Final Compensation at retirement (resulting in a reduced retirement benefit) and would require additional funding, while increasing access to CAT accounts would potentially complicate program administration. In addition, if Community Service Leave is rolled into the PTO account, leave earnings would automatically increase by three days per year. Over a 30-year career, the potential exists for 90 days, or five months of additional service, that can be converted to years of service upon retirement. As mentioned earlier in the report, one of the goals of the committee is to minimize any impact on the Retirement System.

Impact on Leave Liability

In the current system, at the conclusion of the fiscal year, accumulated vacation leave for all employees is considered a liability and must be recorded as such in the State's financial statement. Under unified leave, accumulated PTO must be reported as a liability unless the program design designates that a portion of accumulated PTO is not to be paid to employees upon separation. The previously described sliding scale of payouts upon separation would decrease the State's liability for accumulated leave balances. Even with a sliding scale, it is anticipated that leave balances would increase over time, thereby increasing the state's liability for accumulated leave.

Summary and Recommendations

Although a Unified Leave Program can result in a win-win situation for both the State and employees if the system is designed properly, there are some challenges to consider. A properly designed program should result in increased flexibility for employees, reduced unscheduled absences, and simplification of administration. An improperly designed program could potentially result in administrative complexity, low employee morale, no reduction in unscheduled absences, increased costs due to increased pay-outs upon separation, and increased leave usage. A particular challenge will be to develop a system that is beneficial to employees and is fiscally responsible. In order to design an effective Unified Leave Program and to measure impacts, information on base-line leave use practices is essential. This information includes Sick, Vacation, Bonus, and Community Service Leave use patterns, unscheduled absences, and average leave balances. Presently, some of this information is not collected and there is no centralized leave tracking system; therefore, complete statewide information is not available. The literature recommends that employers proceed cautiously if they elect to design a program without needed base-line information. Because the State system is so large, small design errors will be magnified greatly. Therefore, the Committee does not recommend implementation of a Unified Leave Program at this time. However, if OSP or UNC decide to pursue the feasibility of offering a Unified Leave Program, the Committee recommends consideration of the following before a decision is made:

- Additional information on current leave use patterns should be collected. Currently, several projects are underway to replace and/or improve the State's HRIS/Payroll systems. These improvements should enhance the State's ability to collect needed information. However, full implementation is contingent upon funding and will take several years to complete.

- Hiring of an outside contractor to complete the following tasks:
  - Further analyze other employer Unified Leave Programs. Data collected by the Committee revealed few trends among the programs reviewed. They appear to have been designed around traditional programs already in place and each employer's particular organizational needs. Since the State already has a relatively complex leave program in place, it will be a challenge to design a program that retains the attractive features of the current program while achieving the program goals identified by the Committee.
  - Analyze baseline information and prepare initial program design options that meet program goals.
  - Conduct surveys and/or focus groups with employees to test the desirability of the offering of a Unified Leave Program and various design options.
  - Prepare an initial program design if a Unified Leave Program is determined to be feasible.

- If an outside contractor recommends the implementation of a Unified Leave Program, then any such program should begin as a demonstration project in a specified agency/university that would be determined at a later date. A demonstration project would allow the State to measure its

success, to determine if there is any adverse impact on the State Retirement System, to fine-tune the program, and to determine the viability of offering it statewide. Attachment 7 is a draft revision of N.C.G.S. 126 that would authorize the State Personnel Commission to approve demonstration projects and eliminate reference to separate vacation and sick leave programs to allow the combining of vacation and sick leave into a Unified Leave Program. In addition to revising the State Personnel Act (N.C.G.S. 126), there are several other references to vacation and sick leave in the statutes, primarily in N.C.G.S. 135 (the N.C. Teachers and State Employees' Retirement System; Social Security; and Health Insurance Program for Children) that will need to be changed to reflect the terminology in a Unified Leave Program.

REPORT ON PROPOSED UNIFIED LEAVE POLICY

SECTION 31.16C. (a) The State Personnel Commission and the Board of Governors of The University of North Carolina shall report to the Senate and the House of Representatives Appropriations Committees by February 15, 2005, on their joint recommendation to implement a unified leave policy for all State employees subject to Article 2 of Chapter 126 of the General Statutes, or alternatively, for employees of The University of North Carolina who are subject to that Article. The report at a minimum shall address all of the following items with respect to implementing a proposed unified leave policy:

(1) The rationale for adopting a unified leave policy separate and apart from the current traditional leave policies for State employees in agencies, departments, and universities.

(2) The potential financial impact on the Teachers' and State Employees' Retirement System with respect to the amount of unused leave an employee may count as credit toward retirement years of service.

(3) The portability of employee leave balances when moving from the current traditional leave systems to a unified leave system and from a unified leave system to the current traditional leave system in other State agencies and departments.

(4) The potential implementation and future continuation costs for a unified leave system.

(5) A comparison of leave benefits between a unified leave program and the current traditional leave programs and policies.

(6) A detailed plan as to the implementation of recommended leave policy changes and how career employees' leave will be converted under the new plan.

(7) Any other relevant information and statutory changes that are needed.

SECTION 31.16C.(b) No unified leave policy may be implemented without an act of the General Assembly expressly authorizing its implementation. This subsection does not apply to the University of North Carolina Sample Employer, which shall continue to be governed by G.S. 116-37.

Unified Leave Survey Questionnaire

1. When did you implement your program?

2. What categories of leave did you include under the PTO program? What categories did you exclude and why?

3. Is the amount of leave earned by employees based on years of service? If so, what does the schedule look like? How does an employee accrue leave – beginning of the year for the whole year, per pay period (weekly, monthly, etc.)?

4. Do you have more than one category of leave under your PTO program (for example, a Paid-Time Off account and a Catastrophic Leave Account)? If so, how is leave earned or moved to the accounts? If a Catastrophic Leave Account is available, what are the rules for its use?

5. How did the current leave of employees transition into the PTO program? Did total leave earnings remain the same or were they decreased or increased?

6. Are their minimum and/or maximum amounts of leave that an employee must take? If so, what are they?

7. What happens to excess leave at the end of the year (calendar, fiscal, etc.)?

8. Do you pay employees for all or a portion of unused PTO when they terminate employment? If a portion, how is the amount of leave paid determined?

9. Is there a waiting period for new employees before they can use PTO? If there is a waiting period, what is it? Do employees earn leave during the waiting period but not allowed to take it until the waiting period is over; or do they begin earning leave at the end of the waiting period?

10. Can employees apply any or all unused PTO to enhance their retirement benefits upon retirement? If so, how does this work?

11. Did you require current employees to move to your PTO program or did you make it optional? If you made it optional, what percent of your employees elected to move to PTO?

12. If you made the PTO program optional for current employees, is it mandatory for new employees?

13. Do you allow employees to buy or sell leave? If you allow them to sell leave, what tax rulings did you have to consider? How did you design the program to comply with these tax rules?

14. How is PTO used when employees go on short or long-term disability?

15. How is PTO coordinated with Family Medical Leave?

16. Have you been able to measure any positive or negative trends regarding costs, leave use, or employee satisfaction since you introduced your program? (For example increased leave use, reduced unexcused absences, improved recruitment, etc.) If so, can you describe them or provide statistics?

17. What were some of the major issues and problems that had to be dealt with in designing and implementing your PTO program?

18. Have you modified the program since its implementation? Why did you modify your program?

19. If you could do it over again, what would you do differently?

Unified Leave Survey Questionnaire Summary

1. When did you implement your program?

Employer	Response
SUNDT Construction Company	1996
First Citizens	2001
Providence Hospital	15 years ago
INOVA	
Washington Health Center	Program around as long as hospital - 50 years
St. Ambrose University	January 1, 2004
Carnegie Mellon University	1990
University of Pennsylvania	July 1, 1997
Wake Forest University	January 1, 2002
Duke Health System	
Indiana University	It was implemented in 1985 and covers our exempt staff.
University of Rochester	November 2000
University of New Hampshire	1985
Unity College	July 2003
Rollins College	1997
UCLA Healthcare	1996
UC Davis Health System	July 1, 2002

2. What categories of leave did you include under the PTO program? What categories did you exclude and why?

Employer	Response
SUNDT Construction Company	Vacation, Sick, Personal Time
First Citizens	Vacation, Sick
Providence Hospital	PTO includes only holiday & vacation; Hourly people includes sick time
INOVA	vacation, holidays, personal days or sick time
Washington Health Center	Mgr- separate sick & vacation bank; Non Mgr - everything lumped together
St. Ambrose University	PTO may be taken for vacation, personal time, illness or time off to care for dependents in 1/4, 1/2, 3/4 or full days. Holidays, jury duty and bereavement leave are provided under separate policies and do not count as PTO.
Carnegie Mellon University	Vacation, personal time, illness or time off to care for dependents. Excluded: University holidays, floating holidays, time off for jury duty or bereavement leave. These were already covered under separate policies.
University of Pennsylvania	Vacation, floating and personal days have been combined into the Paid Time Off benefit. Staff members will still continue to accrue sick and short term disability days consistent with the sick leave and short term disability

Employer	Response
	policies. Sick leave, military and funeral leave benefits remain unchanged. The University provides additional time off to attend the funeral of an immediate family member of the staff member or to serve in the military.
Wake Forest University	The PTO Program is an inclusive time off program intended for use in connection with vacations, short-term injuries and illnesses (non-work related) of five (5) days or less, personal business, family care, and other needs which may require time off from work. The PTO Program combines vacation, sick, and personal leave, and must serve all these purposes. The PTO Program does not include paid time off for holidays.
Duke Health System	The Paid Time Off (PTO) program puts vacation, sick leave, holiday, and funeral leave into one program.
Indiana University	Included Vacation, Sick, Personal Affairs, Funeral, and a category of time called Bonus Holidays. These were 4 floating days off which were accrued at the rate of one day per quarter. Excluded the 9 designated holidays that the university recognized.
University of Rochester	Include: Occasional absences, such as illness, doctor or dental appointments, personal business and the waiting period prior to disability pay (7 calendar days). Exclude: Vacation – this remains a separate policy--only hourly-paid employees in the Medical Center have PTO – campus employees do not.
University of New Hampshire	Included: vacation/personal leave, sick leave, interim disability, funeral leave, and military leave. Excluded: jury duty due to misunderstandings by judges and courts – they thought it was a hardship for employees to serve jury duty when an employee didn't have Earned Time to cover the absence because the employee had used all ET for vacation. Employees have the option to convert time to a sick leave pool on 1:3 ration
Unity College	We incorporated 6 out of 12 sick days per year, 2 personal days, 2 floating holidays, and all vacation days.
Rollins College	Sick and vacation. Did not consider adding or excluding other categories.
UCLA Healthcare	PTO includes a portion of sick leave accrual and the vacation accrual. We omitted holidays and bereavement leave.
UC Davis Health System	

3. Is the amount of leave earned based on years of service? If so, what does the schedule look like? How does an employee accrue leave--beginning of the whole year, per pay period (weekly, monthly, etc)?

Employer	Response
SUNDT Construction Company	Yes, based on years of service, beginning of fiscal year, by pay period

Employer	Response
First Citizens	Yes, minimum of 22 days per calendar year, max of 30 days per calendar year. Accrued monthly.
Providence Hospital	Amount of leave is based on years of service & hours worked.
INOVA	Based on position and years of service. Only Mgt and above may receive accrual rates. Accrued on an hourly basis.
Washington Health Center	Amount of leave is based on years of service & accrued every pay period.
St. Ambrose University	PTO for full-time employees is accrued monthly and earned on the basis of years of employment with St. Ambrose University, effective on the first day of each month coinciding with or following the employee's date of employment. See attachment.
Carnegie Mellon University	Yes. See earn rate attachment. PTO is earned on an employment year basis and is earned on the first day of each month following an employee's date of employment.
University of Pennsylvania	On May 1, 1997, all weekly paid staff members received the vacation days they accrued from May 1, 1996 to April 30, 1997. Weekly paid staff members will begin to accrue according to the old accrual rate on May 1, 1997. Those staff members will accrue days for May and June and will be credited with those days on July 1, 1997. Effective July 1, 1997, all weekly paid staff members will accrue and be credited with Paid Time Off on a monthly basis. With supervisor approval, may use Paid Time Off as it is credited to Paid Time Off balance.
Wake Forest University	Yes. See attachment. Senior Academic and Administrative Officers receive seven weeks of PTO regardless of years of service.
Duke Health System	Paid time off is accrued on years of service, pay schedule (bi-weekly or monthly) and the number of hours paid. No paid time off is earned on overtime hours.
Indiana University	Employees with 5 or less years of service accrue 30 days (240 hours) of PTO per year. Employees with more than 5 years of service accrue 36 days (288 hours) of PTO per year. The time is accrued at the end of each month at the rate of either 20 hours or 24 hours per month.
University of Rochester	No. PTO banks each year (Jan – Dec) are refreshed with one week's worth of the eligible employees standard weekly hours. It is a "dump," not an accrual.
University of New Hampshire	Yes. See policy.
Unity College	Yes. See attached chart for non-exempt employees. Exempt employees are allowed to accrue the maximum upon hire. Employees begin to accrue PTO upon hire; however, they are not allowed to use any time until the 90 day provisional period is complete.
Rollins College	Accrual rates vary based on exempt/non-exempt status

Employer	Response
	and service. Our entire policy is available for review at http://www.rollins.edu/hr/P50050.pdf
UCLA Healthcare	The amount is based on years of service. Employees accrue every 2 bi-weekly periods.
UC Davis Health System	The PTO bank will be credited each month with leave equivalent to the vacation accrual rate and one half (1/2) of the sick leave accrual rate. The ESL bank will be credited with the remaining one half (1/2) of the sick leave accrual rate.

4. Do you have more than one category of leave under your PTO program (for example a Paid Time off account and Catastrophic Leave Account)? If so, how is leave earned or transitioned to the accounts? If a Catastrophic Leave Account is available, were rules established for its use?

Employer	Response
SUNDT Construction Company	No.
First Citizens	No.
Providence Hospital	If employee has needs long term, encouraged to use PTO as supplement.
INOVA	Employees have an Extended Illness Bank (EIB) from which they can draw in the event of an extended illness as defined by INOVA.
Washington Health Center	Separate LOA policy which has categories of types of leaves.
St. Ambrose University	No
Carnegie Mellon University	No.
University of Pennsylvania	
Wake Forest University	
Duke Health System	**1) Short Term Bank (STB):** As time is accrued, it is placed in the Short Term Bank. **2) Long Term Bank (LTD):** If you accrue more than 55 days (440 hours) of PTO, the excess is deposited in the Long Term Bank. You may accrue up to 120 days (960 hours) in your Long Term Bank. **3) Carry Over Bank (COB)** consists of accrued and unused sick leave earned as a Duke University or Duke University Medical Center employee carried over from a prior program.
Indiana University	Employees can transfer up to 96 hours of unused PTO into a personal Sick Leave account at the end of each year. This time can accumulate without limit. It can be used to cover time off due to personal or family illness or injury. It is not paid off when the employee leaves the university.
University of Rochester	No.
University of New Hampshire	The Sick Pool, which is optional, is a way to provide for salary continuation during an extended absence due to illness, injury or maternity situations. Earned Time hours are converted to Sick Pool on a 1 to 3 ratio (1 Earned

Employer	Response
	Time hour converts to 3 Sick Pool hours). UNH does have a "Compassionate Leave Program." Compassionate Leave is a method by which one employee may donate annual leave or Earned Time to another employee who needs extended time off from work due to his or her own serious health condition or that of an immediate family member, and who has exhausted or will exhaust all applicable paid time off. Procedures in email attachment.
Unity College	Do not have a "Catastrophic Leave Account" but have a "Goodwill Fund" policy. (See attached)
Rollins College	Have a self funded short term disability program which provides salary continuation for periods of disability extending beyond 5 days. The first 5 days of any absence due to illness/disability are charged to the PTO account. Thereafter, the employee receives pay from our central salary continuation fund. Employees do not accrue time toward short term disability benefits and thus we don't track that time in accounts. Details of this policy can be reviewed at http://www.rollins.edu/hr/p30039u.htm.
UCLA Healthcare	Our categories (not all employees participate in PTO): PTO, Extended sick leave, Holidays. For Catastrophic leave, all employees participate. Employees can donate vacation hours to be used by an employee that has depleted all paid time.
UC Davis Health System	Two banks of accruals will be created for each eligible employee: a PTO bank and an Extended Sick Leave (ESL) bank.

5. How did the current leave of employees transition into the PTO program? Did total leave earnings remain the same or were they decreased or increased?

Employer	Response
SUNDT Construction Company	Total leave earnings remained the same.
First Citizens	All employees converted to program at same time, but existing employees were allowed to keep sick leave
Providence Hospital	
INOVA	Employees who have a PTO bank prior to pay period beginning 9/28/03 will have their PTO bank balance as of 9/30/03 grandfathered in a PTO account. Max 360 hrs in "old bank."
Washington Health Center	
St. Ambrose University	Sick leave will be directed to employee's Reserve Sick Day (RSD) bank. Vacation and personal time will be carried over for use during the first year only.
Carnegie Mellon University	Current staff members continued to receive their current allocation of vacation days plus sick days as PTO days. A Transitional Schedule was provided. Will fax if you want to see it.
University of Pennsylvania	On May 1, 1997, all weekly paid staff members received

Employer	Response
	the vacation days they accrued from May 1, 1996 to April 30, 1997. Weekly paid staff members will begin to accrue according to the old accrual rate on May 1, 1997. Those staff members will accrue days for May and June and will be credited with those days on July 1, 1997. Effective July 1, 1997, all weekly paid staff members will accrue and be credited with Paid Time Off on a monthly basis. With supervisor approval, may use Paid Time Off as it is credited to Paid Time Off balance.
Wake Forest University	On January 1, 2002, the PTO Program superseded the vacation, sick, and personal leave programs previously in effect at the University. At the time of conversion, those staff employees carrying accrued sick leave balances (not to exceed the annual carry over limits) are permitted to carry forward those hours in a separate sick leave account, called Sick Leave Reserve (SLR), to be used for personal illness, time required for medical treatments and care, or family illness. Sick leave may also be used to supplement Short Term Disability and Worker's Compensation. Once Sick Leave Reserve hours are exhausted, they will not be replenished.
Duke Health System	Accrued and unused sick leave earned as a Duke University or Duke University Medical Center employee is carried over to the Carry Over Bank (COB)
Indiana University	Five accrual rates were collapsed into the two described above. For some employees the total leave time was increased. It was not decreased for anyone. When the program was implemented, current balances of vacation and bonus holidays were combined to become the beginning balance of PTO. The existing sick time became the beginning balance of the person's sick leave account. The other categories of time off were non-accumulating categories that were eliminated.
University of Rochester	Each employee was given a weeks worth of hours, plus their available sick days were converted into a Supplemental Bank, to be used during a disability in order to supplement half-pay.
University of New Hampshire	See policy.
Unity College	Moved all accrued vacation time on the books to employee PTO accounts as of July of 2003. Any accrued sick time on the books remained in individual accounts to be used as needed. Some employees had accrued 480 hours of sick time and it was not our intention to punish those loyal employees by taking those hours away from them. Employees who did not have any sick time on the books use their PTO hours for that purpose.
Rollins College	Combined sick and vacation time into one multipurpose time off account. The accrual limit was less than the combined limits of sick and vacation. However,

Employer	Response
	employees gained time off that they could use for reasons other than sick time.
UCLA Healthcare	Announced the program 1 cycle (1 month) before it was officially implemented. So the accrual methodology changed, but employees did not have to use PTO for the first month. They still used traditional sick leave or vacation time until the program began. Then, the first 16 hours of any absence must come out of the PTO bank.
UC Davis Health System	Upon program implementation, an employee's current vacation leave balance will be transferred to the PTO bank and current sick leave balance will be transferred to the ESL bank

6. Are their minimum and/or maximum amounts of leave that an employee must take? If so, what are they?

Employer	Response
SUNDT Construction Company	No minimum, maximum is the yearly allotment per individual.
First Citizens	Yes, minimum of 5 consecutive days per year.
Providence Hospital	Max number of 296 hours; stop accruing until hours used.
INOVA	Not to exceed 80 hrs per pay period.
Washington Health Center	No.
St. Ambrose University	Minimum: 1/4 day.
Carnegie Mellon University	No minimum requirement. Could not take more than accrued days.
University of Pennsylvania	
Wake Forest University	
Duke Health System	Minimum of 15 days per year. Employee responsible for monitoring time off. If employee has not used 15 days at the end of the year, the days remaining will be deducted from his/her Short Term Bank. If unable to take 15 days off because of staff shortages, employee will be allowed to keep those days in his/her Short Term Bank if approved by senior leadership.
Indiana University	The time must be taken in blocks of full days (8 hours). The maximum of PTO that can be taken in a year is the amount the person earns in the year; either 30 or 36 days.
University of Rochester	PTO must be taken in full or partial increments, but not less than one half-hour.
University of New Hampshire	No maximum. Minimums based on years of service. Employees with less than six months of service are exempt from minimum usage requirements. See policy.
Unity College	Yes, our policy states that employees will use 60% of their accrued PTO hours each fiscal year.
Rollins College	This is detailed in our policy.
UCLA Healthcare	FMLA leave or disability exempts an employee from PTO and they revert to traditional sick and vacation accruals. Otherwise, employee must use the first 16

Employer	Response
	hours (2 days) of absence from PTO bank.
UC Davis Health System	

7. What happens to excess leave at the end of the year (calendar, fiscal, etc.)?

Employer	Response
SUNDT Construction Company	In California, PTO rolls over to new fiscal year but capped at max. Yearly allotment until they use it. In Az. and other states, use or lose.
First Citizens	Use it or lose it.
Providence Hospital	Stop accruing.
INOVA	
Washington Health Center	Only carry over 1 year accrual. 1-7 yrs of service 108 hrs.
St. Ambrose University	Maximum of 5 days may be carried over and must be used the following year. Employee also has option of putting PTO in reserve sick days account.
Carnegie Mellon University	Earned, unused PTO may be carried over into the next year but the number of days carried over may not exceed entitlement for the current year. Days not used or carried over may be added to sick day bank and used as 100% pay (Reserve Sick Days) in lieu of benefits through the Short Term Disability Plan. A maximum of 130 Reserve Sick Days may be banked.
University of Pennsylvania	After July 1, 1998, a staff member may only maintain a maximum balance of 24 Paid Time Off days. If a staff member has a balance of 24 Paid Time Off days, he/she will not accrue additional days until the balance goes below 24 days.
Wake Forest University	At the end of each calendar year, unused account balances up to the staff employee's carry forward limit will be carried forward to the next calendar year. The carry forward limit is equal to one-half of the employee's annual accrual.
Duke Health System	If you accrue more than 55 days (440 hours) of PTO, the excess is deposited in the Long Term Bank. You may accrue up to 120 days (960 hours) in your Long Term Bank.
Indiana University	Up to the annual usage maximum (30 or 36 days) may be carried over into the new calendar year. This does not increase the amount that can be used in the year, but it does permit the use of blocks of time early in the year. A person can convert up to 96 hours to their sick leave account. Amounts beyond this are lost and not paid.
University of Rochester	At the end of the calendar year, the three options are: 1) Pay as taxable income, 2) Allocate to existing Retirement Account, 3) Transfer to Supplemental Bank
University of New Hampshire	There's a minimum usage requirement. If the employee doesn't meet the minimum usage requirement, the time is deducted from the individual's accrual. There is no cap

Employer	Response
	on the Earned Time an employee can accrue.
Unity College	Those hours are forfeited.
Rollins College	Any accrued hours in excess of the employee's roll forward limit are forfeited. Please see policy for details.
UCLA Healthcare	The vacation maximum was extended by 40 hours. Once the employee reaches the max, he/she stops accruing and reverts to the traditional leave accruals (8 hours of sick leave per month).
UC Davis Health System	PTO accrual balances in excess of three hundred (300) hours will be paid once each year, at the employee's current rate of pay.

8. Do you pay employees for all or a portion of unused PTO when they terminate employment? If a portion, how is the amount of leave paid determined?

Employer	Response
SUNDT Construction Company	In California, must pay them for all earned. Other states, 50% of PTO balance at term date.
First Citizens	They are paid for any unused leave they accrued only in that year.
Providence Hospital	Employee are paid out balance when terminated
INOVA	IF employee has been employed for more than 90 days of continuous employment, PTO will be paid at 75% of employee's base hourly rate. Balances in the old PTO bank will be paid at 100% up to the end of 2005 & 75% beginning 1/1/06. Mgt does not receive payout at termination. Those hours will be frozen in the event the employee returns to work w/in 1 year from date of termination.
Washington Health Center	Pay out when terminated is determined by how long employed, why terminated, and Bargaining Unit if receives 50% or 100% pay out.
St. Ambrose University	When a staff member terminates full-time employment with St. Ambrose University University, in most cases, he/she will be entitled to be paid for earned but unused PTO days, including carryover, up to a maximum of the annual entitlement for that year. Failure to comply with the policy for completing monthly attendance reports will result in the employee not receiving any benefits claimed to be accrued that are not documented in his/her personnel file. If at termination, the PTO days taken by the staff member exceed the number of PTO days earned, including carryover PTO days, payment for the unearned days will be deducted from the staff member's final paycheck. No payment for unused PTO days is made to staff members who terminate for violation of university rules/regulations, to staff who resign without proper notice, to survivors of staff who die while employed at the university, or to staff who resign or terminate

Employer	Response
	employment during the initial probationary period.
Carnegie Mellon University	Terminating employees are paid out for their earned but unused PTO or their annual entitlement, whichever is less. PTO days are accrued monthly.
University of Pennsylvania	At separation from the University either voluntarily or involuntarily, a staff member that has successfully completed the Introductory Period will receive payment for any unused Paid Time Off. Effective July 1, 1998, the maximum number of Paid Time Off days that the University will pay out will be 24 days.
Wake Forest University	Upon separation from University employment, a staff employee who has successfully completed six months (180 days) or more of continuous service shall be paid for any PTO earned but not taken, up to the PTO payout limits noted below, except in cases where the separating staff employee has failed to give proper notice of resignation. Sick Leave Reserve Balances will not be paid out upon termination of employment.
Duke Health System	You may accrue up to 55 days of PTO in your Short-Term Bank (STB). When you resign: If your service is less than 90 calendar days you will receive no payment for accrued STB. If your service is greater than 90 calendar days but less than one year, you receive 50% of accrued/unused STB. If your service is one year or greater, you receive 100% of accrued/unused STB hours. When you retire from DUHS, you will receive: a) 100% of accrued/unused STB and Long-Term Bank (LTB) hours in a lump sum at the current rate *(PTO does not accrue during this pay out period)* OR b) 100% of current base rate of pay/benefits for each STB and LTB hour until all hours are used, extending service to retirement date. *(PTO does not accrue during this pay out period.)* Bi-weekly paid staff members who retire will have time in the COB applied to credited years of service for the Employees' Retirement Plan (ERP). If you are laid off, you will receive: a) 100% payment for accrued/unused STB and b) 50% payment for accrued/unused LTB.
Indiana University	All PTO that the employee has on the books on the day of separation is paid as terminal pay.
University of Rochester	Pay for all of unused leave, provided he/she has completed 6 months of service.
University of New Hampshire	The employee is paid for all unused Earned Time, less any minimum usage requirement. Sick Pool is not payable upon termination.
Unity College	Allow employees to accrue up to a maximum of 480 hours. When an employee leaves the college he/she is paid all his/her accrued PTO hours (up to 480). Unused sick time (from the previous policy) is not paid out.
Rollins College	Yes, employee must give four weeks notice.

Employer	Response
UCLA Healthcare	Each year, in December, hours in excess of 288 are paid out. The PTO balance is paid upon separation.
UC Davis Health System	Upon resignation, release, termination, or other separation action, PTO accrual balances will be paid pursuant to University Policy and applicable laws

9. Is there a waiting period for new employees before they can use PTO? If there is a waiting period, what is it? Do employees earn leave during the waiting period but not allowed to take it until the waiting period is over, or do they begin earning leave at the end of the waiting period?

Employer	Response
SUNDT Construction Company	No waiting period, accrual starts at hire date.
First Citizens	New employees begin earning after one month of employment, can use after three months.
Providence Hospital	No.
INOVA	No.
Washington Health Center	No.
St. Ambrose University	
Carnegie Mellon University	New employees are not supposed to take PTO for the first 6 months. There are circumstances where new EEs without any accrual are permitted to take unpaid days if they had a prepaid trip or some other situation arise that required them to be away from work.
University of Pennsylvania	Staff members hired on or after July 1, 1997 are eligible to accrue Paid Time Off in accordance with the new accrual rates upon completion of the Introductory Period. Upon completion of the Introductory Period, the staff member will be retroactively credited with the days they would have accrued during that period. The Introductory Period is normally the first four (4) months of employment but may be extended an additional two (2) months.
Wake Forest University	
Duke Health System	During this 90 day probationary period, an employee accrues Paid Time Off, but is not eligible to use it except on designated holidays following the 90 day probationary period.
Indiana University	There is no waiting period. New employees can begin to use their first month's accrual on the first work day of the following month.
University of Rochester	Immediate eligibility – no waiting period to earn or take.
University of New Hampshire	No – except that they have to accrue the time before using it.
Unity College	Employees earn PTO during the 90 day provisional period, however, they are not allowed to use any of the time until completion.
Rollins College	Yes. 90 days for non-exempt. Exempt employees may access their PTO immediately. See policy.

Employer	Response
UCLA Healthcare	Employees can use PTO once it is accrued.
UC Davis Health System	During the first four months of the PTO, an employee will be allowed to charge the first two (2) or three (3) days of an absence due to illness to the ESL bank.

10. Can employees apply any or all unused PTO to enhance their retirement benefits upon retirement? If so, how does this work?

Employer	Response
SUNDT Construction Company	No.
First Citizens	No.
Providence Hospital	No.
INOVA	No.
Washington Health Center	No.
St. Ambrose University	
Carnegie Mellon University	No.
University of Pennsylvania	
Wake Forest University	
Duke Health System	
Indiana University	No.
University of Rochester	No.
University of New Hampshire	No, but unused balance is paid out.
Unity College	No.
Rollins College	No.
UCLA Healthcare	Employees can convert their sick leave balance to service credit upon retirement.
UC Davis Health System	Leave credits in the ESL bank will convert to UCRP service credit at retirement.

11. Did you require current employees to move to your PTO program or did you make it optional? If you made it optional, what percent of your employees elected to move to PTO?

Employer	Response
SUNDT Construction Company	Required.
First Citizens	Required.
Providence Hospital	
INOVA	
Washington Health Center	
St. Ambrose University	
Carnegie Mellon University	Any current employee with less than 15 years of service had to move to the new PTO plan. Those hired prior to 1969 were given the option of staying with the old plan.
University of Pennsylvania	
Wake Forest University	
Duke Health System	
Indiana University	It was optional. Approximately 67% made the move. The new program was required for new employees. There are approximately 80 employees out of some 5,000

Employer	Response
	eligible who are still in the old program, 19 years later. (Based on our experience, I would not recommend the optional approach. We continue to have to maintain two systems.)
University of Rochester	Eligible employees were moved into the PTO program automatically.
University of New Hampshire	It was optional for current employees when the program was implemented, but there are now only a handful of employees under the "old" program.
Unity College	Employees did not have an option.
Rollins College	Required.
UCLA Healthcare	All non-represented employees participate in PTO. It is not optional.
UC Davis Health System	

12. If you made the PTO program optional for current employees, is it mandatory for new employees?

Employer	Response
SUNDT Construction Company	N/A
First Citizens	N/A
Providence Hospital	
INOVA	
Washington Health Center	
St. Ambrose University	
Carnegie Mellon University	
University of Pennsylvania	
Wake Forest University	
Duke Health System	
Indiana University	It is mandatory for new employees hired or promoted into an exempt position after January 1, 1985.
University of Rochester	N/A
University of New Hampshire	Yes, mandatory for new employees.
Unity College	It is mandatory for all employees.
Rollins College	Required.
UCLA Healthcare	N/A
UC Davis Health System	

13. Do you allow employees to buy or sell leave? If you allow them to sell leave, what tax rulings did you have to consider? How did you design the program to comply with these tax rules?

Employer	Response
SUNDT Construction Company	No
First Citizens	Yes, they may purchase up to 5 days. This decision must be made at open enrollment time and payout is spread out over the next calendar year.
Providence Hospital	Once a year employees can sell back 40 hours but have to

Employer	Response
	maintain 80 hours in the bank.
INOVA	
Washington Health Center	Employees cannot sell or buy leave. There is a donation program.
St. Ambrose University	
Carnegie Mellon University	No.
University of Pennsylvania	
Wake Forest University	
Duke Health System	Each year you will have one opportunity to get paid for hours you have not used from your Long-Term Bank (LTB). The payment will be 50% of your base rate of pay at the time you cash in. Any time accumulated in the LTB over the maximum of 120 days (960 hours) will automatically be paid annually to you at 50% of your base rate of pay.
Indiana University	No, we do not allow the selling of leave.
University of Rochester	No.
University of New Hampshire	No. The only time they can buy leave is if they're changing from non-exempt to exempt status. Exempt employees have a different leave program. Subject to regular taxes.
Unity College	No, employees do not buy or sell PTO hours.
Rollins College	No.
UCLA Healthcare	No.
UC Davis Health System	

14. How is PTO used when employees go on short or long-term disability?

Employer	Response
SUNDT Construction Company	First 5 days of leave are PTO, but count towards disability.
First Citizens	Have a short-term disability plan but employee may use PTO to get 100% of pay.
Providence Hospital	
INOVA	Employees have an Extended Illness Bank (EIB) from which they can draw in the event of an extended illness or even defined by INOVA.
Washington Health Center	
St. Ambrose University	
Carnegie Mellon University	Employee can use 5 PTO days to cover the 5 working days of the 7 calendar waiting period before STD benefits begin.
University of Pennsylvania	No changes have been made to the sick leave or short term disability programs. Staff members will still continue to accrue sick and short term disability days consistent with the sick leave and short term disability policies.
Wake Forest University	Staff employees may use PTO during the first five workdays of absence from work due to a non-work

Employer	Response
	related illness or injury. PTO may also be used to supplement the Short Term Disability (STD) benefit. The supplemental PTO may be used to provide an income no greater than the base salary income received prior to the non-work related injury or illness.
Duke Health System	In the event of disability or Workers' Compensation, you may supplement the disability and workers' compensation with time from your short term bank, then your long term bank, and then your carry over bank.
Indiana University	Accrued PTO is used before the person moves into a non-pay status.
University of Rochester	PTO is used to cover the 1st week of absence prior to the start of the disability. If the employee has enough hours in their Supplemental Bank, the PTO bank is refreshed for future use.
University of New Hampshire	All employees on Earned Time are non-exempt. They have the option once a year to convert Earned Time to Sick Pool time on a 1 to 3 ratio (see policy), so this provides a cushion if they have a short or long-term disability situation. If they have insufficient leave to cover medical leave, they go without pay. Also, outside of Earned Time, they have the option to purchase personal short term disability insurance.
Unity College	They are required to use any/all accrued PTO hours during the elimination period. The college has STD coverage for all employees.
Rollins College	See policies referenced above.
UCLA Healthcare	On disability, the employee reverts to traditional accruals and can access their sick leave immediately with no 2 day wait.
UC Davis Health System	

15. How is PTO coordinated with Family Medical Leave?

Employer	Response
SUNDT Construction Company	First 5 days of leave are PTO, but count towards FMLA
First Citizens	May use during approved FMLA.
Providence Hospital	
INOVA	Required to use applicable PTO or EIB time. After all applicable PTO or EIB accruals have been exhausted, remaining leave will be unpaid.
Washington Health Center	
St. Ambrose University	
Carnegie Mellon University	Employees must use all but 5 earned PTO days before taking any unpaid FMLA.
University of Pennsylvania	
Wake Forest University	
Duke Health System	After an absence of 7 consecutive work days charged to the Short Term Bank (STB) for extended illness and

Employer	Response
	approved for Family Medical Leave (FMLA), you may deduct additional days for the remainder of the continued absence from accrued days in either the short term bank, long term bank, or the carry over bank. Carry Over Bank (COB) hours also may be used for illness or approved FMLA once all short-term and long-term bank hours have been depleted.
Indiana University	If the absence qualifies under the FMLA, the two programs run concurrently. The employee uses all accrued PTO and sick bank time before moving into a non-pay status during the FMLA leave. The employee chooses which category of time off to use first, but it all must be used before time off without pay is used.
University of Rochester	PTO (and vacation) must be used for the portion of the FMLA that is not related to an employee's disability in which the disability plan would pay.
University of New Hampshire	In order for qualifying FMLA leave to be paid, the employee must use ET/SP.
Unity College	The college requires employees to use any/all PTO hours available concurrently during FMLA.
Rollins College	An employee may use PTO for income continuation while on FMLA leave.
UCLA Healthcare	On FMLA, the employee reverts to traditional accruals and can access their sick leave immediately with no 2 day wait.
UC Davis Health System	Absences designated as Family and Medical Leave (granted for an employee's own/spouse/child/parent serious health condition), pregnancy disability leave, or bereavement leave will be charged in their entirety to the ESL bank.

16. Have you been able to measure any positive or negative trends regarding costs, leave use, or employee satisfaction since you introduced your program? (For example, increased leave use, reduced unexcused absences, and improved recruitment.) If so, can you describe them or provide statistics?

Employer	Response
SUNDT Construction Company	1996
First Citizens	2001
Providence Hospital	15 years ago
INOVA	
Washington Health Center	Program around as long as hospital - 50 years.
St. Ambrose University	
Carnegie Mellon University	No.
University of Pennsylvania	
Wake Forest University	
Duke Health System	
Indiana University	I am not aware of any analysis that was made at the time or shortly after the program was introduced in 1985.

Employer	Response
	The program did have the advantage of being simpler to administer.
University of Rochester	Not readily available.
University of New Hampshire	The program was received the best by longer term employees who had accumulated large leave balances.
Unity College	It appears that the "time off" usage (about 55% of all accrued hours) is about at the same level as it was prior to implementation. It does help with recruitment because we have a very generous plan.
Rollins College	Overall the program has worked very well and was generally well received. Those who tended to use their sick leave as an entitlement each year viewed the program as a takeaway.
UCLA Healthcare	We experienced a 33% decrease in sick leave use for the exempt status program participants. We experienced a 29% decrease in sick leave use for the non exempt status program participants. We saved about $250,000 in the first year. PTO is a market condition.
UC Davis Health System	

17. What were some of the major issues and problems that had to be dealt with in designing and implementing your PTO program?

Employer	Response
SUNDT Construction Company	
First Citizens	
Providence Hospital	No real issues other than explaining to new employees that PTO includes holidays.
INOVA	
Washington Health Center	Over all, good program.
St. Ambrose University	
Carnegie Mellon University	Unknown, not here for planning process.
University of Pennsylvania	
Wake Forest University	
Duke Health System	
Indiana University	Although I was not part of the development or implementation team, I believe that some of the issues included the establishment of the sick bank time, whether to include the non-accumulating category of Funeral time, what caps to establish on carry over of time, and what limits on terminal pay should exist.
University of Rochester	Communication.
University of New Hampshire	The program was developed to provide employees with more flexibility in use of paid leave, and no cap on number of days that could accumulate. The employee could determine his or her own personal value, not the supervisor or institution (i.e., stay home to care for sick child). Also, it was expected to result in motivation not to abuse time off.

Employer	Response
Unity College	The biggest obstacles were coming to an agreement about the amount of time we would require employees to use and secondly, getting employees to understand and plan the use of their time. Many reminders about the 60% usage requirement were sent during the first year to employees and supervisors.
Rollins College	(1) Designing the balance limits. (2) Communicating the change to employees.
UCLA Healthcare	(1) A portion of the participants are now exclusively represented by a union who is now objecting to the plan. (2) It took considerable time to program.
UC Davis Health System	

18. Have you modified the program since its implementation? Why did you modify your program?

Employer	Response
SUNDT Construction Company	
First Citizens	
Providence Hospital	Only modification in program is it's no longer agreed hours but hours worked.
INOVA	
Washington Health Center	No major changes. Some minor changes are determined by the Bargaining Unit.
St. Ambrose University	
Carnegie Mellon University	No.
University of Pennsylvania	
Wake Forest University	
Duke Health System	
Indiana University	No.
University of Rochester	Waiting period was in place initially – that has been removed. November to December initially – that has been changed to January to December.
University of New Hampshire	The program has been modified to separate jury duty from Earned Time. Also the minimum usage requirement increased from 10 days per year to 12 days per year, and increased proportionately based on years of service.
Unity College	No, we have not modified it.
Rollins College	No.
UCLA Healthcare	We now allow bereavement leave to be accessed directly through the sick leave bank rather than PTO. This is in response to user opinion.
UC Davis Health System	

19. If you could do it over again what would do differently?

Employer	Response
SUNDT Construction Company	1996

Employer	Response
First Citizens	2001
Providence Hospital	15 years ago
INOVA	
Washington Health Center	Program around as long as hospital - 50 years.
St. Ambrose University	
Carnegie Mellon University	The only change would be a use it or lose it approach. No carry over beyond one year's allotment to avoid reserve sick days. Note: The PTO program was implemented at the same time that the short-term disability program was introduced.
University of Pennsylvania	
Wake Forest University	
Duke Health System	
Indiana University	Would make it mandatory for all current employees as well as new employees.
University of Rochester	The changes described in 18 should have been in place immediately.
University of New Hampshire	Perhaps have a cap on amount of time an employee can accrue and be paid out at termination.
Unity College	I don't know if I would do anything differently. I believe it is a good policy and it provides employees with adequate time off.
Rollins College	No.
UCLA Healthcare	We would not provide an option to come out of the plan for disability or FMLA.
UC Davis Health System	

Attachment 4

Summary of Yearly Leave Accrual in Days

Years of Service	Survey Low	Survey High	Survey Average	NC Government (Vacation plus sick leave)	NC Government (Vacation, sick, and Community Service)
1	15	35	**25**	23 3/4	26 3/4
2	17	35	**26**	25 3/4	28 3/4
3	19	35	**27**	25 3/4	28 3/4
4	20	35	**28**	25 3/4	28 3/4
5	20	40	**30**	28 3/4	31 34
6	20	40	**30**	28 3/4	31 34
7	20	40	**30**	28 3/4	31 34
8	20	40	**30**	28 3/4	31 34
9	20	40	**30**	28 3/4	31 34
10	24	40	**32**	31 3/4	34 3/4
11	24	40	**32**	31 3/4	34 3/4
12	24	40	**32**	31 3/4	34 3/4
13	24	40	**32**	31 3/4	34 3/4
14	24	40	**32**	31 3/4	34 3/4
15	24	40	**32**	34 3/4	37 3/4
16	24	40	**32**	34 3/4	37 3/4
17	24	40	**32**	34 3/4	37 3/4
18	24	40	**32**	34 3/4	37 3/4
19	24	40	**32**	34 3/4	37 3/4
20+	24	40	**32**	37 3/4	40 3/4

SAMPLE

Paid Time Off Program Policy

PAID TIME OFF (PTO) LEAVE	
Paid Time Off (PTO) is a flexible leave program that combines traditional leave categories (vacation, sick, holiday, community service) into one account. Employees may use PTO for holidays, vacations, personal or family illnesses/emergencies, volunteer work, child involvement activities, or other personal time. PTO provides an opportunity for employees to better plan their "time off" and enables the Sample Employer to better plan work coverage. All employees that enter into benefit earning positions on or after May 1, 2002, are placed in the PTO Leave program. This includes employees that are new hires, transfer from other state agencies, are reinstated to SAMPLE EMPLOYER employment, or increase their hours worked per week from less than 20 to 20 or more. Newly hired employees who have a sick leave balance from previous State employment will have those hours placed into their Catastrophic Leave account. Employees hired prior to May 1, 2002, may opt to convert to the PTO program during enrollment periods at the end of calendar year 2002, 2003, and 2004. These employees will have their year end Vacation and Holiday Leave balances converted to PTO Leave, and their year-end Sick Leave balance converted to Catastrophic Leave. Employees who opt not to convert during one of these enrollment periods will remain in the traditional leave program. Employees with a negative year-end balance of Vacation, Holiday, or Sick Leave will not be permitted to transfer to the PTO program.	
Scheduling PTO	PTO Leave must be requested and approved in advance by management whenever possible. In the event of unplanned, unscheduled absences, the current Attendance and Tardiness policy applies. PTO may be used for such absences, subject to management approval.
PTO Leave Credits	PTO shall be accrued by all Full-time or Part-time (20 hours or more per week) Permanent, Trainee, or Probationary employees that participate in the program. An employee must work or charge PTO Leave to account for all scheduled hours in a pay period in order to accrue 100% of their leave in that pay period. Otherwise, the PTO Leave accrual will be pro-rated depending upon the percentage of appointed hours accounted for in a pay period (example: a full-time employee who works 72 hours in a pay period and does not use any leave will accrue 90% of their leave for that pay period). Accrual rates are based on length of service and scheduled (appointed) hours.

The following chart summarizes PTO Leave credits for Full-time employees:

Years of Service	**Biweekly Accrual***	**Total Annual Accrual***
< 5	11.53 hours	300 hours
5 but less than 10	12.50 hours	325 hours
10 but less than 15	13.46 hours	350 hours
15 but less than 20	14.42 hours	375 hours
20+	15.38 hours	400 hours

Minimum/Maximum Usage	There are a minimum number of hours that an employee must use and a maximum number of hours that an employee may use each calendar year. For full-time employees, the minimum is 120 hours and the maximum is 480 hours. Minimums and maximums are pro-rated for part-time employees.
Maximum Accumulation	PTO Leave may be accumulated without any applicable maximum until December 31 of each calendar year. For this purpose, the calendar year ends on the last day of the last pay period in December, which includes December 31. At that time, PTO hours in excess of 280 will convert to Catastrophic Leave.
Catastrophic Leave	Catastrophic Leave can only be used for an employee's personal catastrophic illness or injury, or credited toward retirement. Employees who elect to convert to the PTO program during one of the year-end enrollment periods will have their Sick Leave balance converted to Catastrophic Leave. Before the use of Catastrophic Leave can be requested and approved, an employee's PTO balance must be 96 hours or less.
Catastrophic Injury/Illness Definition	A catastrophic injury or illness is defined as a severe condition or combination of conditions affecting the mental or physical health of the employee which: (1) Requires the services of a licensed practitioner; and (2) Prevents the employee from working for a period of 30 or more consecutive workdays; and (3) Requires the employee to utilize accrued PTO Leave time down to 96 hours or less.
Death Of A Family Member	See Bereavement Leave section.

Advancement	Up to 80 hours of PTO Leave may be advanced to new employees during their first year of participation in the program. After 12 months of participation, no leave may be taken until negative hours have been removed and the hours requested have been earned. Therefore, employees that have been on PTO for more than one year may not be advanced leave. Traditional Leave employees who convert to PTO are not eligible for advancement of leave.
Leave Charges	PTO and Catastrophic Leave shall be taken in units of one-tenth of an hour. Only scheduled work time shall be charged in calculating the amount of leave taken. FLSA-exempt employees use only in whole day increments based on their appointment schedule.

Options During Leave Without Pay	A PTO employee going on Leave Without Pay may exhaust PTO Leave or may retain part or all accumulated PTO Leave until the employee returns. If the Leave Without Pay extends through December 31, any PTO accumulation above 280 hours (pro-rated for part-time employees) shall be converted to Catastrophic Leave. When exhausting leave, an employee continues to accrue leave and is eligible for salary increases during that period.
Shared Leave	Donation of hours by one employee to another is permitted under the PTO Leave Plan. The leave may be donated to fellow employees of SAMPLE EMPLOYER or any other qualifying state agency, or to the State Employees' Combined Campaign. The Catastrophic Illness account hours may not be used in leave sharing. For more information about Shared Leave see Voluntary Shared Leave Program section.
Holidays	Leave charging and time keeping procedures for both "observed" and "floating" holidays are the same for PTO employees as for Traditional Leave employees.
Sale of PTO Leave (Sell Back) to Sample Employer	The sell back rate is the employee's base pay rate. An employee must have been active in the PTO program for 1 calendar year before he/she qualifies to sell back. Any PTO Leave balance in excess of 280 (after sell back or year-end without sell back) will be transferred to Catastrophic Leave/Retirement Leave. After the minimum required number of PTO hours are used each calendar year, an employee may request a sell back of 50% of their remaining hours that exceed established minimums (see chart below).

Years of Service	Minimum Hours Used	Buyout Base Cap
< 5	120	50% over 120
5 but less than 10	120	50% over 160
10 but less than 15	120	50% over 200
15 but less than 20	120	50% over 240
20+	120	50% over 280

All employees that want to participate in the sell back provision are required to fill out a "Sell Back Election" form prior to the year of the sell back. This advance election is made in December before the PTO is earned. It does not limit the use of the PTO during the following year (the election period). Once an election is made to sell back, that election cannot be changed for the calendar year period it covers. The sell back will continue to take place in January of the year after the PTO is earned and for which the sell back was pre-elected. If no election form is submitted, then the employee is assumed to not have elected sell back for that election year.

Example:

Calendar year 1, a new employee earns PTO (sell back not allowed in first calendar year).

At December 31 of calendar year 1, the employee may submit a sell back election form. This form indicates the employee's intention to sell back what PTO balance is available at the end of calendar year 2 of their employment.

Payout of this sell back election is made in the first pay roll of calendar year 3.

If the employee intends to continue with the sell back election, then another sell back election form must be submitted by December 31 of the calendar year 2. Election of sell back does not limit the use of PTO during the election period.

If the sell back option is exercised, the remaining 50% of excess hours will convert to Catastrophic Leave/Retirement Leave. If the sell back option is not exercised, the excess hours will remain in the employee's PTO balance to a maximum of 280, and any hours in excess of 280 will convert to Catastrophic Leave/Retirement Leave. The minimum year-end balance required to exercise the sell back option is determined by years of service. The minimum hour and base cap figures are based on full time (40 hour per week) employment, and are pro-rated for part time employees.

PTO and Catastrophic Leave at Retirement	When an employee retires, their Catastrophic Leave hours may be used towards computing years of service for retirement the same as unused Sick Leave under the traditional plan. This applies to an immediate or deferred retirement, provided the employee retires within five years of leaving state employment.
Payment of Leave Upon Separation	If an employee terminates from the Sample Employer, the last day of work is the date of separation. PTO Leave is paid in accordance with the Termination Distribution Schedule below, provided: 1. The appropriate notice period is worked (two weeks' notice is the acceptable minimum). 2. The employee voluntarily terminates employment. An employee who is discharged from employment will forfeit his/her PTO and Catastrophic Leave balances.

Table of PTO Balance Distributions at Termination
According to Service or Reason

< 6 months	0% of PTO balance
6 months – 2 years	50% of PTO balance under 281 hours
2 – 5 years	75% of PTO balance under 281 hours
> 5 years	100% of PTO balance under 281 hours
Discharge	0% of PTO balance
Death while employed	100% of PTO balance
Retirement	100% of PTO balance

If a PTO employee voluntarily separates employment with the Sample Employer for a non-state position and later returns to employment with the Sample Employer within five years, their unused Catastrophic Leave is restored.

Comparison of the State's Current Leave Program and Conceptual Unified Leave Program Features*

Feature	Current Program	Unified Leave
Categories of Leave	Vacation, Sick, Bonus, Community Service, Military, and Civil leave.	Paid Time Off (PTO) and Catastrophic Leave (CAT)-- PTO could include traditional Vacation, Sick, Community Service and Holidays for 24/7 operations. Holidays may not be included for administrative operations.
Leave Accrual	Vacation leave is accrued each month with longer-term employee accruing greater amounts. Sick leave is accrued each month with all employees receiving the same amount. Community Service Leave is 24 hours per year. Bonus Leave established by the Legislature differs from employee to employee.	PTO is accrued each month with longer-term employees accruing greater amounts. CAT leave is accrued each month with all employees receiving the same amount. Community Service Leave is rolled into PTO. Actual accrual amounts to be determined during the demonstration projects. Bonus leave would be maintained as a separate category. All PTO over 240 hours at the end of calendar year is rolled over into CAT leave.
Leave Use	Leave is used according to category.	PTO is used for employee and family sickness, vacation, and personal time off. CAT is used for extended illness of employee or family member.
Pay-out upon separation	Vacation and Bonus Leave balances are paid in full.	PTO balance is paid out according to a sliding scale to be determined during the demonstration projects. For longer-term employees, the entire PTO balance would be paid out. Bonus Leave is paid out in full.
Retirement Credit	Unused Sick Leave is credited toward retirement.	Unused CAT is credited toward retirement.
Sell-back of Leave	None.	Sell-back of a portion of unused PTO. The amount of sell-back allowed and the hourly sell-back rate to be

Feature	Current Program	Unified Leave
		determined during the demonstration projects.
Minimum Leave Use	None.	Minimal PTO use required. The minimal amount to be determined during the demonstration projects.
Maximum Leave Use	Limited by maximum accumulation up to 240 hours per year.	Limited by maximum accumulation up to 240 hours per year.

§ 126-4. Powers and duties of State Personnel Commission.

Subject to the approval of the Governor, the State Personnel Commission shall establish policies and rules governing each of the following:

(1) Position classification plans which shall provide for the classification and reclassification of all positions subject to this Chapter according to the duties and responsibilities of the positions.

(2) Compensation plans which shall provide for minimum, maximum, and intermediate rates of pay for all employees subject to the provisions of this Chapter.

(3) For each class of positions, reasonable qualifications as to education, experience, specialized training, licenses, certifications, and other job-related requirements pertinent to the work to be performed.

(4) Recruitment programs designed to promote public employment, communicate current hiring activities within State government, and attract a sufficient flow of internal and external applicants; and determine the relative fitness of applicants for the respective positions.

(5) Hours and days of work, ~~holidays, vacation, sick~~ leave, and other matters pertaining to the conditions of employment. The legal public holidays established by the Commission as paid holidays for State employees shall include Martin Luther King, Jr.'s Birthday and Veterans Day. The Commission shall not provide for more than 11 paid holidays per year except that in those years in which Christmas Day falls on a Tuesday, Wednesday, or Thursday, the Commission shall not provide for more than 12 paid holidays.

(5a) In years in which New Year's Day falls on Saturday, the Commission may designate December 31 of the previous calendar year as the New Year's holiday, provided that the number of holidays for the previous calendar year does not exceed 12 and the number of holidays for the current year does not exceed 10. When New Year's Day falls on either Saturday or Sunday, the constituent institutions of The University of North Carolina that adopt alternative dates to recognize the legal public holidays set forth in subdivision (5) of this section and established by the Commission may designate, in accordance with the rules of the Commission and the requirements of this subdivision, December 31 of the previous calendar year as the New Year's holiday.

(6) The appointment, promotion, transfer, demotion and suspension of employees.

(7) Cooperation with the State Board of Education, the Department of Public Instruction, the University of North Carolina, and the Community Colleges of the State and other appropriate resources in developing programs in, including but not limited to, management and supervisory skills, performance evaluation, specialized employee skills, accident prevention, equal employment opportunity awareness, and customer service; and to maintain an accredited Certified Public Manager program.

(7a) The separation of employees.

(8) A program of meritorious service awards.

(9) The investigation of complaints and the issuing of such binding corrective orders or such other appropriate action concerning employment, promotion, demotion, transfer, discharge, reinstatement, and any other issue defined as a contested case issue by this Chapter in all cases as the Commission shall find justified.

(10) Programs of employee assistance, productivity incentives, equal opportunity, safety and health as required by Part 1 of Article 63 of Chapter 143 of the General Statutes, and such other programs and procedures as may be necessary to promote efficiency of administration and provide for a fair and modern system of personnel administration. This subdivision may not be construed to authorize the establishment of an incentive pay program.

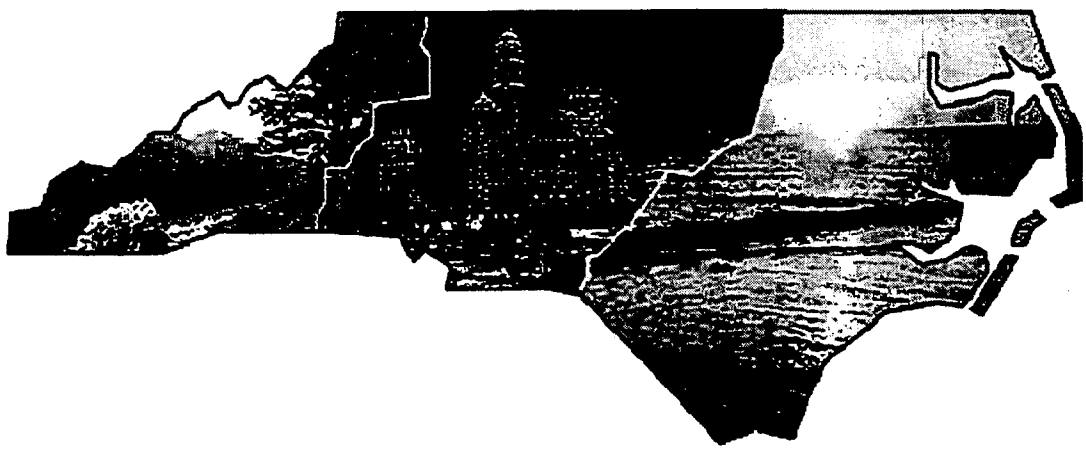
(11) In cases where the Commission finds discrimination, harassment, or orders reinstatement or back pay whether (i) heard by the Commission or (ii) appealed for limited review after settlement or (iii) resolved at the agency level, the assessment of reasonable attorneys' fees and witnesses' fees against the State agency involved.

(12) Repealed by Session Laws 1987, c. 320, s. 2.
(13) Repealed by Session Laws 1987, c. 320, s. 3.
(14) The implementation of G.S. 126-5(e).
(15) Recognition of State employees, public personnel management, and management excellence.
(16) The implementation of G.S. 126-7.
(17) An alternative dispute resolution procedure.
(18) Delegation of authority for approval of personnel actions through decentralization agreements with the heads of State agencies, departments, and institutions.
a. Decentralization agreements with Executive Branch agencies shall require a person, designated in the agency, to be accountable to the State Personnel Director for the compliance of all personnel actions taken pursuant to the delegated authority of the agency. Such agreements shall specify the required rules and standards for agency personnel administration.
b. The State Personnel Director shall have the authority to take appropriate corrective actions including adjusting employee salaries and changing employee classifications that are not in compliance with policy or standards and to suspend decentralization agreements for agency noncompliance with the required personnel administration standards.
The policies and rules of the Commission shall not limit the power of any elected or appointed department head, in the department head's discretion and upon the department head's determination that it is in the best interest of the Department, to transfer, demote, or separate a State employee who is not a career State employee as defined by this Chapter.
(19) The Office, subject to the approval of the Commission, shall adopt policies and procedures concerning the conduct of demonstration projects. The purposes of demonstration projects are: (1) to determine if the potential human resources program would be of benefit to State Government; (2) to prevent the costly implementation of untested human resources programs on a statewide basis; (3) to measure the benefits of potential human resources programs versus program costs; (4) to test and modify program guidelines prior to the adoption of policies and procedures governing a statewide program.
a. Demonstration projects shall have the following characteristics: (1) specific goals and objectives; (2) an analysis, at the end of the project, of the estimated costs/benefits of the project; (3) measurement criteria so that achievement of the goals and objectives can be accurately measured; (4) specific beginning and ending dates.
b. The Office shall, subject to the approval of the Commission, operate demonstration projects initiated by the Office, as well as approve projects proposed and initiated by the various departments and universities, either singly or jointly. Demonstration projects may be proposed in any human resources area. With concurrence from the Office of State Budget & Management, departments, universities and agencies shall have the flexibility to use any allowable and available funds to operate demonstration projects.
c. Upon the completion of a demonstration project, the Office or the participating departments, universities, agencies or institutions shall submit a report to the Commission that includes an analysis of both the costs and the benefits of the program, a program evaluation including all measures identified in the program design proposal, and recommendations based on the results of the demonstration project. Upon termination of a demonstration project, employee salaries may be adjusted to reflect any legislative increases, and any other adverse employment impact caused by employee participation in the demonstration project shall be rectified. The Office, subject to the approval of the Commission, may propose, adopt and implement statewide policies and procedures based on a successful demonstration project.

State of North Carolina

Compensation & Benefits Report

February 2005



Office of State Personnel

Thomas H. Wright
State Personnel Director

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North Carolina Office of State Personnel
COMPENSATION & BENEFITS REPORT: 2005

I. EXECUTIVE SUMMARY

Overall, North Carolina needs to be aggressive in making strides toward improving pay, financial and benefits offerings in order to be competitive in the market. Annual salary increases have been small, and becoming more infrequent, allowing the State to fall further behind the market. The State must consider all feasible options, including incentive pay, variable pay, and bonus pay programs, which enhance the recruitment and retention of employees across all occupational groups. While a number of new supplemental benefits are offered, health care options continue to be limited and costly. (Paid time off options can be improved, allowing a direct benefit to employees without high costs to the State.) In tight financial times, we must continue to examine creative ways to be able to attract and maintain high quality employees.

Legislative support for pay innovations and funding for competency-based pay systems, improving benefits and attention to work life balance issues will clearly move North Carolina closer to its goal as an employer of choice while maintaining a commitment to cost-effective systems for managing its investment in its employees.

Recommendations made from data analysis in this report are:

- In order to bring state employees' salaries closer to market rates, the report recommends a 2% cost-of-living increase. Report also recommends an allocation to each agency and university to use to reward employees based on performance and competencies. This allocation differs from the traditional career-growth increase and performance bonus.
- The allowable categories for the Salary Adjustment fund should be expanded to more fully address agency needs.
- Reinstate self-funded HMO and/or add PPO health plan options so that employees have health care options besides the indemnity plan.
- Change the State Health Plan Year from July 1 - June 30 to January 1 - December 31, so that SPA employees can better plan their out-of-pocket expenses and their strategy for taking advantage of the NC Flex program.
- Increase the employer's portion of the premium for the state health plan to subsidize dependent care coverage. Eliminate full health benefits for employees retiring with the minimum of 5 years service.
- Match a portion of employees' 401k contributions. State matching may be phased in by granting 1% in the current year and an additional 1% over the next several years to 5% total matching contribution by the State for non-law enforcement employees.
- Consider a Deferred Retirement Option Program (DROP) to allow retirement eligible employees to continue to work while pension payments are made to an interest bearing account managed by the retirement systems.
- Centralize coordination of supplemental benefits and consolidate supplemental benefit plan offerings in a menu approach for portability and cost savings. Allow employees to select plan products that meet their needs.
- To improve competitiveness with the market and make our benefits package more attractive:
  - Combine Leave Accrual categories 0-2 and 2 but less than 5 into one. Increase the Vacation accrual rate by ¼ day per annum; increase the Sick leave accrual rate by 2 days per annum; increase the number of Holidays by one day in years where eleven are presently granted.
- Continue researching and developing a proposal for a unified Paid Time Off leave program.

II. INTRODUCTION

This Compensation & Benefits report responds to the requirements expressed in NCGS 126-7(b) [State Personnel Act] to guide the Governor and the General Assembly in making funding appropriations for State employees' salary increases. The results of the compensation survey are presented to the Appropriations Committee of the House and Senate no later than two weeks after the convening of the legislature in odd years and May 1st of even years.

This report conveys economic and pay trends, findings and data derived from compensation and benefits surveys that the Office of State Personnel regularly analyzes to determine whether or not salary ranges for state classifications and benefits for employees are competitive in the labor market. The report summarizes key findings and comparative data showing the relationship of the state's wages to those of competitors in both the private and public sectors. It also presents findings and survey results showing North Carolina's rank in relation to that of other southeastern states in providing employment benefits for state employees.

North Carolina's Pay Philosophy

The State Personnel Act, G.S. 126, states *"It is the policy of the State to compensate its employees at a level sufficient to encourage excellence of performance and to maintain the labor market competitiveness necessary to recruit and retain a competent workforce."* This statutory provision expresses the state's philosophy in the development and administration of compensation policies, rules and practices for all employees subject to the State Personnel Act.

Total Compensation

The concept of *Total Compensation* is integral to any review or discussion of the state's compensation system. Total compensation measures an employee's base salary, benefits and other perquisites that the employer provides. When comparing compensation with that of other employers, whether public or private, the focus is on total compensation rather than base pay. This report includes comparisons of base pay as well as fringe benefits. It is important for employees to be knowledgeable of the value of their employment in terms of base pay, benefits, and other pay-related assets.

When analyzing compensation surveys, base pay is often the common denominator in developing a comparative standard by which we can determine whether or not North Carolina state government compensation is competitive in various labor markets.

III. ECONOMIC REVIEW

Wage & Salary Trends

According to salary surveys conducted by national firms engaged in the practice of compensation planning and consultation, data collected for calendar year 2004 (budgeted) indicated projected base pay increase budgets as shown below. The figures include merit; across-the-board, and cost-of-living pay increases.

Table 1 PROJECTED & ACTUAL BASE PAY INCREASE BUDGETS

National Firm	2002 Actual	2003 Actual	2004 Projected	2005 Projected
William Mercer	3.8%	3.3%	3.3%	3.5%

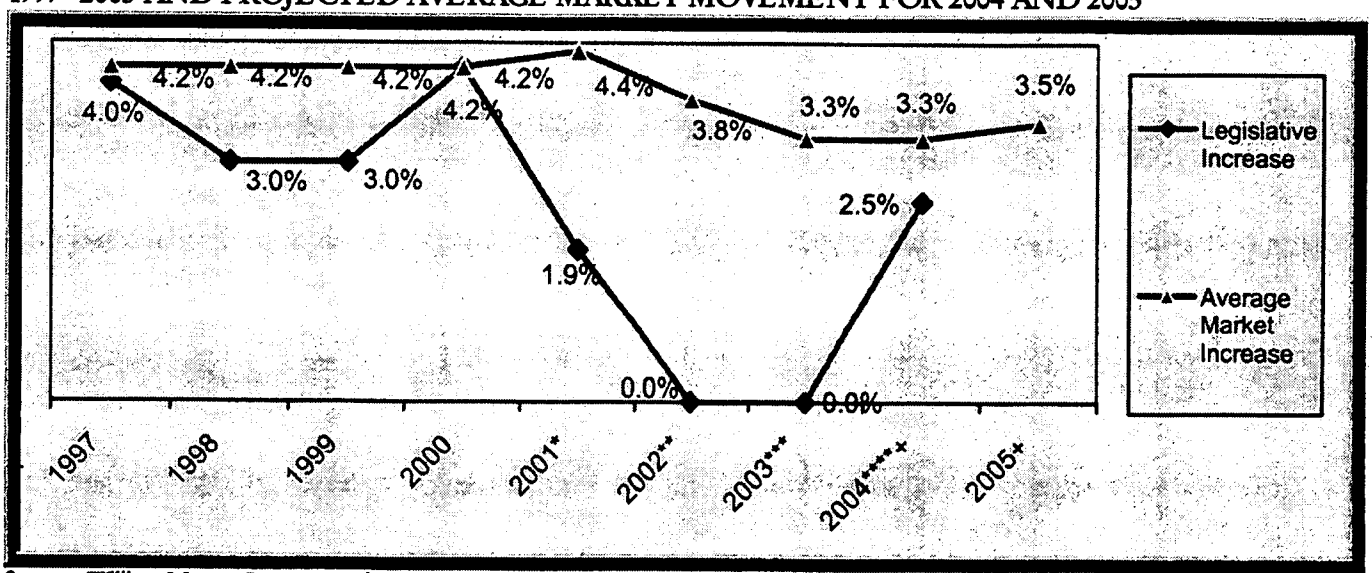
Note: The above are projected and actual base pay salary increase percentages of payroll.
Source: Mercer Human Resources Consulting 2004/2005 US Compensation Planning Survey

Projected and actual wage increases have remained fairly stable at the national level for the best part of the past decade at or about the 4% percent level. With declining economic conditions, actual wage increases remained under 4% in 2003. A study conducted by Mercer Human Resources Consulting, 2004/2005, US Compensation Planning Survey, revealed that during the calendar year 2004, pay increase budgets remain constant at 3.3% overall.

Analysis of data from a variety of national consulting and business firms places the projected budgeted average wage increase for 2005 at 3.5%. Additionally, projections for calendar year 2005 indicate 3.5% increases for Technical/Professional occupations and for Nonexempt Clerical/Technical jobs.

In North Carolina, annual salary increases for state employees were less than average market movement in 4 of the last 5 years as displayed in the chart below. Over this 5-year period, cumulative salary increases in state government trailed average market increases by 10.4%.

NC LEGISLATIVE INCREASES COMPARED TO ACTUAL AVERAGE MARKET MOVEMENT 1997- 2003 AND PROJECTED AVERAGE MARKET MOVEMENT FOR 2004 AND 2005



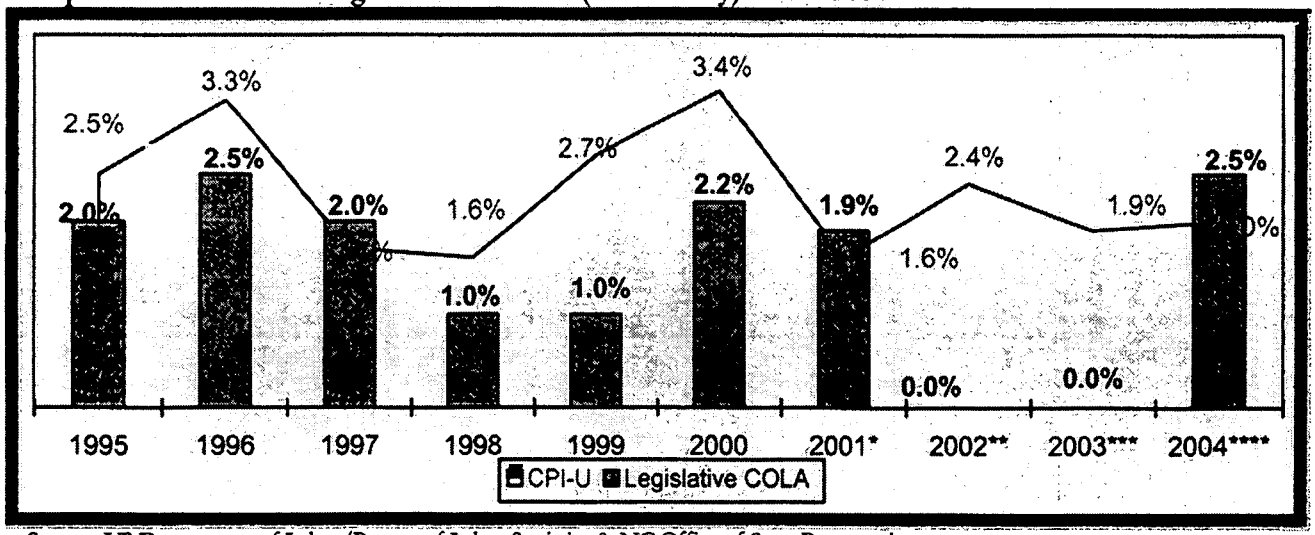
Source: William Mercer, Incorporated
*1.9% increase is based on a $625 across the board payment divided by the 2001 average salary.
**Ten days bonus vacation granted in lieu of wage increase during 2002.
***Ten days bonus vacation plus $550 non-base building bonus granted in lieu of permanent wage increase during 2003.
****2.5% for employees with salaries over $40K; $1000 increase for employees with salaries below $40K during 2004.
+ 2004 and 2005 percentages are market increase projections.

Consumer Price and Employment Cost Indices

In addition to general labor market movement, the increase in the Consumer Price Index-Urban (CPI-U) for the 12-month period ending in September 2004 was 2.0%. This percentage measures the average change over a specific period of time in the prices paid by urban consumers for goods and services. The CPI-U includes all urban consumers that are roughly 87% of the population in the United States. Since most pay increases for state employees have included a cost-of-living component, the following chart compares the Consumer Price Index-Urban for the years indicated with the percent increase for the cost-of-living portion of legislative increases for the same period. All rates are as of December 31 of the year, except 2004, which reflects the rates as of September 30, 2004, the latest period available at this writing. [A history of legislative increases for the period 1992-2004 has been included in the Appendix of this report.]

The graphed data indicate that the cost-of-living portion of annual legislative increases from 1995 to 2004 trails the CPI-U percentages for the same time period. This differential reflects that compensation for state employees has not kept pace with the consumer price index.

Comparison of CPI with Legislative Increases (COLA only) 1995 - 2004



Source: US Department of Labor/Bureau of Labor Statistics & NC Office of State Personnel
*1.9% increase is based on a $625 across the board divided by the 2001 average salary.
**Ten days bonus vacation granted in lieu of base pay increase during 2002.
*** Ten days bonus vacation, plus $550 on-time bonus, granted in lieu of base pay increase for 2003.
****2.5% for employees with salaries over $40K; $1000 increase for employees with salaries below $40K during 2004.

IV. COMPENSATION TRENDS

One way to strengthen the state's compensation program is to incorporate occupation-specific pay programs, pay incentive programs and similar innovations to provide managers necessary tools to compete in an increasingly tight labor market for critical skills. The following table outlines a number of compensation options that are becoming more prevalent among private and public sector organizations. Signing bonuses are paid to certain hard-to-hire positions as in incentive to accept a position. More aggressive pay increases are aimed at employees whose skills are critical and retaining them crucial. Project milestone awards are provided at key interim completion points of a project. Spot cash awards are given to reward a specific project or piece of work successfully completed.

Table 2 ATTRACTING AND MAINTAINING EMPLOYEES

Functional Area	Signing Bonuses	More Aggressive Pay Increases	Project Milestone Awards	Spot Cash Awards
Information Technology	64%	39%	74%	79%
Engineering	42%	9%	17%	46%
Accounting & Finance	42%	15%	21%	74%
Customer Service	19%	7%	15%	68%
Human Resources	30%	6%	13%	68%
Internal Auditors	22%	6%	10%	53%
Security	13%	3%	7%	43%
Other	3%	31%	19%	41%

Source: William M. Mercer 2004/2005 US Compensation Planning Survey

A recovering economy and growing job market are challenging organizations to focus once again on attracting and retaining key talent. Currently, within the Information Technology job family, spot cash awards are used by nearly 79% of responding organizations, while 74% provide project milestone bonuses and 64% offer signing bonuses. Spot cash awards have grown more prevalent in nearly every job family since last year, but are most popular in Accounting & Finance (74%), Human Resources (70%) and Customer Service (68%). Currently, the State does not have any programs for monetary incentive awards. Pay increases are determined by the Legislature. Organizations continue to look to variable pay as they struggle to afford and sustain compensation levels. The percentage of companies offering short-term incentives to at least one employee group grew slightly to 81% as more companies look to increase the variable portion of their compensation package. Source: Mercer 2004/2005 US Compensation Planning Survey

One innovative idea would be to allow agencies to pay bonuses from their lapsed salary funds.

Recruitment & Retention

Many factors affect the capacity of an organization to recruit and retain a competent and qualified workforce. Given the occupational diversity of North Carolina's state government, managers and employees alike face substantial challenges in recruitment and retention. Principle concerns include citizens' expectations that state government will protect their health and safety; provide affordable and accessible education; maintain the quality and integrity of the state's environment; offer diverse programs and services for cultural enrichment; and ensure a viable, safe infrastructure and transportation system. The state must meet these expectations and comply with legislative mandates for services to citizens.

Compensation and benefits are obviously key factors in the recruitment and retention of employees for any organization. In North Carolina, data shows erosion of health care benefits, especially as it relates to having a choice in health plans. In terms of compensation, pay for state employees has not kept pace for a number of years with various indices that measure cost-of-living and market movement. Also, North Carolina is significantly behind private and public industry by not offering a match in the State's 401(k) program.

In a report from the Society of Human Resources Management (SHRM), two North Carolina metropolitan areas are in the top 20 for highest projected job growth in the decade from 2003 to 2013 (Raleigh-Durham and Charlotte at numbers 9 and 12, respectively), thus competition for qualified employees will grow. A joint SHRM/CNNfn (Cable News Network-Financial Network) Job Benefits Survey Report indicates the top five benefits most important to overall employee job satisfaction are health care/medical benefits), paid time off, retirement benefits (e.g., defined contribution plans and defined benefit plans, such as 401(k)), dental insurance and a prescription drug plan.

As one example, medical and allied health occupations continue to present particular recruitment and retention concerns. A national shortage of nursing professionals since 1999 has exacerbated the state's chronic difficulty in recruiting and retaining these direct care professionals in the state's psychiatric and prison hospitals, student health services, and similar clinical settings. As reported in past reviews, there are a limited number of psychiatric nurses, as it is a specialized field and many nurses elect to work in other nursing fields. Finally, the mental health reform movement in North Carolina has prompted recommendations to close or consolidate the state's existing psychiatric hospitals. This action likely will further diminish the already too few number of nurses who might be interested in employment with the State.

V. BASE PAY - LABOR MARKET DATA

Methodology

Public and private sector organizations rely upon salary surveys to ensure that they are making informed decisions about employee compensation in terms of cost-effectiveness, recruitment and retention. Sound compensation practices ultimately result in a workforce comprised of competent, skilled employees across multiple occupational areas. Their collective knowledge, skills and competencies directly relate to the accomplishment of the organization's mission and vision. Salary surveys are therefore critical in pricing jobs, diagnosing compensation problems, determining wage parity with market competitors, and in monitoring internal pay equity. Survey data is also essential to organizations in terms of analyzing pay trends, identifying effective pay practices, and establishing a systematic method for setting competitive pay ranges for job classes. This report on North Carolina's compensation practices conforms to these purposes for conducting salary and benefits surveys.

The methodology for analyzing data and identifying pay trends is equally important. The information presented in this report derives from multiple national and local surveys, and it reflects benchmark classes that were deliberately selected to represent each of the twelve occupational groups in the state's pay plan. The survey sample was increased this year to 50 benchmark classes that represent 21% of all employees subject to the State Personnel Act. After identifying the benchmark classes, appropriate labor markets were determined.

Where available composite market rates from two or more credible sources were calculated and the data were made current to December 31, 2004. Current turnover and vacancy rate data for each class are included in the report.

Market data was collected from the following published sources:

- **William Mercer Human Resource Consulting - 2004 US Compensation Planning Survey - A Study of Pay Increases, Incentive Compensation, and Emerging Practices.** Nearly 1,600 organizations provided data for the 2004/2005 US Compensation Planning Survey, representing pay practices of close to 14 million workers. Data representing similar jobs in government, as well as local private industry, were used in comparisons to the State of North Carolina.

- **Watson Wyatt ECS survey of Professional and Scientific Personnel** – A computer based survey of salaries in geographic areas for professional and scientific personnel.

- **CompBase USA** – Data compiled from 369 companies compiling data on over 500 non-exempt and exempt jobs in the Administrative, Human Resources, Marketing/Sales, Accounting/Finance, Purchasing/Materials, Information Technology, Maintenance/Facilities, Production/Assembly/Fabrication and Technical Support Fields.

- **Capital Associated Industries – 2004 North Carolina Wage & Salary Survey** – Wage and salary information from designated areas in North Carolina, with pacesetter organizations (600 or more employees) in an area including Wake, Durham, Orange and Alamance counties. Survey provides area-to-area compensation rates.

- **League of Municipalities Survey** - A compilation of salary data for specific job positions located throughout the state.

- **MAPS Group for the Institute of Government – County Salaries in North Carolina – 2004 - Salaries** and wage profiles by position and information about fringe benefits offered by North Carolina counties.

- **2004 Hay Benefits Report** – An analysis of benefits, perquisites and personnel policies for exempt employees in 1,003 industrial, financial and service organizations throughout the United States. Provides major findings and trends.

- **World at Work - Salary Budget Survey** – 3,272 member responses to a survey presented in both industry and sub-industry and regional categories identifying trends, structures and average salaries broken out in FLSA employment categories (non-exempt hourly non-union, non-exempt salaried, exempt salaried and officers/executives).

- **American Federation of Teachers Public Employees Compensation Survey 2004 – A Survey of Professional, Scientific and Related Occupations in State Government** – a report of collected data from all 50 states and the District of Columbia which includes information on both compensation structures and actual salaries in effect during the survey period.

- **2004 Mercer Spotlight on Benefits** – an ongoing survey of benefit plans that reports benefits information for over 1,000 large US organizations. Information is used to research and identify benefit trends and practices reflecting the American economy and workplace. Each year, the *Spotlight on Benefits* provides a snapshot of the database and what's happening among this cross-section of US employers.

- **Southeastern Salary Conference, 2000 to 2004**; salary and benefits information gathered from surveys from fourteen southeastern states (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Virginia and West Virginia.)

- **Society of Human Resource Management (SHRM) 2004-2005 Workplace Forecast – A Strategic Outlook** – Information based on a survey of human resource professionals and their

views on the key issues in demographics, employment, international affairs, politics, society and science and technology that will have the greatest impact on the workplace in the next decade.

- **National Association of Colleges and Employers Salary Survey** - NACE compiles data from career planning and placement offices of colleges and universities across the US. This report consists of starting salary offers made to new graduates by employing organizations in business, industry, and government and by nonprofit and educational institutes.

- **The Waters Consulting Group, Inc. Wake County, 2004 NC Salary Survey** - A survey conducted by a private firm to analyze, and in this case, reclassify, Wake County employees.

- **Compdata Surveys - Compensation Data 2004 - Carolinas - Pay and Benefits Survey Results** - survey analysis, pay practices and benefit practices for 212 companies in North and South Carolina.

Professional survey methodology standards were used to collect and analyze available salary survey data or to conduct surveys to gather pertinent market information. Survey methodology recognizes the following concepts that have been defined for informational purposes:

- *Labor Market Rate* is the average rate of pay that competitors have reported through surveying in a classification similar to that found in state government.

- *Labor Market Pay Gap* is the relationship expressed in percentage terms between the state's average salary for a benchmark class and the average wage reported for a relevant labor market for that class.

- *Turnover Rate* is a percentage reflecting all separations from employment for both voluntary and involuntary reasons compared to the total number of employees over a span of 1 year.

- *Vacancy Rate* is the percent of positions by classification that are vacant among the total number of positions covered by the State Personnel Act for any specific period of time.

Market Analysis

Average Salary Overall Comparison

An analysis of salary survey data for the benchmark classes indicates state employees' salaries overall trail their equivalent labor market by approximately 10.2%. The table below shows the average annual salary comparison between North Carolina's benchmark class titles and the overall market averages for the past two years. We will continue to monitor this overall statistic in future reports. The percent difference cannot be directly compared year-to-year because the classes sampled and the total number of classes for each year is different. Each year should be viewed as a single snapshot.

Table 3 OVERALL MARKET COMPARISON

Year of Report	North Carolina Pay	Market Pay	% NC Trails Market
2005	41,787*	46,035	-10.2 %
2004	41,431*	46,119	-11.3 %
2003	40,018*	44,486	-11.2 %

*Average annual salary for NC Benchmark classes only

Survey Findings for Selected Benchmark Classes

Market data collected for the fifty (50) benchmark classes in this report were analyzed by staff in the Office of State Personnel and indicate that the average wage for 33 of the 50 classes trailed the market by at least 5%, and 20 of 50 classes trailed by at least 10%. Table 5 lists selected classes that trail the market as shown under "Labor Market Pay Gap". Data indicating turnover and vacancy rates for the period ending June 30, 2004 also have been included to give a more complete view of potential recruitment and retention issues for these classes. It is evident from the data that North Carolina is at a competitive market disadvantage when attracting qualified candidates and retaining skilled employees in many of the benchmark classes. The apparent pay disparity is likely a prominent factor where high turnover and vacancy rates are shown and presents concerns for remaining competitive. See the Market Data Appendix for a complete list of benchmark classes surveyed including turnover and vacancy rates. Of the benchmark classes referenced in this document as being below market, four have had range revisions. In total, in 2004, 202 classes were presented to and approved by the State Personnel Commission for classification and pay actions, resulting in an increase in pay. OSP continues to conduct pay studies and make recommendations for review.

Table 4 SELECTED BENCHMARK CLASSES

Class Title	Average Salary	Market Rate	Labor Market Pay Gap	Turnover Rate FY	Vacancy Rate
Electrician II	30,731	40,273	-31.05%	9.32%	14.13%
Security Guard	21,947	26,774	-22.00%	19.23%	10.17%
Internal Auditor I	40,606	49239	-21.26%	0.00%	5.55%
Executive Assistant	36,227	43,827	-20.98%	7.75%	8.97%
Application Analyst Programmer II	60,581	71,422	-17.90%	6.99%	10.65%
Staff Nurse	41,579	46,328	-11.42%	29.03%	19.30%
Occupational Therapist I	50,702	54,703	-7.89%	23.81%	24.56%
Social Worker II (BSW)	33,626	35,899	-6.76%	20.00%	27.18%

Note The State's average turnover rate for all occupations in fiscal year 2003-2004 was 12.59%.
Local and State Government average turnover rate for all occupations in fiscal year 2003-2004 was 14.7%.
Private Industry's average turnover rate for all occupations in fiscal year 2003-2004 was 40.9%.
Source: US Department of Labor, Bureau of Labor Statistics 2005

Comparison to Southeastern States

NC Average Salary Compared to the Southeastern States: Table 5 shows average salaries for North Carolina as compared with other states in the southeast region. The purpose of this chart is to demonstrate the changing trend in North Carolina's pay relative to other states. As an employer in the southeastern states, North Carolina's average pay remains comparable. However, our relative pay position to the southeastern states has eroded. Our comparative lead has decreased in the past five years by 60% from the year of our highest lead, year 2000, to the present, as illustrated in Table 5. One obvious explanation for this five-year trend is that other southeastern states are receiving higher annual salary increases than North Carolina.

Table 5 COMPARISON TO SOUTHEASTERN STATES

	2000	2001	2002	2003	2004
All SE States	29,794	31,599	32,275	33,245	33,646
North Carolina	32,722	32,722	33,529	33,655	34,979
NC Differential	**8.95%**	**3.43%**	**3.74%**	**1.22%**	**3.81%**

Source: Southeastern Salary Conference - 2004

Comparison to Contiguous States

NC Average Pay Comparison to Contiguous States: Perhaps a more immediate comparison is North Carolina to her border states. A pay history comparison with three neighboring states reveals that North Carolina trails both South Carolina and Virginia. While North Carolina traditionally leads Tennessee in pay the differential is slipping. (See Tables 6, 7, and 8.) Accurate data was not available from Georgia.

North Carolina trailed South Carolina for each of the four reported years. Accurate data was not available for 2004.

Table 6 COMPARISON TO SOUTH CAROLINA

	2000	2001	2002	2003
South Carolina	33,790	36,436	35,292	37,402
North Carolina	32,722	32,722	33,529	33,655
NC Differential	**-3.26%**	**-11.35%**	**-5.26%**	**-11.13%**

Source: Southeastern Salary Conference - 2004

A four-year comparison with Virginia shows that North Carolina trailed average salary in each of the four years. Virginia did not report data for the year 2000. Virginia's lottery may help explain this pay difference.

Table 7 COMPARISON TO VIRGINIA

	2001	2002	2003	2004
Virginia	35,687	35,732	35,816	36,697
North Carolina	32,722	33,529	33,655	34,979
NC Differential	**-9.06%**	**-6.57%**	**-6.42%**	**-4.91%**

Source: Southeastern Salary Conference - 2004

Although North Carolina has led Tennessee the past five years, there has been a 47% decrease in the pay gap from the year 2000 to the present. This is due to Tennessee's employees' consistently receiving pay increases over the past five years.

Table 8 COMPARISON TO TENNESSEE

	2000	2001	2002	2003	2004
Tennessee	30,286	31,012	31,158	32,218	33,745
North Carolina	32,722	32,722	33,529	33,655	34,979
NC Differential	**7.45%**	**5.23%**	**7.07%**	**4.27%**	**3.53%**

Source: Southeastern Salary Conference - 2004

Comparison of NC Base Pay Increases to Local Municipalities

The State must compete for qualified candidates to fill vacant positions with private firms and other local government jurisdictions. Increasingly, local governments are offering employees more competitive pay and benefits packages than the State. Thus, in this year's report we include compensation data from local government entities for comparison.

While the State has not been able to grant base pay increases in recent years, many counties throughout the State have provided their employees cost of living increases. In the most recent Fiscal Year: 67 NC counties provided cost of living increases with an average increase amount of 2.9% while the state after two years of no increase provided 2.5% or $1,000. (Source County Survey 2004 (MAPS Group))

Increasingly, the State is finding itself at a competitive disadvantage with local governments. Table 9 offers examples of a few classes of interest in which the State's pay lags local municipalities.

Table 9 COMPARISON OF LOCAL MUNICIPALITIES

NC Class Title	Municipalities Average Pay	North Carolina Average Pay	Pay Differential Percent
Police Officer	31,782	29,940	-6.15
Mechanic I	29,579	24,440	-21.03
Attorney II	81,182	64,483	-25.90
GIS Technician	34,019	31,866	-6.76
Survey Technician II	40,744	39,319	-3.62
Office Assistant IV	28,390	27,224	-4.28

Source: League of Municipalities Survey 2004

Comparison of Pay Increases of State Employees and NC Teachers

The General Assembly grants legislative increases to teachers, as well as regular state employees. Table 10 illustrates a comparison of teacher pay increases to state employees. State employees have received smaller increases than teachers in each of the six years. Additionally, teachers receive automatic annual step increases.

Table 10 COMPARISON OF TEACHERS TO STATE EMPLOYEES INCREASES

Years	Teacher's Increase	State Employee's Increase
2004 - 2005	2.5% (average)	2.5% or $1,000
2003 - 2004	1.81%	$550 bonus (Leave)
2002 - 2003	1.84%	0 (Leave)
2001 - 2002	2.86%	1.9% (Average on $625)
2000 - 2001	6.5%	4.2% & $500 bonus
1999 - 2000	7.5%	3% & $125 bonus
Total Base Increases	23.01%	11.6%

Source: Legislative Report Page, Public Schools of North Carolina and Annual Approved Budget Act

New Graduates Starting Pay Analysis

The State must compete with private companies and local governments for qualified candidates to fill vacancies. One measure of the State's ability to compete in the labor market is the ability to offer competitive starting salaries for college graduates that are being recruited and hired by competitors. The National Association of Colleges and Employers Salary Survey (NACE) found that 53% of participating colleges report more employers recruiting on their campuses during 2004 than 2003. They report a continuing positive trend in starting salaries.

Table 11 provides information on the reported average starting pay offers made to graduating students in seven functional areas of interest. North Carolina's class title and minimum pay is compared. An analysis confirms that the State's overall salaries trail most of their equivalent labor markets on average, by as much as 43.5%, as illustrated in Table 11.

Table 11 NEW GRADUATE'S STARTING PAY ANALYSIS

NC Class Title	NACE Starting Salary	NC Hiring Rate	Entry Pay Gap
Accountant I, Trainee	39,884	34,329	-16.2 %
Personnel Technician I	36,425	25,375*	-43.5 %
Applications Programmer I	46,744	35,404*	-32.0 %
Registered Nurse	39,695	31,451	-26.2 %
SBI Agent, Trainee	32,224	30,156	-6.9 %
Human Services Coordinator I, Trainee	25,772	22,219	-15.9 %
Information & Communications Specialist I	28,961	23,921	-21.1 %

Source: National Association of Colleges and Employers 2004
*Class Special Entry Rate

Additional Analysis

Turnover Rates and Cost

Turnover rates vary among industries, organizations, geographic locations, departments, occupations, and by employee characteristics such as age, education, and organizational tenure. For example, younger, newer, unskilled, and blue-collar employees tend to have higher turnover rates than their contrasting groups. For this reason, turnover should be calculated for various categories of interest, as well as for the organization as a whole. For example, an organization may not have a severe organization-wide turnover rate, but may have a severe departmental turnover rate or a high professional employee turnover rate, which requires appropriate action to alleviate.
Source: Society for Human Resources Management (SHRM)

The cost of turnover is difficult to measure but is very important for organizations to understand. The cost to an organization for each position turnover has been estimated by the experts at anywhere from 50% to 250% of the departing employee's annual salary depending on the type of position being filled. There are many factors included in estimating the cost of

turnover. Some obvious costs include advertising the vacancy, the cost in salaries of employment screening panels, and manager's time spent interviewing candidates. Other costs are not so easily quantified such as lost productivity or lost knowledge from the organization. Other costs include required training and higher rates of mistakes made by new hires. Though the costs may be hard to quantify, they are considerable and should be monitored.

Turnover is a measure of employee separations from an agency or university most often expressed as turnover rate. Two types of turnover are tracked: Total Turnover and Voluntary Turnover. Total turnover includes all separations for any reason. The total turnover rate is calculated by dividing the number of separations by the total number of employees at the beginning of a fiscal year. Voluntary turnover includes separations for reasons that the employee has control of such as resigning to take a job with another employer. Voluntary turnover rate is calculated by dividing the number of voluntary separations by the total number of employees at the beginning of the fiscal year.

Table 12 FOUR YEARS OF TURNOVER RATES - STATE OF NORTH CAROLINA

	2000-2001	2001-2002	2002-2003	2003-2004
Voluntary T/O	11.28%	9.35%	8.42%	8.57%
Total T/O	15.60%	13.88%	12.81%	12.59%

Source: PMIS - PMXTURN

Table 13 FOUR YEARS OF TURNOVER RATES - STATE AND LOCAL GOVERNMENT

	2000-2001	2001-2002	2002-2003	2003-2004
Voluntary T/O	No data	7.4%	7.0%	6.9%
Total T/O	No data	14.5%	14.6%	14.7%

Source: US Department of Labor, Bureau of Labor Statistics 2005

Table 14 FOUR YEARS OF TURNOVER RATES - PRIVATE INDUSTRY

	2000-2001	2001-2002	2002-2003	2003-2004
Voluntary T/O	11.28%	24.2%	22.3%	22.3%
Total T/O	No data	44.5%	41.8%	40.9%

Source: US Department of Labor, Bureau of Labor Statistics 2005

Based on the research, the cost to replace one employee can be calculated by multiplying their total salary (salary plus benefits), times the turnover rate.

To provide an idea of the overall turnover cost we offer the following model:

Average NC Salary: 34,979

The State had a 12.51% turnover rate. Using a conservative 50% cost of turnover, then the cost to the state for 2004 based on position-based salary is $202,021,214. Interestingly, this amount would fund a statewide salary increase of approximately 6.7%. Because the cost of replacing workers is so high, we believe this underscores the need to closely monitor turnover, keep salaries reasonably competitive, and maintain a positive work environment. Uncompetitive salaries and poor working conditions can only exacerbate the turnover rate and increase turnover costs.

Use of Salary Adjustment Funding

One valuable tool that helps keep salaries competitive is the Salary Adjustment Fund. As we enter 2005, there are still concerns. Before last year's salary adjustment funding, use of the State's Salary Adjustment Fund has been limited. That fact, coupled with freezes on hiring, promotions, reallocations and other pay adjustments, have eroded the State's ability to compete for qualified, competent and talented workers in state, regional and national markets. The Salary Adjustment Fund is used to increase salaries in occupational fields, such as those listed in Table 4, where some salaries are significantly below the market. Projected retirements also have the potential to create significant vacancies in many occupational areas in the state's workforce, including those that are critical to the delivery of services to citizens. As a result, many agencies and universities may be facing extreme difficulty in filling critical vacancies without sufficient funds to maintain competitive recruitment.

VI. BASE PAY AND SALARY ADJUSTMENT FUND RECOMMENDATIONS AND PROJECTED

Recommendations

- **Base Pay Increase:**

In order to bring state employees' salaries closer to market rates, a 2% cost-of-living increase, and an allocation to each agency and university to use to reward employees based on competencies and performance. This allocation differs from the recent legislative increases that provided the same increase for all employees, regardless of performance or competency level. Identical increases for all employees tend to overcompensate poor performers and under compensate better performers, the very employees that the State can ill afford to lose to its competitors.

- **Salary Adjustment Fund:**

Market data indicate that for certain occupational areas average state salaries significantly trail their market. The Salary Adjustment fund is needed for additional increases in these classes to bring them in line with their labor market. Recommend that the salary adjustment fund be used for its intended purpose of providing pay improvements in needed areas.

Last year $4.6 million dollars was allocated to the Salary Adjustment Fund. However, because agencies were limited by legislation in the categories for which they could request funds, $5.6 million dollars was requested to address only their highest priority pay issues that met legislative restrictions. Because of the restrictions, some of these were not their most critical need. The allowable categories should be expanded to more fully address agency needs.

- **Additional Compensation Programs:**

Expand the number of compensation programs available to State workers, such as Employee & Team Incentive Pay, in order to match the variety of offerings by many of our competitors.

Projected Cost:

The cost to provide base pay increases has been estimated in the following chart. The projected 10.2% cost is a theoretical amount required to adjust all state employees' pay by the overall market differential, determined for the fifty benchmark classes in this report.

Table 15 BASE PAY IMPROVEMENT COSTS

Percent Increase	2% Increase	3% Increase	4% Increase	5% Increase	10.2% Increase
Cost w/ Retirement & Social Security	$68,283,047	$102,424,570	$136,466,094	$170,707,618	$348,243,540

Based on Employee Payroll of $3,008,991,635 (as of 12/31/04) for 86,023 permanent full- time SPA employees)
Retirement and Social Security = 13.465%

VII. FRINGE BENEFITS

In 1992, the Government Performance Audit Commission [GPAC] recommended that . . .

... the State should offer full, flexible, and portable benefits; determine the most appropriate contribution method; and determine a contribution philosophy for each covered group. The State's employee benefits programs are fragmented and not cost-effective.

A US Chamber of Commerce report has found that employee benefits continue to rise, approaching the halfway point of total payroll costs. Medical benefits accounted for the greatest share of employer benefit costs, averaging $6,277 per worker. According to a survey released by the New York-based Commonwealth Fund, to offset health care cost hikes, one-third (33%) of the companies polled had increased employees' co-payments, 31% had increased their workers' share of premiums and 25% raised deductibles. The 2004 Hay Benefits Report indicates that health care premiums have risen 10% for single participants and 11.2% for family for family coverage. It also reports that the prevalence of completely employer-paid coverage continues to rapidly decline with 17% providing 100% employer-paid premiums in 2004 for single coverage and 6% for family coverage compared to 33% and 12% in 1999, and 35% and 16% in 1994. This report showed North Carolina's premium cost for individuals and families was lower than the overall average of the survey participants.

In the SHRM 2004-2005 Workplace Forecast Survey, the number one job satisfaction aspect for employees at all ages was *benefits*. The survey also reflects the rise in health care costs as the number one key economic trend, and a rise in retiree benefit costs as the fourth highest economic trend.

In 2004, the state's benefits programs remain fragmented with fewer but more expensive options for health care coverage than existed in 1992 and separate elements administered by different agencies.

Employee benefits are key ingredients in the total compensation package that is a primary attraction in the recruitment of prospective employees particularly in occupations where skills are scarce in the labor market. Benefits are equally critical in the retention of valued and exemplary employees. Benefits as a percentage of total compensation are depicted in the chart below. The state needs to communicate this important aspect of employees' compensation to both current and to prospective employees. One view of a Total Compensation model is shown in Table 16.

Total Compensation Model

Table 16 BENEFITS AS AN AVERAGE PERCENTAGE OF SALARY & WAGES

CATEGORY		PERCENTAGE OF TOTAL COMPENSATION	VALUE
Holidays		4.62%	$1,616.03
Sick Leave		4.62%	$1,616.03
Vacation Leave		7.60%	$2,658.40
OASI – DI [Social Security]		7.65%	$2,675.89
Retirement			
Retirement Systems Pension Fund	**2.17%**		
-Death Benefit Trust Fund	**0%**		
-Retiree Health Plan Reserve	**3.20%**		
-Disability Income Plan	**.445%**	5.815%	$2,034.03
Health Insurance		9.86%	$3,448.93
Longevity Pay		1.50%	$524.68
Total Benefit Value		**41.665%**	**$14,573.99**
In determining the *Percentage of Total Compensation,* the average years of state service are 10.5 years and an average salary of $34,979 as of 12/31/04. The total percentage is added to employees' base pay.			
		Total Base Pay	$34,979
		Total Benefit Value	$14,574
		Total Compensation	**$49,553**

Source: Office of State Personnel, Office of State Budget and Management and the NC Retirement Systems Div.

As shown above, the average percentage of benefits in North Carolina's Total Compensation model is 41.665%. The Bureau of Labor Statistics reports US private industry reporting, on average, benefits cost rose to 40% of payroll costs in 2004.

Paid Time Off Analysis

Paid time off referred to here is employees' time off for which they continue to receive pay. Categories of Paid Time Off include Vacation Leave, Sick Leave, and Holiday pay. The contiguous states of Georgia, South Carolina, Tennessee and Virginia report similar responses to the figure shown for the southeastern states, and so, were not reflected separately. Recommendations follow.

Vacation

Southeastern states average 13.77 days of vacation leave based on 1-4 years of service. Similar to North Carolina the average accrual rate progressively increases to reflect the concurrent increases in years of service. By comparison, North Carolina provides the lowest number of vacation days

accrued for employees with 0-2 years of service and is at the average for 5-14 years. However, North Carolina's average accrued vacation days are higher for employees with more than 15 years of service. Most of the states accrue leave in whole days, (e.g. 12 or 15 days annually), while North Carolina accrues leave in decimal fractions of a day (e.g. 13.75 days annually). This makes it more difficult to explain our vacation benefits package to employees.

Table 17 VACATION LEAVE

Years of State Service	North Carolina	SE States	Differential in Day
0 but less than 5	13.75	13.77	Negligible
5 but less than 10 years	16.75	16.80	Negligible
10 but less than 15 years	19.75	19.77	Negligible
15 but less than 20 years	22.75	22.01	.74
20 but less than 25 years	25.75	23.88	1.87
25 years or greater	25.75	24.47	1.28

2004 Southeastern States Benefits and Pay Practices Survey

Sick Leave

Southeastern states grant an average of 13.45 days per year sick leave for employees regardless of service. North Carolina is below the average for all southeastern states at 12 days per year of employee sick leave. Two other states [Arkansas and Tennessee] among those surveyed grant the same number of sick leave days as North Carolina. The most frequently reported number of sick leave days granted per year among southeastern states is 15 days.

Table 18 SICK LEAVE

Sick Leave	North Carolina	SE States	Differential
Accrual	12 Days	13.45 Days	- 1.21 Days

2004 Southeastern States Benefits and Pay Practices Survey

Holidays

North Carolina is competitive with the other southeastern states in recognized holidays. The total average for all southeastern states in the survey was 11.42 holidays. That is slightly greater than the 11 holidays granted state employees in North Carolina.

Table 19 HOLIDAYS

Holiday Leave	North Carolina	Southeastern States
Days per Year	11	11.42

2004 Southeastern States Benefits and Pay Practices Survey

Currently, the Office of State Personnel and the University of North Carolina are investigating a unified leave program to combine sick and annual leave into a single Paid Time Off leave category, simplifying leave management and allowing more flexibility of use by employees.

Health Insurance

State employees continue to express concern about health care coverage in response to increasing out-of-pocket costs as well as diminished options for coverage. The state's health insurance program no longer

represents an attractive benefit for many current and prospective employees. With the elimination of HMO's and similar providers, employees no longer have options for health care coverage other than the State Health Plan. Of the southeastern states surveyed, 100% reported that they offer their state employees HMO or PPO plans, as well as a traditional health plan. HMO (Health Maintenance Organization) is a plan where employees obtain their care through a primary care provider, have known co-payments and can easily obtain preventative care. PPO (Preferred Provider Organization) is a plan where employees may obtain medical care through a clearly identified network of providers, but have access to care outside the network at a higher cost. North Carolina is the *only* southeastern state that fails to offer HMO or PPO coverage or other health care options for its employees.

In a recent Employee Opinion Survey conducted by the Office of State Personnel, 89.4% of employees responding favored a program allowing individual selection of personal and family benefits from a menu of benefit options. The same survey also reported that 83.4% of respondents stated the level of importance placed on pay and benefits for determining whether to stay in state government is increasing. 44% of employees reported that they could not afford the state health plan rates for family coverage. Data indicates that the increased premium costs for health insurance have forced some 4% of state employees to drop their family coverage because it is not affordable. As a result, some state employees cannot afford to provide health insurance coverage for their children unless they purchase lower cost coverage through other providers or have coverage under a spouse's health insurance plan. The trend is not improving. Additional premium increases will likely increase the number of state employees who can no longer afford family or child coverage. These trends will clearly restrict the state's ability to market its health insurance plan as an attractive benefit to prospective employees given the increasing out-of-pocket costs, lack of choice and higher premiums.

Comparison to Southeastern States

A review was conducted of health insurance coverage for employees in fourteen southeastern states. The results indicate that 11 of 14 (79%) southeastern states subsidize their employees' dependent care coverage. Only North Carolina, Kentucky and Mississippi do not subsidize dependent care coverage. Amounts subsidized varied greatly by state and type of health plan employees selected. North Carolina contributes $285.92 per month for Employee Only coverage but zero additional allowance is made for Dependent (Family) coverage.

Table 20 SURVEY OF HEALTH INSURANCE COVERAGE FOR DEPENDENT CARE AND CHOICE OF PLAN

Survey Participants	Percent that Subsidizes Dependent Coverage	Percent that Offer More than One Health Plan
Southeastern States	79%	100%*

Source: 2004 Southeastern States Benefits and Pay Practices Survey
* Except State of North Carolina

Comparison to Local Government Practices

In surveys, local governments report on choice of health plan, deductibles and employee and agency cost. The comparative results are in Table 21.

Table 21 SURVEY OF LOCAL GOVERNMENT'S HEALTH INSURANCE PRACTICES

Agency	Choice of Plans	Normal Deductible	Normal Co-pay	Amount Employee Pays	Amount Agency Pays
Charlotte	YES			10%	90%
Durham	NO				$167.40
Fayetteville	NO			$22.00	$360.00
Greensboro	YES			$25.00	$225.00
Raleigh	YES				$270.00
Winston-Salem	YES			$19.00	$171.00
Buncombe County	YES	$0.00	$15.00	$30.44	$441.07
Cumberland County	YES	$0.00	$15.00	$21.00	$248.33
Durham County	YES	$300.00	$10.00	$0.00	$266.00
Guilford County	YES	$0.00	$15.00	$22.10	$317.50
Mecklenburg County	YES	$200/$400	$15/$20	$0.00/$20.70	$420.53/$385.37
Wake County	YES	$0.00	$25.00	$25.00	$310.00
State of North Carolina	**NO**	**$350.00**	**$15.00**	**$0.00**	**$285.92**

The above information applies to employee only coverage. Source: North Carolina League of Municipalities 2002-2003 Biannual Survey of Municipal Fringe Benefits and the County Salaries in North Carolina 2004

Ten of the twelve local government jurisdictions surveyed above offer a choice of health care plans to their employees while North Carolina provides its employees no choice of health plan. Other information such as deductibles, co-pay and contribution amounts are provided for comparison.

Supplemental Insurance Products (Post-Tax & Pre-Tax Plan)

In 1985, GS 58-31-60 was passed establishing an Employee Insurance Committee designed to review insurance products currently offered through payroll deduction to the State employees in the Employee Insurance Committee's Payroll Unit. These committees are responsible for selecting the type of insurance products that reflect the needs and desires of the employees in the Employee Insurance Committee's Payroll unit.

In the past, there were several attempts made by various committees to address establishing a statewide insurance committee similar to the statewide Flexible Benefits Program Advisory Committee and locating centralized administration in the Office of State Personnel or any other appropriate agency. In the report of the Senate Select Committee on State Employee Insurance Issues dated April 18, 1996, a draft bill with an act to amend the laws governing employee insurance committees was prepared. Legislation was passed to combine the 22 insurance committees within DHHS into one committee so those employees within the department could have the same post-tax supplemental products. This enables employee's portability of their benefits within that department, and reduced rates for employees. The legislation was accordingly passed and changes were implemented.

We are now facing a similar situation where employees cannot carry over some of their benefits to other agencies when they get transferred or hired by a different agency/university, as the two agencies/universities may have different benefits. Two important benefits, term life insurance and short-term disability, are often requested by agency Benefit Representatives to be made available to all employees. In 2005, a pre-tax Voluntary Term Life Plan is available to all State employees.

In 2004, a Flex Debit Convenience Card was introduced for those participating in Spending Accounts. 2005 NC Flex benefits has new offerings, such as the pre-tax Voluntary Term Life Plan and Cancer Insurance, which provides coverage for cancer treatment, as well as 29 other specified diseases.

Statewide Flexible Benefits Program (NC Flex)

The State's Flexible Benefits Program now includes the following:

- Dental Plan with three available plan options that cover a portion of expenses for preventive, basic and major dental services and orthodontia. The new third option is to set money aside from an employee's salary on a pre-tax basis for out-of-pocket dental expenses under the Health Care Flexible Spending Account (HCFSA), whether you select dental coverage or not.
- Vision Care Plan with two vision plan options that cover a portion of expenses for eye exams, eyeglass lenses, frames and contact lenses.
- Voluntary Accidental Death & Dismemberment Insurance that provides a benefit in case of an accident, either on or off the job.
- Health Care Flexible Spending Account which puts money aside in an account on a pre-tax basis to pay for health care expenses not covered under the State Health Plan or under another medical, dental, or vision plan.
- Dependent Day Care Flexible Spending Account places money in an account on a pretax basis to pay for day care expenses.
- Supplemental Hospital and Medical Indemnity Plan that covers a portion of office visits and inpatient stay.
- Voluntary Group Term Life Insurance which allows employees to purchase up to $100,000 of term life insurance without providing evidence of insurability, and amounts up to $500,000 when providing such evidence.
- Cancer Insurance, which offers two plan options and two coverage levels, depending on how much coverage is needed. This plan also provides benefits for 29 other specified diseases, such as Muscular Dystrophy, Multiple Sclerosis, Tuberculosis, Sickle Cell Anemia and Cystic Fibrosis. Upon initial enrollment, no evidence of insurability is required.

In 2004, 101,000 participants from the agencies and universities, including university EPA (Exempt from Personnel Act) employees, took advantage of the pre-tax savings offered by this program administered by Office of State Personnel. Enrollment for 2005 exceeds 131,000 participants.

Retirement

The percent factor used by southeastern states to calculate retirement benefits ranges from 1.6% to 2.5% times Average Final Compensation. North Carolina's factor used to calculate pension benefits is 1.82%. Five southeastern states (Alabama, Kentucky, Louisiana, Oklahoma, and West Virginia) have a rate that is higher than North Carolina's 1.82%.

In North Carolina, the employer contribution on behalf of employees in the Teachers & State Employees Retirement System [TSERS] has dropped from 5.33% to the current level of 2.17%.

COMPARISON OF THE NUMBER OF EMPLOYEES ELIGIBLE TO RETIRE WITH FULL BENEFITS AS OF JULY 1, 2004
AND THE NUMBER OF ACTUAL SPA RETIREMENTS IN 2004

Table 22

CATEGORY	General Government	Universities	Law Enforcement	Percent of Workforce	TOTAL
TOTAL RETIRED	991	522	53	1.825%	1,566
TOTAL ELIGIBLE*	3,078	1,740	114	5.75%	4,932

Source: NC Department of the State Treasurer, Retirement Systems Division and PMIS.
* Defined as eligible to retire with unreduced benefits.

The Retirement System expects increases in the number of retirements and the System's consulting actuary projects that retirements could be up. These increases point to the first wave of the "baby boomers" reaching retirement age. However, stagnate employees' salaries, a shrinking workforce with growing workloads, and the foreseen continuation of this trend, have likely contributed to the recent increase in retirements. Source: NC Department of the State Treasurer, Retirement Systems Division

Supplemental Retirement Programs

Besides the traditional retirement program, the State offers voluntary supplemental retirement programs **(a 401(k) plan, a 457 (b) plan and a 403(b) plan.)** North Carolina does not match employee contributions. According to Mercer Consulting, 78% of public and private organizations offer an employer match that averages 4% of an employee's pay. The key driver in determining the value of a Deferred Contribution plan is the amount of an employer's contributions.

The following are the results reported for the 100 North Carolina County governments. A review of the past three years reveal that more than half of North Carolina's 100 counties have consistently made matching 401(k) contributions (see Table 23). This year, 54% of the counties offered an employer match or contribution averaging 3.81%. North Carolina State Government provides no contribution to 401(k) except for law enforcement employees. Clearly, the State of North Carolina is behind market by not offering a match, which greatly affects the State's perception as being an employer of choice.

Table 23 THREE-YEAR COMPARISON OF COUNTY GOVERNMENT'S 401(K) PLANS

Program Plan	% Counties in 2002 Contributing to 401(k) Programs	% Counties in 2003 Contributing to 401 (k) Programs	% Counties in 2004 Contributing to 401 (k) Programs
Matching 401(k) in NC Counties	50%	53%	54%

Source: County Survey 2004 (MAPS Group)

Table 24 SURVEY OF LOCAL GOVERNMENT'S DEFERRED COMPENSATION / RETIREMENT PROGRAMS

Municipality	401(k)/457(b) Match	401(k)/457(b) Contribution	Municipality Contributes to Retirement Program?
Charlotte	-	3% 401(k)	Yes
Durham	Up to 5% 401(k)	-	Yes
Fayetteville	No	No	Yes
Greensboro	-	2% 457(b)	Yes
Raleigh	$2 for every $1 457(b)	-	Yes
Winston-Salem	No	No	Yes
Buncombe County	-	6% 401(k)	Yes
Cumberland County	No	No	Yes
Durham County	5% either 401(k) or 457(b)	-	Yes
Guilford County	-	5% 401(k)	Yes
Mecklenburg County	Up to 4% 401(k)	-	Yes
Wake County	-	5% 401(k)	Yes

Source: Office of State Personnel Survey January 2005

Five southeastern states provide employees with 457 Deferred Compensation contributions and South Carolina contributes both to 457 and 401k supplemental retirement programs.

Table 25 NUMBER OF SOUTHEASTERN STATES CONTRIBUTING FOR EMPLOYEES

Program Plan	# of States that contribute to 457 / 401k
457 Deferred Compensation	5
401k Supplemental Retirement	4

Source: 2004 Southeastern States Benefits and Pay Practices Survey

Another program to be considered is a **Deferred Retirement Option Program (DROP).** As was reported last year, several states have introduced a DROP accounts that are optional payment forms under defined benefit plans that allow participants to elect to receive a lump sum in exchange for a reduced monthly benefit for life. The design of the DROP program can be cost neutral. The DROP allows employees who are within five years of normal retirement to retire, but continue to work and join the DROP. During the ensuing five years, enrolled employees may continue to work and receive their current wage and benefits package. The state would begin making pension plan payments to those employees' 401(a) DROP accounts, which will have a guaranteed annual return and regular cost-of-living increases. When employees actually retire, the state would permit each DROP participant to take a lump-sum payment, roll the full amount into a tax-qualified plan (such as IRA) or roll part of the DROP to a tax-qualified plan and take the remainder in cash.

As an example, the state of Florida introduced a 401(a) DROP in 1998 for nearly 650,000 state employees. The program allows employees who are within five years of normal retirement (30 years of service or are at least age 62 with six years service) to continue to work and join the DROP. During the ensuring five years, enrolled employees may continue to work and receive their current wage and benefits package. The state begins making pension plan payments to those employees' 401(a) DROP accounts, Other southeastern states that recently have implemented the DROP include Alabama, Louisiana, and South Carolina.

The most obvious motivation for North Carolina to offer a DROP option is to make it attractive for highly skilled employees nearing retirement to remain in the State's service. Otherwise, these key employees may opt to contract their services through a third party employer back to the State at a much higher cost in wages or market their key skills developed during years of State service to another employer. In the latter case, the agency must incur the cost of hiring and training their replacements.

Some states have also established a **Partial Lump Sum Option Payment (PLOP)** for certain retirees and benefit recipients. The PLOP is an option at retirement that allows a recipient to initially receive a lump sum benefit payment along with a reduced monthly retirement allowance. The PLOP is a method in which a member, at the time of retirement, may elect to receive a partial lump sum payment amount and a reduced monthly allowance. The lump sum payment cannot be less than six times or more than thirty-six times the monthly amount that would be payable to the member under the plan of payment selected and shall not result in a monthly allowance that is less than fifty percent of that monthly amount. The total amount paid as a lump sum and a monthly benefit shall be the actuarial equivalent of the amount that would have been paid had the lump sum not been selected. As a lump sum distribution, the PLOP is fully taxable and is subject to division of property orders, if applicable.

Work Hours

The following table reflects the standard employee work hours as reported by several local governments. State government employees have longer workweeks than three local government jurisdictions within the Wake, Durham, and Orange county area where approximately 35,000 State workers are employed. Overall, four of the twelve jurisdictions reported that they offer work schedules less than the State government's standard 40 hours.

Table 26 **SURVEY OF LOCAL GOVERNMENT WORK HOURS**

Jurisdiction	Work Hours Weekly	Jurisdiction	Work Hours Weekly
Charlotte	40	Wake County	40
Fayetteville	40	Durham City	37.5
Winston-Salem	40	Raleigh City	38.8
Cumberland County	40	Buncombe County	37.5
Guilford County	40	Durham County	37.5
Mecklenburg County	40		
Survey Average			39.3
North Carolina State Government			40

Source: League of Municipalities 2002-2003 Biannual Survey of Fringe Benefits & County Survey 2004 (MAPS)

Benefits Recommendations:

- Reinstate self-funded HMO and/or add PPO plan options so that employees have an option besides the indemnity plan. Previously, North Carolina had 11 HMOs from which employees could choose. Employees can better meet the out-of-pocket expenses with HMOs and PPOs rather than pay the State Health Plan's deductibles. Recommend an independent study.

- Change the State Health Plan Year from July 1 - June 30 to January 1 - December 31, so that SPA employees can better plan their out-of-pocket expenses and their strategy for taking advantage of the NC Flex program.

- Increase the employer's portion of the premium for the state health plan to subsidize dependent care coverage. Eliminate full health benefits for employees retiring with the minimum of 5 years service.

- Match a portion of employees' 401k contributions. State matching may be phased in by granting 1% in the current year and an additional 1% each of the next years to 5% total matching contribution by the State for non-law enforcement employees.

- Consider a Deferred Retirement Option Program (DROP). It allows retirement eligible employees to continue to work while pension payments are made to a DROP account. This would be a valuable tool in minimizing the negative effects of increasing numbers of "baby-boomers" reaching retirement eligibility.

- Centralize coordination of supplemental benefits and centralize coordination of supplemental benefits and consolidate supplemental benefit plan offerings in a menu approach for portability and cost savings. Allow employees to select plan products that meet their needs.

- In order to be competitive in the market, we recommend the following:

  1. Combine Leave Accrual categories 0-2 and 2 but less than 5 into one. Increase the Vacation accrual rate by ¼ day per annum for employees in the category 0-5 years and adjust other categories to reflect a whole number of accrual days, making North Carolina's benefits package more attractive and matching other leading southeastern states in vacation leave benefits (see table 27).

  2. Increase the Sick leave accrual rate by 2 days per annum, making North Carolina's benefits package more attractive and matching other southeastern states in sick leave benefits (see Table 28).

  3. Increase the number of holidays by one day in years where eleven are presently granted (see Table 29). Adding the holidays will make North Carolina's overall benefits package more attractive to employees and prospective employees.

- Continue researching and exploring the possibility of a unified Paid Time Off leave program.

Table 27 PROPOSED INCREASES TO VACATION LEAVE ACCRUAL

Vacation Leave

Years of State Service	Current Days Granted Each Year	Additional Days Granted Each Year	Proposed Total Days Granted Each Year
0 but less than 5 years	13 ¾	¼	14
5 but less than 10 years	16 ¾	¼	17
10 but less than 15 years	19 3/4	¼	20
15 but less than 20 years	22 ¾	¼	23
20 years or more	25 ¾	¼	26

Table 28 PROPOSED INCREASES TO SICK LEAVE ACCRUAL

Sick Leave

Current Days Granted Each Year	Additional Days Granted Each Year	Proposed Total Days Granted Each Year
12	2	14

Table 29 PROPOSED INCREASES TO HOLIDAY LEAVE

Holiday Leave

Current Days Granted Each Year	Additional Days Granted Each Year	Proposed Total Days Granted Each Year
11 in some years 12 in some years	Add 1 day in years where only 11 days are granted	12

*Currently 11 Holidays when Christmas falls on Monday or Friday and 12 Holidays when Christmas falls on Tuesday, Wednesday, or Thursday

If the above recommendations are not implemented, it is strongly recommended that the following be seriously considered:

- Develop an employer supplemental benefit enhancement program providing a fixed amount of $500 annually with employees having the option to apply towards:

  a. dependent health coverage, or
  b. NC Flex benefits package, or
  c. 401-k {457(b)} {403(b)} contributions, or
  d. post-tax supplemental benefit plans.

- Provide leave time in the amount of 3 days, which would move from current earned sick leave and moved to vacation leave. Employees could elect to use three days from current earned sick leave time for personal reasons.

Appendix
Market Data

- *History of Legislative Increases, 1992-2004*
- *List of Benchmark Classes*

History of Legislative Increases for NC State Employees 1992 - 2004

Year	*Cost-of-Living Increase*	*Career Growth Increase*	*Bonus Increase*
1992	$522	0	0
1993	2%	0	1% Bonus
1994	4%	0	1% Bonus
1995	2%	0	0
1996	2.5%	2%	0
1997	2%	2%	0
1998	1%	2%	1% Performance Bonus
1999	1%	2%	$125 Performance Bonus
2000	2.2%	2%	$500 Bonus
2001	$625	0	0
2002	0	0	10 days, one-time, Leave
2003	0	0	$550 Bonus plus 10 days, one-time, Leave
2004	2.5% for salaries over $40K; or $1000 / yr for salaries under $40K	0	0

Benchmark Classes
Labor Market Data Summary

Class Titles	North Carolina Salary	Market Rate	Labor Market Pay Gap	Turnover Rate FY	Vacancy Rate	Ees
Accountant I	44,103	42,792	2.97%	10.22%	10.23%	184
Accounting Manager I	70,410	89,290	-26.81%	9.09%	8.00%	23
Accounting Technician III	32,758	34,805	-6.25%	6.94%	9.81%	375
Administrative Secretary III	32,497	37,524	-15.47%	10.44%	9.74%	346
Applications Analyst Programmer II	60,581	71,422	-17.90%	6.99%	10.65%	254
Applications Systems Manager I	93,179	77,047	17.31%	0.00%	0.00%	8
Artist Illustrator II (Graphic Artist)	32,771	34,868	-6.40%	17.98%	6.19%	87
Chemist II	47,650	49,565	-4.02%	16.67%	0.00%	18
Clinical Dietitian I (Registered)	38,617	40,280	-4.31%	6.90%	3.57%	26
Computer Operator	31,389	32,939	-4.94%	66.67%	16.66%	19
Cook II (Dietary Cook)	22,620	24,106	-6.57%	17.83%	9.14%	32
Correctional Officer	26,280	27,638	-5.17%	0.00%	0.00%	0
Electrician II	30,731	40,273	-31.05%	0.00%	2.56%	38
Environmental Engineer II	53,188	60,442	-13.64%	4.55%	6.67%	165
Executive Assistant I	36,227	43,827	-20.98%	14.89%	9.58%	6,838
Facility Mechanical Engineer I	57,936	54,995	5.08%	7.21%	12.21%	14
Forester I	34,388	34,670	-0.82%	9.32%	14.13%	158
Housekeeper	20,003	20,370	-1.83%	10.66%	12.33%	124
HVAC Mechanic	33,208	37,426	-12.70%	7.75%	8.97%	132
Information and Communication Spec. I	30,602	33,847	-10.60%	0.00%	11.11%	16
Internal Auditor I	40,606	49,239	-21.26%	50.00%	30.77%	10
Librarian II	36,188	34,219	5.44%	0.00%	3.77%	36

Note: Column Header "Ees" is the number of employees in the class

Benchmark Classes
Labor Market Data Summary

Class Titles	North Carolina Salary	Market Rate	Labor Market Pay Gap	Turnover Rate FY	Vacancy Rate	Ees
Maintenance Mechanic IV	32,171	33,876	-5.30%	6.59%	8.91%	443
Mechanic II	32,367	36,651	-13.24%	10.29%	3.52%	136
Medical Laboratory Technologist II	39,984	43,877	-9.74%	7.90%	15.91%	70
Nurse Supervisor I (Head Nurse)	46,576	58,182	-24.92%	9.09%	28.57%	6
Occupational Therapist I	50,702	54,703	-7.89%	23.81%	24.56%	38
Office Assistant IV	27,298	29,311	-7.37%	12.85%	12.93%	2,041
Paralegal II	35,360	47,248	-33.62%	8.51%	9.62%	45
Park Superintendent III	47,724	45,873	3.88%	0.00%	0.00%	8
Personnel Analyst II	49,748	52,201	-4.93%	12.12%	6.85%	70
Personnel Officer III	59,135	75,965	-28.46%	25.00%	0.00%	4
Pharmacist (Licensed)	68,216	86,012	-26.09%	11.11%	0.00%	2
Physical Therapist I	55,463	58,145	-4.84%	22.22%	40.00%	7
Physician Extender II	64,485	68,149	-5.68%	10.45%	24.18%	65
Police Officer I	30,087	29,959	0.42%	29.95%	14.22%	195
Practical Nurse II	29,300	33,061	-12.84%	16.13%	13.89%	29
SBI Agent I	38,493	42,497	-10.40%	5.88%	12.20%	63
Security Guard	21,947	26,774	-22.00%	19.23%	10.17%	51
Social Worker II (BSW)	33,626	35,899	-6.76%	20.00%	27.18%	70
Social Worker III (MSW)	36,723	45,213	-23.12%	9.85%	13.25%	125
Speech and Language Pathologist I	45,728	46,265	-1.17%	30.16%	27.03%	51
Staff Nurse (RN)	41,579	46,328	-11.42%	29.03%	19.30%	43
Systems Programmer II	62,623	66,728	-6.55%	5.66%	5.26%	51
Telecommunications Equipment Tech III	49,992	56,426	-12.87%	25.00%	15.38%	11
Transportation Engineer I	44,901	45,213	-0.70%	7.75%	19.57%	279
Vocational Rehabilitation Counselor I	34,322	34,167	0.45%	22.45%	7.82%	153
Welder II	32,314	35,338	-9.36%	6.67%	8.82%	31

Note: Column Header "Ees" is the number of employees in the class

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 15, 2005
Room 425
8:30 a.m.

Chairman: Representative Alma Adams

Administrative Issues (Handout)

Subcommittee Targets - p 1
Subcommittee Rules - p2
Targeted Zero-Based Budgeting - p3
Subcommittee Calendar - pp 4-5

Discussion

Department of Cultural Resources

Introduction/Budget Summary/Overview of Department
(Notebook pp 1-7)

Administration

Office of the Secretary
(Notebook pp 8-9-10; B 456-457)

Administrative Services
(Notebook pp 8-9; B 458-459)

Lisbeth C. Evans
Secretary

Office of Archives and History

Overview and Organizational Chart
(Notebook pp 10-12; B 460-461)

Division of Historical Resources - Administration
(Notebook pp 13-17)

Division of Historical Resources

Historical Publications
(Notebook pp 18-20; B 462-463)

Archives and Records
(Notebook pp 21-22; B 464-465)

Historic Preservation
(Notebook pp 23-25; B 475-477)

Office of State Archaeology
(Notebook pp 26-28; B 478-479)

Western Office
(Notebook pp 29-30; B 480-481)

Jeffery Crow
Deputy Secretary
(For David Brooks, Director)

Division of State Historic Sites

Historic Sites
(Notebook pp 31-40; B 466-467)

Tryon Palace
(Notebook pp 41-43; B 468-470)

State Capitol/Visitor Services
(Notebook pp 44-45; B 471-472)

Jeffery Crow
Deputy Secretary
(For Kay Williams, Director)

Division of State History Museums
North Carolina Museum of History
(Notebook pp 46-55; B 494-496)

Maritime Museum
(Notebook pp 56-59; B 473-474)

Jeffery Crow
Deputy Secretary
(For Betsy Buford, Director)

Arts and Libraries
Overview

Staci Meyer
Deputy Secretary

North Carolina Museum of Art
(Notebook pp 60-70; B 482-484)

Staci Meyer
Deputy Secretary
(for Larry Wheeler)

North Carolina Arts Council
(Notebook pp 71-81; B 485-487)

Mary Regan
Executive Director

March 1st

House Pages

1. Name: Casey Horne
   County: Columbus
   Sponsor: Hill
2. Name: Shar-Narré Flowers
   County: Franklin
   Sponsor: Senator Berger
3. Name: Wylie Kuhn
   County: Davie
   Sponsor: senator Bingham
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

LAs: Linda Jonhson
Jamileh Sabir-Calloway
Kathie Austin
Michelle Marilyn Chisen

Sgt-At-Arms

1. Name: Jouisant Avent
2. Name: Martha Parrish
3. Name: Richard Jeffair
4. Name: Leslie Wright

Joint Appropriations Subcommittee on General Government Meeting
Minutes
March 15, 2005
8:30 am

Rep. Alma Adams called the meeting of the Joint Appropriations Subcommittee on General Government to order at 8:30 am. She welcomed the staff, pages, clerk, agencies and Sgt. At Arms. In addition to Chairman Adams, also present were Reps. West, McLawhorn, Pierce, Goforth, Lucas, Wilson, and Tucker and Senators Dorsett, Graham, Brock, and Jacumin. A visitor registration sheet is attached and made a part of the record. Staff present: Michele Nelson, Marilyn Chism and Kathie Young.

Chairman Adams stated that the targets would be shared with the committee, also the rules for the subcommittee, also some discussion on targeted zero based budgeting. The total recommended budget for General Government committee cannot exceed $350.8 million. The targets were developed based on each subcommittee's proportionate share of the total recurring budget for FY 2004-05.

The Chairman reviewed the rules established jointly by the House and Senate Appropriation Chairs to guide the Joint Appropriations Subcommittee on General Government. These rules govern all of the Appropriation subcommittees.

The Senate and House Appropriation Chairs have charged the committee with using a targeted zero-based budget approach in the continuation budget review. General Government chairs have met with staff and will have other presentations from the various departments to make zero-based budget presentations at a later date according to a schedule that has been established. March 28, April 4, and March 31 and have added two additional afternoon meetings in order to meet the deadlines and the target dates of the committee.

Chairman Adams recognized Secretary Lisbeth Evans who gave an overview of the Department of Cultural Resources (DRC). Over the last five years they lost 7% of their staff due to budget cuts. They are active in every county in the State. The archival system for the United States is built on the basis of the archival system of North Carolina. There are 27 historic sites and properties that are managed by the DCR. They are responsible for running all of the museums of the State, including the maritime museums. Libraries also are under the auspices of the DRC. She expounded on the function of the North Carolina Museum of Art, the NC Arts Council, the NC Symphony and the State Library of North Carolina.

Senator Smith asked why the poor counties of North Carolina are not given an equal amount of money for their arts programs. Sec'y Evans stated that the money represented on the graph in the report is a combination of grants that go to them as well as to the grassroots money. The grant process to two tiered. There is grassroots money that is

given on a per capita basis to every county and then in addition grants are given to arts organizations. They encourage those arts organizations to travel to other counties.

Chairman Adams asked how many positions the department has overall and what is the ethnic or gender breakdown of employees.

There are 760 employees. They lost a gross of 63 positions in the last five years. They got 16 back last year: a lost of 47 total in the last five years. (Page 2 of the report) They use lapsed salaries to pay insurance of many of the employees. Without the lapse salary money in many instances there would not be money to pay these premiums.

Senator Dorsett stated that it was her understanding that last year the payment for insurance coverage for the symphony would be paid for by them. It is in the Governor's budget this year.

Ms. Evans stated that the General Assembly gave a grant last year and they used the money to pay for the insurance. The money that came from the General Assembly last year was not earmarked. She gave the following history on why the Symphony is not paying for health insurance. North Carolina has always paid the Symphony's health insurance. The Symphony is an agency of the State but the Symphony musicians have never been State employees. They were treated mostly as State employees up until the '90's. Some time between '88 and early '90's there was a bill introduced that said that if you were appointed to a commission you can no longer buy health insurance and it made an exception for the Symphony. It said all of the Symphony players could continue with their health insurance. Over time those players are no longer with the Symphony and so due to attrition suddenly no player at the Symphony was the State paying health insurance for. Last year we tried to get the law changed so that we could get the Symphony players back on the State health insurance policy. We were very fortunate to be able to do that and as a result, that is what has happened. There is a grant made to the Symphony and the Symphony raises money and out of that grant or the money raised, they pay for their health insurance.

Senator Cowell: Can you speak to the distribution of your personnel throughout the state; 135 statewide, while only 6 at the State Capitol. What drives those numbers?

Ms. Evans: There are seven history museums: Fayetteville, Beaufort, South Port, Manteo, Old Fort, and Elizabeth City. We are very understaffed in these locations. When you have important valuable artifacts open to the public there are a couple of issues.

1. There needs to be security
2. There needs to be preservation and
3. There needs to be education

Unfortunately, one person cannot do all three of those things and that doesn't count maintenance like mowing the grass, etc. We have sites that only have one or two employees.

Chairman Adams recognized Deputy Secretary Jeffrey Crow who began the overview of the Office of Archives and History (page 10.) It is the largest part of the Department of Cultural Resources. We have approximately 400 permanent staff. It is the third oldest State historical agency in the country, established in 1903. RDW Conner was the first Secretary and went on to be the first Archivist for the United States.

There are actually 229 employees that work throughout the State at historic sites. The figure that you picked out (135) is sort of the old core of the historic sites. But when you add in places like the Battleship and Tryon Palace and so on, the figure is actually closer to 229. The other problem with historic sites is that there is a lot of deferred maintenance repair and renovation funds are badly needed. We administer about 298 buildings that are at historic sites alone. Also, since 2000 we have lost about $500,000 in temporary salaries, which was critical money to maintain hours at our historic sites especially on weekends and for special events. One of the ways we have made up for loss of temporary salaries is that we have recruited about 10,000 volunteers at the various historic sites to work for free for the citizens of North Carolina to help maintain our programs. Also our support groups have contributed hard cash to enable us to hire temporary employees to work at the sites.

Turning to page 11, referring to the NC Museum of History. The Museum is in a position whereby its exhibit schedule is not funded. Additional funding is necessary in order to carry out the scheduled. For example we are ready to go with an exhibit on the civil rights movement in North Carolina, but we don't have the money to proceed with it. So we are trying to raise money for that.

We did receive an appropriation of $1.2 million from the General Assembly this year to get our core exhibit, the chronological exhibit back on track. It will take a couple of years to do but at least we have the money to start that process again, having lost that money twice to hurricanes in the '90's.

We fully intend to get the people's copy of the Bill of Rights back. We have been working closely with the US Attorney within the Attorney General's office and we have not given up that fight. At no time has North Carolina ever relinquished its right to its precious document.

Mr. Crow introduced David Brook, Director of the Division of Historical Resources. This is a core of programs that deal with the heritage and patrimony of the State, especially preserving its public record, its archeological resources, its material culture, historic preservation programs, etc. One of the major missions that we are working on right now is the electronic access to public records. There is tremendous demand throughout the country to be able to view documents online so that one does not have to come to the State archive. We have made good progress, but we have a ways to go. We have tens of thousands of documents available on the website for people doing research. It is especially valuable to genealogist, lawyers, various scholars and historians. We get about 10,000 visitors to the archives annually and receive nearly 40,000 inquires either by snail mail or email each year.

Mr. Crow then reviewed the office of Historical Resources Administration and Deputy Secretary's Office. They provide staff for the Federation of NC Historic Societies and for the NC Literary and Historical Association. They sponsor National History Day. They provide field services through educational and public service programs in the Western Office in Asheville and the Eastern Office in Greenville.

He spoke on the Historical Publications Section. We have the largest, most comprehensive roster of Civil War soldiers anywhere in the country. 15 volumes have been published two more volumes are planned including the Union troops that served from North Carolina. There were Union troops that served in North Carolina especially African American Troops were formed in New Bern in the eastern part of the State during the war. The have published books of First Flight, as well as gold mining, several titles on African American history, a new book on the North Carolina State Fair and photographers in North Carolina. These books are distributed widely to teachers, school children and scholars.

He spoke on the Archives and Records Section that conduced statewide archival and records management programs for state, county, and municipal government to provide economical and efficient preservation, maintenance, and access to public records. Space is an issue for archives. We have to rent space each year to manage the State's records. We ran out of space in our State Record Center about 15 years ago.

He stated that we through the State Historic Preservation Office (page 23) we do over 4,000 environmental reviews each year. We work very closely with the department of Transportation to manage the cultural and natural resources of the State. We also participate with the National Register of Historic Places and the National Park Services. During the recent biennium we processed 108 National Register nominations. There is something over 2,000 National Register properties now in the State. In 1997, the General Assembly passed the rehabilitation tax credit that has generated a lot of work for our staff at a time when we were losing staff due to budget cuts. That piggybacks with the Federal tax credit that was established in 1976. This is an extraordinarily popular program. Since 1976 we estimate that the rehabilitation tax credits have generated around $670 million in economic activity in the State.

He reviewed the Office of State Archaeology that is involved in many of the environmental reviews that take place. They also protect the archaeological sites throughout the State, both under water and ground. The most visible project has been the Queen Anne's Revenge project that is the shipwreck off of Beaufort; believed to be Blackbeard's flagship.

He spoke about the Western Office and pointed to the statistics on page 29 of the kinds of services that were provided for the last biennium throughout 23 western counties in North Carolina. One problem with the Western office is that we are renting space and that rent keeps going up and the department is not receiving any increases to offset higher rent. So the "have to rob Peter to pay Paul." We do own a building that was the called the "Colored Nurses dormitory." It's called the O team center at the VA hospital in the east

part of Asheville. Through a memorandum of agreement with the federal government we have taken possession of that building which we intend to turn into our Western office so we will not have to pay rent. But we need the repair/renovation money to bring the building up to standard so that it can be occupied. And Secretary Evans talked about putting a Western Regional Museum in that building as well as our western office staff.

There are 27 State historic sites throughout the State. He spoke briefly about the importance of the Tryon Palace historic site. Approximately 20,000 school children visit Tryon Palace each year. Based on statistics from the Department of Public Instruction, 1/5 of all elementary school children go to our historic sites every year. There is a very active African American research and education program going on at Tryon Palace, chaired by Freddy Parker, Professor of History at North Carolina Central University. Tryon Palace is a public/private partnership. It is supported by appropriations as well as private money and receipts from admissions fees.

The State Capitol was completed in 1840 and is a national historic landmark. Over 100,000 visitors come to visit the State Capitol. The Division of State History museums is an agency of he Office of Archives and History in the DCR. For the second year in a row we have received a major grant from the National Endowment for the Humanities to run a national workshop for teachers to study African American history in North Carolina, specifically Thomas Day. We have a tremendous collection of Thomas Day furniture in the Museum of History and Elizabeth Keckley. Elizabeth Keckley was from Hillsborough North Carolina; she was a slave. She won her freedom and became a close confident and seamstress to Mary Todd Lincoln. There are only 15 of these grants that the NEH gave. Not only does the NEH love what we are doing at the NC Museum of History, but Dr. Bruce Cole, Director of NEH came down and made the announcement this year of those grants at our North Carolina Museum of History.

Rep. Goforth: I don't see anywhere in your report where you show what the costs of the renovations you spoke of.

Mr. Crow: That's not a part of our report. We have a list that we have prepared that lists what those costs are but it is not in this report. We have an estimate of around 119 building and $43 million that need immediate repair.

Rep. Goforth: I think we need to get these buildings repaired so that we don't continue to let them be devastated by the aging of the building. I think we need to start some program and put money in there right now to do that. There is an outstanding building in Asheville that we need to renovate and put the museum in Asheville. We can put $2 million in there and in five years it would pay for itself. It would be an outstanding investment. I don't know how we could get that in the budget but I would recommend that we take a look at that.

Senator Dorsett: There was an article in the paper about the Charlotte Hawkins Brown Historic Site. It is the only African American historic site that is devoted strictly to African American history – it's a part of the Palmer Memorial Institute. The story gave a

very negative impression of the one of the buildings on the site and stated that it was about to fall down. My question is, have we made any attempt to keep this at least where it is maintained at a level of adequacy? It does not appear to be that way right now.

Mr. Crow: We've done the best we can with what little we have. We don't have the money except to board up the windows and put tar on the roofs and things like that.

Rep. Adams: I've been to that site and I noticed in your presentation that with all of the sites that were mentioned, the only African American site was not mentioned. Like the Senator, we have some concerns about that, and as Rep. Goforth has said, we need to start somewhere, otherwise we will be back here two years from now and there won't be anything left.

Secretary Evans: We were not asked to bring our R&R list to the committee. This is the operating part of our budget. We have a very extensive R&R list that we work with on a regular basis. Part of our problem is that we have so many buildings and some of them have come into such disrepair, and Charlotte Hawkins Brown is a great example. We don't have any money on an annual basis to take care of 298 buildings. We didn't even have burglar alarms in all of these buildings. It is a huge issue.

Senator Dorsett: I would like to see the list that you have. It might be just a wish list, but it would helpful for us to see what's on the list and what kind of dollars are required. I have had a concern for some time with the State in putting money into new buildings and not really maintaining the ones we already own. That's something we have done for a long time.

Secretary Evans: We have a list. We have an R&R list and a new capitol list. If I remember correctly on the list that I started over 5 years ago, if we did everything that needed to be done it would be over $200 million and that was not without new construction.

Senator Dorsett: Does your list give priority to those that are in worst condition?

Secretary Evans: Yes. We write grants on a regular basis to try and get federal money. We have spent a lot of time in the last two years and we have written several segment-year treasurer grants for the Charlotte Hawkins Brown facility. The Palmer Institute is a college campus and has several buildings. We have been able to keep the roofs in fairly good shape so that they don't leak and the damage gets inside, but just over time there has been no substantial money spent there. Our staff member there, at the site, Ms. Burns spends her days writing grants to try to get this work done. We have only been able to get private money. Last year we got money to install the burglar alarm.

Mr. Crow: At Somerset Place is in Eastern North Carolina. It is very rural but our manager there, Dot Redford is nationally known. We have reconstructed a slave cabin on that site, we've reconstructed the slave hospital that existed there and the emphasis on the interpretation deals very much with the African American history at that site. As you

know, Dot wrote a book on homecomings and reunions that they do their which has received national attention. The other site is the Stagville Plantation where we still have an 1860 barn that was constructed by slave labor; we still have four houses in which slaves lived. So the African American interpretation at Stagville is also a very important part of what goes on there. I want to reassure you that this is a very important part of the story of North Carolina and we do everything that we can to tell it.

Rep. Adams: I want to reassure you that while I do appreciate what's going on in terms of African American history at all of our museums, it is important that as the only African American site, that we do something to make sure that we do all that we can. You mentioned something about the Civil Rights movement.

Mr. Crow: We intend to do an exhibit at the NC Museum of History on the civil rights movement when we can raise the money to do it.

Rep. Adams: My question is, are you doing any kind of collaboration with the National Civil Rights Museum in Greensboro? Is there a way to work with that establishment?

Mr. Crow: That is a good question and it is certainly something we would be interested in pursuing. I know we have had conversation over the years with them about that. We have done a lot of grassroots work going to communities around the state to generate interest in the project and also find artifacts that we could exhibit.

Rep. Adams: There might be a way to make it happen or at least get some support so I recommend that you contact them.

Senator Smith: on page 34 state historic site, realizing that this is an operations budget and not a repair/renovation budget you have the same number of positions in 04-05 going into 05-06, yet your general fund appropriation increases by $500,000. Can you explain how that happens?

Mr. Crow: Yes, this is the core of 23 historic sites, not the bigger ones like Tryon Palace, etc. These are the 23 of various sizes. $500,000 was for equipment. We have tractors; we have lawnmowers and trucks that are all worn out. We need the appropriation to replace these.

Senator Smith: That is a large increase.

Mr. Crow: An example is that Kaye Williams was driving a State car up for a meeting last week and it died in Clayton. She had to call up and get someone from Raleigh to come and pick her up and bring her to Raleigh. Then she had to go to the motor pool and get another car to drive back. That's a good example of what our problem is.

Kaye Williams: Many of our sites are like farms. We have to maintain a lot of acreage to make it safe for the public. Some actually are farms. We have tractors, grass mowers, all kinds of equipment to keep our operations going. We unusual equipment needs that we

gold mine because we are giving people access to a mine and that has all sorts of safety implications. So we've got different kinds of needs at different sites. During my tenure with the department, we used to be on more of a regular equipment replacement schedule. We maintained records on all of our equipment and every year we would have a moderate amount of equipment replaced across the State. That essentially ended in 2001 and now we've gone a number of years without that kind of regular equipment, and we are patching equipment. Another place where equipment needs are particularly critical is at the transportation museum where we are operating forklifts and things like that. So there are safety issues about using equipment that is worn out and that we've patched up with parts from surplus and that sort of thing. We got into a safety situation at the transportation museum just because we patched up a forklift and it didn't have all the required equipment associated with it and we actually had a fairly serious accident there. So that's what we are trying to prevent, safety wise.

Senator Smith: Do you have a list of equipment that you want to replace or is this just some number you picked out of the air?

Ms. Williams: We have a list.

Senator Smith: Will you provide that to us?

Ms. Williams: Certainly.

Senator Dorsett: Why does the receipts go down so drastically on page 34?

Ms. Williams: We've had fluctuating amounts that private agencies have contracted with DCR to pay temporary salaries. When temporary salaries situation hits there is more willingness to do it and some of those agencies are not as willing to do it as time goes on. That may account for some of it. Beyond that, I don't think it's gated, because I can't think of any other dramatic change. The Fort Group volunteered to pay for temporary workers and they give that money to Cultural Resources. Those individuals are employed and sort of receipted temporary workers. The State pays for it and the support group reimburses the State. I think it is some fluctuation having to do with that.

Rep. Adams: Will you explain item 43, Account number 7995? – Page 476 in the budget book. There is a drop in receipts of about $123,000.

If you don't have that information right now, please bring it this afternoon.

Charlene, Controller – For the last couple of years due to budget cuts she's had to rely on her support groups to help for temporary salaries and that's where we deposited that $123,000 in that one column.

Senator Jacumin – I would like us to get on a regular maintenance schedule for this equipment.

The meeting was adjourned at 9:00 a.m.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

RULES FOR JOINT APPROPRIATIONS SUBCOMMITTEES
2005 SESSION
March 9, 2005

1. Subcommittee targets are spending targets. Subcommittees are encouraged to maximize recurring reductions.

2. Identify all budget adjustments (reductions or expansion) as recurring and non-recurring.

3. Nonrecurring reductions shall not be made to fund recurring expansion items.

4. Negative reserves or "management flexibility" reductions shall not be allowed.

5. Non-recurring expansion items are not allowed in the 2nd year of the biennium (FY 2006-07).

6. Program expansion is not allowed in the 2nd year of the biennium (FY 2006-07). This means no expansion of a program or item funded in the 1st year, and no new programs created in the 2nd year.

7. Expansion positions shall not be phased in during the fiscal biennium, but shall be effective July 1, 2005.

8. Identify all General Fund position changes (eliminations, fund shifts, newly established).

9. Identify all new receipt-supported positions recommended by the subcommittee as either time-limited or permanent positions. If time-limited, <u>specify</u> the anticipated timeframe for which the positions will be funded.

10. Special provisions shall not authorize the expenditure of reversions.

11. Refer <u>all</u> salary-related, state employee health plan, retirement, debt service, and other statewide reserve issues to the Full Appropriations Committee Chairs.

12. Subcommittees considering fee increases to help meet the subcommittee's spending target must <u>first</u> consult with Full Chairs.

13. Reduction strategies should minimize the impact on direct services to clients and consumers. Reduction strategies should address the following:
    - Reduction in layers of management and elimination of duplication of effort (Span of Control);
    - Elimination of administrative inefficiencies;
    - Streamlining and consolidation of departments, programs, offices, and services;
    - Elimination of ineffective or obsolete programs; and
    - Reduction in non-essential government services

JOINT APPROPRIATIONS SUBCOMMITTEES
TARGETED ZERO-BASED BUDGETING APPROACH

The targeted zero-based budget approach assumes the "zeroing out" of certain programs, line items, and funds from the continuation/base budget to permit the subcommittees to hear information from state agencies and nonprofits justifying the continuation of expenditures for these purposes.

As a starting point, the following, as presented in the Governor's Recommended Continuation Budget, are subject to this targeted zero-based budgeting approach for the 2005-07 biennium.

1. Subcommittees should apply the zero-based budget methodology to as many individual programs as possible to help identify non-essential government services, ineffective and obsolete programs, and duplication of effort.
2. Direct appropriations and grants to nonprofit organizations
3. Contracted personal services (expenditure account 531321)
4. Miscellaneous contractual services (expenditure account 532199)
5. Rental/lease of equipment (expenditure accounts 532521 to 532525)
6. Travel and other employee expense (expenditure accounts 5327xx)
7. Cellular phone services (expenditure accounts 532814)
8. Furniture and equipment replacement schedules (expenditure accounts 534500 to 534550)
9. Discretionary grants (expenditure accounts 5364AA)
10. Directed grants (expenditure accounts 5366AA)
11. Loans (expenditure accounts 5367AA)
12. Other aids and grants (expenditure accounts 5369AA)
13. Special fund cash balances (2xxxx budget codes)
14. Positions vacant for 6 months or more as of January 1 2005. (**Note**: *This excludes public school teachers and community college faculty, critical law enforcement and public safety positions, and positions responsible for the custody and care of persons for whom the state is responsible*).
15. Any other programs and expenditures identified by the subcommittees as appropriate for review using a targeted zero-based budget approach.

Subcommittees should also consider:

1. The recommendations applicable to the subcommittee's jurisdiction contained in the Final Report of the Governor's Commission to Promote Government Efficiency and Savings on State Spending, December 2002.
2. The recommendations of other available audits or studies applicable to the subcommittee's jurisdiction.
3. Funding allocation formulas to determine if changes can be implemented to improve the method and achieve cost savings.
4. Agency fees to determine if any increases are appropriate and can be used to off-set operating appropriations.

NORTH CAROLINA

DEPARTMENT OF CULTURAL RESOURCES

Lisbeth C. Evans
Secretary

LEGISLATIVE OVERVIEW

GENERAL GOVERNMENT JOINT APPROPRIATIONS SUBCOMMITTEE

March, 2005

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North Carolina Department of Cultural Resources

Introduction

Mission

The mission of the Department of Cultural Resources is to enrich the cultural, educational and economic well-being of citizens and visitors to North Carolina through the preservation, development, presentations, promotion, and dissemination of artistic, historical, and information resources.

Vision

Our vision is to enrich the lives of all North Carolinians through programs of excellence that emphasize North Carolina's artistic, informational, and historical heritage. Whether a patron is a web service user, a visitor to one of our museums, a researcher in one of our repositories, or present at one of our performances, we strive to ensure that citizens have the finest cultural experiences available.

Goals

1. To make our cultural assets available to all citizens of the State, regardless of where they live, through our facilities, through touring performances, through digital or web based access or through any other means where cultural resources can be disseminated to many

2. To manage and make available the state's historic resources on behalf of present and future generations.

3. To acquire, preserve, and exhibit works of art for the education and enjoyment of the people of the state.
4. To enrich the cultural life of the state by nurturing and supporting excellence in the arts through monetary grants, residencies, and fellowships.

5. To foster musical awareness, enjoyment, and education by performing both major orchestral and educational concerts for the citizens of the state.

6. To provide public library services, give professional consultation to all libraries, and distribute funds to our state's local libraries as well as furnishing books, tapes, and videotapes to the disabled.

7. To manage the state's network and distribution of library and archival resources.

8. To acquire, preserve, and exhibit material culture from the state's history.

North Carolina Department of Cultural Resources

Budget Summary – Fiscal Data

Fund		2005-2006 Recommended Appropriation	2006-2007 Recommended Appropriation	Number of Positions
	Administration			
1110	Office of the Secretary	1,376,824	1,378,292	18.00
1120	Administrative Services	1,577,248	1,578,130	21.00
	Division of Archives and History			
1210	Director's Office	1,001,978	998,296	16.00
1220	Historical Publications	614,384	614,384	12.50
1230	Archives and Records	3,324,250	3,294,637	74.76
1241	State Historic Sites	6,863,956	6,509,755	135.00
1242	Tryon Palace	1,655,770	1,645,236	51.00
1243	State Capitol	292,724	287,207	6.00
1245	N.C. Maritime Museum	1,050,336	1,052,354	19.00
1250	Historic Preservation	816,343	817,533	29.90
1260	Office of State Archaeology	661,337	663,608	13.00
1290	Western Office	295,875	295,887	5.00
1500	N.C. Museum of History	5,554,117	5,561,171	109.60
1320	**N.C. Museum of Art**	4,141,718	4,146,862	84.28
1330	**N.C. Arts Council**	5,882,083	5,830,631	24.24
1340	**N.C. Symphony**	2,209,950	2,210,692	8.00
	State Library of N.C.			
1410	State Library Services	4,604,602	4,596,493	87.00
1480	Statewide Programs and Grants	17,171,739	17,171,739	3.00
1992	**Continuation Reserves**	2,019,518	944,575	10.00
	Subtotal	61,114,752	59,597,482	727.28
1584	**Roanoke Island Commission**	1,783,374	1,783,374	32.00
	Grand Total	62,898,126	61,380,856	759.28

North Carolina Department of Cultural Resources

Continuation Budget – General Fund 14800 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	66,335,600	79,059,798	69,469,055	67,954,634
Receipts	11,553,254	8,336,372	8,354,303	8,357,152
General Fund Appropriations	54,782,346	70,723,426	61,114,752	59,597,482

Roanoke Island Commission – General Fund BC 14802 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	1,639,791	1,783,374	1,783,374	1,783,374
Receipts	0	0	0	0
General Fund Appropriations	1,639,791	1,783,374	1,783,374	1,783,374

North Carolina Department of Cultural Resources

Overview

More information about the Department of Cultural Resources is available on the Internet at the Department's Home Page on the World Wide Web at http://www.ncdcr.gov.

The Department of Cultural Resources exists to enrich the cultural, educational, and economic well being of the citizens and visitors to North Carolina through the preservation, development, promotion, and dissemination of artistic, historical, and informational resources. To accomplish this, the Department of Cultural Resources is divided into the following major programmatic divisions:

- Office of the Secretary.
- Office of Archives and History (Division of Historical Resources, Division of State Historic Sites and Properties, and the Division of State History Museums).
- Offices of Arts and Libraries (Division of the State Library, North Carolina Art Museum, North Carolina Symphony, and the North Carolina Arts Council).

The structure, purpose, and budget of each division is outlined as follows:

Office of the Secretary

Oversees all functions of the Department and includes operations administration, administrative services and budget, administrative planning and policy development, legislative issues, public information, human resources, and capital projects. This office also coordinates appointments to appropriate boards and commissions.

The Office of the Secretary includes an Administrative Division, which includes six sections that are supportive in nature and provide services enabling programmatic divisions to function at their highest levels:

- Purchasing Section
- Information Systems Section
- Public Affairs Section
- Human Resources Section
- Capital Projects Section
- Administrative Services Section

Office of Archives and History

The mission of the North Carolina Office of Archives and History is to collect, preserve, and utilize the state's historic resources so that present and future residents may better understand their history. To this purpose the office safeguards the documentary and material evidence of past generations for the education of all citizens and the protection of their democratic rights.

The Office of Archives and History is responsible for researching, preserving and maintaining a record of North Carolina's rich cultural heritages. Archives and History is composed of three divisions, Historical Resources, Historic Sites, and State History Museums. The programs of those divisions reach all 100 counties in the state including twenty-seven state historic sites and seven museums.

Office of Arts and Libraries

This office includes a Chief Deputy Secretary's office and four divisions, the North Carolina Arts Council, the North Carolina Museum of Art, the North Carolina Symphony and the State Library of North Carolina.

North Carolina Arts Council

Mission

To make North Carolina a better state through the arts.

The North Carolina Arts Council provides grants, technical assistance, information, and a variety of services to nonprofit organizations and individuals. The Grassroots Arts Program provides funds for local arts activities in every county on a per capita basis. Other grants support dance, music, theater, touring and presenting, folk life, literature and the public media, visual arts, and public art and community design. Fellowships and residencies are offered to professional artists and Folk Heritage Awards to the state's finest folk artists. Arts education programs are offered in pre-K through 12th grade as well as in after school settings. Nearly 12.5 million people participated in Arts Council-funded projects in FY 03-04.

The North Carolina Arts Council's Internet address is http://www.ncarts.org

North Carolina Museum of Art

Mission

The Museum's major responsibilities are well stated in its statutory mission, "...to acquire, preserve, and exhibit works of art for the education and enjoyment of the people of the State, and to conduct programs of education, research, and publication designed to encourage an interest in and an appreciation of art on the part of the people of the State." G.S. 140-5.12 (1947). This mission is accomplished through a variety of programs focusing on the State's permanent art collection, which consists of thousands of objects spanning over 5,000 years of human history and creative effort. The Museum also brings to North Carolina many special exhibitions of important art treasures from around the world for the educational benefit and enjoyment of the people of our state. Scholarly publications and a full range of classes, workshops, lectures, films, concerts, and other programs complement the Museum's educational mission and program objective.

The Museum regularly receives national and international recognition for its collections, acquisitions, and programs. It has become a major tourist attraction, which draws many visitors from within the state and from beyond its borders each year. A prime example is the hugely successful exhibition of Matisse-Picasso and the School of Paris, which ended in January 2005 and drew over 123,000 visitors from around the nation and garnered national media coverage throughout its run. Economic impact studies are still under way, but the Raleigh Convention and Visitor's Bureau has provided very optimistic feedback on the broader impact of the exhibition throughout the area. The Museum also contributes to the economic well being of North Carolina by helping to attract business and industry to locate and expand here. When asked why they choose to locate in North Carolina, business leaders will most often cite the state's quality of life, including the cultural environment and its commitment to education. The North Carolina Museum of Art makes strong contributions in these areas.

The Museum is an active partner with the state's educational systems. Thousands of school children from all over North Carolina visit the Museum each year and learn about their own culture and about other civilizations through guided tours and other programs. Outreach exhibitions, slide programs, speakers, and teaching materials are also available to schools and other groups in all counties throughout the state. The Museum continues to enhance accessibility to its collections through the use of new technologies such as digital imaging, electronic databases, and its website.

The North Carolina Museum of Art's Internet address is http://ncartmuseum.org.

North Carolina Symphony

Mission

The mission of the North Carolina Symphony is to present an orchestra of the highest artistic standard that enriches, entertains, and educates diverse audiences in a variety of settings and represents North Carolina as a leader in performance and music education.

The North Carolina Symphony, founded in 1932, is the 32nd largest orchestra organization in the country however; it is singularly unique in two respects:

1. its commitment to statewide service;
2. and its dedication to the musical education of North Carolina's school children.

Each season, the North Carolina Symphony performs approximately 175 full-orchestra concerts for adults and children across the state. **More than one-half of its performances take place outside the Triangle.** Each season, the Symphony visits between 30 and 40 counties across the state. No other orchestra in America serves its state to the extent the North Carolina Symphony does, as the North Carolina Symphony performs far more educational performances outside its home-base community than any other orchestra. The orchestra travels approximately **14,000 miles a season** throughout the State of North Carolina and reaches nearly **250,000 people per year**.

The North Carolina Symphony's Internet address is http://www.ncsymphony.org

The State Library of North Carolina

The State Library of North Carolina focuses its services to the people of the state in three ways:

1. by working in partnership with local communities to develop and extend public library services statewide;
2. by coordinating efforts among all types of libraries to improve library services and to provide access to both print and electronic information resources to North Carolinians no matter where they live, with an emphasis on using today's digital technologies to assure equity of access; and
3. by providing direct library services to a constituency that includes government officials, business people, and the general public, with an emphasis on the genealogy researcher and people who qualify for the services offered through the Library for the Blind and Physically Handicapped.

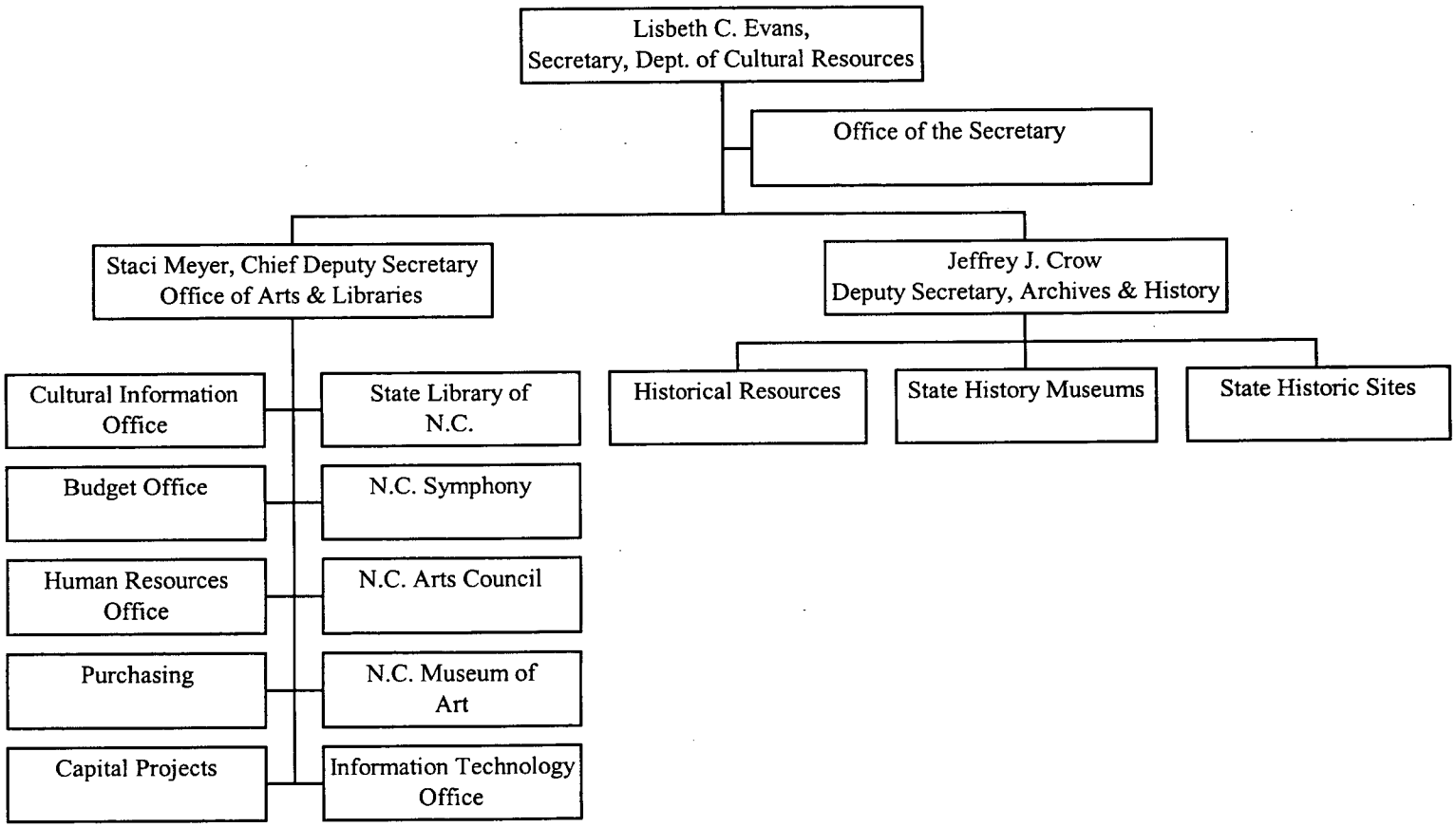
The State Library has a long, rich history that began with its founding in 1812, the appointment of the first full-time State Librarian in 1843, the establishment of the North Carolina Library Commission in 1909, and the merger of the commission and the State Library into a single agency in 1955. In the 1970s, the State Library became a division of the Department of Cultural Resources. The State Library provides leadership and support for libraries statewide as well as providing direct library service to its special constituencies. The State Library administers the Aid to Public Libraries fund that will distribute $14.7 million in formula grants to qualified public libraries. Another $4 million in federal funds is distributed annually among almost 2,500 eligible public, academic, and school libraries.

The State Library's Internet address is: http://statelibrary.dcr.state.nc.us/ncslhome.htm

The Roanoke Island Commission

The Roanoke Island Commission, an independent commission situated within the Department of Cultural Resources, was established by G.S.141B-131.1 in 1994, and operates the *Elizabeth II* and Roanoke Island Festival Park. The commission is charged to protect, preserve, develop and interpret the historical and cultural assets of Roanoke Island.

North Carolina Department of Cultural Resources



January 2005

Office of the Secretary – Fund 1110

Administrative Services – Fund 1120

The Office of the Secretary oversees all functions of the Department and included operations administration, administrative services and budget, administrative planning and policy development, legislative issues, public affairs, human resources, and capital projects. This office also coordinates appointments to appropriate broads and commissions.

Office of the Secretary – Fund 1110 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	1,397,106	11,500,552	1,413,934	1,415,402
Receipts	57,325	37,110	37,110	37,110
General Fund Appropriations	1,339,781	11,463,442	1,376,824	1,378,292
Number of Positions	17.00	18.00	18.00	18.00

Administrative Services – Fund 1120 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	1,165,113	1,597,056	1,596,352	1,597,234
Receipts	17,506	18,871	19,104	19,104
General Fund Appropriations	1,147,607	1,578,185	1,577,248	1,578,130
Number of Positions	18.00	21.00	21.00	21.00

Office of Archives and History

Mission

The mission of the North Carolina Office of Archives and History is to collect, preserve, and utilize the state's historic resources so that present and future residents may better understand their history. To this purpose the office safeguards the documentary and material evidence of past generations for the education of all citizens and the protection of their democratic rights.

Overview

The Office of Archives and History is the largest division in the Department of Cultural Resources. It is also the third oldest state historical agency in the country, having been formed in 1903. Nationally recognized, the Office of Archives and History has received numerous awards, including the first Distinguished Service Award of the Society of American Archivists in 1969 and the James Harvey Robinson Prize of the American Historical Association in 1984.

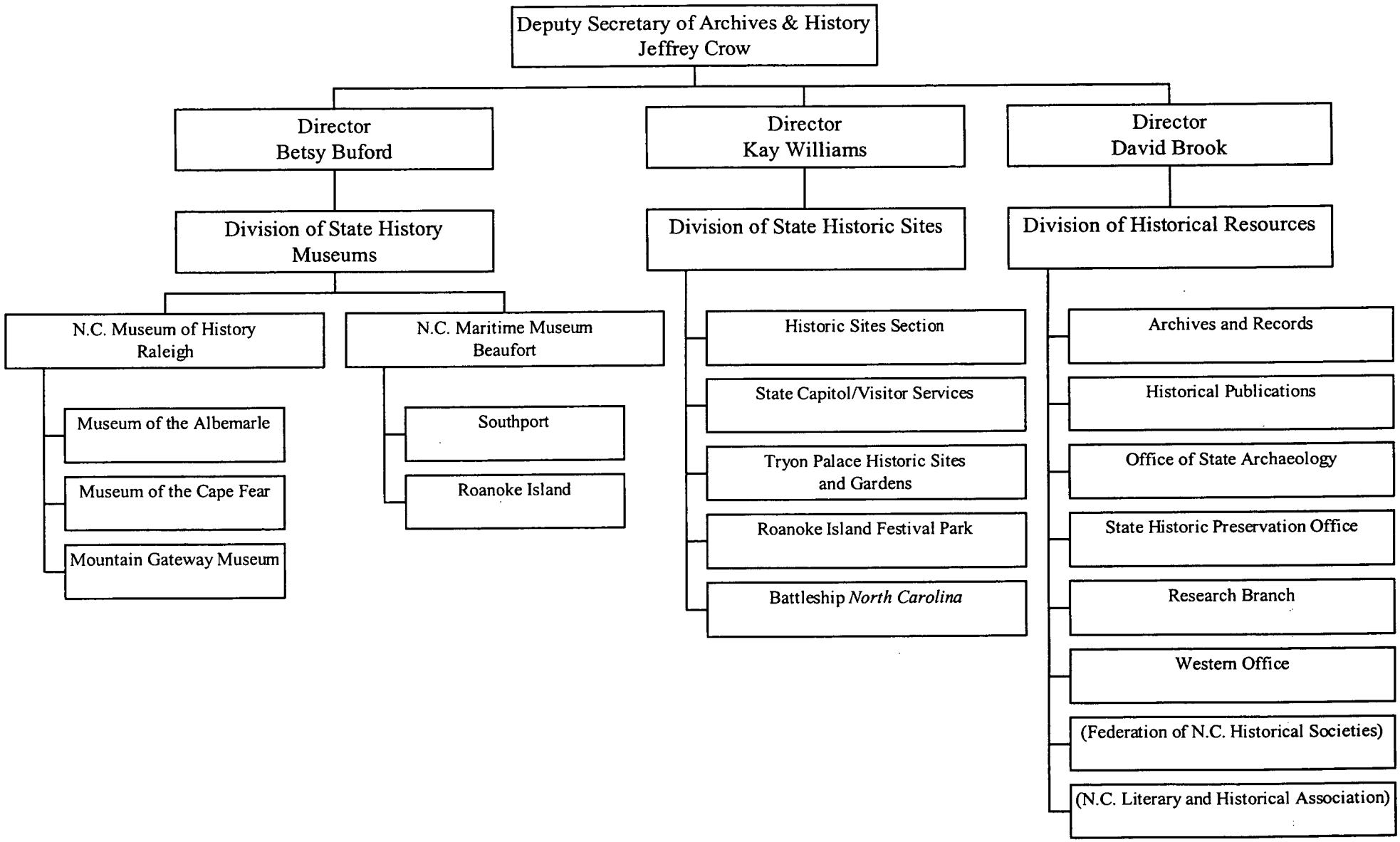
The Office of Archives and History is organized into three divisions based on program functions and activities as mandated by state law; intersectional functions are provided by the Deputy Secretary's Office. The office currently employs about 400 permanent staff.

Current challenges facing the Office of Archives and History include the following:

- Ongoing funding must be provided for the *Queen Anne's Revenge* Shipwreck project. This effort to recover and preserve the presumed flagship of Blackbeard the notorious pirate received national and international publicity, but not continuation funding.
- The increasing importance of e-commerce is requiring that we strengthen our commitment to digitization of records in the state archives. Citizens expect electronic access to public records.
- The 27 State Historic Sites and other DCR facilities are in dire need of repair and renovation funds. There are over 298 buildings in historic sites alone—many of which have fallen into disrepair.
- Temporary salary funds are requested to restore services to the public so that North Carolinians may know their heritage. Since 2000, the state historic sites have lost more than $500,000 in this critical line item. Loss of temporary workers during this period resulted in the reduction of hours historic sites could be open to the public, with some sites closed a minimum of one day a week and many closed two days a week. Loss of temporary staff also reduced the number of history education programs offered to adults and school children visiting our state historic attractions. The 27 state historic sites administered by the Department of Cultural Resources together serve as a foundation for North Carolina's heritage tourism industry. Reductions in services decreased the economic contribution of state historic attractions in many communities across North Carolina. Many state historic sites are located in rural areas and are the primary tourist destination for counties already hurt by the loss of manufacturing jobs.
- Funding must be provided to equip and staff the Museum of the Albemarle in Elizabeth City.

- Efforts are underway to deal with problems regarding the insurance of historic properties, which are entrusted to the care of the department. The fire at the Wolfe Memorial in 1998 has shown (and the Attorney General's Office has agreed) that the full restoration cost of the properties is required for the agency. Working with the Department of Insurance efforts are underway to secure the needed additional coverage.
- Cuts in the department's budget over the last several years have left the Museum of History in a position whereby its exhibit schedule is not funded. Additional funding is necessary in order to carry out the schedule.
- Litigation is continuing in the fight to recover North Carolina' original Bill of Rights. A recent decision by the U.S. Fourth Circuit Court of Appeals, remanded the case back to the U.S. District Court for further proceedings. The priceless document was stolen by a Union soldier from the Capitol in 1865.

The Office of Archives and History



January 2005

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Division of Historical Resources – Funds 1210, 1220, 1230, 1250, and 1290

Mission

The mission of the Division of Historical Resources is embodied in that of the Office of Archives and History which is to collect, preserve, and utilize the state's historic resources so that present and future residents may better understand that history. Accordingly, the division preserves and protects the state's documents and records, and its historically and archaeologically significant properties. In addition, the division strives to generate public awareness of North Carolina history through education and publication programs, and to foster public and private stewardship of historical resources through planning assistance and technical services.

Overview

The Division of Historical Resources carries out many of the oldest programs of the Office of Archives and History such as the state archives (1903), historical publications (1903), research (1907), historical markers (1907), historic preservation (1907), and archaeology (1935). Through the years, all of those original functions have been refined and expanded by legislation, especially in the *Archives and History Act of 1973*, a comprehensive update of the state's public history programs.

Programs

The Division of Historical Resources is organized into five sections and provides a wide range of programs that includes scholarly research, publications, public education, conservation of the state's archaeological artifacts and primary documents, and the preservation of historic structures. Constituent services range from giving citizen access to the state's public records to providing technical assistance for multimillion-dollar building rehabilitation projects. The division also provides administrative support for two regional offices of the Office of Archives and History.

Current Challenges

- Archives and Records Section: The increasing importance of e-commerce is requiring that we strengthen our commitment to digitization of records in the state archives. Citizens expect electronic access to public records.

- Archives and Records Section: The net loss of 17 positions since 1993 has appreciably diminished public services at the State Archives, the Outer Banks History Center, and at the local level throughout the state.

- Archives and Records Section: The proliferation of public records and lack of storage space for records received from state and county agencies have created a critical need for additional space.

- Office of State Archaeology Section: Ongoing funding must be provided for the *Queen Anne's Revenge* Shipwreck project. This effort to recover and preserve the presumed flagship of Blackbeard, the notorious pirate, received national and international publicity, but not continuation funding.

- Publications Section: The loss of accounting clerk and editor positions is causing delays in publication production schedules and in filling customer orders.

- State Historic Preservation Office Section: Because of budget reductions and position cuts, the duties of the former grants administrator were combined in the last biennium with those of the local preservation commission services coordinator, resulting in a significant reduction of outreach and education services for the state's 89 local commissions.

- Western Office: Budget cuts magnified by rent increases have negatively affected operations through reduced local services, increased backlogs, and deferred equipment purchases. A $10,000 annual rental increase will be effective March 2005. That increase will greatly exacerbate operational problems and reduce services if funding is not provided in the continuation budget.

Historical Resources Administration and Deputy Secretary's Office – Fund 1210

The Administration Section provides overall coordination, management, and administrative support of the state public history programs of the Office of Archives and History (OAH). In addition, it undertakes specialized educational, outreach, and research activities. Services performed are as follows:

- Public/Private Partnerships. Provides staff for the Federation of North Carolina Historical Societies, Inc. (uniting over 220 such organizations in all 100 counties) and for the North Carolina Literary and Historical Association, Inc. The division also provides staff support for the North Carolina Historical Commission—the statutory authority for rule-making and grants review for history programs of the state.

- Research. The Research Branch serves as the division's ultimate point of review for research-related historical matters, provides internal research reports, manages and operates the Highway Historical Marker program, and answers general research inquiries.

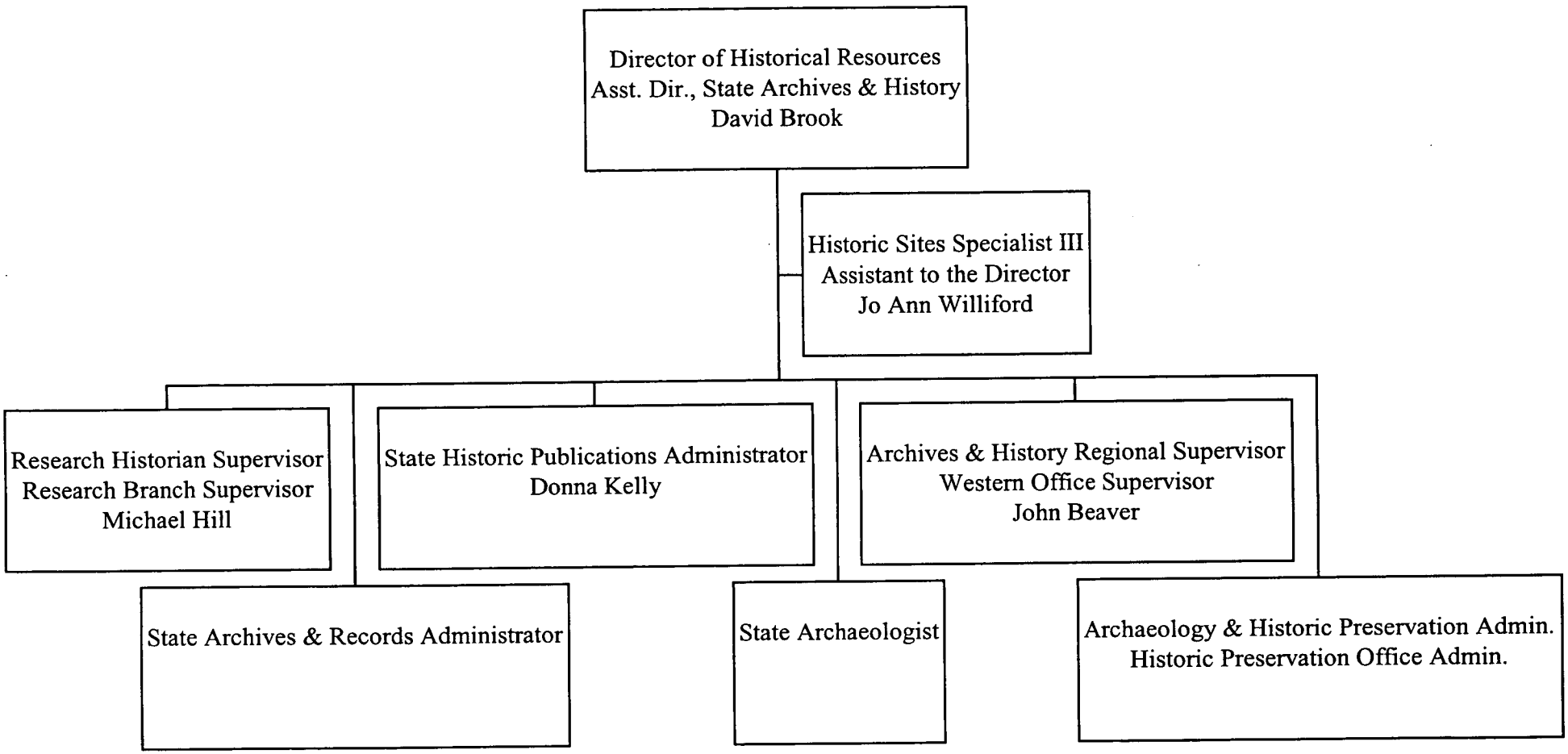
- Field Services. Educational and public service programs are provided through the Western Office (Asheville) and the Eastern Office (Greenville).

- Intersectional Planning and Supervision. Current examples include oversight over the preparation of key budgetary, legislative, planning, and research reports for OAH. The section also administers special initiatives such as the DCR Project Green Task Force, and maintains the OAH web site.

Historical Resources Administration and Deputy Director's Office – Fund 1210 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	3,832,441	993,528	1,003,678	999,996
Receipts	2,542,719	1,700	1,700	1,700
General Fund Appropriations	1,289,722	991,828	1,001,978	998,296
Number of Positions	12.00	16.00	16.00	16.00

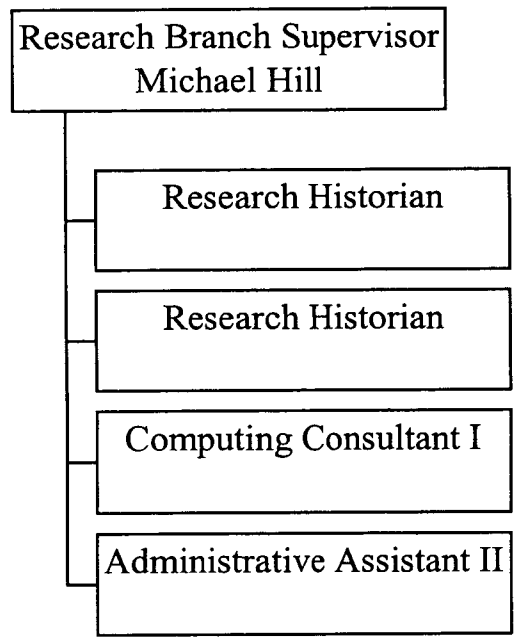
North Carolina Department of Cultural Resources
Office of Archives & History
Division of Historical Resources



16

January 2005

Office of Archives & History, Division of Historical Resources
Research Branch



January 2005

Historical Publications – Fund 1220

The Historical Publications Section (HPS) of the Office of Archives and History promotes knowledge of North Carolina history, encourages historical investigation, and supports the study of the state's history in the schools by publishing non-fiction works of high editorial and scholarly standards. Materials produced for sale and by subscription include:

- A quarterly journal (*North Carolina Historical Review*)
- A quarterly newsletter (*Carolina Comments*) and biennial report for Archives and History
- Published papers of noteworthy North Carolinians (including governors)
- Colonial records
- A roster of Civil War soldiers
- County histories
- Genealogical resources, research guides, and indexes
- Maps, posters, and facsimile documents
- Titles of general interest relating to North Carolina's history

Since 1903, the section has published over 400 different books, pamphlets, posters, maps, and facsimile documents. Each year four or five new titles are produced, as budget and staff time allow. Titles cover such topics as:

- Civil War
- Coastal N.C.
- Colonial N.C.
- Sports
- Transportation
- N.C. State Fair
- Lighthouses
- Pirates
- Legends
- First Flight
- Gold mining
- Education
- Military conflicts
- African American history
- Native American history
- Prehistory and colonization
- Photographers
- Agriculture and technology

HPS publishes numerous series and monographs, some of which are mandated by G.S. 121:

- *The Colonial Records of North Carolina*
- *North Carolina Troops, 1861-1865: A Roster*
- Governors' papers
- County histories

An annual catalog is produced in print and electronically to advertise what is available for purchase and orders are received from:

- General public (worldwide)
- Teachers and schoolchildren
- History professors and college students
- Genealogists and historians
- Foreign repositories
- Tourists
- Libraries
- Bookstores and gift shops
- Museums and historic sites
- Newspapers and periodicals
- Governmental agencies
- Private and nonprofit organizations

HPS maintains an online Yahoo store where all of its 160 publications may be purchased by credit card over a secure server. The section also possesses a website (www.ncpublications.com) where selected out-of-print titles and other resources have been posted.

During the 2002-2004 biennium there was:

- $335,806 in revenue generated
- 75,482 publications sold or distributed
- 30,489 hits on the website
- 4,504 orders placed

Several setbacks have occurred within the section in the last few years:

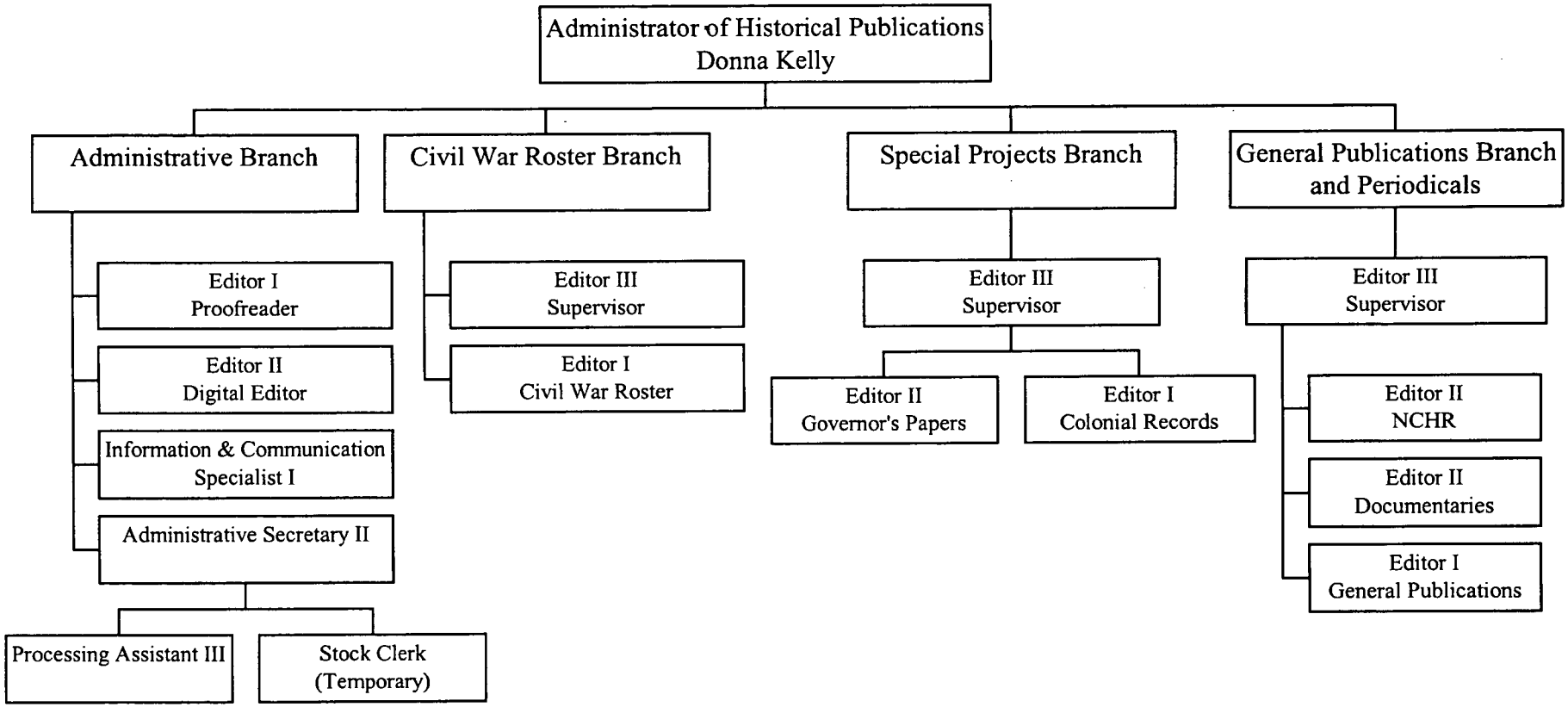
- Loss of accounting clerk and full time editor position
  - ♦ Prevents orders from being filled efficiently resulting in customer complaints
  - ♦ Puts more burden on staff causing backlogs with regular duties
  - ♦ Delays in book publication result in lost revenue
  - ♦ Causes production schedules to fall behind for several popular titles and reprints

- Required use of the Mail Service Center
  - ♦ Increased shipping and handling costs translates into increased costs to customers
  - ♦ Delayed delivery of orders causes customer complaints

- Reduction in budgetary funds (travel, printing, and computer purchasing)
  - ♦ Lack of selling opportunities at meetings and conferences results in lost revenue
  - ♦ No staff attendance at workshops results in the inability to keep abreast of new technology and publishing trends
  - ♦ Less research trips delay book production and result in lost revenue
  - ♦ Inability to utilize advanced technology means increased printing costs
  - ♦ Inability to replace equipment results in delayed production and lost revenue

Historical Publications – Fund 1220 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	594,929	614,343	614,384	614,384
Receipts	0	0	0	0
General Fund Appropriations	594,929	614,343	614,384	614,384
Number of Positions	12.50	12.50	12.50	12.50


Administrator of Historical Publications
Donna Kelly
Administrative Branch
Civil War Roster Branch
Special Projects Branch
General Publications Branch and Periodicals
Editor I
Proofreader
Editor II
Digital Editor
Information & Communication Specialist I
Administrative Secretary II
Processing Assistant III
Stock Clerk (Temporary)
Editor III
Supervisor
Editor I
Civil War Roster
Editor III
Supervisor
Editor II
Governor's Papers
Editor I
Colonial Records
Editor III
Supervisor
Editor II
NCHR
Editor II
Documentaries
Editor I
General Publications

Archives and Records Section – Fund 1230

The Archives and Records Section conducts statewide archival and records management programs for state, county, and municipal government to provide economical and efficient preservation, maintenance, and access to public records. The State Archives maintains and provides access to the records of the colony and state of North Carolina from the 17th century to the present. The Archives also collects and preserves private papers, photographs, audiovisual materials, maps, and other documents of historical value.

The State Archives provides information and access to its holdings to thousands of researchers.

- Roughly 10,000 visitors a year use the State Archives in person.
- Genealogists, historians, attorneys, students, educators, veterans, government agency officials, and the general public use resources in the Archives. During the 2002-2004 biennium researchers from 49 states and 8 foreign countries visited the Archives.
- The Archives responds to over 38,000 postal and electronic mail requests annually.

The Archives maintains an online catalog describing much of its holdings. A developing program for providing access to selected public records via the Internet will increase outreach and enable researchers around the world access to North Carolina's documentary heritage online.

The Outer Banks History Center in Manteo, a research facility that focuses on the state's maritime and coastal history, represents the section through its activities in eastern North Carolina. An additional 2,100 researchers per year use the section's Outer Banks History Center in Manteo. The section also serves citizens of the western part of the state through staff at the Office of Archives and History's Western Office in Asheville.

The section administers a comprehensive records management program for records of state and local government and for the community college and university systems as required by G.S. 121 and 132. Those services include:

- Development of records retention and disposition schedules;
- Operation of the State Records Center for efficient, low-cost storage of semi-current records;
- Comprehensive micrographic and other reformatting services;
- Consultation and assistance for public employees and agencies across the state on records management issues including electronic records, with over 1,100 consultations annually; and
- Promulgation of guidelines regarding records systems and records management issues.

The Archives and Records Section currently faces challenges in several areas:

- The proliferation of public records, particularly land transactions and court records, resulting from the state's growth. Backlogs exist in the processing, microfilming, and preservation of county and state public records. There are particular concerns regarding the permanent preservation of non-textual and audiovisual materials.

- Development of an electronic records program that includes both the digital preservation and access of public documents as well as a program to deal with the growing number of government records that exist only in electronic format.

- The net loss of 17 positions since 1993 and nearly all temporary salary money to budget cuts has severely impacted operations, projects, and staffing at both the State Archives and the Outer Banks History Center. Staff to support core statewide programs is a critical need.

- Storage of records from state and county agencies. Space is desperately needed for records storage in original, microfilmed, electronic, and non-textual formats

Archives and Records – Fund 1230 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	3,114,492	3,569,209	3,645,910	3,616,297
Receipts	333,991	307,660	321,660	321,660
General Fund Appropriations	2,780,501	3,261,549	3,324,250	3,294,637
Number of Positions	69.75	74.76	74.76	74.76

State Historic Preservation Office - Fund 1250

Mission

The Historic Preservation Office (HPO) identifies, protects, and enhances North Carolina's historic properties and districts through a coordinated statewide program of incentives, information and technical assistance for public agencies, private organizations, and the state's citizens. Section programs include the processing of nominations to the National Register of Historic Places, comprehensive architectural surveys for counties and municipalities, technical assistance for the care and treatment of historic buildings, and technical assistance for local historic preservation commissions. It functions as the state clearinghouse for federal and state protection and incentive programs for properties that qualify for the National Register of Historic Places.

This section administers the federal and state historic preservation rehabilitation tax credit programs. In the 2002-2004 biennium, the HPO processed 1,015 applications for nonincome-producing historic structures representing 361 proposed projects with total estimated private investment of $61.0 million and 238 completed projects with total estimated private investment of $36.4 million. The 1,015 applications in the 2002-2004 biennium for nonincome-producing structures represent a 34 percent increase in the demand for services from 757 applications in the 2000-2002 biennium. In addition, during the same period, the HPO processed 419 Historic Preservation Certification Applications for federal and state historic rehabilitation tax credits for income-producing historic structures representing 140 proposed projects with a total estimated private investment of $170.5 million and 89 completed projects with a total investment of $103.2 million. The number of applications reviewed for the income-producing tax credit program remained steady over the last biennium.

The environmental review staff processed approximately 7,473 projects for review and comment during the 2002-2004 biennium, working in collaboration with the Office of State Archaeology pursuant to state and federal laws. The HPO was involved in a number of major environmental review projects during this period, many involving complex undertakings requiring multiple consultations with other state and federal agencies. Staff worked jointly with NCDOT to develop a Programmatic Agreement that will result in a more effective and streamlined review process for large numbers of minor transportation projects. Staff also participated in a major inter-agency effort to study and improve the federal review process for highway projects.

The section processed 108 National Register nominations during the most recent biennium, including a significant increase in the number of historic districts nominated and listed, with a corresponding increase in the total number of historic properties receiving the benefits of National Register listing. Because National Register listing is a prerequisite for taking the state and federal tax credits, the caseload increased after the current state credits went into effect in 1998. The average caseload per year during the decade of the 1990s was 50 nominations per year. Since 2000, the caseload has averaged 60 per year. At least 65 nominations are expected to be completed and processed in fiscal year 2004-2005.

In addition, the percentage of historic district nominations, which require more staff time than individual nominations, has been exceptionally high for the past two fiscal years, at 43 percent of the total. The increasing caseload and position losses pushed staff capacity to its limits, with a backlog of up to a year in processing nominations until temporary review assistance was funded in the 2004-2005 fiscal year.

Because of the deterioration of services and citizen complaints over processing delays caused by budget cuts and insufficient staff, the agency helped to develop a tax credit processing fee structure approved by the General Assembly in 2003. The fees, which became effective in November 2004, will probably depress the attractiveness of the state tax incentives and therefore, reduce the potential economic stimulus from those incentives. Nevertheless, at the same time, the fees should enable the State Historic Preservation Office to process National Register nominations and tax credit applications in a timely manner.

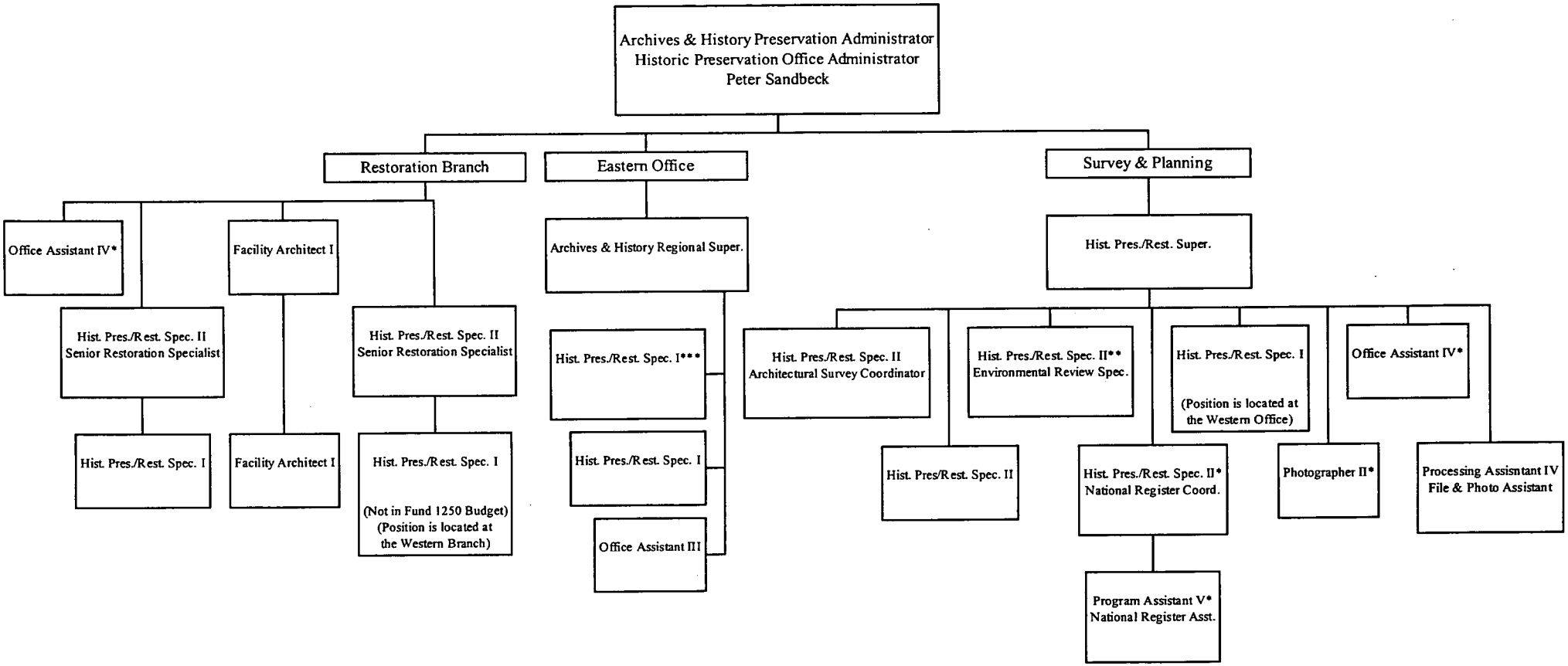
The section provided over 800 consultations to local governments, preservation commissions, and citizens seeking information and guidance on protecting local historic properties and districts through local ordinances. New commissions were established in Anson County, Clinton, Kill Devil Hills, Northampton County, Snow Hill and Wilkesboro, bringing the number of local preservation commissions in the state to 89. Fifty-six municipalities and counties are Certified Local Governments (CLGs)—a federally authorized designation that bestows funding preference under a small federal preservation grants program administered through the State Historic Preservation Office.

In accordance with statutory provisions, the HPO reviewed 8 local historic district designation or boundary change reports and 69 local landmark reports. This level of local designation activity is lower than the last biennium when the number of reports soared, but it is higher than the average for other recent biennial periods. Finally, because of budget reductions and position cuts, the duties of the former grants administrator were combined in the last biennium with those of the local preservation commission services coordinator, resulting in an overall reduction of outreach and education services for the state's 89 local commissions.

State Historical Preservation - Fund 1250 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	1,535,115	1,573,239	1,579,644	1,580,834
Receipts	746,248	763,301	763,301	763,301
General Fund Appropriations	788,867	809,938	816,343	817,533
Number of Positions	29.90	29.90	29.90	29.90

NC Department of Cultural Resources
Office of Archives & History
SHPO -- Restoration and Survey & Planning Branches



*Funded by National Park Service Grant
**Funded by NC Department of Transportation
***Funded by partial state/partial NPS

January 2005

Office of State Archaeology – Fund 1260

From its central Raleigh office, and branch offices in Fort Fisher, Morehead City, Asheville and Greenville, the Office of State Archaeology (OSA) safeguards the prehistoric, historic, and underwater archaeological resources of North Carolina through a comprehensive program of data inventory, resource protection, public education and technical assistance. OSA is part of the North Carolina Office of Archives and History, Department of Cultural Resources, and serves as the professional archaeology staff for the North Carolina Historical Commission. OSA works closely with the State Historic Preservation Office (HPO) by providing archaeological review of compliance projects. Processing nominations to the National Register of Historic Places, grant administration and comprehensive archaeological resource planning also figure prominently in the OSA's slate of responsibilities.

OSA maintains North Carolina's statewide, computer-based inventory of archaeological sites, along with maps, photographs, and other supportive data. OSA libraries house more than 9,500 compliance reports, theses, academic volumes, and journals. Professional archaeologists, students, educators, and agencies rely on archaeological collections held at the OSA Research Center (Raleigh), and at laboratories in Asheville, Greenville and Ft. Fisher, for academic research and compliance projects.

OSA processed nearly 7,500 review cases related to construction and development in FY 2003-2004, fulfilling its joint environmental review functions with the HPO. Pertinent laws include the National Historic Preservation Act (sections 106 and 110), and the NC Coastal Management, Environmental Policy, and Mining acts. OSA assisted more than 500 engineering and archaeological contractor clients with background research requests for approximately 30 percent of these reviews. OSA provided an additional 800 consultations and services to individuals, universities, local government agencies, and museums.

OSA protects endangered archaeological sites through applications of the North Carolina Archaeological Resources Protection Act (G.S. 70, article 2), the Unmarked Human Burial and Human Skeletal Remains Protection Act (G.S. 70, article 3), and the "abandoned shipwreck law" (G.S. 121, article 3). In 2003-2004, the section issued nine ARPA permits for archaeological investigations on state property, and 26 permits for shipwreck exploration. OSA encourages protection of archaeological sites by easements and tax incentives, and through the federal Certified Local Government program.

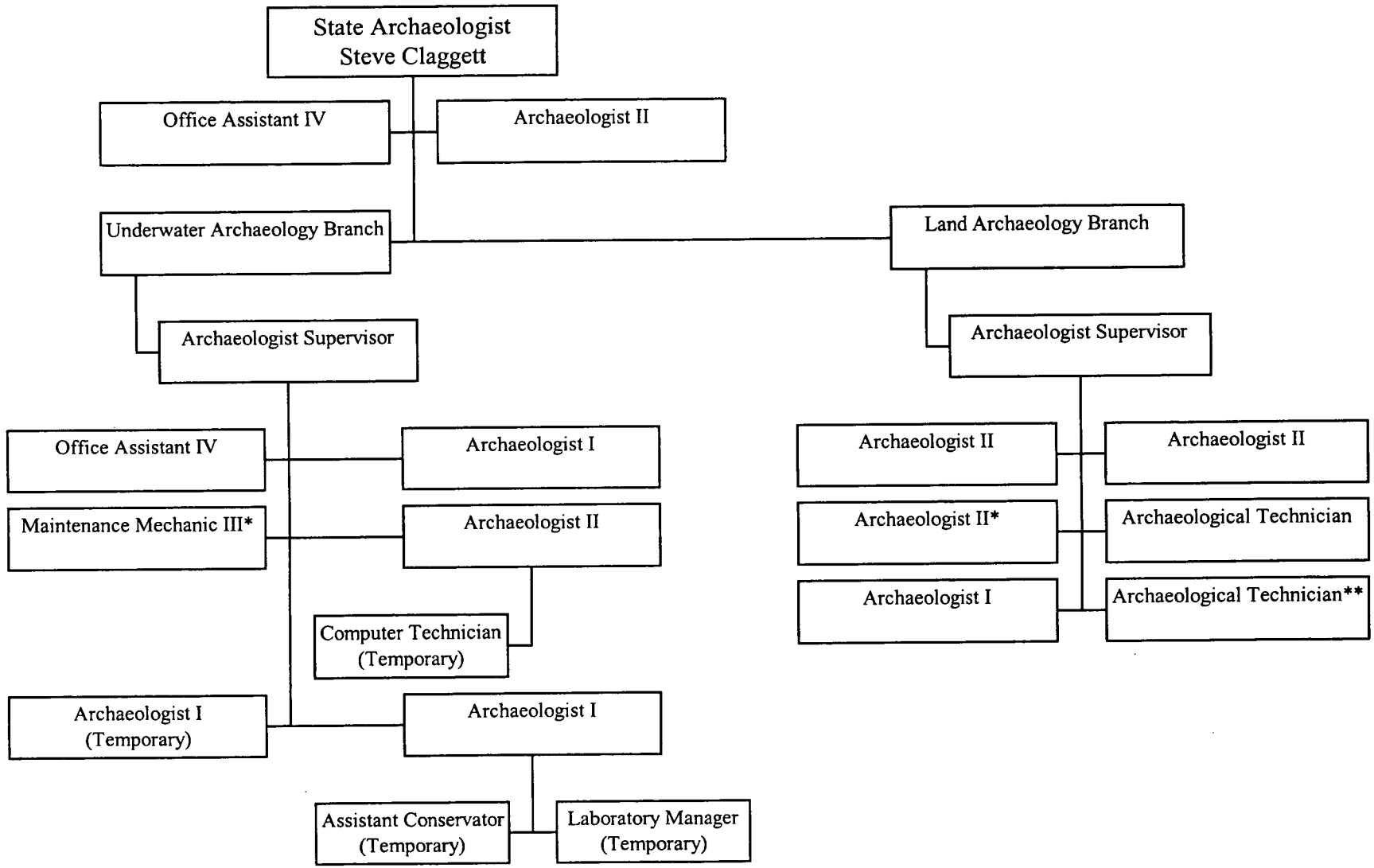
OSA public education programs remain an essential activity—despite travel restrictions and staff shortages of the last several year--which target school groups, amateur archaeological and historical societies, and government agencies. Staff reached over 1000 individuals through 50 lectures or presentations during 2003-2004, plus over 180,000 more people through our several Web pages on NC Archaeology and the *Queen Anne's Revenge* (*QAR*) Project. OSA administered five major grants for archaeological research projects during the same period.

The Office of State Archaeology's Underwater Archaeology Branch itself benefited from federal grant support (Save America's Treasures) for the *QAR* Project. A generous legislative grant and a Golden Leaf Foundation grant award in late 2004 will support the project through most of 2005. The *QAR* Project continues to draw international attention to North Carolina's archaeological programs at OSA, and includes innovative public outreach efforts using Web pages and live Internet broadcasts of *QAR* site investigations in a challenging underwater environment. The *QAR* Project conservation laboratory operates as a partnership with East Carolina University, and typifies OSA's collaboration with institutions, agencies and archaeologists across North Carolina.

Office of State Archaeology – Fund 1260 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	636,947	660,772	662,487	664,758
Receipts	7,375	1,150	1,150	1,150
General Fund Appropriations	629,572	659,622	661,337	663,608
Number of Positions	13.00	13.00	13.00	13.00

Office of Archives & History, Division of Historical Resources,
Office of State Archaeology



*Funded by National Park Service HPF Grant ** Funded by N.C. Dept. of Transportation

January 2005

Western Office – Fund 1290

Mission

The purpose of the Western Office is to promote North Carolina history in the western counties through technical and consultative services in the areas of archaeology, historic preservation, archives and records management, historic sites management, and museum planning, development, and interpretation. In an effort to achieve this purpose, the Western Office staff (1) provides a comprehensive survey of significant historic properties and archaeological sites for possible inclusion in the National Register of Historic Places; (2) provides consultations on restoration of historic properties; (3) increases preservation of significant archival materials by conducting annual consultations; (4) conducts consultations with regional museums and historic sites on planning, development, and interpretation; (5) increases awareness of western North Carolina historic resources through public programs to schools, civic groups, and historical organizations.

Located in Asheville, the Western Office is administered by the Department of Cultural Resources, Office of Archives and History, Division of Historical Resources. The Western Office provides assistance to over one-quarter of the counties in the state including: Alexander, Allegheny, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Cherokee, Clay, Cleveland, Gaston, Graham, Haywood, Henderson, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Surry, Swain, Transylvania, Watauga, Wilkes, and Yancey.

The following is a list of specific duties performed, including statistics from the 2002-2004 biennium:

- Surveys of significant properties and archaeological sites (90).
- Assistance with National Register nominations and study list applications (19, 26).
- Consultations on restoration of historic properties, including Tax Act projects (942).
- Records management consultations (538).
- Preservation of significant archival materials (380 cubic feet).
- Consultations with regional museums and historical organizations (86).
- Historic site consultations (275).
- Photographic services (approximately 6,357 photographic images).
- Presentation of public programs to schools and civic groups (56).
- Environmental reviews (1,704).

Finally, the Western Office faces a fiscal challenge from budget cuts, magnified by rent increases that have negatively affected operations through reduced local services, increased backlogs, and deferred equipment purchases. A $10,000 annual rental increase will be effective March 2005. That increase will greatly exacerbate operational problems and reduce services if funding is not provided in the continuation budget.

Western Office – Fund 1290 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	277,001	283,365	296,025	296,037
Receipts	2,527	150	150	150
General Fund Appropriations	274,474	283,215	295,875	295,887
Number of Positions	5.00	5.00	5.00	5.00

Division of State Historic Sites and Properties – Funds 1241, 1242, and 1243

Mission

The mission of the Division of State Historic Sites and Properties is to preserve North Carolina history at 27 sites in 23 counties across the state and to provide a statewide program of historical attractions that tell the state's story from pre-history to the 20th century. To ensure that future generations will value our unique heritage, the division preserves historic buildings, landscapes, historic furnishings and objects, and archaeological resources. The division promotes tourism by operating and developing attractions that provide the basis for the state's heritage tourism industry.

Overview

The Division of State Historic Sites and Properties is organized into nine sections based on program functions and the geographical distribution of services. Program support is provided by the division office. Of the nine sections mentioned above, five encompass the 23 smaller state historic sites. The larger sites are separate sections and include the North Carolina Transportation Museum, Roanoke Island Festival Park, Tryon Palace Historic Sites & Gardens, and the USS *North Carolina* Battleship Memorial. The division currently employs 229 permanent staff.

Current challenges facing the Division of State Historic Sites and Properties include the following:

- The division is faced with declining resources to accomplish its mission. This includes unmet capital needs as well as operational deficiencies that continue to compromise the high level of programs and services.
- The 27 State Historic Sites and other divisional facilities are in dire need of repair and renovation. There are over 298 buildings in historic sites—many of which are wood frame structures that have deteriorated rapidly without adequate upkeep.
- Funds needed to repair buildings and other features are increasing at an alarming rate as deferred maintenance leads to even more serious problems. Current analysis shows that 119 major repair projects are needed now at an estimated cost of more than $43 million dollars to prevent further damage.
- Temporary salary funds are desperately needed to restore services so that North Carolinians may know their heritage. Since 2000, state historic sites have lost more than $500,000 in this critical line item, resulting in reductions in the hours sites are open to the public as well as negative media publicity and citizen complaints.
- Reduced operating funds have diminished the division's effectiveness in serving the schoolchildren of North Carolina and local communities across our state that rely upon state historic sites as primary tourism destinations. The latter reduces the positive economic impact of sites in their communities and regions.

State Historic Sites – Fund 1241

The 23 state historic sites operating from Fund 1241, located in 20 of the state's counties, present a sweeping and diverse picture of North Carolina history. Together, the 23 sites served 1,287,638 visitors in FY 2003-2004, many of them schoolchildren and tourists. Generally, sites in Fund 1241 have smaller staffs and less developed facilities. Some of the most serious repair and security needs in the division are found at these properties. Since 2000, smaller allocations from the state's Reserve for Repairs and Renovations have forced sites in Fund 1241 to use operating money for some repair needs, reducing the amount of funding available for operations and programs.

Grouped by organizational sections, the sites and one section engaged in specialized support are:

- Southeast - Aycock Birthplace **(Wayne)**, Bentonville Battlefield **(Johnston)**, Brunswick Town/Fort Anderson **(Brunswick)**, CSS *Neuse*/Governor Caswell Memorial **(Lenoir)**, Fort Fisher **(New Hanover)**.

- Northeast - Historic Bath **(Beaufort)**, Historic Edenton **(Chowan)**, Historic Halifax **(Halifax)**, Somerset Place **(Washington and Tyrrell)**.

- Piedmont - Alamance Battleground **(Alamance)**, Bennett Place **(Durham)**, Charlotte Hawkins Brown Museum at Historic Palmer Memorial Institute **(Guilford)**, Duke Homestead **(Durham)**, House in the Horseshoe **(Moore)**, Historic Stagville **(Durham)**, Town Creek Indian Mound **(Montgomery)**.

- West - Fort Dobbs **(Iredell)**, Horne Creek Living Historical Farm **(Surry)**, Polk Memorial **(Mecklenburg)**, Reed Gold Mine **(Cabarrus)**, Vance Birthplace **(Buncombe)**, Thomas Wolfe Memorial **(Buncombe)**.

- North Carolina Transportation Museum **(Rowan)**

- Museum and Visitors Services – This section, also budgeted to Fund 1241, provides a full range of services for sites throughout the state, including educational programs, exhibits, graphic design and printing coordination, audio visual production, collections management, and historical research.

Declining resources not withstanding, the Historic Sites in Fund 1241 are charged with maintaining 244 buildings totaling 658,000 square feet, as well as other structures such as a gold mine, a Civil War ironclad, and earthen forts. The sites use historically furnished structures, modern exhibits, interactive displays, and audiovisual media to present an accurate history of the state. The sites maintain around 2,600 acres at these 23 historic sites.

In FY 2003 – 2004, the state historic sites of Fund 1241:

- Were visited by 75,415 students in 1,622 organized school groups;
- Were visited by 31,516 other people who came in 1,135 organized general groups;
- Presented over 141 special events and programs attended by 104,500 visitors;
- Gave off-site educational programs to 16,552 school students and participants in other groups;
- Received 51,666 hours of service from over 4,136 volunteers, the equivalent of approximately 24 full-time employees;
- Benefited from 16,928 hours of court-ordered or inmate labor from 1,151workers;
- Were given $42,231 worth of major in-kind and artifact gifts and received $1,608,679 in grants and cash gifts during the year.

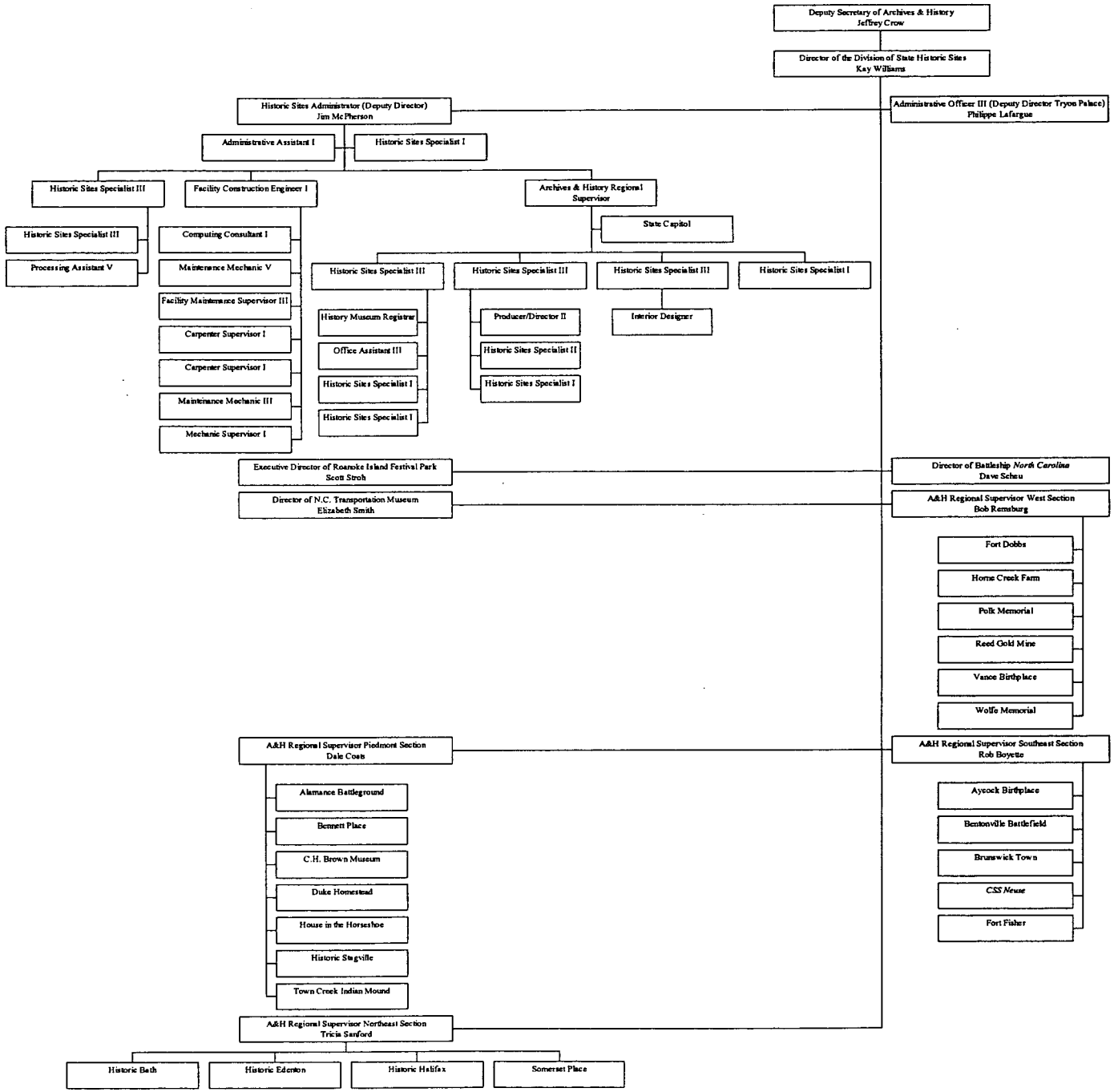
Some recent and ongoing projects of interest at these 23 state historic sites are:

- Historic Bath is commemorating the 300th anniversary of North Carolina's first town;
- A number of sites, including Bentonville Battlefield, is commemorating the 140th anniversary of the end of the Civil War;
- At the N. C. Transportation Museum, Phase I restoration of the massive Back Shop has been completed. This building one day will house interactive exhibits on the history of transportation in the state;
- Fort Dobbs has entered an exciting planning and development phase that will result in reconstruction of the fort and construction of a new museum/education center – all dedicated to telling the story of the French and Indian War and the frontier in North Carolina;
- At Historic Stagville, offices were moved from the Bennehan House into the Education Building, which was remodeled by division craftsmen into a visitor center with staff offices. As with Somerset Place, a strong program focus has been research and presentation of the story of the enslaved people who once lived and worked at Stagville Plantation.
- The division's role in local economic development was exemplified by Kinston, where citizens raised private money to buy a modern office building downtown for the future CSS *Neuse* Civil War Museum and to build a large model of the vessel.
- Finally, in Asheville the restoration of the Old Kentucky Home at the Thomas Wolfe Memorial was completed almost six years after a tragic fire; the official reopening of the historic house took place on May 28, 2004.

State Historic Sites – Fund 1241 – Fiscal Data

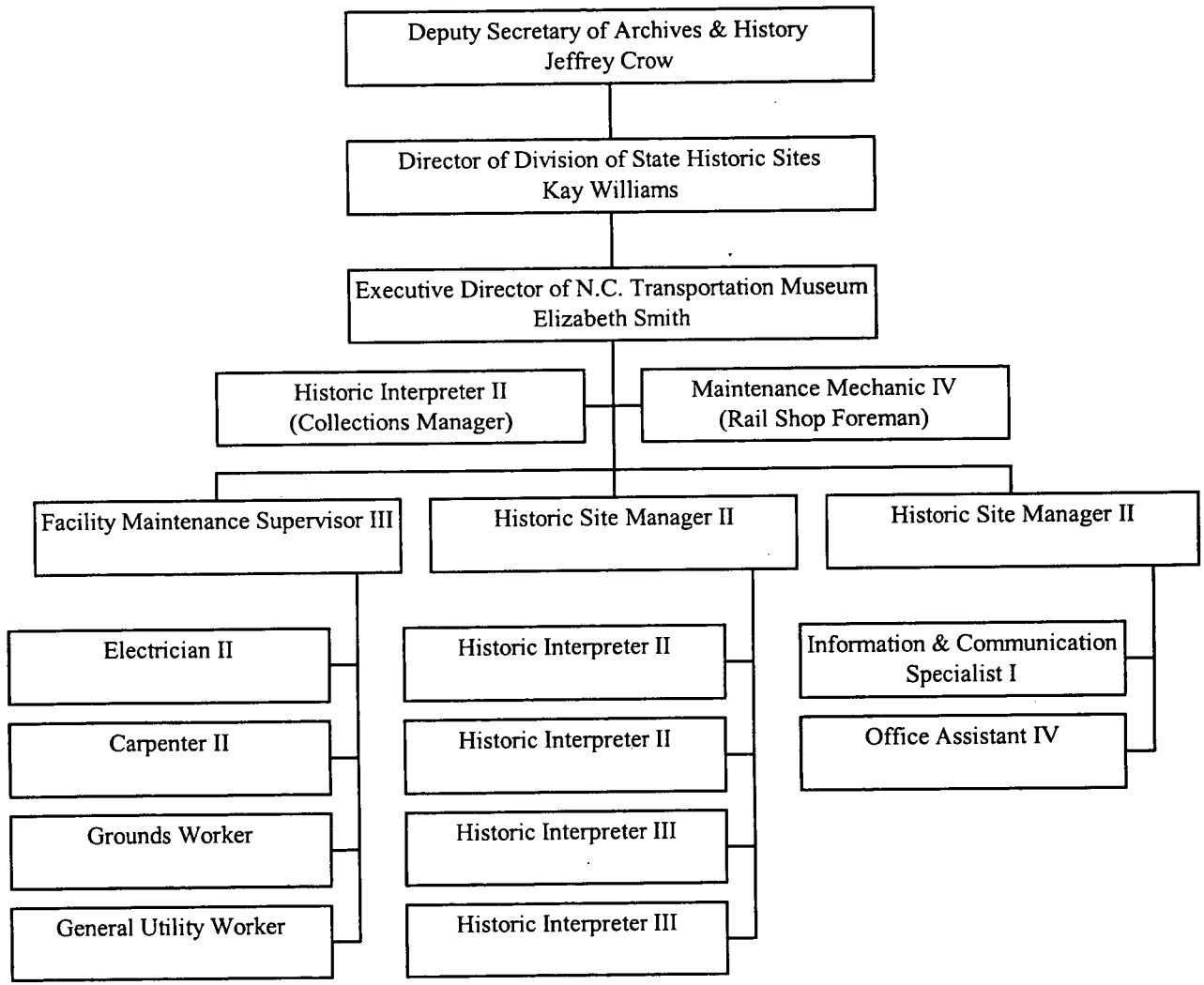
	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	6,453,216	6,427,508	6,972,200	6,621,549
Receipts	217,743	96,544	108,244	111,794
General Fund Appropriations	6,235,473	6,330,964	6,863,956	6,509,755
Number of Positions	136.00	135.00	135.00	135.00

Office of Archives and History,
State Historic Sites



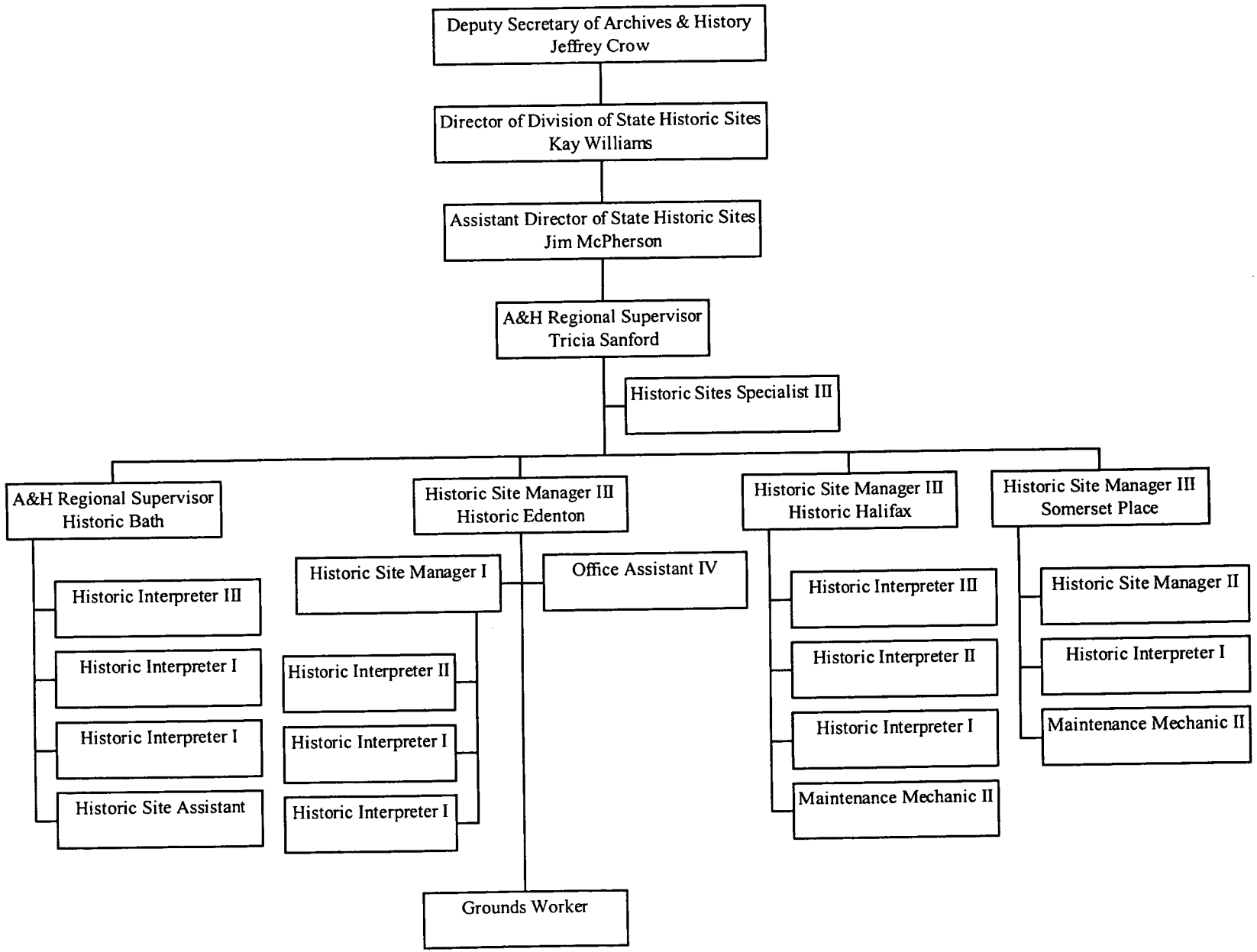
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Office of Archives & History, State Historic Sites,
N.C. Transportation Museum



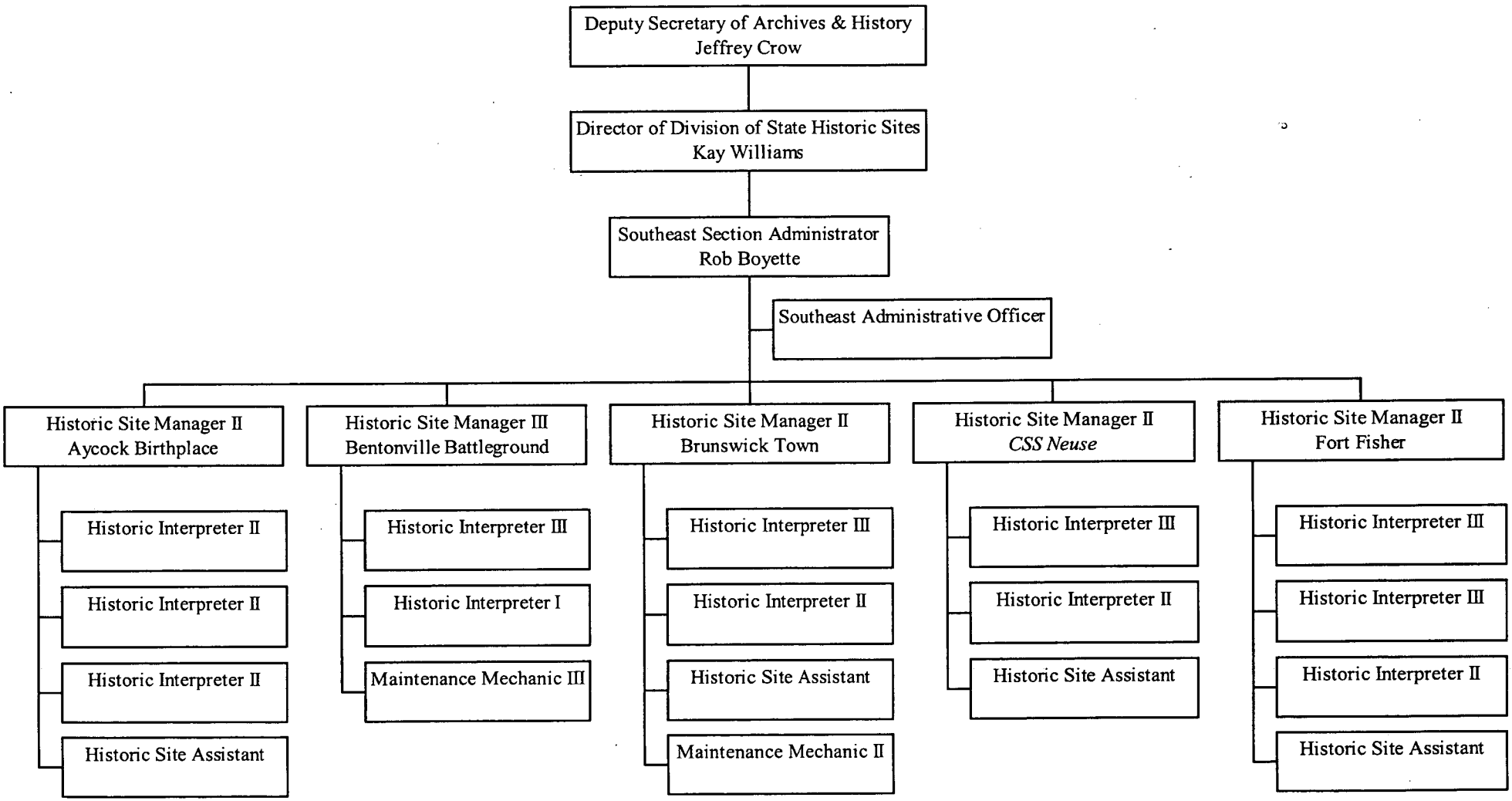
January 2005

Office of Archives & History, State Historic Sites,
Northeast Section



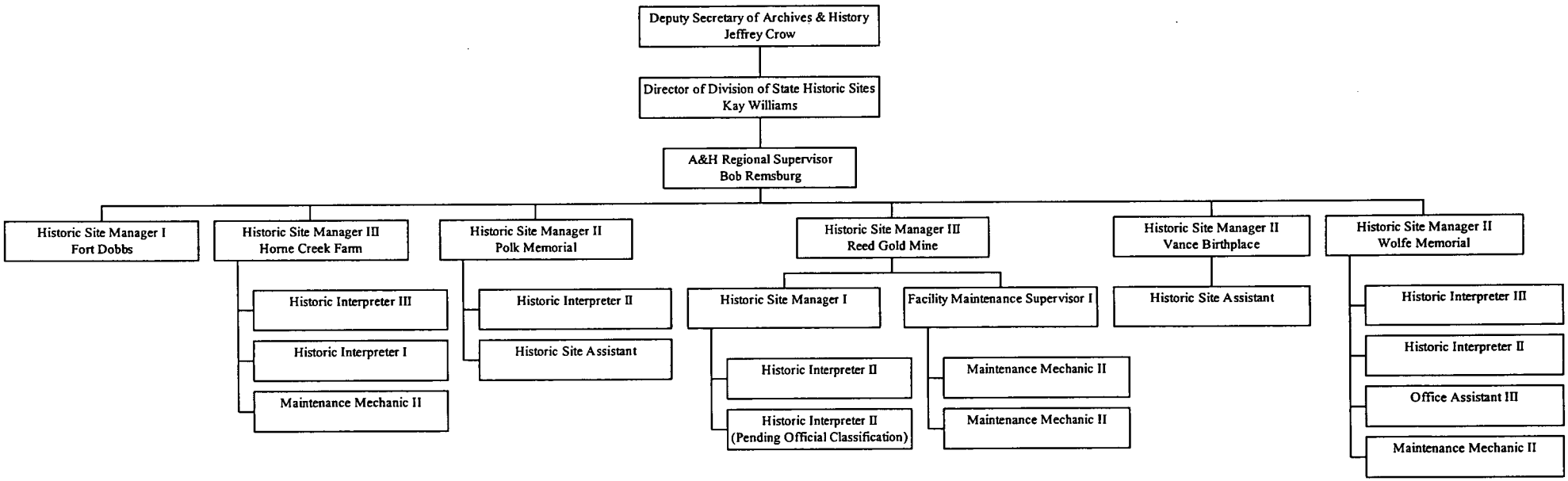
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Office of Archives & History, State Historic Sites,
Southeast Section



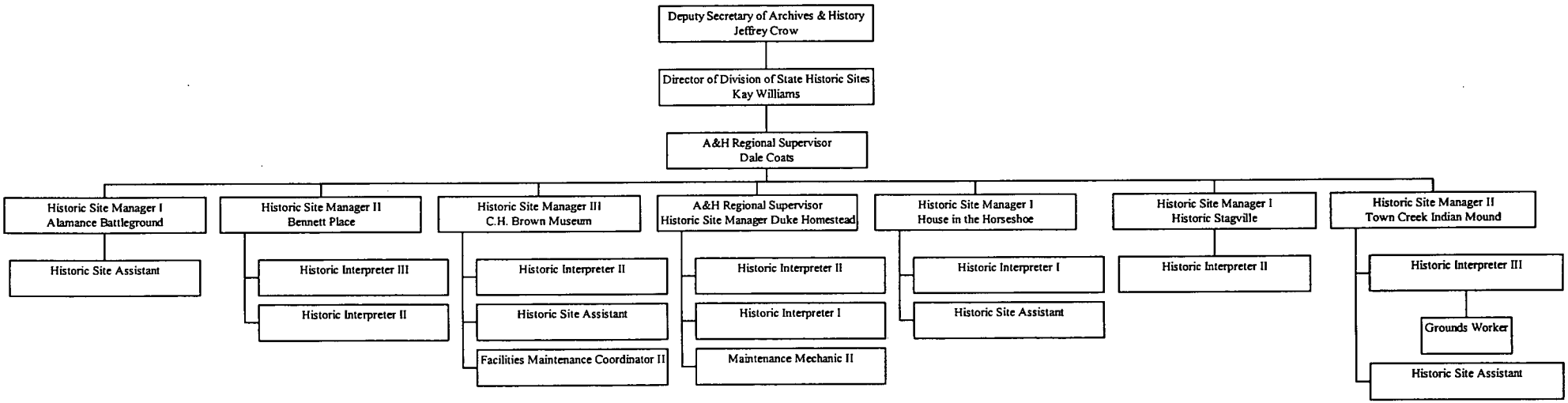
January 2005

Office of Archives & History, State Historic Sites,
West Section



January 2005

Office of Archives & History, State Historic Sites,
Piedmont Section



Tryon Palace Historic Sites & Gardens - Fund 1242

Mission

The mission of Tryon Palace Historic Sites & Gardens is to preserve the history and culture of North Carolina and the United States in order to educate growing numbers of residents and visitors about their heritage so they may better understand their future. To fulfill this mission, TPHS&G preserves historic structures, furnishings and other objects, and gardens. It offers tours and programs 360 days a year to 81,761 annual visitors from all 50 states and several foreign countries. The site's leading attraction is the restored 18th century palace that served as the seat of government for the colony of North Carolina and then as the first capitol of the state. Other attractions include the 1779 home of North Carolina Revolutionary patriot John Wright Stanly, the 1830 home of Mayor George W. Dixon, the 1804 house of Scottish chair maker Robert Hay, the 1809 Academy Museum, and 14 acres of formal and kitchen gardens.

- Last year, 20,000 schoolchildren visited to explore the past. Curriculum-based programs are available for second, fourth, sixth, and eighth graders, as well as high school students.

- The Living History Classroom, an educational newsletter designed for teachers, is distributed twice annually to 2,000 North Carolina educators to advance classroom learning.

- Home School Days—scheduled for the spring and fall—offer hands-on learning opportunities for students who are educated outside of traditional school settings.

- Living history programs for all ages include dramatic presentations, crafts and domestic skills demonstrations, military re-enactments, period dance, music, and interactive historical games.

- An African American Research and Education program provides critical support for interpreting the important contributions of African Americans to our shared history and creates opportunities for community involvement.

- Staff members advance the historic site's mission by presenting educational programs to schools and organizations. Objects from the collections are loaned to other museums for inclusion in special exhibits. Palace employees also regularly participate in demonstrations and exhibits at fairs, conferences, and other venues. The staff's efforts are greatly enhanced by the support of over 200 volunteers, who contributed 9,072 hours in 2004.

- Heritage tourism is an important and growing industry in North Carolina. Visitors to Tryon Palace typically stay two to five nights in area accommodations while combining their Palace experience with visits to other heritage sites in the state.

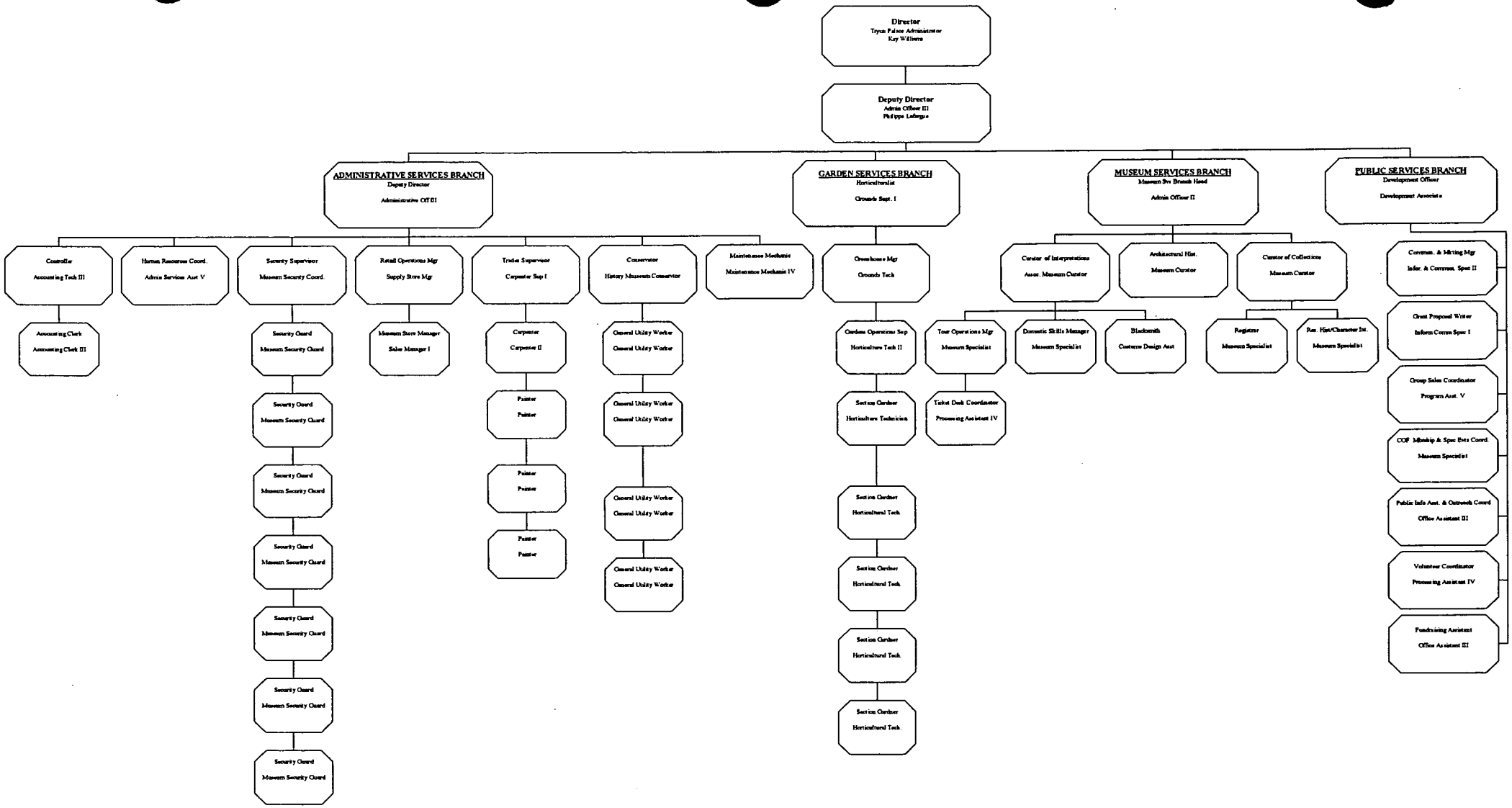
- Tourism revenues generated by these visits contribute significantly to the economy of the central North Carolina coastal area and to the state's tourism industry generally. Paid admissions to Tryon Palace Historic Sites & Gardens generated $522,647 in fiscal year 2003-2004. With the support of the Tryon Palace Commission and the Tryon Palace Council of Friends, $341,145 in non-capital gifts was contributed for program funding to assist Tryon Palace Historic Sites & Gardens in fulfilling its mission.

- Plans underway for the North Carolina History Education Center will more than double visitation. This state-of-the-art interactive facility will use the tools of the future to provide visitors with exciting journeys to our past.

- Tryon Palace Historic Sites & Gardens is an accredited museum of the American Association of Museums.

Tryon Palace Historic Site and Gardens - Fund 1242 - Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	2,293,972	3,176,444	2,651,729	2,640,494
Receipts	865,133	995,258	995,959	995,258
General Fund Appropriations	1,428,839	2,181,186	1,655,770	1,645,236
Number of Positions	51.50	51.00	51.00	51.00


Director
Tryon Palace Administrator
Kay Wilmore
Deputy Director
Admin Officer III
Philippa Lofargue
ADMINISTRATIVE SERVICES BRANCH
Deputy Director
Administrative Off III
GARDEN SERVICES BRANCH
Horticulturalist
Grounds Supt. I
MUSEUM SERVICES BRANCH
Museum Svc Branch Head
Admin Officer II
PUBLIC SERVICES BRANCH
Development Officer
Development Associate
Controller
Accounting Tech III
Accounting Clerk
Accounting Clerk III
Human Resources Coord.
Admin Services Asst V
Security Supervisor
Museum Security Coord.
Security Guard
Museum Security Guard
Security Guard
Museum Security Guard
Security Guard
Museum Security Guard
Security Guard
Museum Security Guard
Security Guard
Museum Security Guard
Security Guard
Museum Security Guard
Retail Operations Mgr
Supply Store Mgr
Museum Store Manager
Sales Manager I
Trades Supervisor
Carpenter Sup I
Carpenter
Carpenter II
Painter
Painter
Painter
Painter
Painter
Painter
Conservator
History Museum Conservator
General Utility Worker
General Utility Worker
General Utility Worker
General Utility Worker
General Utility Worker
General Utility Worker
General Utility Worker
General Utility Worker
Maintenance Mechanic
Maintenance Mechanic IV
Greenhouse Mgr
Grounds Tech
Gardens Operations Sup
Horticulture Tech II
Section Gardner
Horticulture Technician
Section Gardner
Horticultural Tech
Section Gardner
Horticultural Tech
Section Gardner
Horticultural Tech
Section Gardner
Horticultural Tech
Curator of Interpretations
Assoc. Museum Curator
Tour Operations Mgr
Museum Specialist
Ticket Desk Coordinator
Processing Assistant IV
Architectural Hist.
Museum Curator
Domestic Skills Manager
Museum Specialist
Blacksmith
Costume Design Asst
Curator of Collections
Museum Curator
Registrar
Museum Specialist
Res. Hist/Character Int.
Museum Specialist
Commun. & Mrktng Mgr
Infor. & Commun. Spec II
Grant Proposal Writer
Inform Comm Spec I
Group Sales Coordinator
Program Asst. V
COF Mbrship & Spec Evts Coord.
Museum Specialist
Public Info Asst. & Outreach Coord
Office Assistant III
Volunteer Coordinator
Processing Assistant IV
Fundraising Assistant
Office Assistant III

North Carolina State Capitol – Fund 1243

Mission

The mission of the North Carolina State Capitol is to preserve and interpret the historic 1840 Capitol building -- its architecture and history – as well as the functions of state government.

The State Capitol is the historic and symbolic seat of state government. In addition to such restored features as the 1840 House and Senate Chambers, the State Geologist's Office, and the State Library, the Capitol also houses the Office of the Governor. Over 106,584 visitors took tours and participated in special events at the Capitol during FY 2003-2004. These statistics do not include visitors to the Governor's Office or people attending official government functions.

- The Capitol is one of the state's leading tourist attractions and is open to visitors 7 days a week, 360 days a year.

- Visitors to the State Capitol came from all 50 states and a large number of other countries. Every year guided tours are given to students from all of the state's 100 counties.

- In FY 2003-2004, tours were given to 1,562 school groups serving 51,380 North Carolina teachers and schoolchildren. School tours focus on the needs of teachers and students and reflect North Carolina curriculum goals and guidelines.

- Civic groups, senior citizens groups, special delegations from industry and/or foreign governments received 165 tours serving 1,914 visitors.

- The Capitol staff acts as official hosts and greeters for citizens coming to the Office of the Governor, in addition to its public education duties and provides assistance to the governor's staff as necessary.

- In FY 2003-2004, the Capitol staff welcomed 1,876 participants attending 101 official government functions held in the 1840 legislative chambers and the rotunda. These events include swearing-in ceremonies for judges and other government officials, bill signings, press conferences and special programs for government agencies. In 2005 the Capitol will host the Supreme Court while the Justice Building is being renovated.

- The Capitol maintains an ongoing schedule of public lectures, workshops, and living history presentations both within the building and on Union Square surrounding the Capitol. Educational programs and special events include the annual Fourth of July Celebration, a commemoration of veterans holidays, and other patriotic celebrations.

- The State Capitol Foundation, Inc., and its membership arm, the State Capitol Society, have raised funds and support to assist in the Capitol's restoration and furnishing – a ten-year project that would not have been possible without the support of these organizations. Current projects of the Foundation include restoration of the Square's walkways, which will improve handicapped accessibility to the building and grounds. Future projects include replacing the historic carpet in the 1840 House and Senate Chambers and the restoration of the historic 1844-1888 Supreme Court Chambers. The Foundation also has provided funds for weekend operation of the Capitol and numerous education programs and events.

- The loss of temporary salary funds and a reduction in permanent staff have continued to have a negative impact on the Capitol's ability to carry out its mission and educational programming. The Capitol's staff was reduced to only four professional employees and a receptionist position during FY 2003-2004. This has placed a heavier burden on volunteers. Increasingly it has shifted limited staff time from other important areas of the Division of State Historic Sites to maintain an acceptable level of service and 7 day per week operation at the State Capitol.

North Carolina State Capitol – Fund 1243 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	274,947	287,307	292,824	287,307
Receipts	107	100	100	100
General Fund Appropriations	274,840	287,207	292,724	287,207
Number of Positions	6.00	6.00	6.00	6.00

Division of State History Museums - Funds 1245, 1270, and 1500

Mission

At seven locations throughout the state, the Division of State History Museums promotes the understanding of the history and material culture of North Carolina for the educational benefit of North Carolinians and visitors to the state. Through extensive artifact collections, publications, and historical interpretations the division's museums encourage citizens and visitors to explore and understand the past; to reflect on their own lives and their place in history; and to preserve state, regional, and local history as a legacy for future generations.

Overview

The Division of State History Museums is an agency of the Office of Archives and History in the Department of Cultural Resources.

Today, seven museums – North Carolina Museum of History in Raleigh, Mountain Gateway Museum in Old Fort, Museum of the Albemarle in Elizabeth City, Museum of the Cape Fear Historical Complex in Fayetteville, and the North Carolina Maritime Museum in Beaufort with branches in Manteo and Southport – form the Division of State History Museums. The North Carolina Museum of History, Mountain Gateway, Museum of the Albemarle, and Museum of the Cape Fear are budgeted under Fund Code 1500. The North Carolina Maritime Museum and its branches are budgeted under Fund Code 1245. Together, the North Carolina Museum of History and the regional museums carry out the mission of the Division of State History Museums through exhibitions, publications, programs, and the extensive involvement of the communities they serve. The museums are active partners with schools and universities in education by bringing history to life for students. These institutions serve as vital cultural repositories for the State's material culture, preserving it for future generations.

Affiliated Organizations

The division is greatly assisted in its mission through several support organizations. These organizations provide a means for citizens to become members, stay informed of programming offerings, and provide much-needed financial support for the division's programs and activities. Involvement of the community in the life of a museum enriches both the institution and the citizens it serves.

Programs and Selected Statistics

The division's visitation in the last biennium totaled 1,063,478. Nearly one-fourth of the visitors to the North Carolina Museum of History came from public school, private school, home school, and other groups.

- An additional 1,663,755 people benefited from the division's outreach services and programs. The museums served people throughout North Carolina, from other states, and internationally.
- During the biennium, volunteers donated 65,392 hours of work to our seven museums.
- A total of approximately 900 citizens served on various museum boards, volunteer, and community advisory groups during the biennium.

- In the two school years, more than 10,752 children and their adult advisers took advantage of the opportunity to join and participate in the division's educational organization, Tar Heel Junior Historian Association.
- More than 183 educational and cultural agencies throughout the state and at least seven from other states benefited from professional consultations, presentations, and technical assistance provided by museum staff during the biennium.
- Through media programs, teacher kits, resource guides, and outreach exhibits provided to schools, public libraries, retirement homes, local museums, and book clubs, approximately 523,863 individuals used museum resources in their local communities.
- At distance-learning sites in local schools and community colleges, 2,119 students and teachers discovered North Carolina history through our two-way interactive classrooms.
- A total of 666,422 newspaper inserts and newsletters, distributed using a combination of public and private funds, provided citizens with museum information and unique stories of North Carolina history.
- Informative and interactive Web sites provided access to the museum collections so that users could conduct research from their homes. The Web sites also offered interactive exhibit components.
- Our in-service teacher training offerings afforded many teachers a hands-on opportunity to enhance their history teaching skills, but an even larger number of educators participated in our online teacher workshops. These workshops provide a cost-effective and flexible way for the museums to share information with teachers, and they are especially valuable in reaching remote areas.
- Elderhostels, summer camps, and parent-child programs conducted in all the museums offered hands-on learning experiences to visitors of all ages.
- The division's museums conducted 1,359 public programs and events, as well as 3,678 guided tours. These programs directly served more than 185,862 citizens.
- Through the generosity of the public, the museums' support groups, and state funds, over the past biennium, 2,944 artifacts significant to the state's history became part of our permanent collections
- Division museums mounted or maintained 135 long-term, temporary, and outreach exhibits during the biennium.

Future Plans and Priorities

To help carry out the division's mission, the General Assembly in its 2004 session generously provided funds to begin the process of building the comprehensive chronological history exhibit at the North Carolina Museum of History. These initial funds will be used for planning and design. Accordingly, as the Museum continues work on this important project, artifact acquisition and construction funding will be requested. When completed, the comprehensive exhibit on North Carolina's people will serve as a model for other state history museums.

A beautiful new facility for the Museum of the Albemarle is nearing completion on the Elizabeth City waterfront. Construction delays and changes, hurricane damage, and other unexpected developments will require the request of additional state funding. The Museum's support group, Museum of the Albemarle, Inc., has honored its commitment and met its fundraising goal for this project.

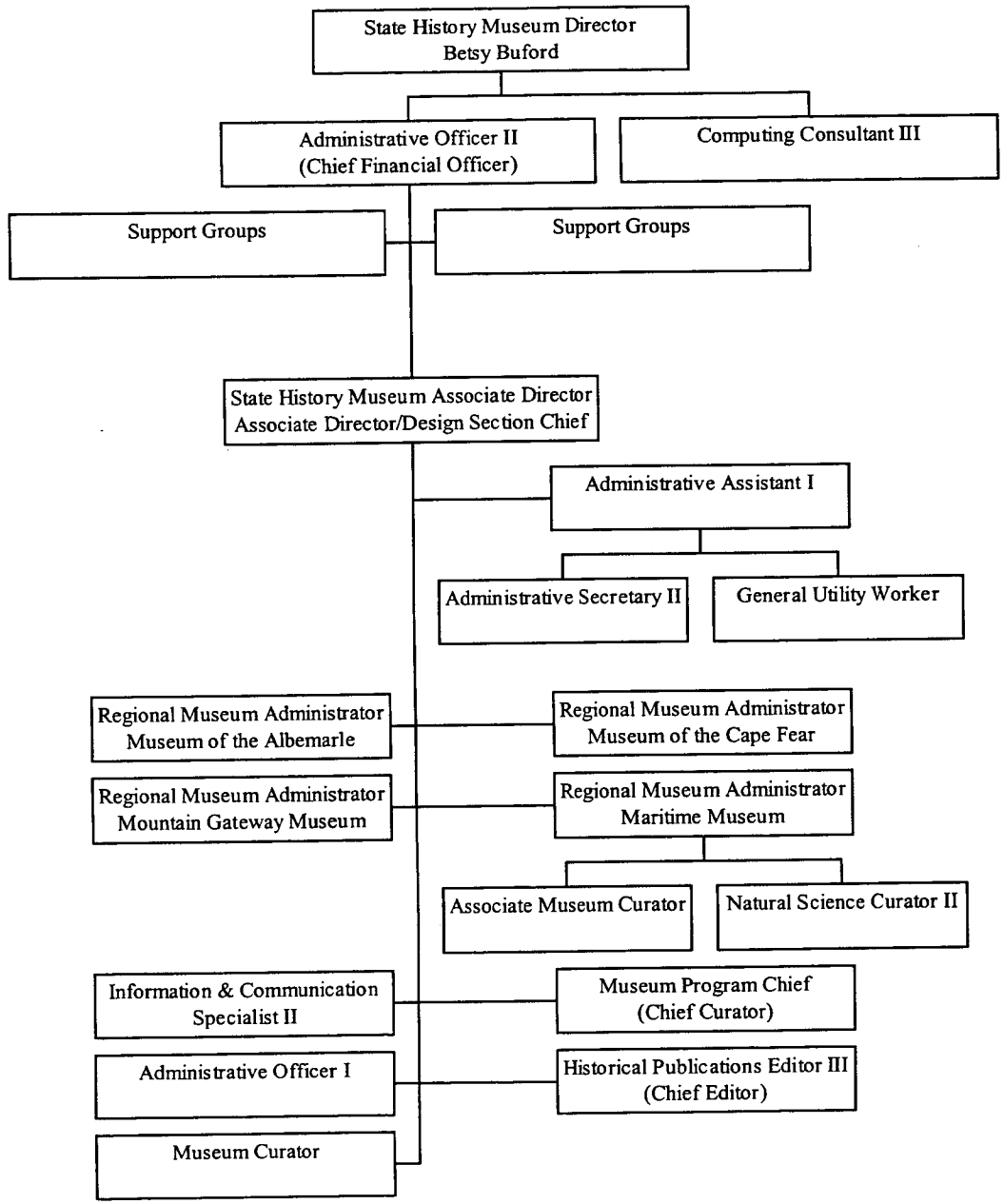
A major challenge facing the division is off-site artifact storage of over 250,000 objects. The division currently rents space in several locations. This is inefficient and not the ideal for storing the many thousands of important historic objects when they are not on view in the galleries. With the assistance of the Office of State Property, the Division is exploring solutions to this growing problem.

In order to meet these and other challenges in the years ahead, the Division of History Museums will continue to seek partners and private funding to enhance the impact of the public support appropriated by the General Assembly. We are grateful for the support the State has provided for more than one hundred years and are proud of the institutions and their service to the people. We look forward to continuing to build on this legacy.

North Carolina Museum of History – Fund 1500 – Fiscal Data

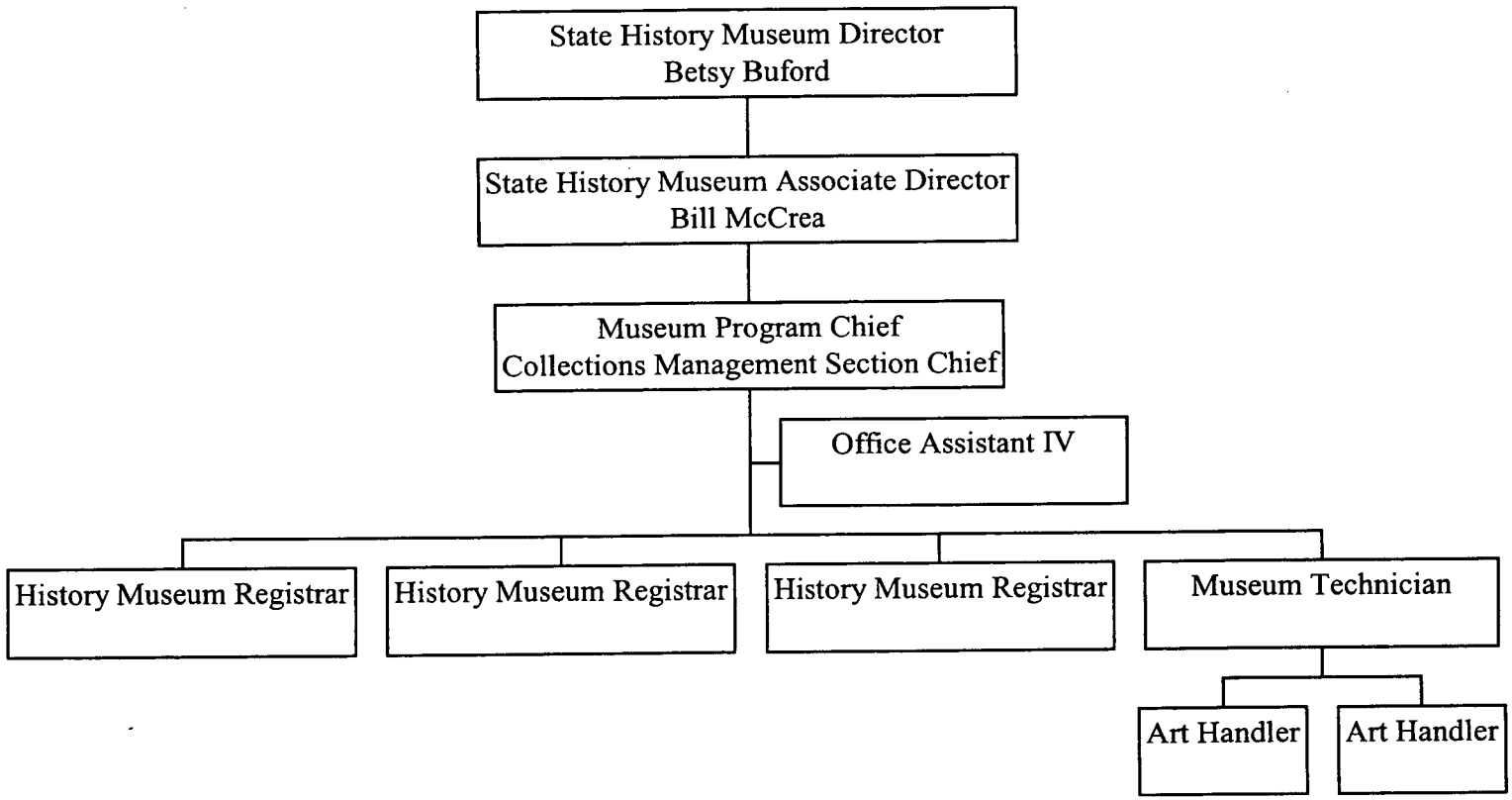
	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	4,964,195	6,793,595	5,615,357	5,622,411
Receipts	52,190	81,240	61,240	61,240
General Fund Appropriations	4,912,005	6,712,355	5,554,117	5,561,171
Number of Positions	100.75	109.60	109.60	109.60

Office of Archives & History, Division of State History Museums,
Director's Office



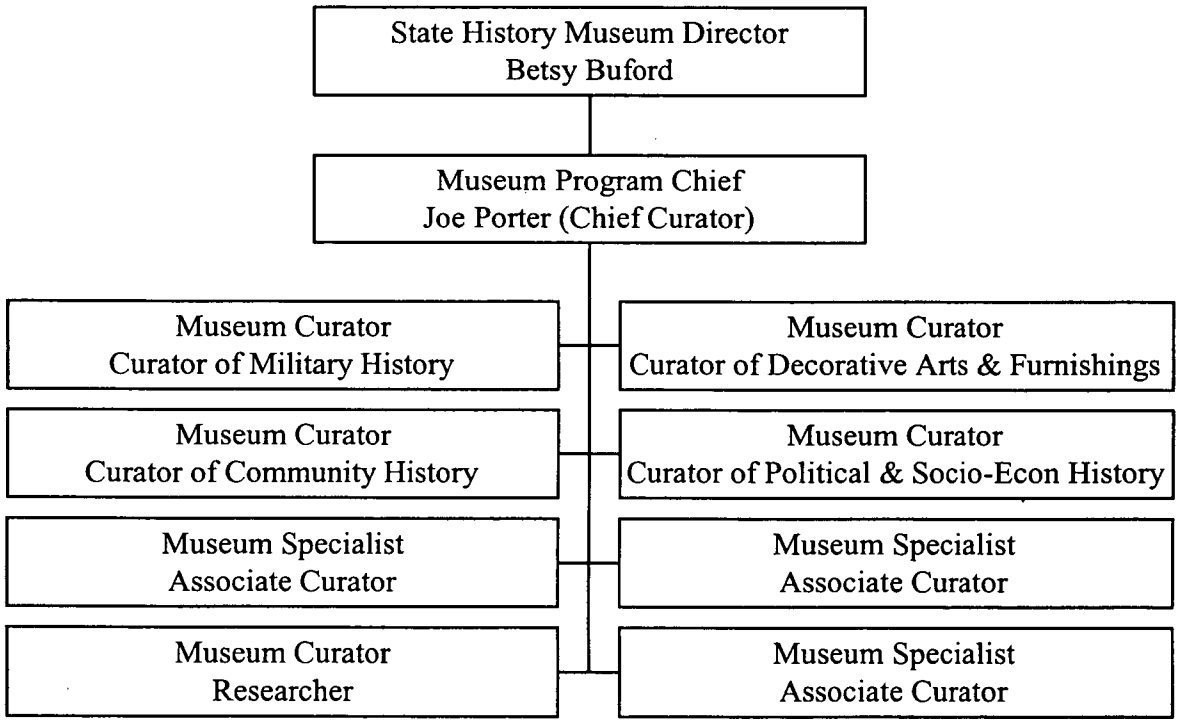
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Office of Archives & History, Division of State History Museums,
Collections Management



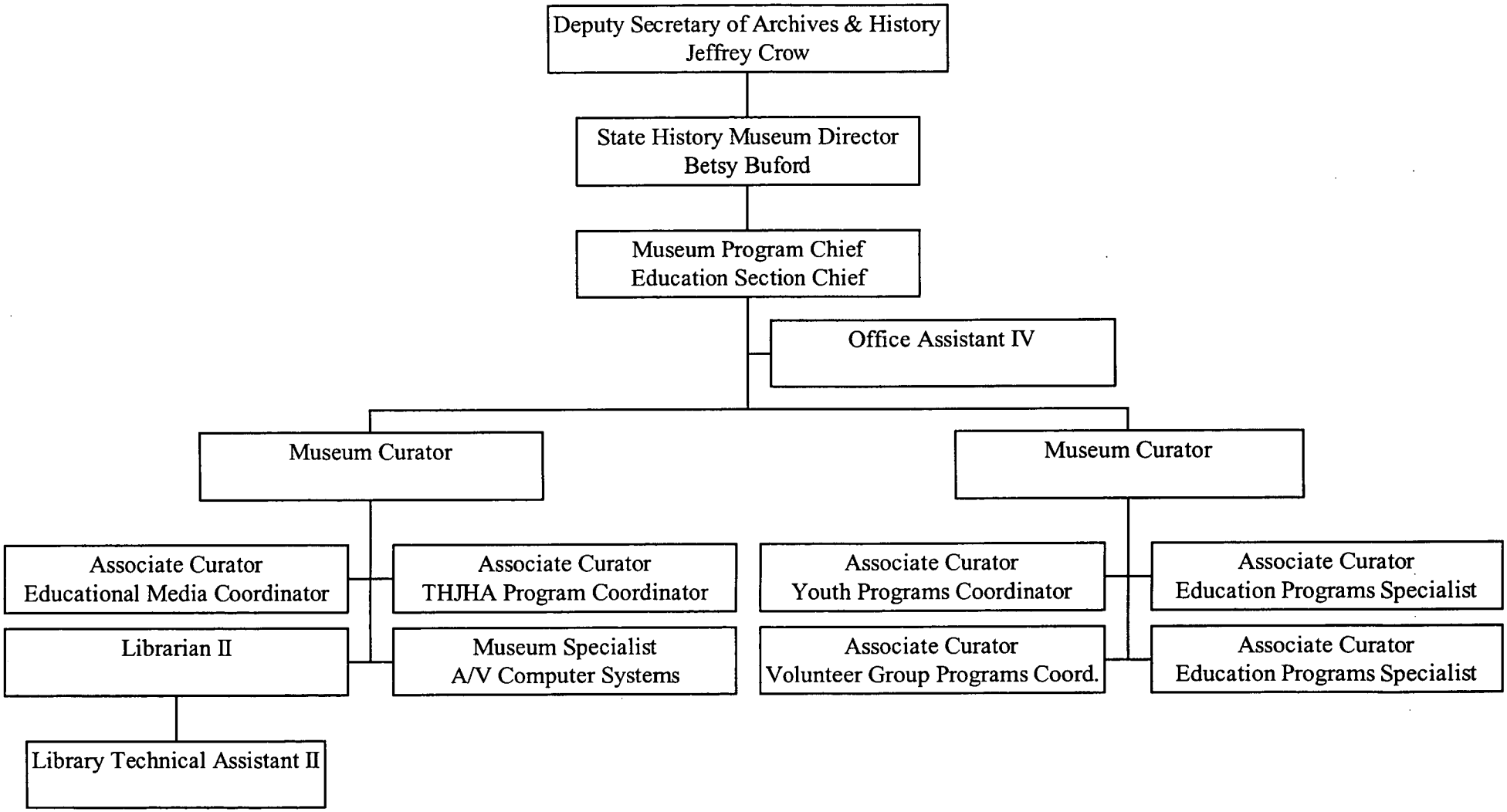
January 2005

Office of Archives & History, Division of State History Museums,
Curation Section



January 2005

Office of Archives & History, Division of State History Museums,
Education Section

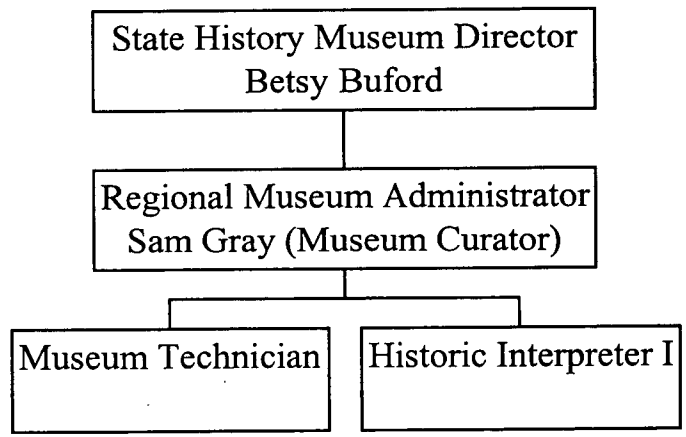


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Office of Archives & History, Division of State History Museums

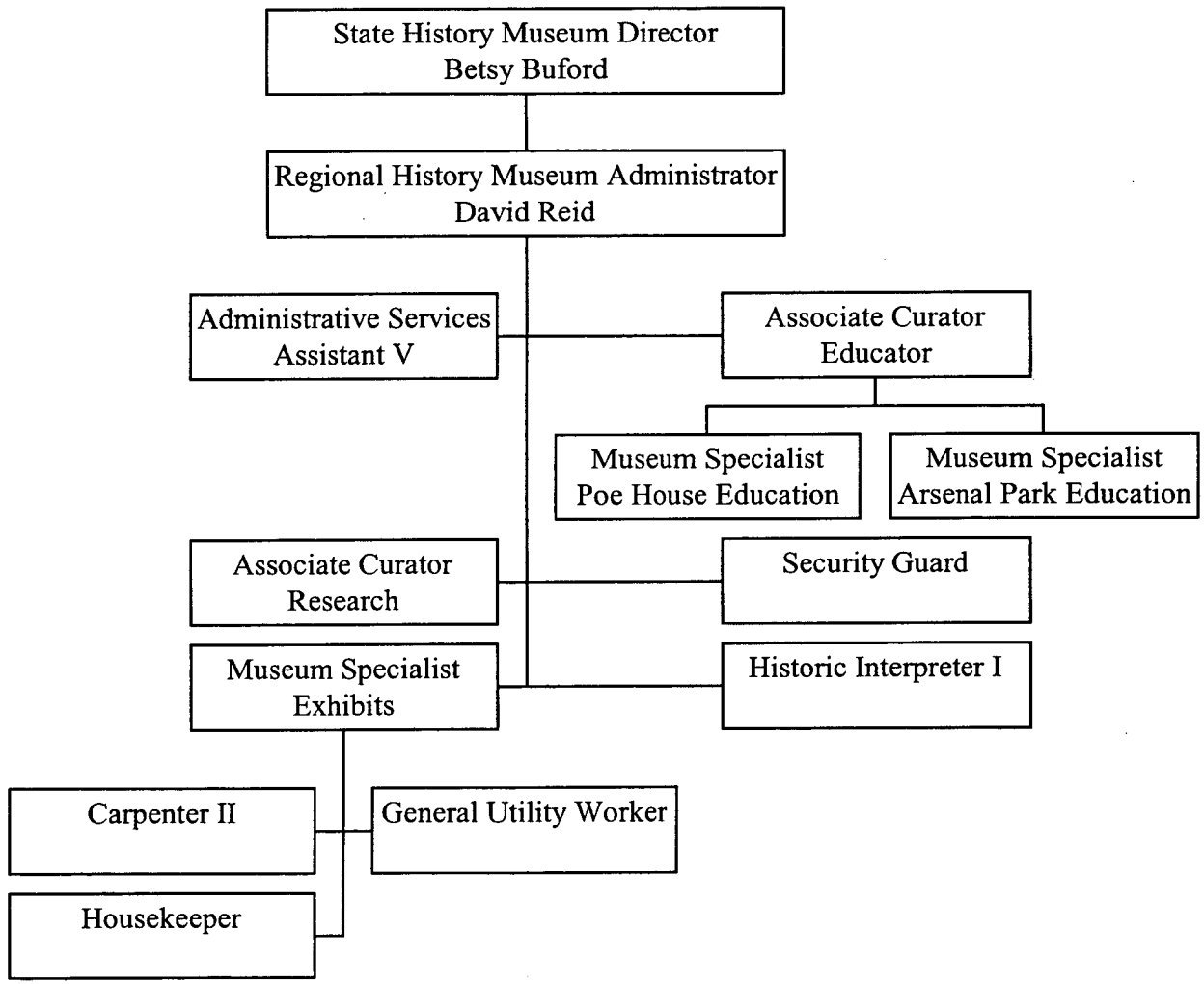
Mountain Gateway Museum



January 2005

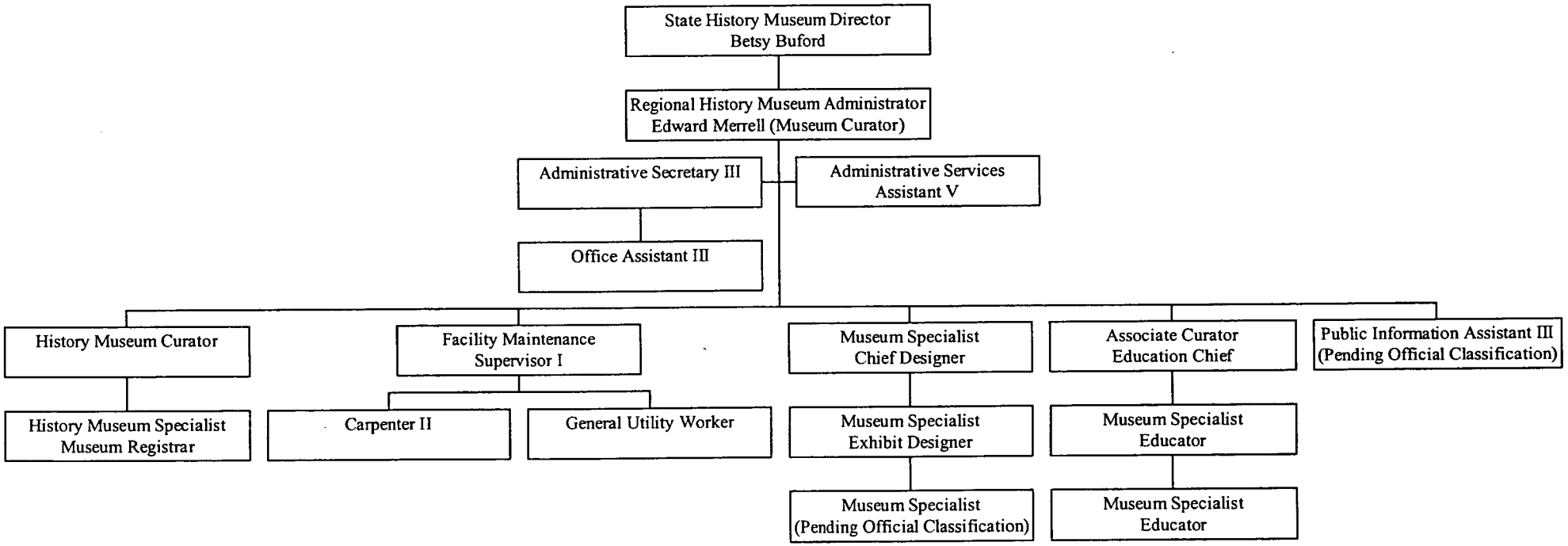
Office of Archives & History, Division of State History Museums

Museum of the Cape Fear



January 2005

Office of Archives & History, Division of State History Museums
Museum of the Albemarle



January 2005

North Carolina Maritime Museum – Fund 1245

Mission

The North Carolina Maritime Museum – with facilities in Beaufort, Southport, and on Roanoke Island -- preserves and interprets all aspects of the rich maritime heritage found in North Carolina's coastal environment through educational exhibits, programs, and field trips.

Overview

The North Carolina Maritime Museum can trace its beginnings to the early 1900s when it was little more than a collection maritime and natural artifacts that had been put together to represent North Carolina at the 1898 International Fisheries Exposition in Norway. In 1904, these items were put on display for the public at what was then the U.S. Fisheries Laboratory on Piver's Island in Beaufort, North Carolina. In the years that followed, additions were made to the collection and it was overseen by a series of agencies and individuals. In 1959, the funding and organization of the museum was delegated to the North Carolina Department of Agriculture. In 1997 the North Carolina General Assembly transferred the North Carolina Maritime Museum in Beaufort from the Department of Agriculture to the Department of Cultural Resources. Since that time, the North Carolina Maritime Museum System has expanded to include three museums, located in Beaufort, Southport and on Roanoke Island. Since July 1, 2001, the North Carolina Maritime Museums have been part of the Division of State History Museums under the Office of Archives and History, Department of Cultural Resources.

Programs

Current and recent exhibitions at North Carolina Maritime Museum locations and traveling exhibits that the Museum sends out include: Portsmouth Island photography, regional art, an exhibit on Shackelford Wild Horses, vintage sailing photography, duck hunting and decoy exhibit, an exhibit on the search for Blackbeard's ship, *Queen Anne's Revenge*, and many others. The Maritime Museum System's annual visitation is over 250,000 people. That figure includes 60 percent in-state, 35 percent out-of-state, and 5 percent foreign. Some 15,000 schoolchildren visit the museums annually. The Friends of the Museum, the museum's 501(c)(3) nonprofit support group, is composed of approximately 1,100 paid members. The American Association of Museums, the highest professional certification available in North America, accredits the Museum. The museum is open to the public seven days a week, 360 days a year. Volunteers, including interpreters and greeters, contribute more than 25,000 hours annually.

The North Carolina Maritime Museum is responsible for maintaining, exhibiting, and interpreting a great number of rare and valuable artifacts, traditional wooden boats, and a library filled with a wide variety of books on maritime and natural history topics. The Museum's Harvey W. Smith Watercraft Center offers evening, weekend, and weeklong classes in boatbuilding, boatbuilding skills, model building, and more for both children and adults.

Over 1,200 students participate in these classes annually, representing many thousands of staff and volunteer contact hours. Watercraft Center staff and volunteers undertook a variety of construction and restoration projects, such as restoring a 1934 SL Surf Boat for the United States Coast Guard Museum and constructing a replica of a 1730 periauger log boat for the Perquimans County Restoration Association. Live-streaming video of the Periauger Project was conducted as part of Estuary Live, in collaboration with the North Carolina National Estuarine Research Reserve and Marine Graphics. Watercraft Center volunteers contribute more than 27,000 hours annually toward these types of projects as well as maintaining and restoring the museum's collection of traditional wooden boats. Though a state-funded master boatbuilder position was lost several years ago, the Friends group has since been providing financial support so that critical position can be filled.

The museum's Cape Lookout Studies Program conducts overnight field programs of several days' duration at the museum's field station at Cape Lookout and is nationally known for its field studies and research. The CLSP is largely self-supporting and operates under a cooperative program with the National Park Service. CLSP volunteers contribute more than 2,000 hours annually to support the program. The North Carolina Maritime Museum in Beaufort is the designated repository for the storage, exhibition, and interpretation of artifacts recovered from Blackbeard's flagship, the *Queen Anne's Revenge* (*QAR*).

Change and growth have been evident at the Southport and Roanoke Island facilities. In Southport, public programs offered by the museum are attracting a wide diversity of audiences. Though currently in a storefront rental facility, it is hoped that a permanent site for the North Carolina Maritime Museum in Southport will be identified in the near future. On Roanoke Island, rehabilitation of the George Washington Creef Boathouse has been completed, as has construction of the Roanoke Marshes Lighthouse, which will be administered by the North Carolina Maritime Museum on Roanoke Island. Roanoke Island's junior and adult sailing programs have continued to gain popularity among both local citizens and visitors to Roanoke Island.

Future Plans and Priorities

In January 2004 museum staff and Friends members met with organizers of the Americas' Sail Competition. As a result, the museum will host Pepsi Americas' Sail 2006, a world-class event that will bring many tall ships to the Crystal Coast in July 2006. This historic event has served as an incentive to continue development of the Friends property on Gallants Channel, which will serve as one of three venues for the tall ship event. In addition, efforts are being made toward the addition of new docks and a decking next to the Watercraft Center, which serve as a water taxi stop during the tall ships event.

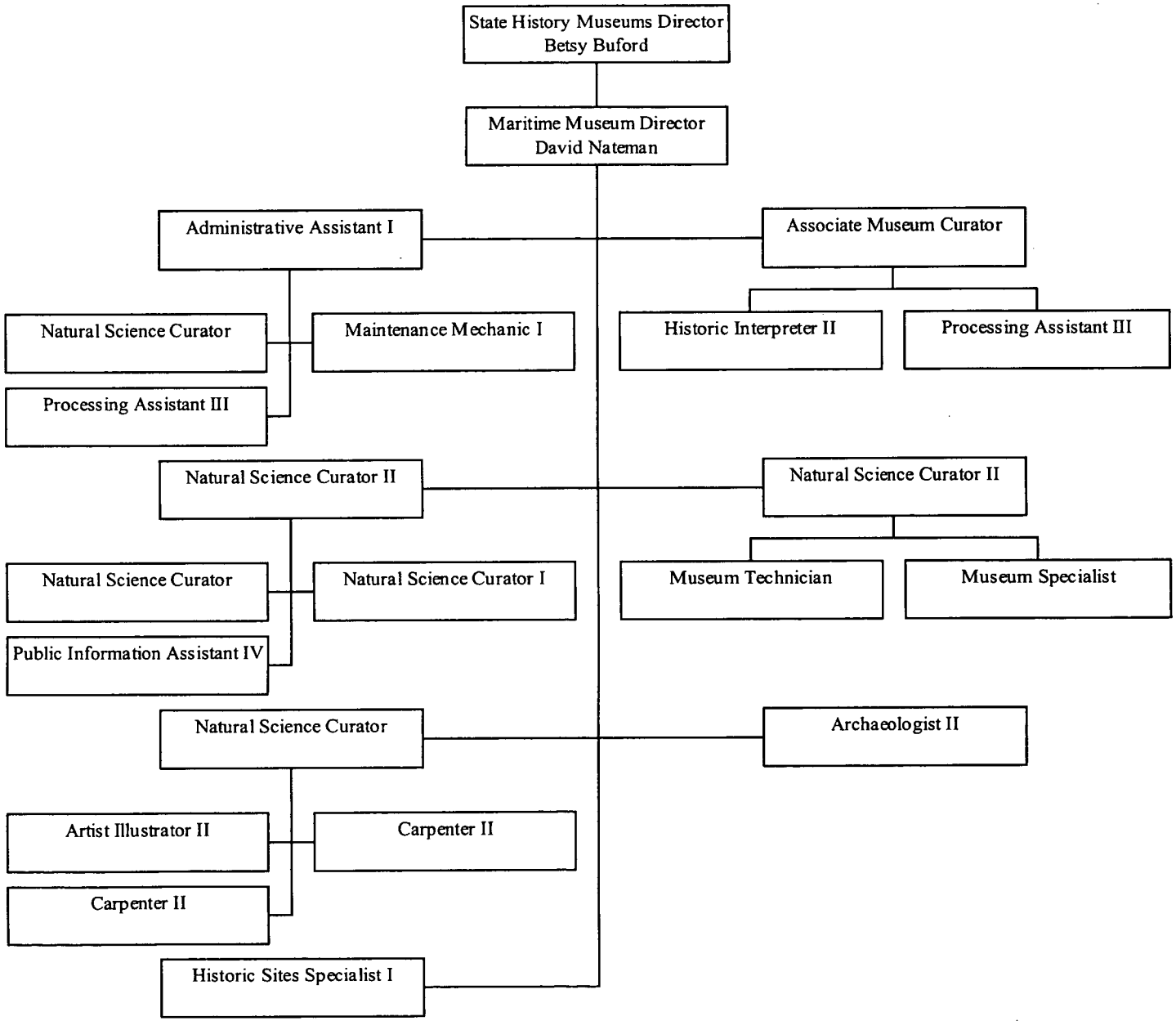
In 1998 the Friends of the Museum purchased for 3.2 million dollars a 36-acre waterfront site for museum expansion. The property has 1,852 feet of estuarine shoreline in Beaufort to support the museum's expansion needs for the next 25 plus years. Currently, the property houses the repository for *QAR* artifacts, the classroom and staging area for the Junior Sailing Program, the offices of the Cape Lookout Studies Program and dolphin research, a nature trail, and storage for the museum boat collection.

Future plans include a conference center/lodge/restaurant complex, turn of the century maritime village, dockage for tall ships, and educational exhibits and programs about North Carolina's maritime heritage and coastal natural history. Since the Beaufort facility's aquariums closed in 2002 due to lack of funding, there have been constant requests from children and families to reopen them. In spite of lack of funds, this popular living exhibit will be redesigned and reinstalled, with an expected completion date in spring 2005.

North Carolina Maritime Museum – Fund 1245 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	996,990	1,040,347	1,060,486	1,062,504
Receipts	11,717	15,150	10,150	10,150
General Fund Appropriations	985,273	1,025,197	1,050,336	1,052,354
Number of Positions	18.75	19.00	19.00	19.00

Office of Archives & History, Division of State History Museums,
Maritime Museum



January 2005

Joint Appropriations Subcommittee on General Government Meeting
Minutes
March 15, 2005
2:00 pm

Rep. Alma Adams called the meeting of the Joint Appropriations Subcommittee on General Government to order at 2:00 pm. She welcomed back the staff, pages, clerk, agencies and Sgt. At arms. In addition to Chairman Adams, also present were Reps. Pierce, Goforth, Lucas, Wilson, Daughtry and Tucker and Senators Dorsett, Cowell, Brock, and Jacumin. A visitor registration sheet is attached and made a part of the record. Staff present: Michele Nelson, Marilyn Chism and Kathie Young.

She introduced Staci Tolliver Meyer Chief Deputy Secretary and General Counsel for the Department of Cultural Resources. She leads the Arts and Libraries which includes the State Library the NC Arts Council, the NC Symphony and the NC Museum of Art. She is also responsible for administrative services, purchasing, capital projects and human resources. In keeping with the purpose of the department, the office of Arts and Libraries enhanced the cultural climate of North Carolina by providing access to the arts and libraries.

Alexis Vaughn, chief operation officer of the NC Art Museum (presenting on behalf of Larry Wheeler), Mary Regan, Director of the Arts Council, and David Worters, CEO of the NC Symphony presented the overview for their respective departments.

The Museum traces its origin to 124 when the Art Society of North Carolina was founded with the purpose "to promote an interest in providing a State Art Museum in Raleigh." In 1929, the General Assembly placed the Art Society under state patronage, which began a tradition of public/private partnership that continues to the present. In 147, North Carolina became the first state in the nation to appropriate public funds for the purchase of works of art to establish at state supported art museum. That first appropriation of $1 million matched a gift of 75 important works of art given by the Samuel H. Kress Foundation as part of its program of endowing regional museums throughout the United States. Negotiations with Mr. Kress and the Kress Foundation were led by State Senator Robert Lee Humber of Pitt County. Thanks to his efforts, of nearly one hundred institutions receiving art from the great Kress collection, the gift to the North Carolina Museum of Art was the largest and most important of any except that given to the National Gallery of Art in Washington, D.C. The Kress gift, combined with purchases made with the original legislative appropriation, created for the people of North Carolina the most distinguished collection of old master paintings in the southeastern United States, and formed the foundation for today's North Carolina Museum of Art.

The Museum is governed by a 29 member Board of Trustees. The Governor, the General Assembly, the Art Society, North Carolina Museum of Art Foundation Board, and the Board of Trustees appoint the Board members.

The Museum is assisted in its mission by two affiliated organizations. The NC Arts Society and the NC Museum of Art Foundation. The Art Society also manages the permanent endowment of the Robert Phifer fund. Proceeds from this endowment are used solely for the acquisition of works of art for the Museum's permanent collection. The modest endowment provides the Museum's only reliable source of acquisition funding. There have been no state funds appropriated to add to the Museum's collection since 1985. The NC Museum of Art Foundation is a private not-for-profit organization that holds some endowment funds and plays the essential role of operating the Museum's private fundraising efforts. The Foundation provides nearly two-thirds of the Museum's operating budget. These funds are spent on the Museum's behalf to support exhibitions, educational programs, staffing, fixed asset acquisitions and other operating needs. The Foundation directly hires several of the key managers and operating personnel at the Museum.

The Museum's major responsibilities are well stated in its statutory mission, "...to acquire, preserve, and exhibit works of art for the education and enjoyment of the people of the State, and to conduct programs of education, research, and publication designed to encourage an interest in and an appreciation of art on the part of the people of the State."

The Museum is an active partner with the state's educational systems. Outreach exhibitions, slide programs, speakers, and teaching materials are also available to schools and other groups in all counties throughout the state.

The Museum continues to enhance accessibility to its collections through the use of new technologies such as digital imaging, electronic databases and the Museum's World Wide Web page (http://ncartmuseum.org).

The Museum regularly received national and international recognition for its collections, acquisitions and programs. It has become a major tourist attraction, which draws many visitors from within the state and beyond its borders each year. An example is the hugely successful exhibition of Matisse and Picasso from the School of Paris which ended in January 2005 and drew over 123,000 visitors from around the nation, garnered national media coverage during its run and contributed over $9.5 million to the local economy based on the convention and visitor bureau calculations.

In the 2000 session, the General Assembly allocated to the Department of Cultural Resources, for the Museum, the state-owned property located adjacent to the Museum site and formerly occupied by the Polk Youth Correctional Facility. Private funds provided for the demolition of this facility and the expansion of the Museum's parking facilities. At present, the Museum is seeking to build a new structure on part of the site to complement the existing building and provide exhibition and public spaces in keeping with the excellence of the Museum's collections and programs. The state legislature has appropriated funds to develop architectural schematics for a new facility, which is currently under way. Subsequent support from the state legislature will be required for new building construction as we move forward to realize the great plan for the Museum

building and the surrounding park, in what do date has been a benchmark example of public/private partnership.

State budget reductions have hit the Museum very hard. A $487,500 increase in recurring funds granted by the legislature for FY2005 enabled the Museum to reconstitute its security department, and restore public hours that had been reduced in 2000 due to budget cuts. Corporate donors are not attracted to donating money for operating purposes, but prefer to designate funds for major capital campaigns for expansion, endowments, and art acquisition and education programs. Procurement of corporate support has historically be a challenge for the Museum. However, high-profile exhibitions and park-related activities have helped generate corporate interest. On the heels of this momentum, the Foundation is strengthening its footing and preparing to launch a major capital campaign to augment the progress of a new state-funded facility.

A major set of challenges currently facing the Museum includes problems related to the age and poor condition of current building. Cracks in masonry walls are common inside and outside the building. There are frequent roof leaks, plumbing, electrical and HVAC failures. Much of the carpeting in the building is the original, which has been trodden under millions of feet over nearly a quarter of a century. Repair and renovation money recently appropriated by the legislature will address many of these and other infrastructural issues. In addition, the Museum is one of two state performance contract pilot projects that will provide for the upgrade of the HVAC system the winning contractor, Trane, will be paid for the HVAC upgrade by savings realized through the efficiency of the new HVAC system.

Perhaps the most critical challenge of the Museum, other than funding, is in the area of personnel. The Museum has had tremendous difficult retaining and attracting staffing for professional state-funded position due to pay limitations. The fact that about one third of the Museum's employees are actually employed by the Foundation instead of the state creates additional challenges in managing personnel and maintaining unified, consistent and efficient HR policy. The Museum is currently working the Dept. of Cultural Resources to address these challenges. In order to address the salary issues described above, the $475,000 non-recurring funds appropriated in the last session will need to be appropriated this session as recurring.

In order to meet these and other challenges of the years ahead, the Museum will continue to seek partners and private funding to leverage the public support provided by the General Assembly. However, the financial condition of the Museum is extremely fragile.

Mary Regan, President of the NC Arts Council. Presentation begins on page 71 of the handout.

Mission of NC Arts Council is to make North Carolina a better state through the Arts. They are doing this in partnership with artists and art organizations and other kinds of organizations that use the arts to make their community stronger. Their three goals are:

Vibrant communities, creative productive citizens and North Carolina's cultural vitality.

They are 40 years old. When they started there were 250 arts organizations in the state and today there are 2,555. She listed programs and services at bottom of page 71. They have a website that contains a lot of information on the council.

On page 72 she spoke on the cultural tourism trails, folk heritage award ceremonies and research on the economic impact of the arts. The economic impact studies found that just the arts organizations alone, not the audiences, contribute $723 million to North Carolina's economy. They provide nearly 7,000 full-time jobs. This represents $32 million in state and federal payroll taxes. 12.5 million people participate in project they fund. Many people go to more than one arts event and that's the way this is counted. They fund projects in all 100 counties.

Their grants help organizations find additional monies. At bottom of 72, noted the non recurring fund in 0001, where they had a $2 million non recurring amount that they were not able to sustain, so you can see how their funding has changed over those 5 years.

On page 73 - Vibrant Communities. She pointed out Ashe County, Watauga County, Guilford is really strong and she stated that Cumberland County had one of the best arts councils in the state.

#4 – Cross cultural understanding. With the way the population is changing and growing we have to have good ways of the different communities in the State to understand one another. In Durham, there is a Hayti Heritage Center and in Charlotte there is an African American Cultural Center that does really strong work in this area.

2nd Goal – to help citizenry be healthy and productive
List of organizations across the state where people can find their talents or just enjoy the arts. These go from really large organizations like the Carolina Ballet here, Opera Carolina in Charlotte, in Durham there is the African American Dance Ensemble. There are all levels of participation that we/you can enjoy. She mentioned the states robust arts industry. $723 million is the total impact in the State but other studies have been done. $26 million in Watauga County, Buncombe County had a study that we $60 million, $66 million in Wake, and $94 in Mecklenburg.

Page 75 – Arts in Education
They fund about 300 programs in the schools every year. One of their most successful programs is the Jr. Appalachian Musicians Program, called JAM, where they get musicians in the grandparents' age to come to the schools after school and teach the young people the mountain music.

Their 3rd goal, North Carolina cultural vitality - the degree to which we have lots of different kinds of artists successfully working in the state will determine that we continue to have good creative expression. That we create the cultural legacy that will pass on to the next generation.

Cultural tours - Two of our successful tourism trails were in the mountains. They did a Cherokee Trail. Recently in Eastern North Carolina the are developing "Homegrown Handmade" trails; collaborating with the farming community in the East and identifying not just galleries and artists studios but farms that are open to the public, restaurants where they use local produce and local recipes, etc.

She pointed out the list of the 780 organizations they fund every year. On the right listed are 444 arts organizations and on the left other community organizations that are doing art programs.

Page 79 – Per capital listing of the grants that they give out. What gets counties high on the list is if they have organizations in them that serve a wide region as opposed to mostly local programming?

Questions:
Sen. Smith: The Inroads program distributes the available funds equally throughout North Carolina. When we look at the Arts, I don't understand why we can't come up with some system that says a certain percent of this money could be given on a per capita basis or make available on a per capita basis, and then a certain part can be for grants, for state-wide title. That way, the counties that are trying to have an arts council may not be able to afford a grant writer, have certain money that's available to them if they do make a grant, and then it would be awarded. Then they are fairly treated. Why can't we do something like that?

Answer: First of all, let me say, having been raised in Robinson County, my heart is where your heart is in this respect. A third of our grant money we do give out on a per capita basis and the rest is for competitive grants. If we had a lot of money so that we could spread it out equitably across the state, and every county would have some money to do some programming, I would be all in favor of doing what you are saying. But since we only have $4.4 million to give out in grants, we have to use it in ways that will maximize other money. We have to give it to organizations that can take the money and go out and raise 20 more dollars for every dollar we give them. That's why you see this inequity in the counties because we are putting the money where there is an infrastructure. There are things we are doing to build the infrastructure. The poor counties don't have to match our grants with cash. We are doing lots of development work in rural areas.

Follow up: Sen. Smith: The arts council in Johnston County is working hard to get their part of the pie. They get 27 cents. If you are paying out 62 cents per capita, they are getting less than 50 cents on the dollar and the people down there couldn't work any harder. If we have available 62 cents per capita, you ought to take a third of that for State Projects. Then you have 40 cents per capita, looks like to me that ought to be reserved for a period of time for a county to file a grant, they are entitled to get their 40 cents per capita. Then everybody is treated fairly. That money is there for everybody. And if they

don't file for a grant then it can go back in for other people. Why is if a system like that "fair is fair" is ok for education, it is not implemented for the arts?

Answer: One thing we are not able to show on this page is to break out the money that is going to some of the cities that then tour out to Johnston County and other counties. If we give a grant to a theater company that tours and goes into the schools and they go to Johnston County to perform; none of that money shows up that it benefited the Johnston County citizens which it actually did.

Follow up: Sen. Smith: What are we going to have to do to get justice here? Do I need to go file a bill? How are we going to get there?

Answer: That's a very hard question. All of these different ways that I have said that we work is to try to help counties like Johnston County move forward. We were working very hard with Johnston County and it was gaining. Unfortunately you lost your director and there has been a lull in the staff leadership there which meant that it was not able to apply for grants and do the kinds of programs that would keep it moving forward but I hope we can get it back on track.

Follow up: Sen. Smith: If you look at Wayne County; they are at 13 cents and I know they have an active arts council. What I'm saying is the citizens, rather than given what's fair, depends on the skill of their art director rather than something they are entitled to because they sent their tax money here to Raleigh.

Answer: Actually, Wayne has a different explanation. Wayne has a very good arts council with a long-time director. Wayne for the last 5 or 6 years has been focused on getting that bank building and renovating that building and moving in. So, all of their energy has been on developing that facility and raising money for that. And we don't get money for capital, but it's been thinking about that and it has not applied to us for grants. The Cumberland arts council is one of the best in the states and it rates low because they has been its energy the last couple of years developing other local sources of money. So there are cycles that these groups go through and next year groups might be in different places.

Question: Rep. Adams
Why is Cumberland County better than Guilford County?

Answer: Guilford is very good. Cumberland County knows how to make the arts central to all the issues that count in that county. Cumberland County has managed to convince local government and the corporate sector that the arts are a part of solving all the problems in Cumberland County. They have pioneered that way of thinking and other people do through other organizations too. In Guilford, you all have a much bigger structure and you are doing a great job. But it's different there.

Question: Rep. Tucker

I noticed Duplin is down on the list and the Director moved out of town and the County Commissioners chose not to hire someone else. How will money keep coming to Duplin? Will somebody else get it?

Answer: There is not an arts council in every county. When there's not, then staff goes in and tries to get together other groups who can do arts programming, and we try to work through them. It's our goal to get that grassroots money into every county. Sometimes we do it by taking some of the programs into the schools and sometimes we find another organization that wants to do some kind of arts programming. It's easier for us if there is an arts council that is already set up to do it but we work to try to make sure no county gets left out.

Follow up: Rep Tucker
So who in Duplin will you be working with?

Answer:
I'll have to check. We've been talking with the Board of Education, but I'll check on Duplin and get back with you.

Question: Rep. Pierce:
People do not have the knowledge of what is available, how to apply for this money. There needs to be some type of public information campaign. It's probably there, but I think we need to do more toward that end. Because I think the public overall would contribute in some way to support the arts program. I represent four ethnic groups in my county and I know there is a need. I think there needs to be more done to help out poor counties receive this money. Public information would help out a lot.

Answer:
That is really a great suggestion and it is something that I think we haven't done as well as we could in getting the word out. We've tried but I think we need to do a better job.

Question: Sen. Jacumin
A place to house the arts is the first thing you've got to have. Why can't we use a percentage of some of these dollars to get a place to house the arts?

Answer:
It's a small amount of money that we have $4.4 million. But we do, and this has been very helpful, we can give a grant to a local group that wants to build a facility or renovate a facility. We send somebody in to help them develop the plans for the facility, and develop the ways they are going to go about paying for it. And often having a well thought out plan enables local communities to go out and raise the money. So, with our limited funds that is how we are trying to help. It would be nice if we had enough money to give for capital construction but so far we are limited to just being able to help them plan.

Follow up: Sen. Jacumin

It looks like from this list that the poorer get poorer and the richer get richer.

Answer:
Look at Terrell County, its number 2. And Madison is number 8, Swain is fairly poor, it's number 5; so some of these are filtered through.

Question: Rep. McLawhorn
We are looking at years 03/04. When we look at these counties, will they be the same, in that same order for the most part for previous years?

Answer:
Some of the higher counties there is consistency there, however there is some shifting. There is a lot of shifting around in the bottom two thirds.

Question: Sen. Brock
Are we having a problem with our executive directors (ED's) moving from place to place? Are they moving up the ladder?

Answer:
No. There is a huge problem with turnover with the ED's. It is because they are not paid very well at all and they have no benefits. Often they are the only staff person in that county working on the arts. And they are usually very idealistic people who think they can change the world and they burn out. They go get a job where they can make more money and have heath care benefits. It's a big problem that we have. They are not state employees. They are paid by private non-profit organizations. This is one of the main reasons for counties that are low on the list.

Comment: Sen. Cowell
Compliment you on the courage to put these numbers out there. I do understand this is a complex issue.

Comment: Rep. Lucas
Referencing Cumberland County, many are not aware that they use part of their occupancy tax for the arts which gives them a consistent revenue stream. They do a lot of advertising.

Rep. Adams pointed out a place mat that has statistics on the economic impact of the arts in the state.

David Worters, President and CEO of North Carolina Symphony

Presentation begins on page 82 in books. He asked everyone to read the full overview. He highlighted two things about the NC Symphony; their statewide service, and their commitment to music education. There are about 2,000 orchestras in the US that include the professional orchestras and all of the community orchestras. About 50 of those

orchestras qualify as major orchestras meaning they are full-time employment for their musicians. He stated that he knows a lot about those 50 orchestras and could tell us with great authority that there is not one among those major orchestras that can hold a candle to what the NC Symphony Orchestra is doing in terms of statewide service and music education. One of the recurring subjects about symphony orchestras is "What is the average age of your audience" and most people speculate that the average age is around 55 or 75. In fact the average age of the NC Symphony audience is around 29 years old. The reason for that is that one third of our audience is nine years old. And of our one hundred performances per year, generally about one third of them are for 4th and 5th graders. Tradition of statewide service began back in the 1940s at the time Dr. Benjamin Swalin was their music director, and there was a bill passed in 1943, known as the "Horn Tootin Bill" in which the legislature began the tradition of continuous funding for the state orchestra. Since that time the orchestra has dedicated a tremendous amount of time and resources to serving the entire state.

On the music education side; perhaps many of you had the opportunity to hear the NC Symphony when you were a young person. There's not a day that goes by that someone doesn't say something essentially along the lines of, "David, I remember the day the symphony came to town. I remember Ben Swalin on the podium; I remember the song that we sang; I remember the music that we played." In terms of recent news they are pleased welcome Grant Llewellyn to North Carolina as our 5th music director. They have recently forged partnerships with two radio stations with great reach throughout the state; WUNC-FM and WCPE-FM where you hear the state orchestra at least once a month.

Two years ago they faced a very difficult challenge. They had accumulated $2 million in operating debt that threatened the existence of the orchestra. At that time there were about 8 other orchestra in this country of about their size that in fact did not succeed in meeting that challenge and they folder or ceased operations in one manner or another. They are here only because of the support of the legislature. Two years ago there was an additional $520,000 appropriated in non-recurring funds. Last year there was a $400,000 non-recurring special allocation. He thanked the committee for the legislature's support in getting them through those tough times and into the future.

20 years ago, state funding represented 70% of the symphony's budget. It is now down below 30%. Now, private donations and ticket sales are making up the other 70% and sometimes even 80%. The continuation budget recommendation represents only 22% of their costs for next year. It is their goal and request that these non-recurring special appropriations that have happened over the past two years be considered on a recurring basis going forward.

He then introduced William Curry. Mr. Curry thanked everyone for anything they have ever done for the arts. He told his story about how he almost didn't become a musician. He grew up in a lower middle class family. There was only money for the essential. He wanted to play at the age of six, the piano. His little brother wanted to play the cello. There wasn't any money for private lessons or for an instrument. He grew up in an all black graded school and they just didn't have anything there but the basics. But finally in

5th grade, a light, the Pittsburgh Symphony came to his grade school (he grew up in Pittsburgh.) He remembered what they were wearing, what they played, where he was sitting in the auditorium, where they were placed; a light bulb went off in his head and what was really miraculous was that he was not alone in that. All of those Black kids, that people had forgotten about as far as the arts; the next day the phones were ringing; the parents were calling saying, "we've got to get some music in this school." So eventually in the 6th grade they did give them free instruments and free lessons. Just from that one concert that energized them all. Mr. Curry has conducted most of the great orchestras in this country. His brother is now in the Cleveland orchestra. Mr. Curry has been nominated for a Grammy. One of the things he loves to do is to walk and talk with the students before a concert. He feels he is a musical missionary. He stated that we need to cherish and nurture the arts.

Rep. Adams introduced Staci Meyer. She stated that Secretary Lisbeth Evans would be out of state the following day and if anyone had any questions of her they should ask them now.

Chairman Adams asked Secretary Evans to give the report on the First Flight Commission. The First Flight Commission report was filed with the legislature last year and they asked that they come back this year. Everyone in the legislature was mailed the final report more than a year ago. She stated that she had nothing to add other than it was a great event, now 15 months away. She asked for questions.

Question: Rep. Adams
There were seven positions and I am assuming that they are still in the continuation budget. I was looking in that and I can only identify three. Can we get a list of the positions?

Answer:
Secretary Evans stated that the following was her understanding of the status of the positions. When the First Flight Commission was originally set up, Cultural Resources moved positions that were Cultural Resource positions into First Flight. And when First Flight got over, those positions came back to Cultural Resources. I gave you the net of all of our positions to date and they included the First Flight positions.

Comment: Rep. Adams
I would like to get a list of all of the positions.

Answer:
The only person that worked on First Flight that still works on First Flight is Kim Sawyer and she is a manager of the eastern office.

Comment: Rep. Adams
So there were not seven positions?

Answer:
They have been moved to other parts of the department.

Comment: Rep. Adams
I would like to get a list of those positions and would like to flag that item.

Answer:
The numbers that were given to you earlier are the net numbers and they include all of the positions that we've lost over time.

The meeting was adjourned at 3:40 p.m.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 15, 2005
Room 425
2:00 p.m.

Chairman: Representative Alma Adams

Department of Cultural Resources (cont.)

Arts and Libraries

Overview

Staci Meyer
Deputy Secretary

North Carolina Museum of Art
(Notebook pp 60-70; B 482-484)

Staci Meyer
Deputy Secretary
(For Larry Wheeler)

North Carolina Arts Council
(Notebook pp 71-81; B 485-487)

Mary Regan
Executive Director

North Carolina Symphony
(Notebook pp 82-94; B 488-489)

David Worters
Executive Director & CEO

William Henry Curry
Resident Conductor

State Library of North Carolina
(Notebook pp 95-106; B 490-493)

Staci Meyer
Deputy Secretary

Report on Titles Designated for Printing on Alkaline Paper and Report on Compliance with the Requirement that Titles be Printed on Alkaline Paper (G.S. 125-11.13)
(Notebook - follows p 106)

Jan Regan
Branch Head
State Documents Section
Division of State Library

Review of 2005-07 Recommended Continuation Budget
(Complete Recommended Budget, B 447-510)

Charline Sutton
Acting Chief Budget Officer

Roanoke Island Commission
Report to the General Assembly per G.S. 143B-131.4
(Notebook pp 107-109; B 506-510)

Scott Strob
Executive Director

Required Reports

First Flight Centennial Commission
Final Report to the General Assembly per G.S. 143-642
(Notebook - last item)

Lisbeth Evans
Secretary

9:00

House Pages

Name Of Committee: _____ Date: 3-15-05

1. Name: Cynthia Edwards - House
   County: Rowan
   Sponsor: Fred Steen
2. Name: Mary Lynn Edwards - House
   County: ROWAN
   Sponsor: Fred Steen
3. Name: Shane Edwards - House
   County: Rowan
   Sponsor: Fred Steen
4. Name: JJ Harris (Senate)
   County: Wake
   Sponsor: _____
5. Name: Staci Tolliver Meyer
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: Richard Telfair
2. Name: Martha Parrish
3. Name: Leslie Wright
4. Name: LA. Jamilah Sabir Calloway
5. Name: _____

VISITOR REGISTRATION SHEET

General Government — 3/15/05

Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Pam Wortham	DST
Woo Jaybe	NCGA
Mary Regan	DCR/Arts Council
Charline Sutton	DCR
Scott Stroh	DCR / Roanoke Island Commission
David Brook	DCR / Archives & History
JOHN COFFEY	DCR / MUSEUM OF ART
Heyward McKinney	DCR
ALEXIS VAUGHN	DCR/ART MUSEUM
Robert Schiller	DCR / NC Symphony
DAVID WORTERS	DCR / NC Symphony
Greg Piner	OSBM
Kari Barrow	OSBM
Gwen Cassada	OSC
John McHugh	GOV OMB
David Brown	OSBM
Keith McCoccls	DOR
Courtney Brandon	DOT
Ken Melton	DOR

The North Carolina Museum of Art - Fund 1320

Origin, Statutory Mission and Programs

The North Carolina Museum of Art ("Museum") is a division within the North Carolina Department of Cultural Resources and is governed by a 29 member Board of Trustees. The Governor, the General Assembly, the Art Society, North Carolina Museum of Art Foundation Board, and the Board of Trustees appoint the Board members.

The Museum traces its origin to 1924 when the Art Society of North Carolina was founded with the purpose "to promote an interest in providing a State Art Museum in Raleigh." In 1929, the General Assembly placed the Art Society under state patronage, which began a tradition of public/private partnership that continues to the present. In 1947, North Carolina became the first state in the nation to appropriate public funds for the purchase of works of art to establish a state supported art museum. That first appropriation matched a gift of 75 important works of art given by the Samuel H. Kress Foundation as part of its program of endowing regional museums throughout the United States. Negotiations with Mr. Kress and the Kress Foundation were led by State Senator Robert Lee Humber of Pitt County. Thanks to his efforts, of nearly one hundred institutions receiving art from the great Kress collection, the gift to the North Carolina Museum of Art was the largest and most important of any except that given to the National Gallery of Art in Washington, D.C. The Kress gift, combined with purchases made with the original legislative appropriation, created for the people of North Carolina the most distinguished collection of old master paintings in the southeastern United States, and formed the foundation for today's North Carolina Museum of Art.

The Museum's major responsibilities are well stated in its statutory mission, "...to acquire, preserve, and exhibit works of art for the education and enjoyment of the people of the State, and to conduct programs of education, research, and publication designed to encourage an interest in and an appreciation of art on the part of the people of the State." (G.S. 140-5.12). This mission is accomplished through a variety of programs focusing on the State's permanent art collection, which consists of thousands of objects spanning over 5,000 years of human history and creative effort. The Museum also brings to North Carolina many special exhibitions of important art treasures from around the world for the educational benefit and enjoyment of the people of our state. Scholarly publications and a full range of classes, workshops, lectures, films, concerts, and other programs complement the Museum's educational mission and program objective.

The Museum is an active partner with the state's educational systems. Thousands of school children from all over North Carolina visit the Museum each year and learn about their own culture and about other civilizations through guided tours and other programs. Outreach exhibitions, slide programs, speakers, and teaching materials are also available to schools and other groups in all counties throughout the state.

The Museum continues to enhance accessibility to its collections through the use of new technologies such as digital imaging, electronic databases and the Museum's World Wide Web page (http://ncartmuseum.org).

Through the support of the Mebane Foundation, the Museum recently launched a new on-line educational resource for teachers, artNC, which provides interdisciplinary lesson plans, printable images, and is searchable by subject area, grade level, and geographic region. The Museum's conservation department provides consultation and conservation treatment services to other museums and public collections and citizens around the state. There is an extensive art reference library available for researchers and the public at large, and the Museum's curators are available on a regular schedule to consult with citizens about works of art in their own collections.

The Museum regularly receives national and international recognition for its collections, acquisitions, and programs. It has become a major tourist attraction, which draws many visitors from within the state and from beyond its borders each year. A prime example is the hugely successful exhibition of Matisse-Picasso and the School of Paris, which ended in January 2005 and drew over 123,000 visitors from around the nation and garnered national media coverage throughout its run. Economic impact studies are still under way, but the Raleigh Convention and Visitor's Bureau has provided very optimistic feedback on the broader impact of the exhibition throughout the area. The Museum also contributes to the economic well being of North Carolina by helping to attract business and industry to locate and expand here. When asked why they choose to locate in North Carolina, business leaders will most often cite the state's quality of life, including the cultural environment and its commitment to education. The North Carolina Museum of Art makes strong contributions in these areas.

In the 2000 session, the General Assembly allocated to the Department of Cultural Resources, for the Museum, the state-owned property located adjacent to the Museum site and formerly occupied by the Polk Youth Correctional Facility. Private funds provided for the demolition of this facility and the expansion of the Museum's parking facilities. At present, the Museum is seeking to build a new structure on part of the site to complement the existing building and provide exhibition and public spaces in keeping with the excellence of the Museum's collections and programs. The state legislature has appropriated funds to develop architectural schematics for a new facility, which is currently under way. Subsequent support from the state legislature will be required for new building construction as we move forward to realize the greater plan for the Museum building and the surrounding park, in what to date has been a benchmark example of public/private partnership.

Affiliated Organizations

The Museum is assisted in its mission by two affiliated organizations - The North Carolina Art Society ("Art Society") and the North Carolina Museum of Art Foundation, Inc. ("Foundation"). The Art Society is the predecessor of the Museum, founded in 1924 and under the patronage of the state since 1929. General Statutes provide that the Art Society shall be the membership arm of the Museum and continue under state patronage (G.S. 143B-89 and G.S. 140-14). The Art Society also holds the permanent endowment, the Robert F. Phifer Fund. Proceeds from this endowment are used solely for the acquisition of works of art for the Museum's permanent collection. This modest endowment provides the Museum's only reliable source of acquisition funding. There have been no state funds appropriated to add to the Museum's collection since 1985. Consequently, the Museum's holdings of art of the late twentieth century are not in keeping with the strength of the collection in other periods.

The North Carolina Museum of Art Foundation, Inc. is a private, non-profit corporation with tax-exempt status under IRS Code 501(c) (3). The Foundation holds some endowment funds and plays the essential role of operating the Museum's private fundraising efforts. The Foundation contributes approximately two thirds of the Museum's average annual operating budget. These funds are spent directly by the Foundation on the Museum's behalf to support exhibitions, educational programs, staffing, fixed asset acquisitions and other operating needs. The Foundation directly employs several of the key managers and operating personnel of the Museum and supplements the compensation of thirty state Museum employees.

The Museum's outdoor performing arts facility, the Joseph M. Bryan Theater, designed and built with private funds raised by the Foundation, enables the Museum to offer a full range of performing arts and cinema experiences to complement the visual arts found inside the Museum's walls.

Organizational Challenges

State budget reductions over the years have taken their toll on the institution. As recently as the mid-90s, the state appropriation provided two thirds of the support of the Museum. This support has fallen precipitously to approximately one third over the last several years. The budget for non-personnel expenses has virtually been eliminated except for funding for insurance on the collection, telephones and postage. A $487,500 increase in recurring funds granted by the legislature for FY2005, enabled the Museum to reconstitute its security department, and restore public hours that had been reduced in 2000 due to budget cuts.

The financial performance of the Foundation has begun to stabilize from the universal post-9/11 economic downturn. However, the primary driver for this recovery was the Matisse-Picasso exhibition, a singular event, not an ongoing driver of financial performance. The Museum's operational needs are constant, and individual and corporate donors are not attracted to donating money for operating purposes, but prefer to designate funds for major capital campaigns for expansion, endowments, art acquisition and education programs. Procurement of corporate support has historically been a challenge for the Museum. However, high-profile exhibitions and park-related activities have helped generate corporate interest. On the heels of this momentum, the Foundation is strengthening its footing and preparing to launch a major capital campaign to augment the progress of a new state-funded facility.

A major set of challenges currently facing the Museum includes problems related to the age and poor condition of the current building. Cracks in masonry walls are common inside and outside the building. There are frequent roof leaks, plumbing, electrical, and HVAC failures. Much of the carpeting in the building is the original, which has been trodden under millions of feet over nearly a quarter of a century. Repair and Renovation money recently appropriated by the legislature will address many of these and other infrastructural issues. In addition, the Museum is one of two state performance contract pilot projects that will provide for the upgrade of the HVAC system. The winning contractor, Trane, will be paid for the HVAC upgrade by savings realized through the efficiency of the new HVAC system.

Another major challenge is the rapidly rising cost of mounting and presenting quality exhibitions and programs. Fine arts shipping and insurance costs, in particular, have increased tremendously since 9/11 and continue to do so. Because major exhibitions must be planned and financed over a period of several years, a budget cut in a given year may have the disastrous effect of forcing cancellation of an exhibition into which considerable investments of time and financial resources may have already been made.

Perhaps the most critical challenge of the Museum, other than funding, is in the area of personnel. The Museum has had tremendous difficulty retaining and attracting staffing for professional state-funded positions due to pay limitations. The fact that about one third of the Museum's employees are actually employed by the Foundation instead of the state creates additional challenges in managing personnel and maintaining unified, consistent, and efficient HR policy. The Museum is currently working with the Department of Cultural Resources to address these challenges. In order to address the salary issues described above, the $475,000 non-recurring funds appropriated in the last session will need to be appropriated this session as recurring.

In order to meet these and other challenges of the years ahead, the Museum will continue to seek partners and private funding to leverage the public support provided by the General Assembly. It cannot be overemphasized, however, that the financial condition of the Museum is extremely fragile. It is time for the state leadership to evaluate what the State's great art collection and its primary cultural arts institution means to the citizenry of the State and to commit funding to adequately support its statutory mission in a fashion relative to its standing in the world's cultural arts community.

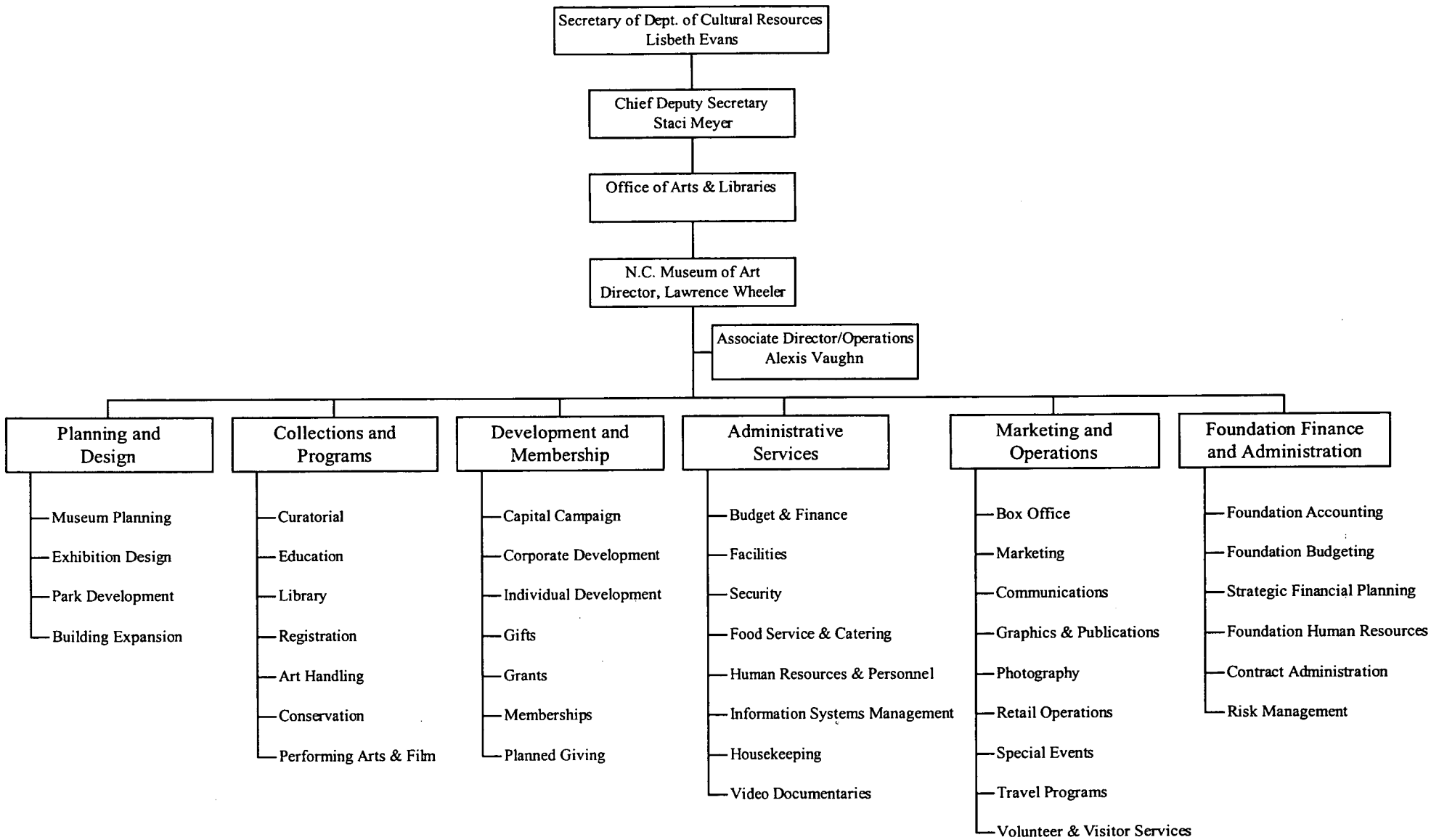
Selected Statistics

• Total Museum Visitors Calendar 2003	182,728
• Total Museum Membership as of February, 2004	12,000
• Educational Guided Tours Presented in FY 2004	773
• Educational Guided Tour Participants FY 2004	29,722
• Public Programs Presented during 2004 Season	34
• Public Program Attendance for 2004 Season	20,145
• Volunteer Hours Contributed FY 2004	10,739
• Works of Art Examined for Conservation FY 2004	3,516
• Remedial Conservation Treatments FY 2004	19
• Full Conservation Treatments FY 2004	131

The North Carolina Museum of Art – Fund 1320 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	4,453,620	4,811,000	4,338,949	4,344,093
Receipts	899,551	216,249	197,231	197,231
General Fund Appropriations	3,554,069	4,594,751	4,141,718	4,146,862
Number of Positions	84.00	84.28	84.28	84.28

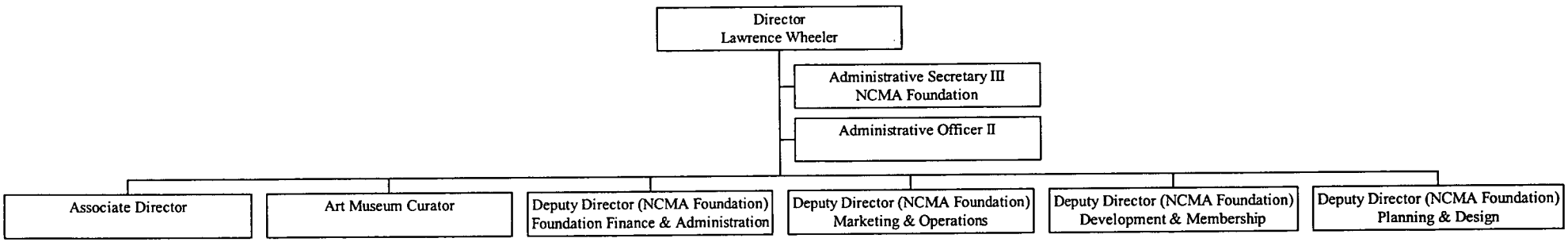
North Carolina Museum of Art



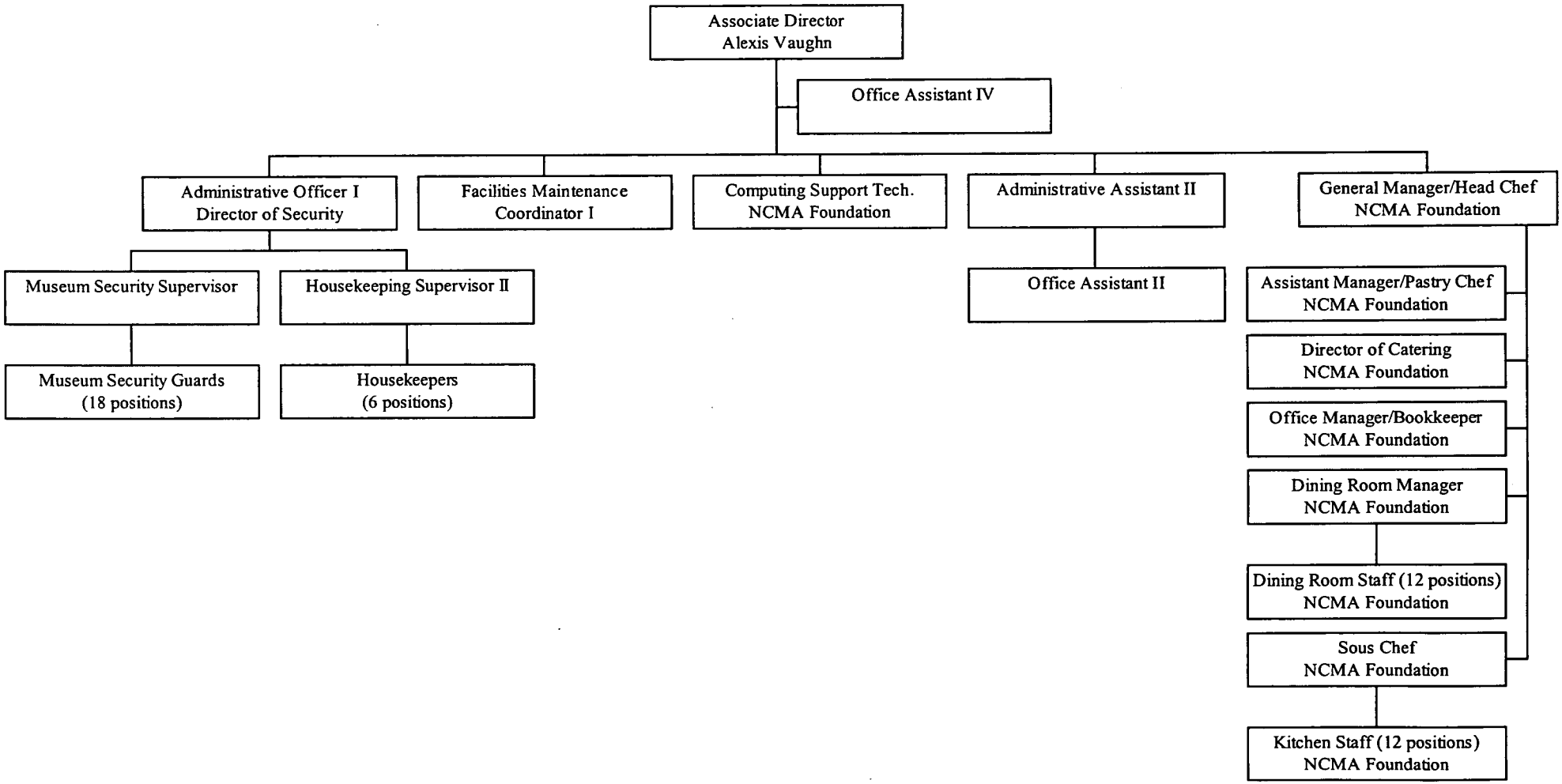
Note: This is a combined organizational chart reflecting both state and foundation functions.

January 2005

North Carol[illegible]seum of Art
Director's Office

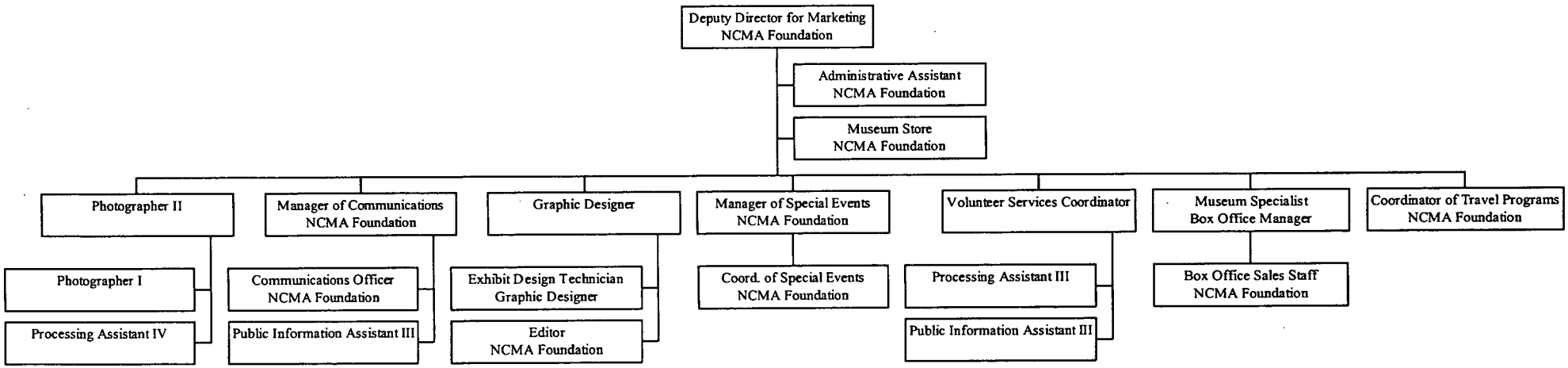


North Carolina Museum of Art
Administrative Services



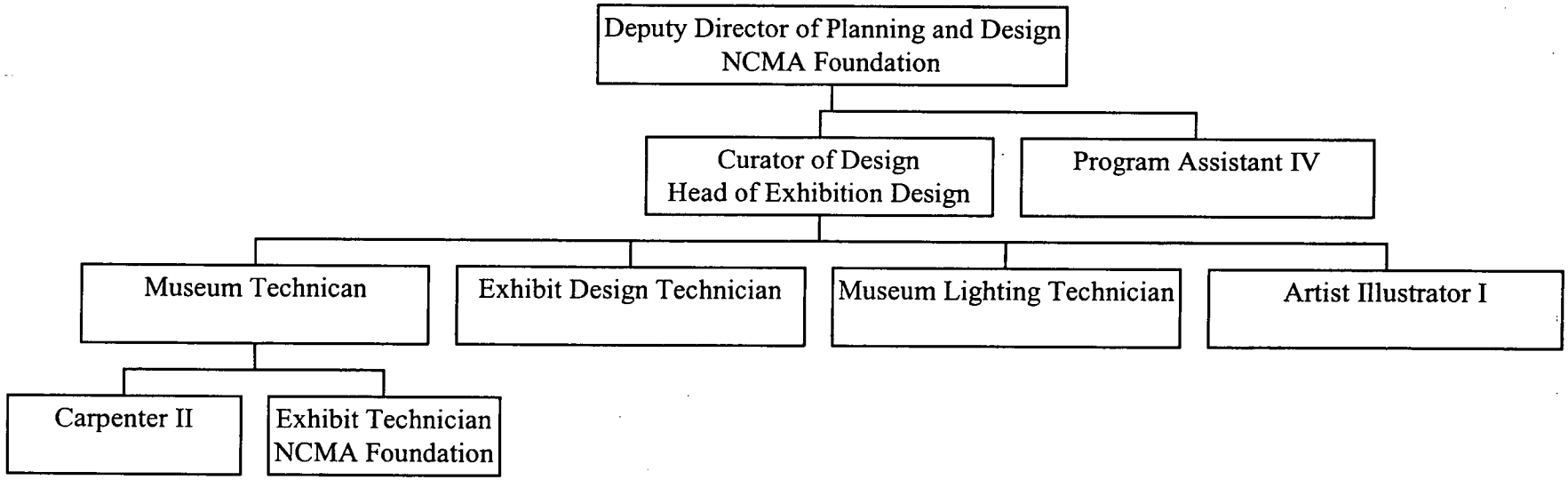
January 2005

North Carolina Museum of Art
Marketing & Operations

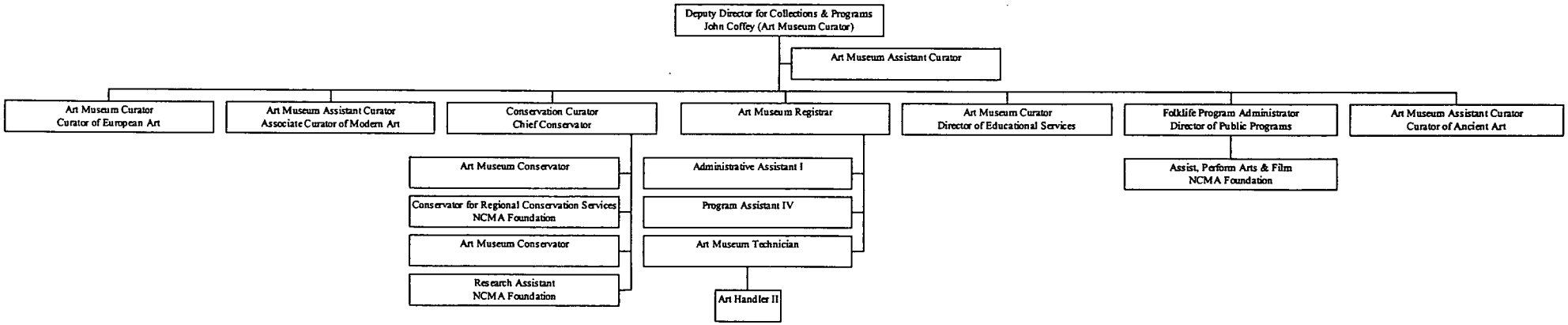


January 2005

North Carolina Museum of Art
Planning and Design



January 2005


Deputy Director for Collections & Programs
John Coffey (Art Museum Curator)
Art Museum Assistant Curator
Art Museum Curator
Curator of European Art
Art Museum Assistant Curator
Associate Curator of Modern Art
Conservation Curator
Chief Conservator
Art Museum Registrar
Art Museum Curator
Director of Educational Services
Folklife Program Administrator
Director of Public Programs
Art Museum Assistant Curator
Curator of Ancient Art
Art Museum Conservator
Conservator for Regional Conservation Services
NCMA Foundation
Art Museum Conservator
Research Assistant
NCMA Foundation
Administrative Assistant I
Program Assistant IV
Art Museum Technician
Art Handler II
Assist, Perform Arts & Film
NCMA Foundation

NORTH CAROLINA ARTS COUNCIL – Fund 1330

Mission

To make North Carolina a better state through the arts.

We accomplish this in partnership with

- Artists and arts organizations
- Other organizations that use the arts to make their communities stronger
- North Carolinians – young and old – who enjoy and participate in the arts

Goal I: Vibrant Communities
Goal II: Creative and Productive Citizens
Goal III: North Carolina's Cultural Vitality

History

North Carolina is known throughout the world for its pottery traditions, literary legacy, Southern Appalachian music traditions, jazz, blues and gospel heritage, and an abundance of artists and arts institutions. Recognizing the state's rich cultural climate, Governor Terry Sanford established a state arts council in 1964 to strengthen North Carolina's creativity, invention and prosperity. In 1967 the Arts Council published its first survey of the arts in the state. There were 17 local arts councils and 233 other arts organizations.

Arts Organizations in North Carolina Today: 2,555

98 arts councils
15 arts consortiums
355 arts festivals/concert series
12 arts publications
6 cinemas
121 dance companies
573 music groups
266 arts centers/facilities/schools
357 artist organizations
73 arts service organizations
54 literary magazines, presses
322 galleries and museums
303 theater groups

Programs and Services

- Staff consultants and outside experts who provide individual assistance to help organizations strengthen arts programs and improve administrative skills.
- Professional development workshops, institutes, and conferences for arts councils, other arts organizations, and artists.
- Arts Market, a biennial artist showcase and booking conference that brings together over 500 artists and presenters to generate work engagements.
- A touring artist directory, published to increase employment for notable North Carolina artists.
- A Web site, www.ncarts.org, includes a comprehensive statewide arts calendar and information on North Carolina artists and arts organizations for citizens and visitors. Also includes resource information for arts constituents. Site received 509,247 hits in 2004.

- Cultural tourism trails that showcase the state's cultural heritage and outstanding arts events and venues.
- Folk Heritage Awards ceremonies to honor and showcase the state's finest folk artists.
- Research on the economic impact of the arts, the intersection of the nonprofit and for profit arts sectors, and the impact of arts in education on students.
- Grants to arts organizations, other community groups, and artists.

Public Impact

- Non-profit arts groups contribute $723 million to North Carolina's economy annually.
- They provide 6,669 direct full-time jobs and generate $32 million in state and federal taxes.
- More than one million North Carolinians – nearly one of every eight citizens – are active arts supporters, members or volunteers.
- Nearly 12.5 million people participated in Arts Council-funded projects in FY 03-04.
- 59,248 volunteers helped with Council-funded programs.
- Projects were funded in all 100 counties in the state.
- Grants went to 444 arts organizations, 336 school, community and civic groups, and 132 individuals.

Catalytic Effect of Arts Council Grants

- Each dollar granted by the Arts Council in FY 03-04 was matched by 20 other dollars, many generated directly by the Council's grant.
- Because of the reputation of the Arts Council's thorough review process, a grant becomes a "blue ribbon stamp of approval" to leverage additional funds from foundations, businesses, and local governments.

Recent State Funding History

	Recurring	Non-Recurring	Total	Per Capita
FY 00-01	5,831,000	2,000,000	7,831,000	.97
FY 01-02	5,684,500	250,000	5,934,500	.72
FY 02-03	5,195,799	0	5,195,799	.63
FY 03-04	5,138,618	0	5,138,618	.61
FY 04-05	5,310,046	0	5,310,046	.62

(Note – designated flow-through line items to individual organizations are not included in the above figures.)

Arts Council Goals for 2005-2009

Goal I: Vibrant Communities

1. **Local arts councils ensure that the arts are central to community life.**
   Since our inception we have worked to establish a solid infrastructure of local arts councils; one in every county has been our goal. With 84 countywide arts councils, we are short of our goal but we do have one of the strongest networks of local arts councils in the nation. Winston-Salem is home to the country's oldest arts council, and Charlotte ranks first nationally in united arts fund drives. Collectively, local arts councils have made a tremendous impact on the cultural lives of their communities and are vital players in community planning and economic development.

   Arts councils sponsor festivals and community celebrations, ensure strong arts in education programs in their schools, and provide funding and services to artists and arts organizations in their counties. Over the past several years, reduced government and private funding has forced arts councils to cut staff, programs, and services.

2. **Art makes community spaces attractive and distinctive.**
   Art enhances community gateways, city centers, and parks and trails and gives meaning and identity to the state's rural towns and urban centers. In 2001, we established the Creating Place Program to promote the economic, social, and aesthetic benefits of public art and good community design. Today, there are percent for art programs in Asheville, Charlotte, and Chapel Hill. Nine cities and towns of varying sizes have public art master plans, and 16 communities have newly established public art commissions.

   The state's first regional light rail systems in the Triangle and Charlotte both include percent for art programs. Recent projects funded by us include way-finding art markers to educate people about the fishing industry in Morehead City, a creative design and art for a garden that pays homage to the Wilmington folk artist Minnie Evans, and creation of a design for the North Carolina Freedom Monument in Raleigh to commemorate the contributions of the state's African-Americans. We also maintain the state's public art collection of 80 artworks located in state office buildings, universities, hospitals, and gardens.

3. **Arts facilities invigorate downtowns and other community gathering places.**
   North Carolina towns and cities have long understood that arts facilities can transform a neglected neighborhood, increase downtown property values and become magnets that draw restaurants, galleries, and specialty shops to open nearby. At the center of Charlotte's stunning re-birth are major new arts centers, museums, and theaters. Communities have preserved historic architecture by converting abandoned mills, warehouses, banks, department stores, churches, and schools into arts centers, theaters, museums, and studios. Towns like Greensboro, New Bern, Asheville, Salisbury, Wilson, and Fayetteville have built or renovated facilities that served as centerpieces of downtown revitalization.

In rural areas, facilities like the North Carolina Pottery Center in Seagrove and the Core Sound Waterfowl Museum on Harkers Island serve as gateways and interpretive centers for visitors to their regions. In recent years there has been an increased demand for arts facilities, and more than 75 communities are currently involved in some phase of renovation, repair, or new construction of museums, theaters, arts centers, and studio spaces.

4. **Arts programs build cross-cultural understanding.**
North Carolina's African American population is almost twice the national average, and the state is home to the largest number of Native Americans east of the Mississippi. We have the fastest growing Latino population in the nation, and the Triad, the foothills, and Charlotte are home to large Southeast Asian resettlement communities. North Carolina's diverse cultures are reflected in a strong infrastructure of African American, Native American, Latino, and Asian American cultural centers, galleries, theaters, music ensembles, museums, and dance companies as well as through the many talented artists working in the state. A growing number of festivals, programs, and events are helping communities better understand the cultural traditions and expressions of their newer Latino and Asian immigrant populations.

Goal II: Creative and Productive Citizens

1. **North Carolina's strong network of arts organizations provides citizens access to a wide variety of creative experiences.**
The state's arts organizations are as numerous as they are varied. From opera companies, art museums, literary magazines, and dance companies to community theaters, gospel choirs, art guilds, and fiddlers' conventions, citizens in rural and urban areas have access to hundreds of art classes, performances, poetry readings, exhibitions, and festivals. Artists from North Carolina, across the country, and around the world perform in our concert halls, theaters, and school auditoriums, and exhibit in arts centers and museums.

   The state's recent economic recession dramatically affected the budgets of arts groups, decreasing contributions and endowment income, and eliminating cash reserves. At the same time, several new arts organizations, including a ballet company, an arts center, a craft museum, a theater, and a film festival, came into being as major institutions and earned national attention for their work.

2. **The state's robust arts industry is a potent force in economic growth and generates jobs for North Carolina workers.**
Our 2003 economic impact study, conducted by Appalachian State University's business school, revealed that North Carolina's nonprofit arts organizations have a $723 million impact on the state's economy. Additional studies show that the arts generate $26 million in Watauga County, $60 million in Buncombe County, $67 million in Wake County, and $94 million in Mecklenberg County. The nonprofit arts sector provides nearly 7,000 full-time jobs and generates an estimated $32 million in federal and state taxes. The arts help our communities rank high on "Best Places to Live" lists and creativity indexes, attracting new businesses and residents. Many of our rural areas are developing their rich cultural traditions in craft and music as sustainable economic development strategies to replace the loss of jobs in agriculture and manufacturing.

3. **Arts in education programs are essential to the personal and intellectual growth of North Carolina's young people.**
Whether in schools or communities, the arts help students develop self-confidence, creativity, higher order thinking skills, discipline, interpersonal skills, and academic success. When the arts are integrated into education, students become more excited about learning, and teachers, administrators, and families become more engaged. Artists become part of the community, working with students and teachers to choreograph dances, write stories and poems, and paint murals on the walls.

We fund artists and arts organizations to provide over 300 arts in education programs to schools annually. We've developed pre-school arts programs for children ages 3-5 with Smart Start and More at Four. We support after school and summer programs for underserved youth, two of which have won national "Coming Up Taller Awards." The popular Junior Appalachian Musicians (JAM) program helps students in mountain counties discover and reclaim their musical traditions by pairing them with local musicians.

4. **Participation in the arts contributes to lifelong learning and the well being of the state's citizens.**
Studies show that people who continue to engage in active learning experiences throughout their lives achieve a higher level of contentment and happiness. Many adults turn to the arts to find creative outlets and make community connections. They take pottery classes, learn to play an instrument, join a book club, or subscribe to the symphony. Avocational artists, who chose a different career path, act in community theater productions, sing in the choir, play the sax in a jazz club, or belong to the watercolor society.

Increasingly, arts organizations are providing participatory learning opportunities to deepen the arts experience for their audiences and communities. They offer lectures and classes with visiting master artists who conduct creative institutes for business people, and organize jam sessions, drumming circles, and poetry slams.

Recognizing the important role that the arts play in the healing process, many of our hospitals have arts in healthcare programs. The arts help reduce anxiety for patients undergoing tests, keep patients engaged and motivated, and improve learning for developmentally disabled children and adults.

Goal III: North Carolina's Cultural Vitality

1. **A strong artist base stimulates individual creative expression, builds the state's cultural legacy, and encourages civic dialogue.**
Many of our nation's greatest artists have come from North Carolina: Thomas Wolfe, Thelonius Monk, O. Henry, Elizabeth Cotton, Romare Bearden, and John Coltrane, to name a few. Doc Watson, Shirley Caesar, and Earl Scruggs are among the 12 North Carolinians who have received National Heritage Fellowships. North Carolina artists are frequently nominated for Grammies and other national awards, and in 2003, two films based on books by North Carolina writers Charles Frazier and Daniel Wallace were nominated for Academy Awards.

The state's growing number of BFA and MFA programs and reputation for supporting the arts have fueled a recent influx of talented artists including jazz saxophonist Branford Marsalis, actress Linda Lavin, and writer Jan Karon. Many artists today spend as much time working in schools, community centers, and healthcare facilities as they do in studios, galleries, and theaters. They encourage creativity in all of us and their art helps us better understand the beauty, challenges, and complexities of the world we live in.

2. **Citizen awareness of the state's arts and cultural assets creates a strong state identity based on pride in North Carolina's cultural heritage.**
The state's artistic and cultural achievements reflect the ingenuity, inventiveness, and determination of its people. North Carolina is the birthplace of outdoor drama and has the oldest state supported symphony, craft school, local arts council, publicly owned art collection, and folk music festival in the nation. Our traditions in ballad singing, gospel and blues music, basket making, and pottery are among the richest in the nation and retain their vitality in communities across the state. Many of our artists and arts organizations enjoy regional, national, and even international reputations, and North Carolina is often referred to as a literary mecca in major publications.

3. **Cultural tourists reinforce the relevance of North Carolina's arts and culture.**
In 2003, North Carolina was named one of the top 10 states in cultural tourism by Smithsonian Magazine and the Travel Industry Association of America. Through our Blue Ridge Heritage Initiative, we've published two guidebooks, one on traditional Appalachian music and one on Cherokee arts and culture, which draw visitors to over 300 sites and venues in western North Carolina. More than 10,000 copies have been sold, and the Initiative recently received the Preserve America Presidential Award. We developed a number of other cultural tourism trails that feature outdoor dramas and summer performing arts venues, North Carolina crafts, African American arts and culture, and our literary heritage.

The 2-year statewide "Celebration of Craft" is featured on the 2004 state highway map. HomegrownHandmade.com is an agri-Cultural tourism initiative funded by the Golden LEAF Foundation to develop trails in tobacco dependent counties in the east and Piedmont regions. The trails feature artists' studios, u-pic fruits and vegetables, harvest and farm festivals that include craft and music, goat dairies, and farm stays.

Grants Programs

Types of Grants

Arts in Education grants place artists in schools and after school programs to enhance student learning.

Creating Place grants fund public art projects that enliven public spaces, transportation systems, streetscapes, and greenways. Grants also support arts facility design.

Folklife grants document the traditional culture and promote appreciation of the state's folk arts.

Folk Heritage Awards recognize our finest folk artists, and Fellowships support our finest career artists.

General Support grants provide funding to the state's exemplary arts organizations to sustain their programs and operations.

Grassroots Arts Program distributes funds on a per capita basis primarily through local arts councils for arts programs in all 100 counties.

Program Support grants fund exhibitions, performances, concerts, film.festivals, reading series, and the commissioning of new music, plays, dances, and artwork.

Organizational Development grants help arts organizations strengthen management and programming capabilities.

Outreach Program grants support multicultural organizations and groups that primarily serve people with disabilities or provide arts in healthcare programs.

Touring/Presenting grants support the touring of professional music, dance and theater companies throughout the state.

How We Award Grants

With input from arts constituents and other citizens, grant programs have been designed to accomplish public purposes and support the state's diverse cultural organizations. Guidelines, including eligibility and evaluation criteria, are published on our Web site.

Staff researches over 500 applications annually and provides evaluation comments to panelists. Eleven panels, made up of 4 - 5 board members each and 3 additional arts professionals, review and discuss all applications, rate each according to the evaluation criteria, and recommend grant amounts. Geographic, ethnic and arts diversity are major considerations in forming panels.

A strict conflict of interest policy governs all grant-making deliberations. Panel recommendations are sent to the full board, which reviews and approves them before submitting them to the Secretary of Cultural Resources for final approval.

Summary of FY 03-04 Grant Activity

	Number of Applications		Number of Awards
Individuals	793		132
Organizations	1,095		984
	1,888	(59% funded at least partially)	1,116

Amount Requested	$ 9,954,590	
Amount Awarded and Spent	$ 5,083,718	(51 % of requested amount is funded)
Total Project Costs	$109,299,899	(5 % of costs provided by Arts Council)
Total Income of Grantees	$180,675,434	(3 % is Arts Council portion)

Number of Funded Organizations: 780

Arts Organizations		Other Community Organizations	
performing groups	144	schools	125
performance facilities	7	higher education institutions	15
museums and galleries	23	libraries	19
small presses, literary magazines	4	humanities/historical societies, museums	20
fairs, festivals, concert series	58	community service orgs	108
arts centers	45	parks, recreation departments	15
arts councils	92	radio, television	2
artists associations	49	other community groups	31
arts service organizations	19		
Total	**444**	**Total**	**336**

North Carolina Arts Council FY 03-04 Distribution of Funds – Per Capita

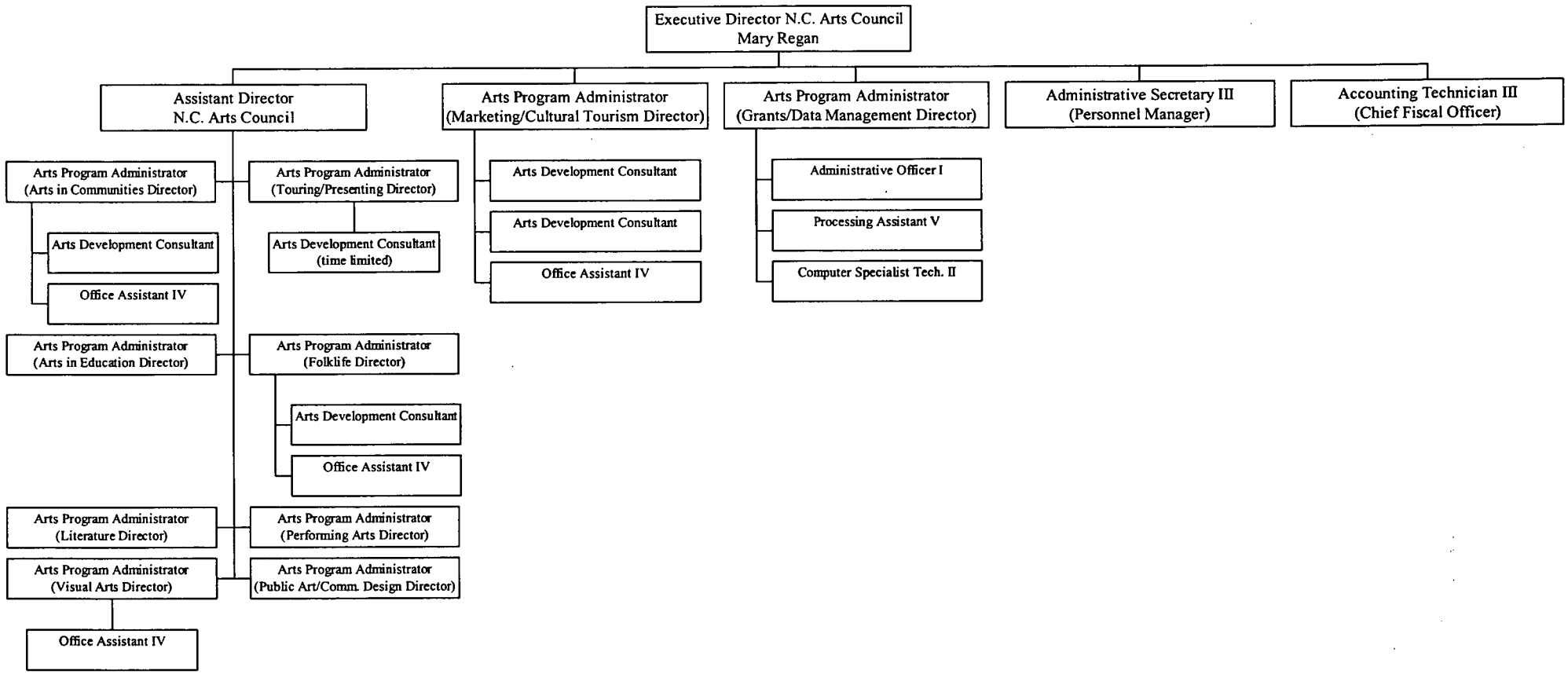
	COUNTY	$/CAPITA	GRANTS
1	DARE	$7.71	$23,8971
2	TYRRELL	6.99	29,142
3	CLAY	5.88	53,052
4	MITCHELL	5.63	89,376
5	SWAIN	4.49	58,538
6	CHOWAN	3.08	44,681
7	GRAHAM	3.06	24,433
8	MADISON	3.06	60,856
9	WATAUGA	2.51	107,817
10	TRANSYLVANIA	2.16	63,358
11	DURHAM	1.62	373,086
12	GUILFORD	1.19	508,537
13	BUNCOMBE	1.12	234,200
14	ASHE	1.07	26,289
15	HENDERSON	0.90	81,790
16	ALLEGHANY	0.88	9,461
17	CARTERET	0.88	52,749
18	MECKLENBURG	0.88	637,429
19	ORANGE	0.87	104,925
20	ALEXANDER	0.81	27,485
21	FORSYTH	0.73	228,296
22	NEW HANOVER	0.70	113,883
23	PAMLICO	0.68	8,711
24	RICHMOND	0.66	30,736
25	WASHINGTON	0.63	8,561
26	YANCEY	0.62	11,132
27	BLADEN	0.61	19,777
28	WAKE	0.55	353,426
29	LEE	0.54	26,777
30	PASQUOTANK	0.51	17,794
31	BEAUFORT	0.50	22,579
32	COLUMBUS	0.48	26,376
33	HYDE	0.47	2,666
34	JACKSON	0.42	13,936
35	CATAWBA	$0.42	$61,420
36	DAVIE	0.37	13,345
37	CAMDEN	0.35	2,475
38	RANDOLPH	0.34	44,536
39	NASH	0.34	29,724
40	HERTFORD	0.34	7,559
41	CHATHAM	0.34	17,761
42	SAMPSON	0.33	20,188
43	CHEROKEE	0.32	7,887
44	ROBESON	0.31	38,018
45	JONES	0.31	3,195
46	WILSON	0.30	22,079
47	GATES	0.30	3,221
48	BURKE	0.29	25,761
49	MCDOWELL	0.29	12,291
50	PERQUIMANS	0.29	3,336
51	AVERY	0.27	4,698
52	JOHNSTON	0.27	34,916
53	PERSON	0.26	9,219
54	HAYWOOD	0.26	14,035
55	ROWAN	0.26	34,413
56	ALAMANCE	0.26	35,366
57	HOKE	0.25	8,659
58	GREENE	0.25	4,853
59	CALDWELL	0.24	18,374
60	POLK	0.24	4,414
61	SURRY	0.23	16,739
62	BERTIE	0.22	4,273
63	WARREN	0.22	4,331
64	HALIFAX	0.22	12,586
65	CURRITUCK	0.22	4,220
66	RUTHERFORD	0.21	13,129
67	ANSON	0.20	4,934
68	MARTIN	0.20	4,923
69	PITT	$0.20	$26,858
70	CUMBERLAND	0.20	60,616
71	CASWELL	0.20	4,764
72	MONTGOMERY	0.19	5,148
73	CRAVEN	0.18	16,323
74	MACON	0.18	5,573
75	PENDER	0.17	6,984
76	SCOTLAND	0.17	6,142
77	YADKIN	0.17	6,290
78	CABARRUS	0.17	23,741
79	MOORE	0.16	11,961
80	GRANVILLE	0.16	7,828
81	FRANKLIN	0.16	7,748
82	IREDELL	0.16	20,502
83	VANCE	0.16	7,075
84	STOKES	0.16	7,297
85	EDGECOMBE	0.16	9,092
86	BRUNSWICK	0.15	11,072
87	LINCOLN	0.15	9,687
88	LENOIR	0.15	8,851
89	STANLY	0.15	8,839
90	WILKES	0.15	10,028
91	CLEVELAND	0.14	13,270
92	ROCKINGHAM	0.14	12,634
93	HARNETT	0.14	13,083
94	DAVIDSON	0.14	21,080
95	GASTON	0.13	24,667
96	ONSLOW	0.13	19,212
97	UNION	0.13	17,659
98	WAYNE	0.13	15,140
99	DUPLIN	0.11	5,450
100	NORTHAMPTON	0.06	1,303

Total of grants is **$5,083,718** with **$0.62** per capita spent based on a population of 8,206,105. $4,683,620 was granted as shown above, $210,502 was granted to statewide organizations for projects affecting all counties, $163,698 was granted to organizations with projects affecting multiple counties, and $25,898 was granted to organizations outside the state for projects benefiting North Carolinians. The figures above include state, federal, and private funds. Population and all associated calculations are based on Certified figures from 2001.

2/9/2005

NC Arts Council – Fund 1330 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	6,366,546	6,654,812	6,617,333	6,565,881
Receipts	754,652	735,250	735,250	735,250
General Fund Appropriations	5,611,894	5,919,562	5,882,083	5,830,631
Number of Positions	24.25	24.24	24.24	24.24


Executive Director N.C. Arts Council
Mary Regan
Assistant Director
N.C. Arts Council
Arts Program Administrator
(Marketing/Cultural Tourism Director)
Arts Program Administrator
(Grants/Data Management Director)
Administrative Secretary III
(Personnel Manager)
Accounting Technician III
(Chief Fiscal Officer)
Arts Program Administrator
(Arts in Communities Director)
Arts Development Consultant
Office Assistant IV
Arts Program Administrator
(Touring/Presenting Director)
Arts Development Consultant
(time limited)
Arts Development Consultant
Arts Development Consultant
Office Assistant IV
Administrative Officer I
Processing Assistant V
Computer Specialist Tech. II
Arts Program Administrator
(Arts in Education Director)
Arts Program Administrator
(Folklife Director)
Arts Development Consultant
Office Assistant IV
Arts Program Administrator
(Literature Director)
Arts Program Administrator
(Performing Arts Director)
Arts Program Administrator
(Visual Arts Director)
Arts Program Administrator
(Public Art/Comm. Design Director)
Office Assistant IV

North Carolina Symphony - Fund 1340

Organizational Overview

Purpose

The mission of the North Carolina Symphony is to present an orchestra of the highest artistic standard that enriches, entertains, and educates diverse audiences in a variety of settings and represents North Carolina as a leader in performance and music education.

Formed in 1932 under the direction of Pulitzer Traveling Fellow Lamar Stringfield, the North Carolina Symphony served as a WPA project in the 1930s and then in the 1940s became the first orchestra to receive state funding on a continuous basis. Under the 33-year leadership of Dr. and Mrs. Benjamin Swalin, the Symphony began its grassroots emphasis of taking the orchestra to the people of the state. That tradition has continued every year since the 1943 "Horn Tootin' Bill" was passed by the State Legislature and it continues today.

Recent Achievements

- In January 2004, the Symphony announced the recruitment of **Grant Llewellyn** as the new music director of the North Carolina Symphony. The announcement concluded an international search that took more than two years to complete. Over the course of the search, eleven guest conductors vied for the opportunity to become finalists and audiences raved after each performance. Llewellyn's selection was the result of a unanimous recommendation of the eight-person search committee and was approved unanimously by the Board of Trustees. Llewellyn's tenure as music director began in September, 2004.

- In February, 2004 the Symphony began a weekly radio project in partnership with WDAV-FM broadcasting out of Davidson College in Davidson, NC. In August, the Symphony expanded its radio partners to include WCPE-FM and WUNC-FM. WCPE broadcasts a full concert-length program on the first Monday of each month and WUNC is broadcasting the five performances in 2004-05 featuring new music director Grant Llewellyn.

- In February 2001, the Symphony opened a new concert hall, **Meymandi Concert Hall** at the BTI Center for the Performing Arts in Raleigh. The new concert hall is considered to be one of the finest performance venues in the country, rivaling Boston's Symphony Hall and New York's Carnegie Hall. The new center has already allowed for major programmatic expansion, including a longer series, a new chamber orchestra series, and recital presentations.

- In June 2001, the Symphony opened a new outdoor facility in Cary. The **Koka Booth Amphitheatre at Regency Park** boasts acoustics by Lawrence Kirkegaard's world-renowned firm and design by William Rawn, the architect of Ozawa Hall at Tanglewood in Lenox, Massachusetts.

- On September 11, 2002, the Symphony played a memorial concert to a near-capacity audience at Meymandi Concert Hall, broadcast live around the state on radio and delayed television broadcast in Raleigh. The orchestra performed Mozart's *Requiem* with nearly 300 singers from five choruses around the Triangle. Some considered it the most moving hour in the history of the North Carolina Symphony.

- Other programming highlights during the past two seasons: Premiered new $1 million production of Tchaikovsky's *The Nutcracker* with Carolina Ballet; celebrated the 20th anniversary of music director Gerhardt Zimmermann; engaged eleven top guest conductors from around the world in a comprehensive search for a new music director; released a compact disc made up of live concert recordings (Strauss and Tchaikovsky) from Meymandi Concert Hall; presented a season-opening gala concert with world-renowned cellist Yo-Yo Ma (this year's gala features Itzhak Perlman); gave the world premiere of William Bolcom's "Inventing Flight," a co-commission with the Dayton Philharmonic honoring the centennial of the Wright brothers' First Flight in 1903.

Statewide Service and Education

- The North Carolina Symphony is the 32nd largest orchestra organization in the country; however, it is singularly unique in two respects:

  1) for its commitment to statewide service; and
  2) for its dedication to the musical education of North Carolina's school children

- Each season, the North Carolina Symphony performs approximately 175 full-orchestra concerts for adults and children across the state. **More than one-half of its performances take place outside the Triangle.** Each season, the Symphony visits between 30 and 40 counties across the state.

  No other orchestra in America serves its state to the extent the North Carolina Symphony does, as the North Carolina Symphony performs far more educational performances outside its home-base community than any other orchestra.

  The orchestra travels approximately **14,000 miles a season** throughout the State of North Carolina and reaches nearly **250,000 people per year**.

- The Symphony performs between **45 and 60 full-orchestra music education concerts** for school children throughout North Carolina each season. Between 60,000 and 100,000 school children are able to hear a live orchestral performance each year. In 2000, the Symphony added two new positions: a composer-in-residence and an assistant conductor. Both of these positions have added renewed vitality to the Symphony's music education programs.

Program Summary

The Symphony's program offerings are diverse. The following summarizes the major program categories:

- **Raleigh Classical**: the orchestra at its best, performing masterworks and contemporary selections from the entire orchestral repertoire, often including acclaimed guest artists. The series was expanded from 10 to 12 pairs of concerts in 2002-03;
- **Raleigh Pops**: from Broadway to jazz and from Americana to holiday pops;
- **Regional Series**: complete subscription series in Durham, Chapel Hill, Wilmington, Southern Pines, Fayetteville and New Bern;
- **Chapter concerts**: performances, both classical and pops, around the entire state made possible by locally-organized volunteer "chapters," mini-auxiliaries of the Symphony;
- **Fee concerts**: performances-for-hire across the entire state, presented by local concert associations, impresarios, colleges and universities, units of government, and other entities;
- **Sunday Matinee Masterworks**: a new three-concert series begun in 2001 featuring a more intimate atmosphere and beloved favorites from the classical literature;
- **Great Artists Series**: recitals presenting the world's finest performing artists;
- ***Summerfest***: a seven-concert series of outdoor concerts at Cary's Regency Park;
- **Opening Night Gala**: a tradition begun in 2001, often featuring major guest artists. World-renowned flutist Sir James Galway and cellist Yo-Yo Ma have performed;
- **New Year's Eve Gala**: an annual tradition featuring Viennese favorites and more;
- **Chamber music series**: a three-concert series featuring groups of individual musicians of the North Carolina Symphony, in partnership with Peace College.

Statewide Performance Schedule, 2004-2005

September 16
Grant's Debut in Southern Pines
Grant Llewellyn, Music Director
Pinecrest High School
Southern Pines

September 17 & 18
Grant Llewellyn, Music Director
Season Opening Concerts
Meymandi Concert Hall,
Raleigh

September 23
Steffani Collins, violin
William Henry Curry, Resident Conductor
Kenan Auditorium, UNC-W
Wilmington

September 24
Steffani Collins, violin
William Henry Curry, Resident Conductor
Carolina Theatre,
Durham

September 25
Steffani Collins, violin
William Henry Curry, conductor
Hayworth Fine Arts Center
High Point

September 26
Steffani Collins, violin
William Henry Curry, conductor
New Bern Riverfront Convention Center
New Bern

October 1-3
Pops: Peter Cincotti, jazz pianist and vocalist
Kenneth Raskin, Assistant Conductor
Meymandi Concert Hall,
Raleigh

October 7
Eliot Fisk, guitar
Edwin Outwater, guest conductor
Chapel Hill Bible Church,
Chapel Hill

October 8 & 9
Eliot Fisk, guitar
Edwin Outwater, guest conductor
Meymandi Concert Hall,
Raleigh

October 21
Markus Groh, piano
Grant Llewellyn, Music Director
Pinecrest High School
Southern Pines

October 22 & 23
Markus Groh, piano
Grant Llewellyn, Music Director
Meymandi Concert Hall,
Raleigh

October 28
Paul Randall, trumpet
Kenneth Raskin, conductor
Reeves Auditorium, Methodist College
Fayetteville

October 29
Paul Randall, trumpet
Kenneth Raskin, conductor
Kenan Auditorium, UNC-W
Wilmington

October 31
Masterworks: Majestic Mozart
Paul Randall, trumpet
Kenneth Raskin, Assistant Conductor
Meymandi Concert Hall,
Raleigh

November 4
Noriko Ogawa, piano
Grant Llewellyn, Music Director
Chapel Hill Bible Church,
Chapel Hill

November 5 & 6
Noriko Ogawa, piano
Grant Llewellyn, Music Director
Meymandi Concert Hall,
Raleigh

November 13
Young People's Concert:
Tchaikovsky Discovers America
Kenneth Raskin, Assistant Director
Meymandi Concert Hall,
Raleigh

November 18
Karen Gomyo, violin
William Henry Curry, Resident Conductor
Pinecrest High School
Southern Pines

November 19 & 20
Karen Gomyo, violin
William Henry Curry, Resident Conductor
Meymandi Concert Hall,
Raleigh

November 23
Holiday Pops
Paramount Theatre
Goldsboro

November 24
Holiday Pops
Grand Ballroom
Presenter: Pinehurst Resort
Pinehurst

November 26-28
Holiday Pops and NC Master Chorale
William Henry Curry, Resident Conductor
Meymandi Concert Hall,
Raleigh

December 2
Holiday Pops
Carolina Theatre,
Durham

December 3
Holiday Pops
Keihin Auditorium
Tarboro

December 4
Holiday Pops
Crystal Coast Civic Center
Morehead City

December 5
Holiday Pops
Northside High School
Jacksonville

December 7
Holiday Pops
John A. Walker Community Center
Wilkesboro

December 9
Holiday Pops
Lincoln County Civic Center
Lincolnton

December 10
Holiday Pops
Keppel Auditorium, Catawba College
Salisbury

December 11
Holiday Pops
Koury Center, Elon University
Elon

December 14
Holiday Pops
Kenan Auditorium, UNC-W
Wilmington

December 16
Holiday Pops
Kinston High School Performing Arts Center
Kinston

January 7 & 8
Gerhardt Zimmermann, Conductor Laureate
Meymandi Concert Hall,
Raleigh

January 15
Young People's Concert:
Celebrating The American Spirit
William Henry Curry, Resident Conductor
Kenneth Raskin, Assistant Conductor
Raleigh

January 21-23
Tribute to Fred Astaire and Ginger Rogers
Kenneth Raskin, Assistant Conductor
Meymandi Concert Hall,
Raleigh

January 27
Jean-Yves Thibaudet, piano
William Eddins, guest conductor
Pinecrest High School
Southern Pines

January 28 & 29
Jean-Yves Thibaudet, piano
William Eddins, guest conductor
Meymandi Concert Hall,
Raleigh

February 1
Classical Favorites
William Henry Curry, Resident Conductor
Reeves Auditorium, Methodist College
Fayetteville

February 3
Classical Favorites
William Henry Curry, Resident Conductor
Kenan Auditorium, UNC-W
Wilmington

February 4
Classical Favorites
William Henry Curry, Resident Conductor
New Bern Riverfront Convention Center
New Bern

February 5
Contributor's Concert
William Henry Curry, Resident Conductor
Meymandi Concert Hall,
Raleigh

February 11
Choral Society of Durham
Rodney Wynkoop, guest conductor
Duke Chapel,
Durham

February 13
Sunday Masterworks: In Search of Peace
Choral Society of Durham
Rodney Wynkoop, guest conductor
Meymandi Concert Hall,
Raleigh

February 17
Fletcher Opera Institute, NCSA
William Henry Curry, Resident Conductor
Chapel Hill Bible Church,
Chapel Hill

February 18-19
Fletcher Opera Institute, NCSA
William Henry Curry, Resident Conductor
Meymandi Concert Hall,
Raleigh

February 25-27
Pops: Art Garfunkel
William Henry Curry, Resident Conductor
Meymandi Concert Hall,
Raleigh

March 3
Elmar Oliveira, piano
James DePreist, guest conductor
Pinecrest High School
Southern Pines

March 4-5
Elmar Oliveira, piano
James DePreist, guest conductor
Meymandi Concert Hall,
Raleigh

March 6
Elmar Oliveira, piano
James DePreist, guest conductor
McCrary Theatre – Elon University
Elon

March 13
National Symphony Orchestra
Leonard Slatkin, Music Director & Conductor
Meymandi Concert Hall,
Raleigh

March 17
Arnaldo Cohen, piano
Grant Llewellyn, Music Director
Carolina Theatre,
Durham

March 18 & 19
Arnaldo Cohen, piano
Grant Llewellyn, Music Director
Meymandi Concert Hall,
Raleigh

April 1-3
Pops: The Most Beautiful Music You've Ever Seen
Photochoreography of James Westwater
Kenneth Raskin, Assistant Conductor
Meymandi Concert Hall,
Raleigh

April 2
Young People's Concert:
"Kids, Cameras & Classics"
Kenneth Raskin, Assistant Conductor
Meymandi Concert Hall,
Raleigh

April 3
Alfred Brendel, piano
Recital
Meymandi Concert Hall,
Raleigh

April 8-9
Bonnie Thron, cello
North Carolina Master Chorale
William Henry Curry, Resident Conductor
Meymandi Concert Hall,
Raleigh

April 12
Bonnie Thron, cello
William Henry Curry, Resident Conductor
Dennis A. Wicker Civic Center
Sanford

April 14
Bonnie Thron, cello
William Henry Curry, Resident ConductorChapel Hill Bible Church, **Chapel Hill**

April 15
Bonnie Thron, cello
William Henry Curry, Resident Conductor
Kenan Auditorium, UNC-W
Wilmington

April 16
Bonnie Thron, cello
William Henry Curry, Resident Conductor
Cole Auditorium and Civic Center
Hamlet

April 28
Lynn Harrell, cello
Grant Llewellyn, Music Director
Pinecrest High School
Southern Pines

April 29 & 30
Lynn Harrell, cello
Grant Llewellyn, Music Director
Meymandi Concert Hall,
Raleigh

May 6-8
Pops: *The Mikado*
William Henry Curry, Resident Conductor
Meymandi Concert Hall,
Raleigh

May 12
Annual Gala and Concert
Itzhak Perlman, violin
Grant Llewellyn, Music Director
Meymandi Concert Hall,
Raleigh

May 13
Grant Llewellyn, Music Director
Reeves Auditorium, Methodist College
Fayetteville

May 14
Grant Llewellyn, Music Director
Kenan Auditorium, UNC-W
Wilmington

May 15
Grant Llewellyn, Music Director
New Bern Riverfront Convention Center
New Bern

May 19
Classical Favorites
William Henry Curry, Resident Conductor
Chapel Hill Bible Church,
Chapel Hill

May 20
Classical Favorites
William Henry Curry, Resident Conductor
Carolina Theatre,
Durham

May 21
Classical Favorites
William Henry Curry, Resident Conductor
Dunn Center for the Performing Arts
Rocky Mount

May 22
Sunday Masterworks: Spring is in the Air
William Henry Curry, Resident Conductor
Meymandi Concert Hall,
Raleigh

Education Programming Details

The orchestra's educational offerings are so vast that a completely separate list is necessary. In fact, the North Carolina Symphony has the most extensive music education program of any major U.S. orchestra. The following summarizes the major educational annual offerings of the Symphony:

- **Education Concerts**: anywhere from 45 to 60 full-orchestra concerts given annually to school children throughout the state (to audiences of mostly third through fifth graders);
- **Young People's Concerts**: a three-concert Saturday morning series designed for children to attend with their parents;
- Extensive curriculum development and collateral materials designed each year specifically for the music education program;
- An annual workshop for 350 music education teachers is held to assist them in preparing students for the statewide music education concert programs;
- **Pre-Concert Lectures**: held prior to each classical concert in the Triangle;
- **Youth Concerto Competition**: annual competition open to ten to twenty-one-year olds in two divisions with four cash prizes, an opportunity to perform with the orchestra and a recital;
- **Play-with-the-Pros**: an annual side-by-side rehearsal and concert experience that places students next to professional musicians, in partnership with the Town of Cary;
- **Cannon Music Camp**: similar to play-with-the-pros, above, but in partnership with Appalachian State University;
- **Young Strings of the Triangle**: since 1998, provides free string instrument lessons to thirteen minority string players;
- **Prelude Performances**: twenty-minute mini-recitals by area young artists in the lobby of Meymandi Concert hall proceeding classical concerts;
- **Informances**: a three-event series at Peace College, featuring North Carolina Symphony guest artists, in a setting about halfway between performance, masterclass, and discussion, given for children and adults;
- **Educational Video Project**: a five-videotape project featuring all the families of the orchestra started in 2000 with funding from Golden Corral. These programs are distributed to all school systems throughout North Carolina in advance of North Carolina Symphony visits and are broadcast statewide on WUNC-TV;
- Symphony musicians offer private instruction to area music students;
- **Education Upbeat**: Semi-annual educational newsletter begun in 2001; and
- **Symphony Sundays**: Since 2000, a five-event series in which Symphony musicians "play and talk" at Quail Ridge Books in Raleigh.

Education Concerts, 2004-05 Season

Over the course of the 2004-05 Season, the Symphony will perform 45 education concerts for more than 50,000 school children:

Wednesday, September 29, 2004 at 10:00 a.m. - Meymandi Concert
Wednesday, September 29, 2004 at 12:30 p.m. - Meymandi Concert Hall
Thursday, September 30, 2004 at 10:30 a.m. - Meymandi Concert Hall
Tuesday, October 05, 2004 at 10:30 a.m. - Meymandi Concert Hall
Tuesday, October 12, 2004 at 10:30 a.m. - Kinston H.S. Performing Arts Center **(Kinston -- Lenoir)**
Wednesday, October 13, 2004 at 10:00 a.m. - Keihin Auditorium **(Tarboro -- Edgecombe)**
Wednesday, October 13, 2004 at 12:45 p.m. - Keihin Auditorium **(Tarboro -- Edgecombe)**
Thursday, October 14, 2004 at 11:00 a.m. - Jacksonville H.S. Auditorium **(Jacksonville -- Onslow)**
Friday, October 15, 2004 at 9:30 a.m. - Base Theater **(Cherry Point -- Havelock)**
Friday, October 15, 2004 at 12:30 p.m. - Base Theater **(Cherry Point -- Havelock)**
Tuesday, October 19, 2004 at 10:30 a.m. - Meymandi Concert Hall
Tuesday, November 02, 2004 at 10:30 a.m. - Meymandi Concert Hall
Tuesday, November 09, 2004 at 1:00 p.m. - Whiteville H.S. **(Whiteville -- Columbus)**
Wednesday, November 10, 2004 at 9:30 a.m.-Minnie Evans Performing Arts Center **(Wilmington -- New Hanover)**
Wednesday, November 10, 2004 at 12:30 p.m.-Minnie Evans Performing Arts Ctr. **(Wilmington -- New Hanover)**
Wednesday, December 08, 2004 at 10:00 a.m. - Walker Community Center **(Wilkesboro -- Wilkes)**
Thursday, December 09, 2004 at 10:30 a.m. - Citizens Center **(Lincolnton -- Lincoln)**
Friday, December 10, 2004 at 10:30 a.m. - Newton-Conover H.S. Gym **(Newton-Conover -- Catawba)**
Wednesday, January 05, 2005 at 10:30 a.m. - Meymandi Concert Hall
Tuesday, January 11, 2005 at 9:45 a.m. - Walter Williams H.S. Auditorium **(Burlington -- Alamance)**
Tuesday, January 11, 2005 at 12:45 p.m. - Walter Williams H.S. Auditorium **(Burlington – Alamance)**
Wednesday, January 12, 2005 at 10:00 a.m. - Keppel Auditorium **(Salisbury -- Rowan)**
Wednesday, January 12, 2005 at 12:30 p.m. - Keppel Auditorium **(Salisbury -- Rowan)**
Thursday, January 13, 2005 at 10:30 a.m. - Sparta Elementary School **(Sparta -- Alleghany)**
Wednesday, January 19, 2005 at 10:00 a.m. - Dunn Center for Performing Arts **(Rocky Mount -- Nash)**
Wednesday, January 19, 2005 at 12:45 p.m. - Dunn Center for Performing Arts **(Rocky Mount -- Nash)**
Thursday, January 20, 2005 at 10:30 a.m. - Meymandi Concert Hall
Tuesday, January 25, 2005 at 10:30 a.m. - Meymandi Concert Hall
Tuesday, February 15, 2005 at 10:30 a.m. - Meymandi Concert Hall
Wednesday, February 23, 2005 at 1:00 p.m. - Hertford Middle School Gym **(Murfreesboro -- Hertford)**
Thursday, February 24, 2005 at 10:45 a.m. - Meymandi Concert Hall
Tuesday, March 08, 2005 at 10:00 a.m. - Robert E. Lee Auditorium **(Southern Pines -- Moore)**
Tuesday, March 08, 2005 at 1:00 p.m. - Robert E. Lee Auditorium **(Southern Pines -- Moore)**
Wednesday, March 09, 2005 at 9:45 a.m. - Cumberland County Auditorium **(Fayetteville -- Cumberland)**
Wednesday, March 09, 2005 at 12:45 p.m. - Cumberland County Auditorium **(Fayetteville -- Cumberland)**
Thursday, March 10, 2005 at 9:45 a.m. - Cumberland County Auditorium **(Fayetteville -- Cumberland)**
Thursday, March 10, 2005 at 12:45 p.m. - Cumberland County Auditorium **(Fayetteville -- Cumberland)**
Friday, March 11, 2005 at 10:00 a.m. - Prestage Hall, Sampson Coagri-Exposition Center **(Clinton)**
Tuesday, March 15, 2005 at 10:45 a.m. - Meymandi Concert Hall
Wednesday, March 30, 2005 at 10:45 a.m. - Meymandi Concert Hall
Wednesday, April 06, 2005 at 10:30 a.m. - Meymandi Concert Hall
Thursday, April 07, 2005 at 10:45 a.m. - Meymandi Concert Hall
Tuesday, April 19, 2005 at 10:30 a.m. - Kenan Auditorium **(Kenansville)**
Wednesday, April 20, 2005 at 10:30 a.m. - Pender High School **(Burgaw)**
Thursday, April 21, 2005 at 10:30 a.m. - The Center at Halifax Community College **(Weldon -- Halifax County)**
Friday, April 22, 2005 at 10:15 a.m. - College Hall **(Mount Olive -- Wayne)**
Tuesday, April 26, 2005 at 10:30 a.m. - Meymandi Concert Hall

Revenue and Budget

The Symphony received just less than $2.7 million in annual funding through the North Carolina Department of Cultural Resources (DCR) toward the Symphony's total 2003-04 operating budget of $8.8 million. In 2003-04, DCR funding represented 30% of the Symphony's total expenses. **70% of Symphony expenses are funded by private revenues.**

Of the DCR funding, $2.4 million is grant-in-aid and is allocated across the entire Symphony operating budget supporting Symphony programs (specifically the costs of the orchestra itself through its union labor contract) and presentations statewide. The remaining $300,000 is salary and benefits for the eight state employees and some administrative support such as postage and telephone costs.

The overall revenue sources for the Symphony are (all figures for the fiscal year ended June 30, 2004):

Ticket sales and performance fees	$3,121,757	(34% of budget)
Private contributions	$2,482,194	(27%)
State of North Carolina	$2,660,207	(29%)
Other public grants	$244,000	(3%)
Investment income	$299,774	(3%)
In-kind support and services	$431,303	(5%)
Total revenue	**$9,239,235**	

The vast majority of the Symphony's expenses are fixed payroll and benefits, with musician salaries and expenses governed by a collective bargaining agreement between the Symphony and the American Federation of Musicians. The State grant covers approximately 50% of the Symphony's musician contract expense.

Musicians	$4,402,918	(50%)
Guest artists and other expense	$1,697,867	(19%)
Concert production and conductors	$676,616	(8%)
Marketing	$689,432	(8%)
Development	$599,487	(7%)
Administration and other	$760,257	(9%)
Total expense	**$8,826,577**	

The Symphony's operating surplus of $412,000 in 2003-04 partially eliminated the accumulated deficit of $675,000 incurred over the 2001-02 and 2002-03 seasons. The operating budget for 2004-05 is $9.5 million.

Organizational Structure

The Symphony Society is governed by a **Board of Trustees** that sets policy and selects the chief executive officer. Under the CEO, there is an administrative staff of 25, an orchestra of 64 (full-time), and three conductors. The Symphony organization is organized in four departments, each with a corresponding Vice President.

Artistic Operations oversees the breadth and ensures the quality of the organization's programs including programming, concert operations, artistic administration and education by overseeing strategic program development; planning programs and artists; negotiating labor and guest artist contracts; and overseeing concert production, orchestra personnel development, travel, statewide touring and music education

Marketing creates public awareness and appreciation for the organization and its programs by making it accessible and available throughout the state, maximizing audiences for the Symphony's classical, pops and music education programs, and achieving the earned income goals described in the annual budget including season ticket sales, single ticket sales, and contract concert sales.

Development fosters support for the organization by building and nurturing relationships, securing the overall contributed income necessary to support and sustain the organization and achieving the revenue goals described in the annual budget, including gifts from individuals, corporations, foundations, public sources, as well as gifts for operating, building and endowment.

Finance ensures proper, effective and accountable fiscal management for the organization by developing appropriate budgets; monitoring revenues, expenses, and cash flow; creating accurate financial reports and projections; and managing the organization's financial resources wisely. Robert Schiller is Vice President for Finance and functions as the organization's Chief Financial Officer.

The following organizational chart further describes the various roles and responsibilities within each department:

President & CEO
David Chambless Worters

Development	**Marketing**	**Artistic Operations**	**Finance**
John Mitterling, *Vice President*	Linda Charlton, *Vice President*	Scott Freck, *General Manager and Vice President*	Robert Schiller, *Vice President*
Individuals	Subscriptions	Season planning	Budget and cash flow
Corporations	Single tickets	Concert operations	Payroll and benefits
Foundations	Contract sales	Education programs	Planning and analysis
Government	Volunteer chapters	Guest artists	Accounts payable
Annual giving	Public relations	Repertoire	Accounts receivable
Capital giving	Media	Conductors	Human resources
Endowment	Box office	Orch. personnel	Banking
Planned giving	Telemarketing	Labor relations	Investments
Sponsorships	Group sales	Scheduling	Reporting
Cultivation	Front-of-house	Logistics	Audit
Benefit fulfillment	Web site	Tours and run-outs	Compliance & control
Special events		Venue relations	

The administrative staff numbers twenty-five, eight of which are DCR employees. Most of the eight are clerical or support positions with the exception of the following two positions: Vice President for Marketing and Director of Public Relations. Both of these positions are in the marketing department. The remaining DCR positions are support positions in finance, box office, marketing, artistic operations and the executive office.

In addition, across the state there are thirteen volunteer "**chapters**," each organized locally with a volunteer Board. A statewide tradition dating back to the 1940s, chapters are grassroots organizing groups that seek to bring the North Carolina Symphony to their local communities through the sale of concert tickets and fundraising. The efforts of these volunteers are coordinated through the Director of Community Development in the marketing department. Statewide, the Symphony boasts some 418 volunteers. In the most recent fiscal year, those volunteers logged a total of 16,412 service hours.

The Symphony has **62 full-time musicians**. The Symphony's Board of Trustees is currently discussing funding and timing necessary to increase the size of the orchestra dramatically.)

Boards of Trustees

There are two boards associated with the Symphony. The **North Carolina Symphony Society** has a 57-person Board of Trustees comprised of:

- The Governor
- The Superintendent of Public Instruction
- The Secretary of the Department of Cultural Resources
- The President of the North Carolina Symphony League
- Four (4) members appointed by the Governor
- Four (4) members selected from among current Presidents of chapter boards.
- Forty-five (45) members elected by the membership of the Society

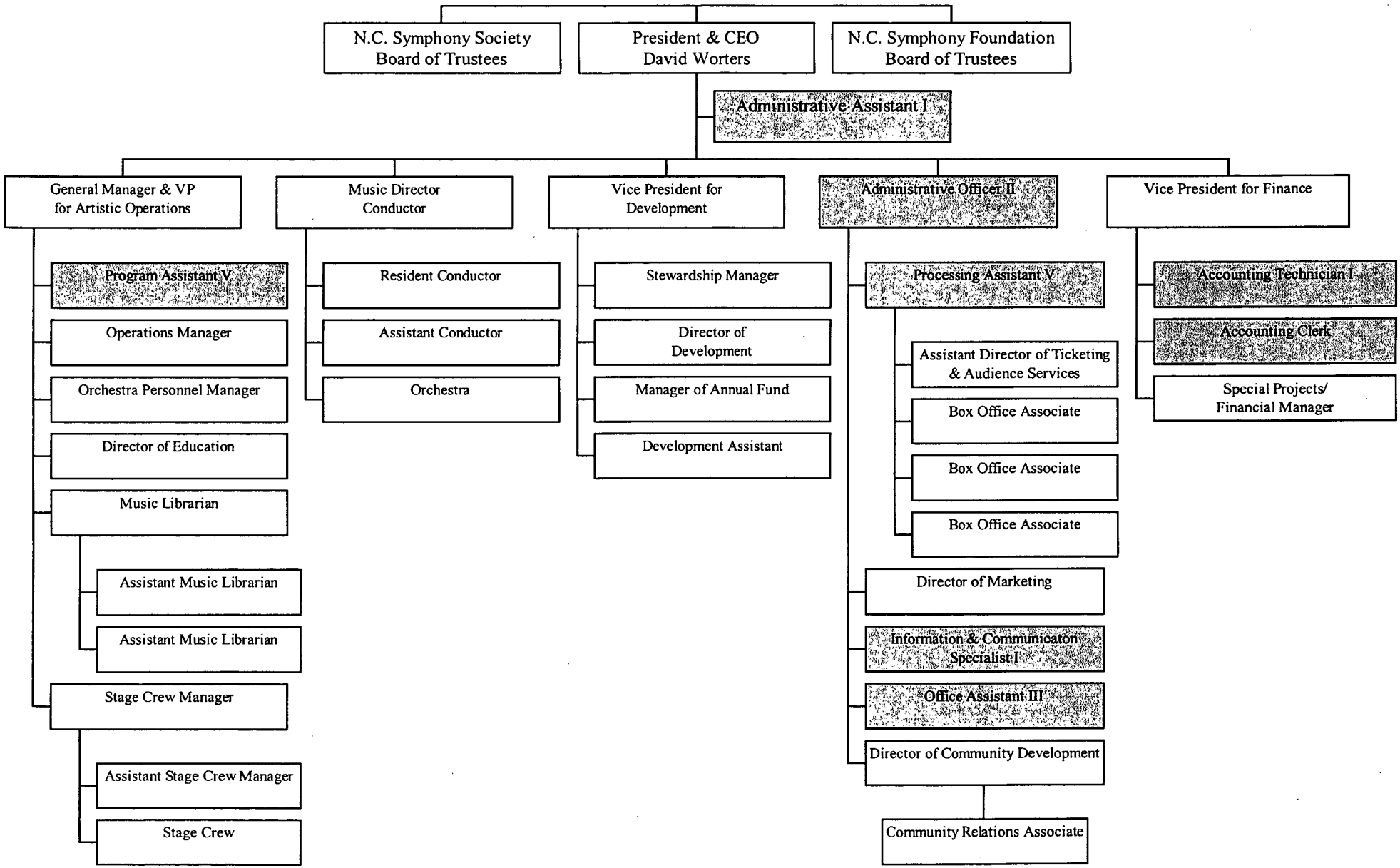
The Society Board of Trustees, serves as the governing body of the North Carolina Symphony Society, Inc., determines the organization's mission and purpose; secures the financial resources to support the organization; approves and monitors the organization's program goals; engages in strategic planning; and reviews and approves the annual budget. The Board of Trustees also selects, supports and reviews the President & CEO who in turn is charged with oversight of the Society's affairs. The President & CEO also functions as a Division Director within the Department of Cultural Resources.

The **North Carolina Symphony Foundation** has a separately incorporated Board of Trustees of no more than 18 members. The Foundation Board of Trustees holds and manages the Symphony's endowment ($7.9 million at 12/31/04), solicits additions to the endowment, safeguards assets in a manner consistent with prudent investment of endowment funds, and expends endowment income and capital for the exclusive use and benefit of the Symphony Society. The current spending rule is 4.5% of a rolling twelve-quarter average of asset market value.

North Carolina Symphony – Fund 1340 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	2,696,110	2,408,418	2,209,950	2,210,692
Receipts	17	0	0	0
General Fund Appropriations	2,696,093	2,408,418	2,209,950	2,210,692
Number of Positions	8.00	8.00	8.00	8.00

North Carolina Symphony



*Shaded Areas indicate DCR employees

January 2005

The State Library of North Carolina - Funds 1410 and 1480

Overview

Under the authority of G.S. Chapter 125, the State Library of North Carolina focuses its service to the people of the state in three ways:

- by working in partnership with local communities to develop and extend public library services statewide;
- by coordinating efforts among all types of libraries to improve library services and to provide access to both print and electronic information resources to North Carolinians no matter where they live, with an emphasis on using today's digital technologies to assure equity of access; and
- by providing direct library services to a constituency that includes government officials, business people, and the general public, with an emphasis on the genealogy researcher and people who qualify for the services offered through the Library for the Blind and Physically Handicapped.

The State Library faces a variety of challenges in today's environment, including these for the upcoming biennium:

- Recruiting and retaining qualified professional librarians with state government's pay and classification systems is a major issue for the State Library.

- The State Library's services and grants are critical to assuring equity of access to library services for all North Carolinians, no matter where they live. The state's role is to assure a balance of services regardless of the wealth of the institution or local government and in spite of geographical and other barriers. Funding for programs like the Aid to Public Libraries Fund, NC LIVE, and other statewide programs such as NC ECHO is essential to achieving this goal.

- The State Library's budget to support direct service to its customers in Fund 1410 has, however, been reduced by over $1 million, including since the early 1990s—a reduction of about 20% in both funding and staffing levels. Lost funds have resulted in diminished levels of customer service and a significant cutback in the Library's funding for books and other library materials.

History

The State Library—the oldest division—has a long and proud history, beginning with its founding in 1812 as a collection of books in the office of the Secretary of State and the appointment of the first full-time State Librarian in 1843. Another historic milestone was the establishment of the North Carolina Library Commission in 1909. The Commission's primary mission was to provide assistance, advice, and counsel to: all libraries; all communities that proposed to establish libraries; and all persons interested in the best means of establishing and administering libraries. By action of the General Assembly in 1955, the State Library and the Library Commission were merged to form a single State Library.

Today, the State Library is a division of the Department of Cultural Resources; and the State Library Commission, a 15-member group of citizens and professional librarians, advises the Secretary of Cultural Resources and the State Librarian on priorities and policy issues.

Financial Overview

The State Library's budget is divided into two funds:

Fund 1410 – State Library Services: A state appropriation of $4.3 million supports personnel, operating costs, books and other materials, and other expenditures related to the direct delivery of library services and direct support for local libraries. Today, the library employs 86.5 FTEs funded with state appropriations, 1 FTE permanent position that assists with the administration of federal grants is paid with federal funds, and an additional 4.5 temporary FTEs working on federally funded projects. For SFY 2002-2003 only 17% of these funds were available to cover expenditures for the purchase of print and electronic library materials, supplies and equipment, and other necessary services. The balance of the expenditures is for personnel, rent, and utility costs.

Fund 1410: State Library Services

Fiscal Year	Recurring	Non-Recurring	Total	Reversions*
1999-2000	$4,345,516	$0	$4,345,516	$118,292
2000-2001	$4,706,110	$0	$4,706,110	$279,643
2001-2002	$4,650,048	$0	$4,650,048	$524,027
2002-2003	$4,225,579	$0	$4,225,579	
2003-2004	$4,245,160	$0	$4,245,160	$14,884

*Amounts reverted to the State to cover revenue shortfall; therefore, unavailable for expenditure.

Fund 1480 – Statewide Programs and Grants: Money funds activities that help local libraries improve services and totals over $20 million in state and federal funds. Major areas of expenditure include:

- Aid to Public Libraries Fund: Representing 68% of the State Library's total appropriation in both Funds 1410 and 1480, this appropriation is distributed in formula grants to 75 county, regional, and municipal library systems serving all 100 counties receive state aid grants—51 single-county libraries, 15 regional libraries serving 49 counties, and 9 municipal libraries that meet the minimum standards to qualify. This year, the appropriation is $14,776,010.

- NC LIVE and Internet Access for Public Libraries: The State Library receives $1.8 million to fund public library participation in NC LIVE, the groundbreaking online electronic library. The funding also supports the continuing education program for public and academic library staff to aid them in using NC LIVE and other technologies. In addition, the State Library administers $575,000 in ongoing funds to assure public library access to the Internet and to a range of information resources to supplement their print collections, assuring equal access to information to support the education of our young people as well as information to support people in their work and their daily lives.

- Funds for children and reading services in Fund 1480 provide almost $93,000 to support statewide summer reading program, other programs for children and teens, and a portion of the activities of The North Carolina Center for the Book, a state affiliate of the Library of Congress program that promotes books, reading, and literacy.

- The Library Services and Technology Act (LSTA), the federal library program, provides a block grant of just over $4 million to the State Library for grants to all types of libraries for programs that use technology to improve services, build collaborative programs among libraries, and extend services to unserved and underserved North Carolinians. On average, the State Library awards 200 LSTA grants annually to public libraries as well as libraries in schools, community colleges, and other publicly- and privately-funded academic institutions.

Fund 1480: Statewide Programs & Grants (state funds only)

Fiscal Year	Recurring	Non-Recurring	Total	REVERSIONS*
1999-2000	$16,784,753	$0	$16,784,753	$7,490
2000-2001	$16,784,753	$500,000	$17,284,753	-0-
2001-2002	$16,614,662	$0	$16,614,662	$2,270,320
2002-2003	$15,255,843	$1,184,453	$16,440,296	
2003-2004	$16,440,096	$0	$16,440,096	$328,805

*Amounts reverted to the State to cover revenue shortfall; therefore, unavailable for expenditure.

State Library Priorities and Services

State Library Program Statement: Develop & promote library services - The purpose of this program is to provide library and information services and to assist local libraries in the development of programs, services, and facilities.

State Library Goal #1: Develop and extend public library services for North Carolinians in partnership with local communities.

Customers

- Public library users statewide, local government officials, public library staff members, and library board members and friends

Funds supporting this goal

- 1410 State Library Services & Programs & 1480 Statewide Programs & Grants

Examples of strategies or activities directed toward this objective

- Last year, the State Library provided technical assistance to library staff, trustees, and friends statewide through 9,056 telephone and in-office consultations and 62 site visits.

- Last year, over 2000 library staff members, trustees, and friends attended workshops sponsored by the State Library.

- The State Library administers the Aid to Public Libraries Program, which is distributed on a formula basis to libraries in all 100 counties through the 75 public library systems (see Attachment A for more information.) Annually, the State Library administers an average of 200 federal grants for libraries statewide.

- A comprehensive program to help librarians strengthen public library services for children and youth through workshops, conference presentations, book reviews, consultation, and technical assistance. In 2004, 123,000 children and 11,400 teenagers statewide participated in the Summer Reading Program and almost 2,000 students from 200 high schools across the state competed in the 2004 Public Library Quiz Bowl competition—all made possible with the State Library's coordination and leadership.

- Manages the Public Librarian Certification Program to assure that public librarians have the education and training they need to manage our state's 75 public library systems. During the last biennium, the Public Librarian Certification Commission awarded certification to 90 librarians.

- The public library statistics program provides information to assist local libraries in planning and evaluation. The State Library also participates in national library data collection efforts in partnership with the National Center for Education Statistics.

- The Center for the Book program promotes reading, books, libraries, and lifelong learning. One of the services is the development and coordination of book discussion programs for out-of-school adults. In 2003-2004, 33 public libraries hosted 157 programs with a total attendance of 3,980. The Center also manages a variety of programs aimed at encouraging children and teens to read.

- The State Library continues to monitor trends, needs, and issues to assure that its programs are responsive to the primary customers for this goal area.

State Library Goal #2: Coordinate efforts among all types of libraries to improve library services and to provide access to both print and electronic information resources through a modern telecommunications infrastructure, assuring equity of access to information for all North Carolinians.

Customers

- Users of all types of libraries statewide and North Carolina residents with access to the Internet.

Funds contributing to objective

- 1410 State Library Services & 1480 Statewide Programs & Grants

Description of strategies or activities directed toward this objective

- The State Library is a partner in NC LIVE, which gives every North Carolina community access to a state-of-the-art service available using the Internet. Resources include: 5-10 years of complete articles from over 5,500 journals, magazines, newspapers, and encyclopedias; indexing and article summaries for more than 10,000 additional magazines, journals, and newspapers; and online access to over 13,000 electronic books. Through a unique collaborative effort, The University of North Carolina System (16 institutions), the North Carolina Community College System (59 institutions), the State Library of North Carolina (for public libraries serving all 100 counties), and the North Carolina Independent Colleges and Universities (36 institutions), NC LIVE has leveraged their buying power to expand access to information statewide.

- Innovative projects spearheaded by the State Library using federal funds have resulted in NC ECHO, a project to make North Carolina's rich cultural heritage accessible to any one any where using the Internet, and *StartSquad.Org*, and Internet portal to web sites selected by librarians using the same process the use to select books.

- Another experimental project the State Library is testing the concept of having libraries across the state work together to offer 24x7 online reference services using "chat" software.

- Technical assistance and continuing education for library staff statewide to help them use the Internet effectively, provide public access computing, create digital images to mount on the Internet—to name of few topics.

- Federal grants to public and academic libraries to support improved access to the Internet for their library users.

- The State Library also makes sharing of print resources possible among 194 smaller libraries of all types in the state, a service that delivers thousands of books each year to North Carolinians when their local library does not own a copy.

- Thanks to federal funds and grants from the Bill and Melinda Gates Foundation coordinated by the State Library, all of the 75 public library systems in North Carolina offer public access to the Internet as a service to users.

State Library Goal #3: Provide library and information resources for North Carolinians to promote knowledge, education, and business.

Customers

- State agency personnel, local government officials, businesses, and the general public, with the emphasis on genealogical researchers and North Carolina residents with visual and physical impairments

Funds contributing to objective

- 1410 State Library Services

Description of strategies or activities directed toward this objective

- The State Library manages the State Publications Clearinghouse, a coordinated program to collect, catalog, and distribute state publications in print and microfiche to 24 depository libraries statewide. In 2003-2004, this program cataloged and distributed over 24,000 state publications. The staff of the clearinghouse is working with other state libraries to develop plans and tools to assure access and preservation of state government information that is "born digital." Funding for the effort is from a variety of grant sources.

- The State Library assists other state agencies in cataloging and making their library holdings available in the library's online catalog.

- The State Library acquires, catalogs on-line, processes, and provides access to a varied collection of books, magazines, electronic information resources, videos, and government documents (both state and federal) totaling 1,100,000. In 2003-2004, the Library responded to nearly 13,000 requests for information, and over 83,000 items from the collection were used in-house or checked out. Library users logged on to the State Library's online library materials over 12,000 times last year through NC LIVE, two genealogy resources, and Reference USA

- North Carolinians viewed The State Library's Web pages nearly 3 million times in 2002-2003 and 3.5 million times last year, an increase of 17%.

- The regional Library for the Blind and Physically Handicapped serves over 10,000 users statewide and circulated nearly 500,000 items last year.

- The State Library processed 11,350 requests for books, videos, and other library materials to help other libraries serve their patrons last year.

- The Library Services Section staff conducted 78 workshops and training sessions for library users, primarily state employees.

Fact Sheet: The Aid to Public Libraries Fund

North Carolina's Aid to Public Libraries program has been in effect since 1941—when the General Assembly articulated its policies regarding the role of the state in public library—and appropriated the first $100,000 for the program.

Chapter 153 of the General Statutes of North Carolina (the chapter dealing with counties) contains the "Declaration of State policy" that says: *The General Assembly recognizes that the availability of adequate, modern library services is in the general interest of the people of North Carolina and a proper concern of the State and of local governments. Therefore, it is the policy of the State of North Carolina to promote the establishment and development of public library services throughout the state.*

Chapter 125, which is the chapter dealing with the State Library, re-iterates that policy and established the state aid program: *For promoting, aiding, and equalizing public library service in North Carolina a sum shall annually be appropriated out of moneys within the State treasury to be known as the Aid to Public Libraries fund.*

From the time of that first appropriation of $100,000, the program has continued and evolved. Today 75 county, regional and municipal library systems serving all 100 counties receive state aid—51 single-county libraries, 15 regional libraries serving 49 counties, and 9 municipal libraries that meet the minimum standards to qualify.

The current formula went into effect in 1983-84—and includes two components:

- A block grant - one-half of the appropriation is divided among the qualifying libraries. Each county receives one grant, and a regional library receives a block grant for each county plus an additional one for the region. Municipal libraries do not receive a block grant.

- Per Capita Equalization Grant - one-half of the appropriation is allocated under a weighted per capita grant inversely proportional to the average per capita income of people residing in the library's legal service area.

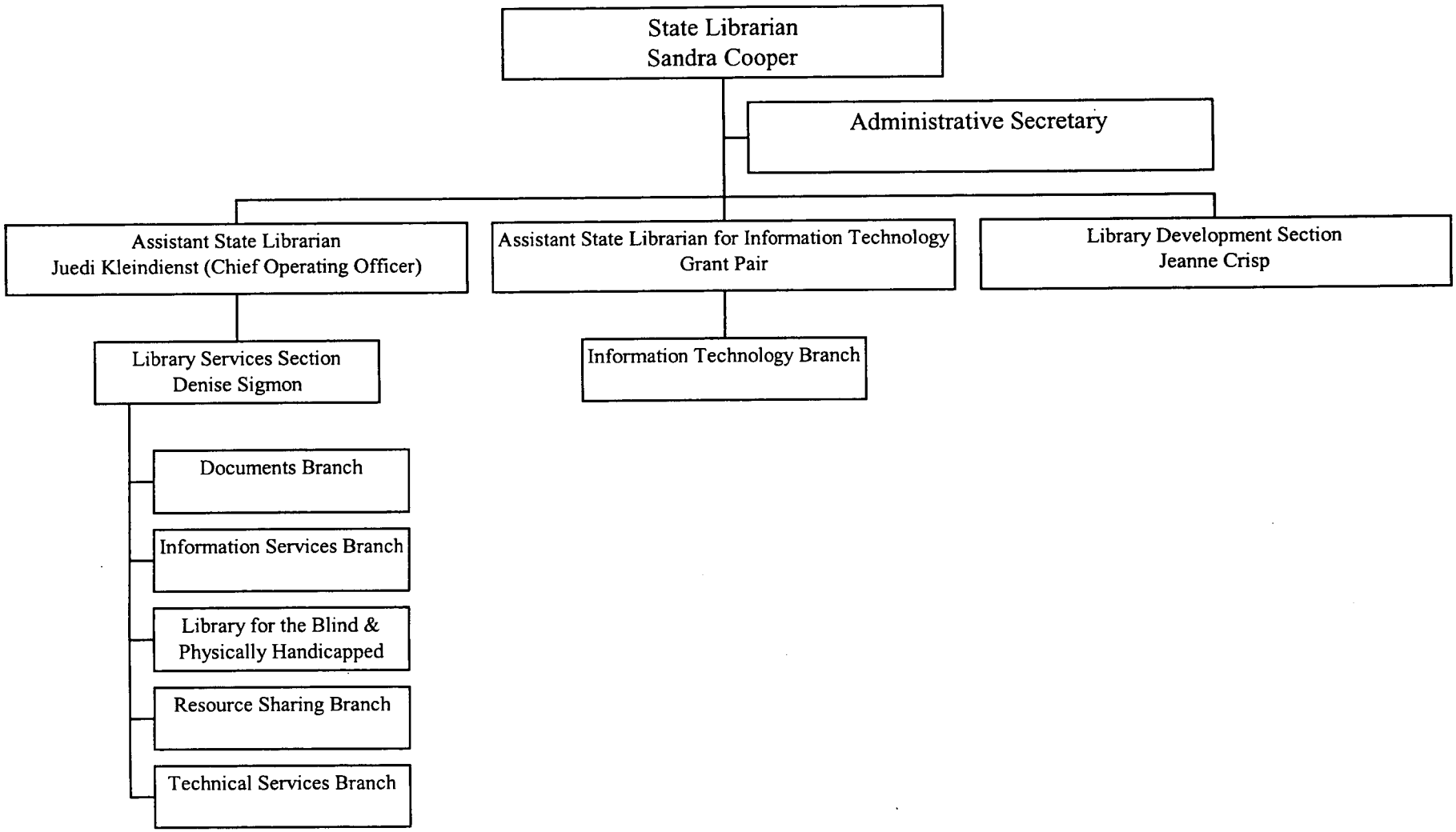
In FY 2003-2004, State aid was 20% or more of the operating budget for public libraries in 46 counties (20 out of 75 library systems); and a total of 66 counties (34 out of 75 library systems) depended on the program for 15% or more of their public library operating funds. Statewide, state aid equaled 9% of the total operating income for public library service; however, that amount varied from a low of 2% in Charlotte-Mecklenburg to a high of 46% in AMY Regional Library (Avery/Mitchell/Yancy). Because municipal libraries do not receive block grants, state aid represents a much lower percentage of their operating expenditures.

The State Aid appropriation for FY2004-2005 is $14.7 million—having risen to a high of $16.9 million in FY1998-1999.

State Library Services – Fund 1410 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	4,041,048	4,464,625	4,649,617	4,641,508
Receipts	43,396	34,700	45,015	45,015
General Fund Appropriations	3,997,652	4,429,925	4,604,602	4,596,493
Number of Positions	85.20	87.00	87.00	87.00

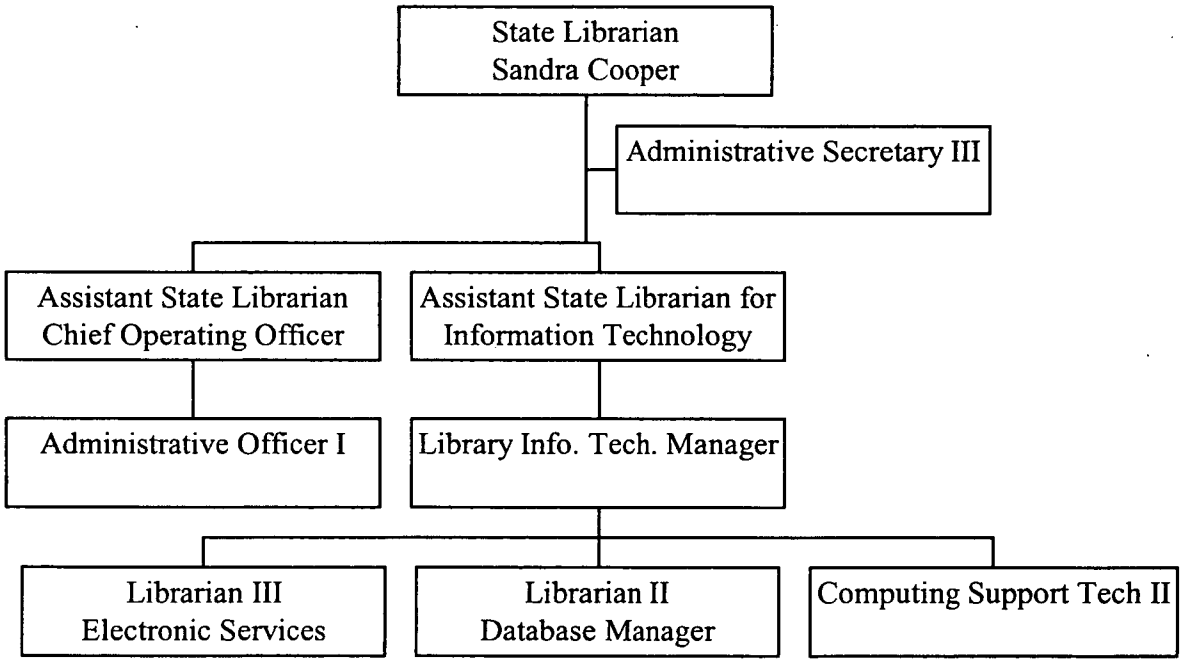
State Library of North Carolina



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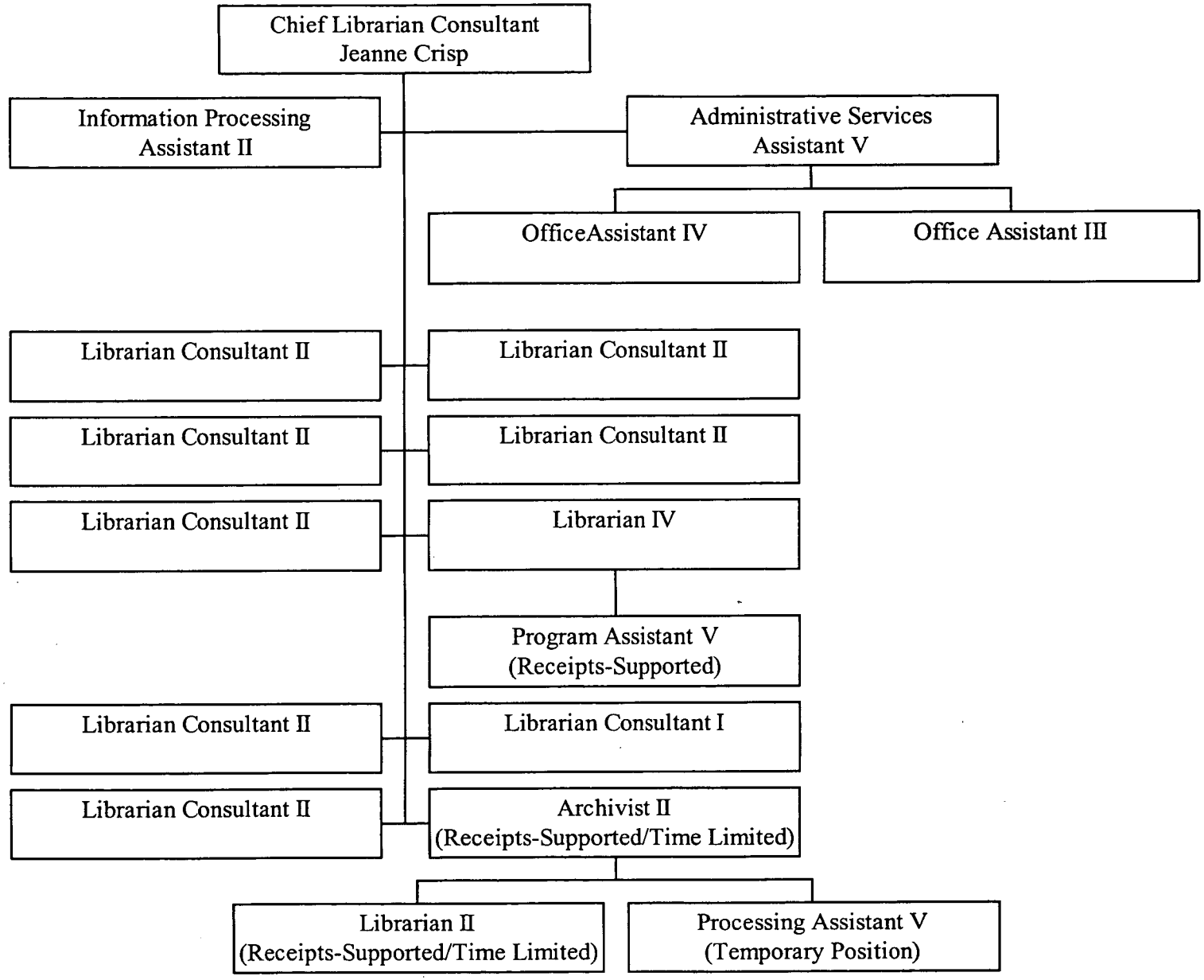
January 2005

State Library of North Carolina
Administration Section



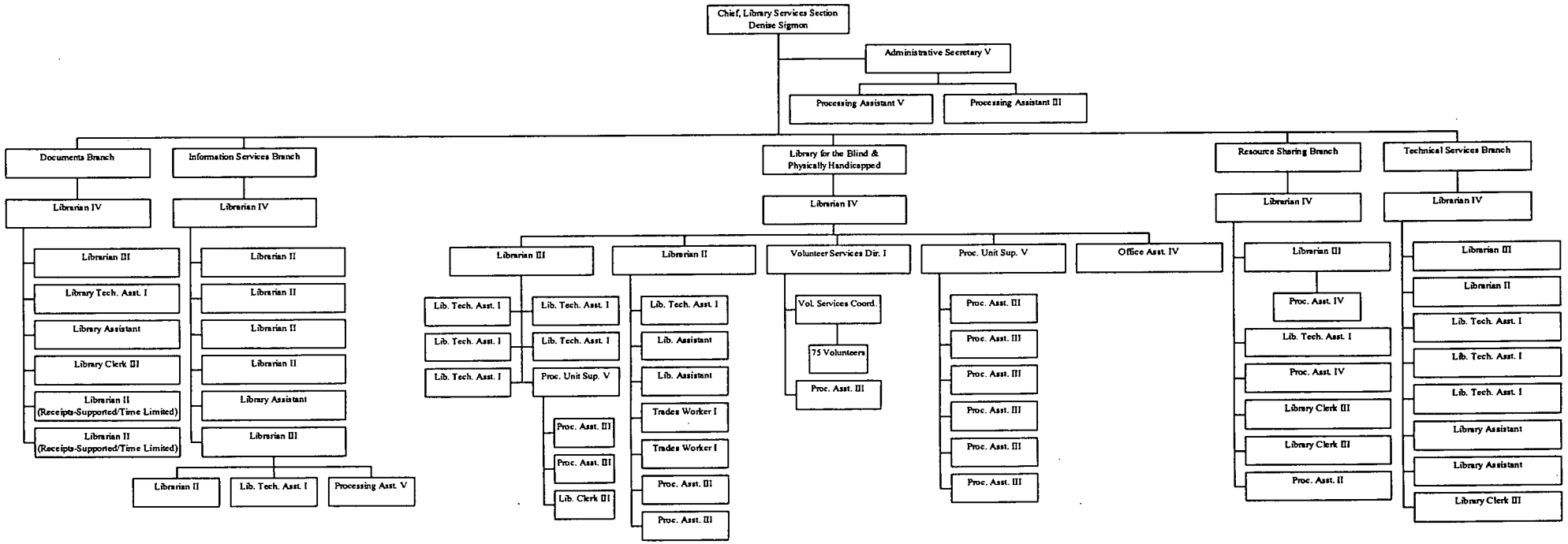
January 2005

State Library of North Carolina
Library Development Section



January 2005

State Libra[illegible]rth Carolina
Library Services Section



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January 2005

Statewide Programs and Grants – Fund 1480 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	21,135,256	22,032,010	22,057,010	22,057,010
Receipts	4,894,502	4,860,271	4,885,271	4,885,271
General Fund Appropriations	16,240,754	17,171,739	17,171,739	17,171,739
Number of Positions	5.00	3.00	3.00	3.00

Indirect Reserve – Fund 1991 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	106,556	171,668	171,668	171,668
Receipts	106,556	171,668	171,668	171,668
General Fund Appropriations	0	0	0	0
Number of Positions	0	0	0	0

Continuation Reserves – Fund 1992 – Fiscal Data

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	0	0	2,019,518	944,575
Receipts	0	0	0	0
General Fund Appropriations	0	0	2,019,518	944,575
Number of Positions	0.00	0.00	10.00	10.00

ANNUAL REPORT
of
ALKALINE PAPER USE FOR
STATE AGENCY PUBLICATIONS

Prepared for the

JOINT COMMISSION ON GOVERNMENTAL OPERATIONS

Submitted by
Sandra M. Cooper
State Librarian
State Library of North Carolina
and
Dr. Sarah Michalak
University Librarian
University of North Carolina at Chapel Hill

November 2004

North Carolina Department of Cultural Resources

State Library of North Carolina
Administration and Library Development

Michael F. Easley, Governor
Lisbeth C. Evans, Secretary

Sandra M. Cooper, State Librarian

November 21, 2004

The Honorable Marc Basnight, Co-Chairman
Joint Commission on Governmental Operations
President Pro Tempore of the Senate

Honorable James B. Black, Co-Chairman
Joint Commission on Governmental Operations
Speaker of the House of Representatives
16 West Jones Street
Raleigh, North Carolina 27601

Dear Senator Basnight and Representative Black:

In compliance with G.S. 125-11.13, I submit the attached report regarding state government publications that must be printed on acid-free (alkaline) paper. This report indicates that agencies have published the recommended titles on acid-free paper in the previous year. An additional obligation of the law is for the State Librarian to notify publishing agencies annually of the statute that requires publication of specific titles on acid-free paper. The notification has been sent.

This report is submitted on behalf of Dr. Sarah Michalak and myself. We will be happy to answer any questions the committee may have.

Sincerely,

Sandra M. Cooper
State Librarian

cc: Dr. Sarah Michalak
University Librarian, UNC-Chapel Hill

Alkaline (Acid-Free) Paper Use in State Agency Publications

The use of acid-free paper for selected state agency publications is required by General Statutes 125-11 which gives the State Librarian and the University Librarian at the University of North Carolina at Chapel Hill the following responsibilities:

- designate which titles should be published on acid-free paper
- monitor each title for acid-free paper compliance
- notify each publisher of a designated title annually of the acid-free requirement

Acid-free (alkaline) paper is recommended to retard deterioration of paper over time due to the highly acidic wood pulp content that is in standard paper used for mass printing since the turn of the century.

The titles of enduring value chosen by the Librarians form the basis of the Core Collection of North Carolina State Government Documents consisting of thirty-eight titles published by state agencies and commercial publishers.

The North Carolina State Publications Clearinghouse within the State Library of North Carolina received nineteen of the original thirty-eight titles in the Core Collection in print between July 1, 2003 and June 30, 2004. Clearinghouse staff monitored alkaline paper compliance by testing each title with an archival pH testing pen. Sixteen titles received directly from state agencies are listed in Table 1 of this report and three titles received from commercial publishers are listed in Table 3. All agency and commercially published titles received in 2003/2004 were published on acid free paper.

Seven of the original titles have not been published or updated in print or digital format in over 5 years. These titles are listed in Table 2 along with three other titles that were not received during this fiscal year. The latest issue or edition of these titles is listed in the table with the date when it was tested for acid-free compliance. Nine core titles are no longer printed on paper and the information contained within these publications is now available in digital format on the Web. These titles, along with website addresses for each, are listed in Table 4.

Alkaline (Acid-Free) Paper Compliance Report

North Carolina State Documents Core Collection

SFY 2003/2004

All titles received are tested when received by the North Carolina State Publications Clearinghouse using an archival quality pH testing pen. Nineteen titles from state agencies/commercial publishers were received in the past fiscal year. Nine titles from state agencies exist in digital format only as of July 2004. All publishers are notified annually of the responsibility to print titles on acid-free paper.

Table 1. Documents on Core List Received Between 7/1/03-6/30/04, Tested and Passed Acid-Free Test

Title/Agency	Frequency	Received & Passed Acid-Free Test
Crime in North Carolina / Dept. of Justice	Annual	Yes (4/04)
Daily Bulletin / Institute of Government	Daily/session	Yes (6/04)
Directory of State and County Officials / Secretary of State	Annual	Yes (4/04)
Education directory / Public Schools of N.C., Dept. of Public Instruction	Annual	Yes (5/04)
House rules, directory / General Assembly	Annual	Yes (9/03)
North Carolina court of appeals reports / Administrative Office of the Courts	Continuing	Yes (6/04)
North Carolina legislation / Institute of Government	Annual	Yes (3/04)
North Carolina manual / Secretary of State	Biennial	Yes (9/03)
North Carolina register / Office of Administrative Hearings	Bimonthly	Yes (6/04)
North Carolina reports / Administrative Office of the Courts	Continuing	Yes (6/04)
North Carolina transportation map / Dept. of Transportation	Annual	Yes (9/03)
North Carolina vital statistics / Dept. of Environment, Health and Natural Resources	Annual	Yes (2/04)
Popular government / Institute of Government	Quarterly	Yes (5/04)
Senate rules, directory / General Assembly	Annual	Yes (9/03)
Session laws / Secretary of State	As Published	Yes (4/04)
Statistical profile of North Carolina schools / Dept. of Public Instruction	Annual	Yes (9/03)

Table 2. Documents on Core List Not Published, Not Received or Tested Between 7/1/03 - 6/30/04

Title/Agency	Last Edition Received	Comments
County government in North Carolina / Institute of Government	1998 (4th ed.)	Passed acid free test (2/99)
Directory of trade and professional associations / UNC-G School of Business	1995	Passed acid free test (6/95)
Guide to research materials in North Carolina State Archives / Dept. of Cultural Resources: A. State Agency Records, B. County Records	A. 1995 B. 1997	State agency Records received in 1995. Passed acid free test (12/95). County Records received in 1997. Passed acid free test (6/97)
Handbook for legislators / Institute of Government	1997 (7th ed.)	Passed acid free test (5/97)
Municipal government in North Carolina / Institute of Government	1995 (2nd ed.)	Passed acid free test (6/95)
North Carolina agricultural statistics / Dept. of Agriculture	Annual	Passed acid free test (2/03)
North Carolina statistical register/State Data Center	1994	Passed acid free test (9/94)
State budget 2003/2005/ Office of State Budget and Management	Biennial	Passed acid free test (3/03)
Statistics of taxation / Dept. of Revenue	1988	Not published since the 1988 ed.

Acid-Free Paper Compliance Report		
North Carolina State Documents Core Collection		

Table 3. Documents on Core List Received from Commercial Publishers

Title/Agency	Frequency	Comments
Building codes / NC Building Code Council / ASHRE, National Fire Protection Assoc.,	Irregular	Passed acid free test when last received (03/02)
General statutes of North Carolina / Michie Company	Continuing	Yes (3/04)
North Carolina administrative code / West Group Publishing Co.	Continuing	Yes (6/04)
North Carolina directory of manufacturers / Harris Publishing Co.	Annual	Yes (6/04)

Table 4. Documents on Core List Only Available via World Wide Web (no longer published in paper format)

Title/Agency	World Wide Web Address
Abstract of North Carolina counties / State Data Center	http://www.sdc.state.nc.us/
Checklist of official NC state government publications	http://statelibrary.dcr.state.nc.us/stdocs/cheklist.htm
North Carolina municipal population / Office of State Budget and Management	http://www.demog.state.nc.us/
North Carolina Boards and Commissions/Governor's Office	www.governor.state.nc.us/Office/_docs/listofboards.pdf
All Boards and Commissions Descriptions/Governor's Office	http://www.governor.state.nc.us/office/_docs/Redbook.pdf
Occupational Licensing Boards and Commissions Only/Dept. Commerce	http://www.nccommerce.com/servicenter/blio/boards/
North Carolina state capital telephone directory / Dept. of Administration	http://www.state.nc.us/phone
North Carolina statistical information / State Data Center (not the Statistical Register)	http://linc.state.nc.us/
North Carolina tax Guide/Office of state Budget and Management	http://www.osbm.state.nc.us/files/pdf_files/2004_Tax_Guide.pdf
Salary plan / Office of State Personnel	http://www.osp.state.nc.us/salschd/2004/SALSCH04.pdf
Statistical abstract of higher education / UNC General Administration	www.ga.unc.edu/publications/abstract

Roanoke Island Commission – Fund 1584

Purpose

The Roanoke Island Commission was created under G.S Chapter 143B-131(2) to operate the Elizabeth II State Historic Site, now known as Roanoke Island Festival Park, as a a permanent memorial commemorating the Roanoke Voyages, 1584-1587. And

- to protect, preserve, develop and interpret the historical and cultural assets of Roanoke Island;
- to administer all other properties under the administration of the Department
- of Cultural Resources located on Roanoke Island having historical significance to the
- state of North Carolina, Dare County or the town of Manteo;
- to identify, preserve and protect properties located on Roanoke Island, including the acquisition of real and personal property;
- to work cooperatively with other entities to coordinate historical and cultural events on Roanoke Island;
- and to advise the Secretary of Transportation and encourage restoration, preservation and enhancement of the appearance, maintenance and aesthetic quality of US Highway 64/264 and US Highway 64/264 Bypass and NC 400 travel corridors on Roanoke Island and the grounds of Festival Park.

The Roanoke Island Commission operates Roanoke Island Festival Park, a twenty-seven acre state site celebrating history, education and the arts which consists the following facilities:

- "Elizabeth II" which is a sixty-nine foot representative sixteenth century sailing vessel (that remains at its homeport the majority of the year but also voyages to other NC coastal ports each fall and spring);
- 8,500 sq. ft. museum and outdoor settlement site; 230-seat film and small performance indoor theatre and fifty seat auditorium;
- 3,000 sq. ft. gallery and meeting room and arrival center;
- outdoor performance pavilion with lawn seating for 3,000;
- museum store operated by the site's non-profit organization;
- administrative offices and maintenance facilities; and waterside boardwalks.

The commission is also part of a tri-party agreement, which includes the NC Maritime Museum and the Town of Manteo to operate a working maritime boat shop and museum. The programs of the site serve over 100,000 persons annually, including North Carolina citizens as well as national and international visitors.

Local Structure

A component of the operation is a working branch of the NC Maritime Museum in Beaufort and is made possible through a cooperative effort with the commission, the museum and to the town of Manteo. A paid executive director is hired and serves at the pleasure of the commission while also reporting to the Secretary of the Department of Cultural Resources.
There are thirty-four permanent positions, twenty-two temporary positions. There are over fifty site volunteers including thirty-six of our volunteer crew.

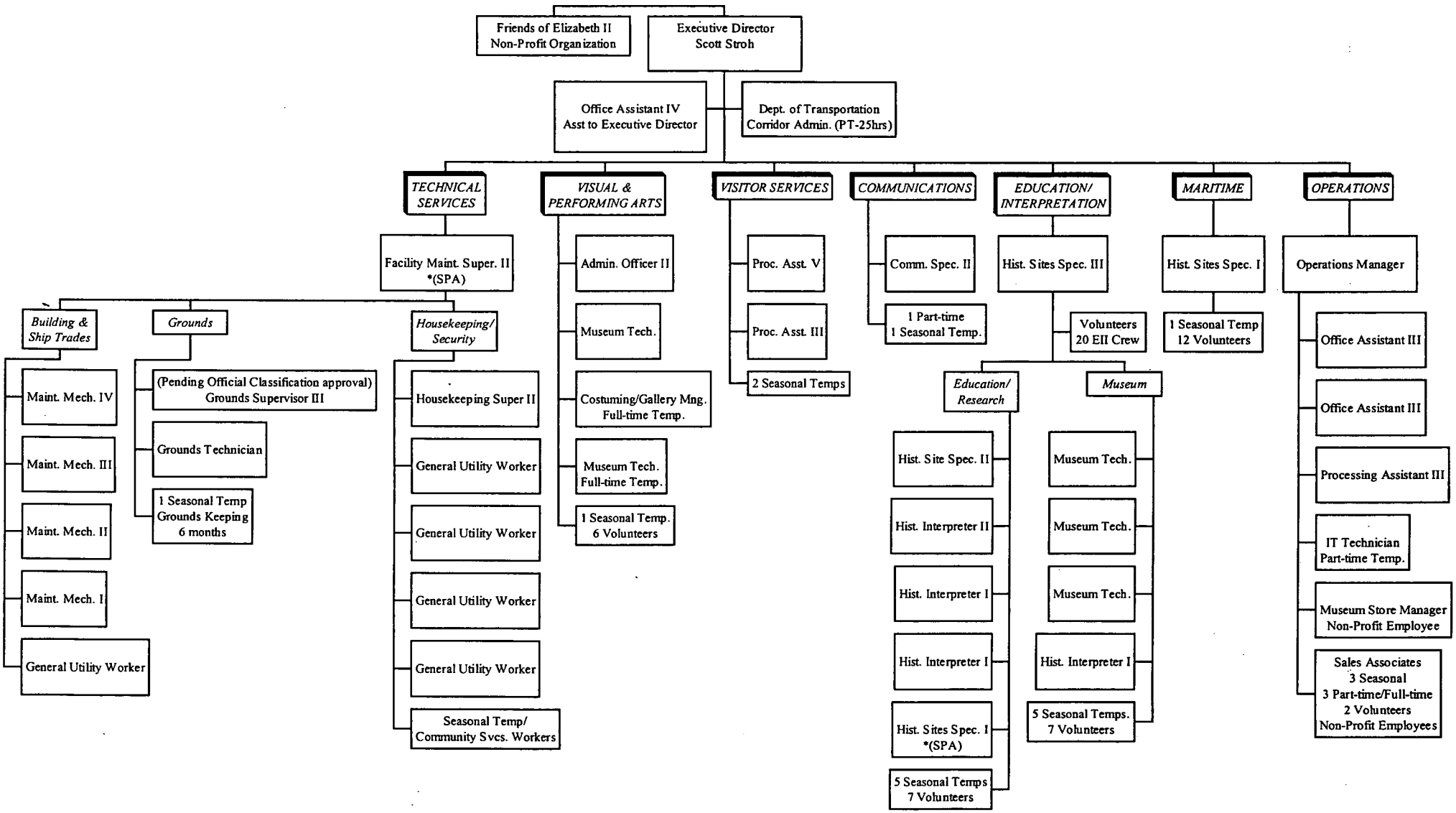
Budget

Current annual operating appropriations: $1,632,000. 20% allocated to operations; 80% is allocated to personal services; 25% of revenues are allocated to endowment fund.

Board and Commissions

The administrative and policy commission associated with this agency is the Roanoke Island Commission.

NC Dept. Cultural Resources
Archives & History
Historic Sites
Roanoke Island Fesival Park -- Roanoke Island Commission



*All permanent employees, except for the ones marked as SPA, are exempt from the provisions of the state personnel act.

January 2005

The North Carolina First Flight Centennial Commission

"Success 2004": Report to the North Carolina General Assembly

December 17,1903, With Orville Wright at the controls and his brother Wilbur running alongside, a fragile airplane lifted off the sands of North Carolina's Kill Devil Hills. It flew 120 feet in twelve seconds. The brothers flew more flights on that cold and windy day, and the world changed forever.

North Carolina welcomed the nation in celebrating the centennial anniversary of flight on December 17, 2003. North Carolina hosted the national finale event from December 12th to 17th, 2003. The General Assembly established the First Flight Centennial Commission (FFCC) in 1994 under G.S. Chapter 143-640 to "develop and plan activities to commemorate the centennial of the first successful, manned, controlled, heavier than air, powered flight and other historical events related to the development of powered flight." The FFCC is an independent commission with administrative support from the Department of Cultural Resources (DCR) and receiving its appropriation through DCR.

The kick-off event for the Centennial celebration was launched at Wright Brothers National Memorial in Kill Devil Hills, NC, on December 17, 2002. A 99-plane fly-over ushered in the 99th anniversary of flight. President Bush, Governor Easley and Governor Taft from Ohio all officially proclaimed 2003 the year of the Centennial. The Outer Banks Visitors Bureau and the National Rotary welcomed the Centennial year in the Rose Bowl Parade by entering First Flight floats in the parade.

Major events of the year included national and international figures in commemorative events, major aerial displays and air shows, major media productions, new publications, community airport events, significant educational activities, and commissioned performance and public art. North Carolina was the place to be in 2003. It was a year to celebrate North Carolina pride throughout the state.

STATEGIC PLAN

The Commission divided its charge from the North Carolina General Assembly into four overlapping phases, summarized as Awareness/Education/Celebration/Legacy. Those phases found expression through themes in the arts, commerce, military contributions, and humanitarian uses of flight.

1. **AWARENESS:** Generate positive national and international awareness and celebratory understanding of North Carolina's role in the first successful manned controlled heavier-than-air flight achieved by the Wright brothers on December 17, 1903.

    - Various websites dedicated to Centennial events and information. Some include www.firstflightnc.com, www.firstflightcentennial.org, www.visitnc.com and were visited by millions throughout the world.
    - First Flight Centennial road signs included the Travel and Tourism 800 number and website, www.visitnc.com

- The NC quarter design features the famous Daniels photograph of the first flight. The US Mint placed 750 million quarters in circulation in 2001.
- Participation in the July 4, 2000, Ottawa celebration as guests of the U.S. Ambassador Giffin brought exposure to over 5,000 Canadians.
- The FFCC 40x40 museum quality exhibit, received the Governor's award in 1998 at the NC state fair. Millions have seen this exhibit. The exhibit features educational videos for visitors to view.
- The FFCC exhibit is currently on display in the First Flight Pavilion at the site of the Wrights Brothers National Memorial, Kill Devil Hills, NC.
- The FFCC centennial exhibit was featured at Chicago O'Hare Airport from December through March 2001, reaching hundreds of thousands of visitors. It was also featured at Fayetteville's' Festival of Flight event in May 2003.
- FFCC has two "pop up" 10x10 displays that have gone to air events, schools, and have been available for use to NC citizens to promote and educate others about first flight history or first flight events.
- The covers of the 2003 aeronautical charts, airport guide, and state map and the NC Travel Guide (approximate distribution of 1 million copies nationally) featured the centennial.
- Outer Bank's Tourist Bureau implemented a multi-million dollar advertising campaign that included national publications like Coastal Living, Southern Living and national ads on major television networks.
- Multi-state adversarial (advertising plus editorial) campaign with tabloid supplements on North Carolina's quality of life, role in the first flight, aviation and historic sites, and centennial programs and events.
- The National Park Service joined an agreement with the media firm contracted by the National Commission to offer maximum media exposure to the event and North Carolina.
- Each county in North Carolina was presented with a First Flight Centennial flag to promote First Flight awareness.
- National media awareness in 2003 was heightened by:
    1. Nationwide coverage in USA Today, Parade, Time and Popular Science
    2. All three major television network morning shows – "Good Morning America", "The Early Show", "Today", as well as CNN, CNN Headlines News, C-Span, and The Weather Channel committed to covering the event
    3. Attracted more then 700 journalists representing over 241 media outlets for multiple days of the six-day celebration
    4. Affiliate network feed to ABC, CBS, CNN, and NBC which generated nationwide coverage through local news/programming across the country
    5. Coverage from all seven regional network affiliates- Norfolk (WVEC-ABC, WTKR-CBS, WAVY-NBC), Raleigh (WRAL-CBS, WTVD-ABC, WNCN-NBC), Greenville (WITN-NBC)
    6. Live coverage of the flight re-enactment on three of the regional networks including a statewide broadcast in North Carolina
    7. Coverage in 24 of the top 25 daily papers

8. Obtained front page coverage in 24 of the top 25 daily newspapers including USA Today, The Los Angeles Times, The Washington Post, and the Dallas Morning News
9. International broadcast coverage on BBC, Telmundo, Nine Network Australia, Eurovision and Canada TV
10. November 2003 website traffic included:
    - Total hits – 1,806,536
    - Total unique visits – 40,135
11. December 2003 traffic included:
    - Total hits – 4,793,905
    - Total unique visits – 147,408
12. January 2004 traffic included:
    - Total hits 581,444
    - Total unique visits – 26,426

2. **EDUCATION:** Created interest and understanding, especially for students and teachers, about our state's role and the resulting worldwide legacy of the events of 1903. Inspired the next generation of inventors, explorers, aviators and teachers through:
    - An International symposium in Raleigh, featuring major speakers, October 22-25, 2001. UNC Press published papers from the speakers.
    - Parallel teacher/student symposium in October 2001, co-sponsored with NASA and North Carolina Space Grant Consortium, to help teachers develop a "flight plan" of lessons for 2001-2003.
    - Centennial Schools program for all NC schools, including an annual Centennial Teacher of the Year Award for best classroom project on aviation and a quarterly newsletter distributed to Centennial Schools for further educational materials and instructions.
    - Teacher of the Year candidates came from Dare County, Wake County, Haywood County and Wilson County. The 2003 Teacher of the Year came from North Ridge Elementary School in Wake County.
    - The Class of 2003 included 36 high school students from across NC who came together annually with their Ohio counterparts and who served throughout the year as centennial ambassadors in local activities such as library reading programs in their communities.
    - The Class of 2003 was involved in an educational trip each summer to pursue aviation interest and to educate the general public on the Centennial Celebration. Class trips included: 2002 EAA's Air Academy in Oshkosh, Wisconsin; 2001 US Space Academy Level II in Huntsville, Alabama; 2000 Langley AFB, Hampton, Virginia; 1999 Dayton, Ohio; 1998 Kill Devil Hills, North Carolina. These 36 First Flight ambassadors graduated from high school in June 2003. The students, who attended the celebration in December 2003, were honored at a luncheon where First Lady, Mary Easley was the keynote speaker. Students in attendance at the December celebration were offered the opportunity to serve as ambassadors for the centennial celebration and to volunteer their time for the good of the community, state and nation.

- NASA program with DPI to link all NASA educational resources on the centennial of flight and aviation to NC curriculum standards.
- NASA-Connect feature of the First Flight Elementary School on an aviation program down linked to 1600 elementary schools throughout the NASA network.
- Educational outreach: Working with Boy Scouts, Girl Scouts, Civil Air Patrol, FAA, NASA, U.S Centennial of Flight Commission, NC Public Libraries, NC Symphony, NC Museums, Tar Heel Junior Historians, NC School of Science and Math to commit their educational programs to themes of aviation and North Carolina in 2002-2004 school years.
- Air Force Association and program with similar organizations honored and preserved the memory of veterans who flew in service to the United States.
- Aviation Maintenance Careers Commission, whose broad-based industry endorsement to promote opportunities in aviation maintenance as a career.
- Dedicated December 12 2003, first day of centennial to education and our youth.
- Teacher's resource guide available on Commission website

3. **CELEBRATION:** Created celebratory/commemorative programs that educated residents and visitors in the rich history of aviation, resulting in a positive visitor experience and a long-term economic impact to the state.
   - From December 17 2002 through December 17 2003:

First Flight Events Scheduled in North Carolina
December 17, 2002 through December 17, 2003

DATE	EVENT DESCRIPTION	LOCATION
December 17, 2002	99th Anniversary Commemoration kick-off celebration	Wright Brothers Memorial, Kitty Hawk, NC
December 31, 2002	First Night Raleigh 2003 – Flight Theme	Downtown, Raleigh, NC
January 2003: Ongoing through 2003	Wright Flyer half –scale replica (Created by EAA Chapter 297 and members of the Wilmington Flying Model Club) on display in the atrium of the Wilmington International Airport	Wilmington International Airport, 1740 Airport Blvd., Wilmington, NC
January 24 – April 27, 2003	Discovery Place – Charlotte Flight: Where Adventures Take Off! A dynamic exhibit that encourages the exploration of the principals of flight.	Discovery Place, Charlotte, NC

March 15, 2003 – March 7, 2004	Into The Blue: A yearlong celebration of the centennial of powered flight, which will be the centerpiece of flight celebration activities throughout the Triangle. Monthly activities include events for families and children (movies, concerts, classes, lectures); educational programming, teacher lesson plants, teacher preview days and teacher seminars http://www.ncartmuseum.org	North Carolina Museum of Art, Raleigh, NC
March 20-April 19, 2003	Flights of Fancy symposium and exhibit	Sawtooth Center for Visual Arts, Winston-Salem, NC
April 10, 2003	"Inventing Flight", composed by William Bolcum and commissioned by the North Carolina Symphony and the Dayton Philharmonic Orchestra through generous support from North Carolina's First Flight Centennial Commission an the National Endowment for the Arts. These performances in North Carolina constitute the World Premiere of "Inventing Flight". Also on the program will be Bruch's Concerto No. 1 in G minor and Tchaikovsky's "Manfred Symphony.	Chapel Hill Bible Church, Chapel Hill, NC
April 11-12, 2003	"Inventing Flight", composed by William Bolcum and commissioned by the North Carolina Symphony and the Dayton Philharmonic Orchestra	Meymandi Concert Hall, Raleigh, NC
April 10-August 24, 2003	Kiffin Rockwell and the Lafayette Espadrille exhibit	Smith McDowell House Museum, Asheville, NC
April 12-13, 2003	Coastal Carolina First in Flight Air Show	Wilmington International Airport, Wilmington, NC
May 2-4, 2003	Cherry Point Marine Corps Air Station Spring Air Show http://www.cherrypointairshow.com	Cherry Point, NC
May 3-4, 2003	"First In Flight" 100 Years! Spring Air Fair! Antique aircraft collection and automobiles on display, air show and airplane rides!	Hendersonville Airport, Hendersonville, NC
May 3-25, 2003	Centennial of Aviation Maintenance	Charlotte, NC
May 3 – June 28	World Flight 2003	Various airfields across the state

May 13, 2003 – May 9, 2004	"North Carolina Aviation Pioneers" Celebrates this monumental event and highlights other Tar Heel aviators and aviation innovators http://www.ncartmuseum.org	North Carolina Museum of History - Raleigh, NC
May 13, 2003	"Apollo 13" Movie tells the dramatic true story of the heroic actions needed to bring a three-astronaut crew safely back to Earth after the Apollo 13 space mission suffered catastrophic mechanical problems en route to the moon in 1971. http://www.exploris.org	IMAX Theatre at Exploris, Raleigh, NC
May 14-18, 2003	Celebration of Flight and Air Show http://www.celebrationofflightnc.com	Municipal Airport, Lumberton, NC
May 16-26, 2003	Fayetteville Festival of Flight – 11-day festival featuring a series of aviation-related events. Includes an arts festival, military air show and aviation exhibits. http://www.festivalofflight.org	Fayetteville, NC
May 17 – 18, 2003	Warbirds over Hickory Air show	Hickory, NC
May 17-18, 2003	"Artsplosure" Free, outdoor celebration of the arts in downtown Raleigh features continuous music, children's activities, a visual artists market and art installations. This year, the entire festival will have a flight theme this monumental event and highlights other Tar Heel aviators and aviation innovators http://www.artsplosure.org	Downtown, Raleigh, NC
May 18, 2003	Festival of Flight Air show "Barnstorming at its best" featuring national aerobatics teams; static displays, heritage aircraft and fireworks display.	Grannis Field – Fayetteville, NC
May 24 – 25, 2003	The Thrill of Flying and open house	Fayetteville, NC
May 30 – June 1	Special Missions: Regional Open House Featuring US Park Service and US Forestry Service Aircraft and Fire Bombers, and firefighting and rescue equipment.	Asheville Regional Airport - Asheville, NC

May 30 – June, 2003	The 2003 National Balloon Rally will be held at the Iredell County Fairgrounds, and will mark the 30th anniversary of the second longest running balloon rally in the United States. The weekend spectacular will feature 40 hot air balloons from all over the country, arts and crafts, children's rides, petting zoo, food, drink and plenty of music. Spectators can enjoy tethered balloon rides and special moon glow inflations when the balloonists light up the sky after dark.	Iredell County Fairgrounds – Statesville, NC
June 1-20, 2003	FUN-damental Forces of Flight. Children's programs investigate the forces needed for flight through hands-on scientific experiments & demonstrations. http://www.wilmingtonchildrensmuseum.org	Wilmington Children's Museum – Wilmington, NC
June 5, 2003	North Carolina Symphony on the Outer Banks	Roanoke Island Festival Park – Manteo, NC
June 6-8, 2003	Marine Wings	Edenton, NC
June 5-8, 2003	Women in Aviation	Rocky Mount-Wilson Airport, Rocky Mount, NC
June 7, 2003	N.C. Aviation Museum's Warbird Air Show	Asheboro, NC
June 1, 2003	Ultra Light Fly-in and Celebration. Boat trips to Edenton and bus trips to Wright Brothers Memorial	Edenton, NC
June 7-8, 2003	Winston-Salem Air Classic	Winston-Salem, NC
June 9, 2003	United States Coast Guard Band Concert	Wright Brothers National Monument – Kill Devil Hills, NC
June 12 – September 1, 2003	"Airplay" touring exhibition.	Cape Fear Museum – Wilmington, NC
July 2003	Antique airplanes on display	Dare County, NC-Wright Airstrip
July 3, 2003	"Broadway Stars Rock for the Arts" Terrance Mann and five other Broadway entertainers perform in a high-energy concert of rock songs including ones from Broadway shows, and songs that celebrate flight. The event finale features an original song composed for the First Flight Centennial called "Free to Fly" http://www.cmphitheatregencypark.com	Amphitheatre at Regency Park – Cary, NC

July 3, 2003	Cross Country Flight Finale Ceremony; The Return to Kitty Hawk: Transcontinental Glider Race	Dare County Airport/Wright Airstrip – NC
July 6-9, 2003	Re/Max Balloon Celebration	Wright Brothers National Monument – Kill Devil Hills, NC
July 8 – September 14, 2003	"Flight Through New Art Exhibition".	The Louise Wells Cameron Art Museum – Wilmington, NC
August 19, 2003	National Aviation Day (Orville Wright's Birthday)	Wright Brothers National Monument – Kill Devil Hills, NC
August 25, 2003	National Park Service Founder's Day	Wright Brothers National Monument – Kill Devil Hills, NC
September 1 – December 31, 2003	Pushing the Limits: Aviation Flight Research as Seen Through the NASA Art Program	Outer Banks History Center – Manteo, NC
September 5, 2003	Billy Mitchell on Hatteras Island http://www.graveyardoftheatlantic.com	Graveyard of the Atlantic Museum – Hatteras Island, NC
September 8-9, 2003	The Eleventh Annual Winston-Salem Airs how will include military and civilian static aircraft displays, war birds displays, and military fly-bys. Nostalgia rides in Piedmont Airlines DC-3, helicopter rides, hot air balloon rides and family fun activity will be included. Military equipment from local National Guard Reserve units will also be displayed.	Winston-Salem, NC
September 12-21, 2003	Grand display for first flight-will be dedicated to the Wright brothers http://www.smithreynolds.org	Mountain State Fair-Asheville, NC
September 18 – January 4, 2004	Hears to the Sky: Reynolda and the Early Days of Aviation free opening reception on Thursday, Sept. 18 from 5-7pm	Reynolda House-Winston-Salem, NC
October 4, 2003	Planes, Trains and Automobiles: Transportation in the Triangle	Raleigh City Museum-Raleigh, NC
October 4, 2003	Burlington Air show	Burlington, NC
October 10-11, 2003	Commemorating the 1902 Wright Brothers Glider Flights http://www.wright-brother.org	Wright Brothers National Monument – Kill Devil Hills, NC

October 12 - November 16, 2003	Celebration of Flight	NC Museum of Art Raleigh, NC
October 12 – November 16, 2003	Aerial Animals http://www.naturalsciences.org	NC Museum of Natural Sciences, Raleigh, NC
November 8, 2003 – March 1, 2004	"Lindbergh" See approximately 400 artifacts related to Lindbergh, his flight and the celebrity that grew out of his accomplishments: http://www.ncmuseumofhistory.org	NC Museum of History Raleigh, NC
November 23, 2003 – April 4, 2004	Defying Gravity: Contemporary Considerations of Flight http://www.ncartmuseum.org	NC Museum of Art Raleigh, NC
December 13-15, 2003	Aviation Film Festival	Roanoke Island Festival Park Manteo, NC
December 12-17, 2003	Celebrating 100 Years of Flight! A six-day festival of events celebrating the centennial of the First Flight http://www.outerbanks.org http://www.firstflightnc.com http://www.celebrate100.org http://www.nps.gov/wrbr	Wright Brothers National Monument – Kill Devil Hills, NC

Week of December 12-17 2003: Wright Brothers National Memorial, Kill Devil Hills, NC

1. **"Igniting The Imagination,"** Friday, December 12, was designed to inspire the next generation of aviators by engaging children of all ages in the power of flight. Highlights included:
   - Centennial kick-off by National Park Service Superintendent Lawrence Belli
   - Welcome by Keith Yoerg, 13-year-old great-great-grandnephew of Wilbur and Orville Wright and aspiring astronaut
   - Greetings from North Carolina's First Lady, Mary Easley
   - Musical performance by The Raleigh Boychoir
   - Luncheon for FFCC Class of 2003 and Teachers of the Year
   - Space Talk/NASA Downlink
   - Candy Bomber Demonstration
   - Afterburner, Inc/Flight Plan for Life
   - Performance by singer Michelle Branch on the main stage
   - Only open admission day

2. **"Remember the Past, Imagine the Future,"** Saturday, December 13, was designed to highlight historic sites throughout North Carolina and to remind people that history can be fun. Highlights included:
   - Greetings from North Carolina Secretary of Cultural Resources Libba Evans
   - Welcome from descendants of the members of the historic Life Saving Station in Kitty Hawk
   - Actors dressed in period costume

- 20-person jump team
- NASA panel discussion
- Performance by The Beach Boys on the main stage

3. **"Remember the Past, Imagine the Future,"** Sunday, December 14, was designed to highlight the history of the Outer Banks of North Carolina. This day honored the descendants of witnesses of the first flight.
   Highlights included:
   - Aviation Legends' panel discussion
   - Presentation by Col. Bob Morgan, pilot of the Memphis Belle
   - The Temptations' performance in the Pavilion
   - Descendants luncheon
   - Discovery channel video about Wright Brothers

4. **"Protecting the home of the brave,"** Monday, December 15, was designed to honor our veterans and men and women who are now serving in the US Armed Forces.
   Highlights included:
   - Air show featuring all branches of the military
   - Jumpers representing US Army, Navy, Air Force and Marine Corps
   - Performance by American bald eagle, Challenger
   - Aaron Tippin singing on the main stage
   - "Winning Your Wings," 1942 movie, starring Jimmy Stewart
   - Performances by military bands

5. **"In History's Footsteps,"** Tuesday, December 16, was designed to pay tribute to The First Flight Society in honoring their traditions. 100 aviation heroes were honored.
   Highlights included:
   - 100-hero ceremony with astronauts John Glenn, Neil Armstrong, Buzz Aldrin and other aviation celebrities in attendance
   - 100-hero presenters including Senator Elizabeth Dole and General Ralph E. Eberhart
   - Special performance from Aaron Tippin
   - 100-person jump team
   - Presentation of Orville and Wilbur Wright painting, commissioned by First Flight Society, to Amanda Wright Lane and Stephen Wright
   - Dedication of the steel and bronze statue, "First Flight," by North Carolina Governor Mike Easley and U. S. Secretary of the Interior Gale Norton

6. **"12 Seconds that Changed the World,"** December 17, 2003, was designed to commemorate the 100th anniversary of humankind's first successful flight in a powered aircraft. Highlights included:
   - Keynote remarks by President George W. Bush
   - Greetings by Secretary of the Interior Gale Norton
   - Welcome by North Carolina Governor Mike Easley
   - Comments by Master of Ceremonies, John Travolta
   - Lee Greenwood singing the National Anthem
   - Marine One fly by

- Air Force One fly by
- Attempt to recreate the First Flight in a 1903 replica

7. **Programming throughout the six-day event**
   - Interpretative talks every day by National Park staff in the Visitors Center
   - Interpretative talks in the reproductions of the Wrights' work shops
   - Tours of flight line of the first flight
   - Exhibits provided by:
     -Dare County Schools
     -Display of the Wright Flyer replica donated by Harry Combs
     -Academy of Model Aeronautics
     -Air Force Command and Control
     -United States Coast Guard
     -United States Fish and Wildlife
     -NASA
     -First Flight Society
     -Outer Banks Stamps
     -United States Postal Service
     -AOPA
     -FAA

National commemorative initiatives that will enhance the North Carolina celebrations include:

- Commemorative postage stamp released jointly in Ohio and North Carolina on May 22, 2003
- NASA 2003 Mars Explorer missions
- National Air & Space Museum dedication of the new Dulles wing
- Federal Centennial of Flight Commission's national programs
- U.S. Mint Commemorative coin released in 2003
- Dayton, Ohio's Inventing Flight Celebration

4. **LEGACY:** Plan the centennial to ensure that North Carolina's profile at home and abroad will be significantly enhanced beyond 2003.
   - Tourism development: The investment in 2003-related tourism activities will be returned in the form of increased visitation to North Carolina, generating new tourism expenditures and direct state and local revenues. The plan is to build on existing tourism and cultural assets in North Carolina; expand cooperative marketing partnerships and communication programs; and add new tourism products that complement the current offerings.
   - Economic development: The centennial of flight will bring various leaders in commerce, military and entreprenaual sections of the world. Leaders in aviation, aerospace, engineering and technology will visit North Carolina.
     The key will be to give these visitors a good experience and a reason to return.
   - Special publications are being launched to add to the body of information about the Wright brothers, the achievements of flight, and the subsequent 100 years of aviation, and the future of aeronautics and astronautics.
   - Video productions are underway document a variety of interesting angles generated by the centennial anniversary of flight.

- Special aviation trails have been established in North Carolina, along a corridor from Maryland to Kitty Hawk, and North Carolina to Dayton, Ohio.
- A new 15,000 square foot Pilot Facility at Wright Brothers National Memorial
- Trails and the plaza at the top of the big Kill Devil Hill
- Pavilion 20,000 square foot total. Auditorium space for 1,000 seat and space for exhibits
- New entrance to Wright Brothers National Memorial
- New fee booths at Wright Brothers National Memorial
- Wright Flyer replica given by Mr. Harry Combs; dedicated on December 17th 2003
- Outer Banks Turn of the Century exhibit
- Bronze statue of the first flight installed at Wright Brothers National Memorial Park, a gift from NC Department of Cultural Resources to Wright Brothers National Memorial

5. **LOGISTICS:** The Centennial was a national event that brought approximately 200,000 visitors to northeastern North Carolina during the week of December 12-17th 2003. Leading up to the event and during 2003 most counties in North Carolina received a positive impact. Details included:

- The First Flight Centennial Commission led the Centennial Planning office at Wright Brothers National Memorial.
- The First Flight Centennial Commission staff developed program with contractors and provided leadership in areas that included volunteers, media, programming exhibits, stage design and site layout
- The National Park Service developed an incident command team to coordinate safety, credentials and all logistical support
- NPS contracted with a national media firm to support the centennial and create maximum exposure for the event and North Carolina
- NPS implemented a ticketing system that was launched April 15, 2003. December 16th and 17th sold out. Other days nearly sold out with December 12th a non-ticketed day, geared towards students and education.
- Dare County supported with Sheriffs, Emergency Management Teams, Fire Safety, EMS, as well as Public Information.
- Outer Banks Visitors Bureau developed a marketing campaign to promote the event.
- The Town of Kill Devil Hills provided logistical support and consultation for the transportation plan, community support, and additional law enforcement support.
- Department of Transportation contracted with a professional transportation company to develop and execute a weeklong public transportation plan.
- Department of Transportation-Division of Aviation hosted *"World Flight 2003"* in which they assisted and coordinated with surrounding airports across North Carolina to plan centennial events leading up to the December 2003 celebration.
- Department of Crime Control and Public Safety supported the centennial event with Highway Patrol Officers to help implement the transportation and parking plan, Civil Air Patrol to assist in volunteer aspects of crowd control, aircraft parking, any unforeseen ELT (Emergency Locating Transmitter) mission involvement in the surrounding area (with external support of the USAF) as well as basic volunteer needs of greeters and escorts for

VIP's and other individuals. Alcohol, Law Enforcement agent's onsite assisted in proper procedures and execution of North Carolina laws.

- State Bureau of Investigation assisted in examining proper procedures and enforcement of all state and national laws.
- Federal Aviation Administration to assist in all proper air operation procedures as well as all ground air operation and verification of all proper paperwork, licenses and permits. They also maintained radar and licensed professionals as control tower officers.
- North Carolina National Guard assisted in various roles from ground support, air support, and crowd control to parking details.

BUDGET and FINANCIAL

At the final commission meeting on June 23, 2004, the finance committee presented the following budget document:

First Flight Centennial Commission Budget for FY 03-04
June, 2004

Expenditures	
Salaries and fringes:	157,507
includes 2 permanent positions and 3 full-time temporaries	
Contractual Services*	2,953,984
Repairs	260
Rent/lease office equipment	6,783
Transportation-ground-in state	1,248
Transportation-ground out of state	275
Lodging in state	7,054
Meals in state	538
Telephone service	5,851
Telecommunications data charges	161
Computer/data processing services	23
Managed LAN service charge	92
Postage, freight and delivery	4,274
Postage meter	1,082
Printing, binding, duplication	466
Other insurance	130
General office supplies	648
Motor vehicle replacement parts	59
Educational supplies	424
Other materials and supplies	10,907
Office equipment	140
Petty cash	300
Total	**3,152,206**

Revenues	
Petty Cash deposit	300

Other miscellaneous revenues **	2,250,412
Transfer from prior year (State Appropriation)	128,200
State Appropriation for current FY	773,294
Total	**3,152,206**

* includes contracts with event producers and planners: JHE Production Group, Tribble Creative Group, and Winning Strategies

**Through a Cooperative Agreement with the National Park Service, most of the event production costs are reimbursed to the state. Additional reimbursements are paid by various event exhibitors.

Also at the final meeting, the National Park Service reported spending $5.8 million, including $2 million in permanent improvements to the Wright Brothers National Memorial and the First Flight Foundation provided about $3.2 million, mostly for permanent improvements at the site.

The following represents the history of State Funding for the First Flight Centennial Commission:

FY 95-96	$100,000	appropriation
	75,000	one-time allocation from DCR budget
FY 96-97	$100,000	appropriation
FY 97-98	$100,000	appropriation
FY 98-99	$1,073,800	appropriation; includes NR $250,000 for design project
FY 99-00	$823,800	appropriation
FY 00-01	$823,800	appropriation
FY 01-02	$816,732	appropriation
FY 02-03	$751,393	appropriation
FY 03-04	$773,294	appropriation

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 16, 2005
Room 425
8:30 a.m.

Chairman: Senator Katie Dorsett

Department of Cultural Resources (cont.)

Arts and Libraries

State Library of North Carolina
(Notebook pp 95-106; B 490-493)

Staci Meyer
Deputy Secretary

Report on Titles Designated for Printing on Alkaline Paper and Report on Compliance with the Requirement that Titles be Printed on Alkaline Paper (G.S. 125-11.13)
(Notebook - follows p 106)

Jan Regan
Branch Head
State Documents Section
Division of State Library

Review of 2005-07 Recommended Continuation Budget
(Complete Recommended Budget, B 447-510)

Charline Sutton
Acting Chief Budget Officer

Department of Cultural Resources (cont.)

Roanoke Island Commission
Report to the General Assembly per G.S. 143B-131.4
(Notebook pp 107-109; B 506-510)

Scott Strob
Executive Director

Department of Revenue

Introduction of Staff/Executive Overview/Mission/Organization
(Notebook pp. DOR 1 - 7)

Facts and Figures
(Notebook pp. DOR 8)

Collection Initiatives and Analysis
(Notebook pp. DOR 9 - 16)

Recommended Continuation Budget and Organizational Chart
(Notebook pp. DOR 17 - 18; B 394 - 446)

DOR Sections/Divisions
Administration (Fund 1600)/Training/Internal Auditor and Personnel (Fund 1603)
(Notebook pp. DOR 19 - 22 & 26-27; B 402 & 404)

Information Technology (Fund 1605)
(Notebook pp. DOR 28 - 30; B 405 - 406)

Tax Administration
Tax Research (Fund 1607)
(Notebook pp. DOR 31 - 32; B 407)

Corporate, Excise, and Insurance Taxes (Fund 1621)
(Notebook pp. DOR 35 - 37; B 409)

Personal Taxes (Fund 1623)
(Notebook pp. DOR 38 - 40; B 410)

Sales and Use Taxes (Fund 1627),
(Notebook pp. DOR 41 - 43; B 411)

Department of Revenue (cont.)

Tax Administration (cont.)

Property Tax (Fund 1629)
(Notebook pp. DOR 44 - 46; B 412 - 413)

Documents and Payments Processing (Fund 1685)
(Notebook pp. DOR 65 - 66; B 429 - 430)

Tax Compliance

Taxpayer Assistance (Fund 1643)
(Notebook pp. DOR 47 - 48; B 414 - 415)

Examination and Collection (Fund 1660)
(Notebook pp. DOR 49 - 52; B 416 - 417)

Project Collect Tax (Fund 1661)
(Notebook pp. DOR 53; B 418 - 419)

Taxpayer Assistance/Call Center (Fund 1662)
(Notebook pp. DOR 54 - 56; B 420 - 421)

Norris Tolson
Secretary

JOINT APPROPRIATIONS GENERAL GOVERNMENT
MINUTES

Wednesday, March 16, 2005
8:30 am

The Joint Appropriations Subcommittee on General Government met March 16, 2005 8:30 am in Room 425 of the Legislative Office Building. Senator Dorsett called the meeting to order. She welcomed the staff, Michele Nelson, Marilyn Chism and Kathie Austin, pages, clerk, agencies and Sgt. At Arms. Four Senate Members were present and Representatives Alma Adams, Roger West, Marvin Lucas, Marian McLawhorn, Gene Wilson, Leo Daughtry, and Garland Pierce.

Branch Head of the State Library Jan Regan was recognized to give continuous overview of the Department of Cultural Resources. After thanking the staff and subcommittee for the opportunity to speak she advised the subcommittee to turn to page 106 in the notebook. From there Branch Head Jan Regan gave an overview on the report on Title Designated for printing on Alkaline Paper and Report on Compliance with Requirement that Title be Printed on Alkaline Paper (See attachment C). She then opened the floor to questions. The Subcommittee asked no questions.

Senator Dorsett then recognized Deputy Secretary Staci Meyer on the State Library of North Carolina.

History

The State Library oldest division has a long and proud history, beginning with it's founding in 1812 as a collections of books in the office of the Secretary of State and the appointment of the first full-time State Librarian in 1843. Another historic milestone was the establishment of the North Carolina Library Commission in 1909. The Commission's primary mission was to provide assistance, advise, and counsel to: all libraries; all communities that proposed to establish libraries; and all person interested in the best means of establishing and administering libraries.

Senator Dorsett then recognized Acting Chief Budget Officer Charline Sutton to do an overview of the budget (Attachment C). The floor was open for questions. The subcommittee questioned the whole department staff.

Senator Dorsett recognized Deputy Secretary Staci Meyer to continue her overview of the State Library System.

Financial Overview

The State Library's budget is divided into two funds:

- Fund 1410 State Library Services- a state appropriation of $4.3 million supports personnel, operating costs, book and other materials, and other expenditures related to the direct delivery of library services and direct support for local libraries.
- Fund 1480 Statewide Programs and Grants- Money funds activities that help local libraries improve and totals over $20 million in state and federal funds. Major areas of expenditure include:

    - Aid to Public Libraries Fund
    - NC LIVE and Internet Access for Public Libraries
    - Funds for children and reading services
    - The Library Service and Technology Act (LSTA)

State Library Priorities and Service

The purpose of this program is to provide library and information services and to assist local libraries in the development of program, services, and facilities. The number one goal is to develop and extend public library services for North Carolinians in partnership with local communities. Last year:

- The State Library provided technical assistance to library staff, trustees, and friends statewide through 9,056 telephone and in-office consultations and 62 site visits.
- Over 2000 library staff members, trustees, and friends attended workshops sponsored by the State Library.
- The State Library administers an average of 200 federal grants for libraries statewide.
- A comprehensive program to help librarians strengthen public library services for children and youth through workshops, conference presentations, book reviews, consultation, and technical assistance.
- Manages the Public Librarian Certification Program to assure that public librarians have education and training they need to manage out state's 75 public library systems.
- The public library statistics program provides information to assist local libraries in planning and evaluation.
- The Center for the Book program promotes reading, books, libraries, and lifelong learning
- The State library continues to monitor trends, needs, and issues to assure that its programs are responsive to the primary customers for this goal area.

Deputy Secretary concluded the overview of the department and opened the floor to questions. The Subcommittee asked questions regarding the different departments.

Executive Director of the Roanoke Island Commission Scott Strob was recognized to give his overview for the Department of Cultural Resources.

The Roanoke Island Commission was created under G.S. Chapter 143B-131(2) to operate the Elizabeth II State Historic Site, now known as Roanoke Island Festival Park, as a permanent memorial commemorating the Roanoke Voyages, 1584-1587. The Roanoke Island Commission operates Roanoke Island Festival Park, a twenty-seven acre state site celebrating history, education, and the arts which consists the following facilities:

- "Elizabeth II" which is a sixty-nine foot representative sixteenth century sailing vessel (that remains at its homeport the majority of the year but also voyages to other NC coastal ports each fall and spring);
- 8,500 sq. ft. museum and outdoor settlement site; 230-seat film and small performance indoor theatre and fifty seat auditorium;
- 3,000 sq. ft. gallery and meeting room and arrival center;
- Outdoor performance pavilion with lawn seating for 3,000;
- Museum store operated by the site's non-profits organization;
- Administrative offices and maintenance facilities; and waterside boardwalks.

The Commission is also part of a tri-party agreement, which includes the NC Maritime Museum and the Town of Manteo to operate a working maritime boat shop and museum. The programs of the site serve over 100,000 person annually, including North Carolina citizens as well as national and international visitors.

A component of the operation is a working branch of the NC Maritime Museum in Beaufort and is made possible through s cooperative effort with the commission, the museum and to town of Manteo. He opened the floor for questions. The Subcommittee questioned Executive Director Scott Strob.

Senator Dorsett then recognized Secretary of Revenue Norris Tolson. Secretary Tolson greeted the subcommittee recognized some members of his staff.

The North Carolina Revenue was established by the General Assembly in May 1921, which was the same year that a net income tax was created in North Carolina. The Department began its operations in the "Old Revenue Building" on Hillsborough Street with 16 persons on the payroll, operations expenses of $88,000 and collections of 3.1 million in income and inheritance taxes. Today the Department has annual collections of over 19.9 billion, a budget of $95.5 million, and 1,405.5 employees and is located since 1992 in what is commonly referred to as the "New Revenue Building" on Wilmington Street.

Secretary Tolson asked Chairman Dorsett if the rest over the overview could be giving at 2:00pm March 16, 2005. That request was granted.

The meeting adjourned at 9:05 a.m.

Senator Katie Dorsett, Presiding

Phyllis Cameron, Committee Clerk

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT

March 16, 2005
8:30 am

ATTACHMENT
C

DEPARTMENT OF CULTURAL RESOURCES

Targeted Zero-Base Budgeting/Lapse Salary/Turnover Rates/Vacant Positions (>180 days)/Reversions/2005-07 Expansion/Follow up Items

Order of Items

1. Lapse Salary
    a. FY 03-04
    b. FY 04-05

2. Turnover Rate Analysis
    a. for period 7/1/04 - 12/31/04
    b. for period 7/1/03 - 6/30/04

3. Vacant Positions

4. Reversions
    a. FY 02-03
    b. FY 03-04

5. Governor's Recommended Expansion 2005-07 Biennium
    Pages 78-80

6. Follow-up Items
    a. Demographics
    b. Equipment for Historic Sites
    c. First Flight Positions
    d. Repair and Renovation List
    e. Capital Projects List

7. Targeted Zero-Base Budgeting

April 4, 2005

ITEM 1: AMOUNTS AND USE OF LAPSED SALARY FUND FOR FY 03-04

BUDGET CODE	ACCOUNT EXPENDED FUND	ACCOUNT TRANSFER FROM	AMOUNT	USE
14800	531311	531211	219,498	Cover temporary salary needs
14800	531411	531211	6,221	Cover overtime needs at museums
14800	531421	531211	88	Cover holiday pay
14800	531461	531211	2,212	Longevity needs
14800	531511	531211	9,878	Cover social security shortages
14800	531531	531211	360	Cover social security shortages
14800	531521	531211	4,731	Cover retirement shortages
14800	531561	531211	5,000	Cover medical insurance shortages
14800	531627	531211	3,235	Disability payments
14800	531631	531211	6,727	Worker's Compensation
14800	535840	531211	5,951	Employee service awards
14800	538010	531211	17,921	Administrative fee for Flex Plans
TOTAL			281,822	

ITEM 1: AMOUNTS AND USE OF LAPSED SALARY FUND FOR FY 04-05

BUDGET CODE	ACCOUNT EXPENDED FUND	ACCOUNT TRANSFER FROM	AMOUNT	USE
14800	538040	531211	436,273	Hurrican Relief Reserve
14800	532199	531211	119,000	Contract to create two additional scultures at the Wright Memorial
14800	531572	531211	12,381	Unemployment
14800	531627	531211	1,644	Disability payments
14800	531211	531211	16,942	Temporary help due to vacancies
14800	531631	531211	54,253	Worker's Compensation
14800	531411	531211	972	Overtime at Museums
TOTAL			641,465	

Project Use of Lapsed Salary Until End of June

14800	ALL	531311	250,000	Temporary salary needs for help due to vacancies; extra help at Museum of History, Museum of Art; Historic Sites
14800	ALL	531411	60,000	Overtime needs at all museums
14800	ALL	531421	10,000	Premium pay needs at museums
14800	ALL	531461	75,000	Longevity needs
14800	ALL	531627	50,000	Disability payments
14800	ALL	531631	20,000	Worker's compensation
TOTAL			465,000	

TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

state avg.

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
LIBRARY INFO TECH MGR	34738	74	1	1	100.00	1	100.00
CHIEF, LIBRARY SVCS SECTN	34739	78	1	0	.00	0	.00
A/U HR DIRECTOR	35092	79	1	0	.00	0	.00
TOTALS:			719	54	7.51	80	11.13

8.37

THIS DISPLAY INCLUDES ONLY PERMANENT FULL-TIME AND PART-TIME SPA/EPA (NON-UNIV) EMPLOYEES. RETIREMENTS, DISMISSALS & DEATHS ARE ONLY COUNTED IN TOTAL SEPARATIONS COLUMN; EXCLUDES LWOPS

TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
ACCOUNTING TECHNICIAN I	00126	59	1	0	.00	0	.00
ACCOUNTING TECHNICIAN II	00127	61	2	2	100.00	2	100.00
ACCOUNTING TECHNICIAN III	00128	63	3	0	.00	1	33.33
ACCOUNTING TECHNICIAN IV	00129	65	1	0	.00	0	.00
STOCK CLERK II	00322	55	1	0	.00	0	.00
STOCK SUPERVISOR	00334	57	1	0	.00	0	.00
SALES MANAGER I	00365	56	6	0	.00	2	33.33
SUPPLY STORE MANAGER I	00391	65	2	0	.00	0	.00
OFFICE ASSISTANT V	00400	61	1	0	.00	0	.00
OFFICE ASSISTANT III	00403	57	11	3	27.27	3	27.27
OFFICE ASSISTANT IV	00404	59	24	1	4.17	2	8.33
PROGRAM ASSISTANT IV	00406	59	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
ADMIN SERVICES ASST V	00409	61	5	1	20.00	1	20.00
PROGRAM ASSISTANT V	00410	61	6	0	.00	0	.00
ADMIN SECRETARY II	00428	60	2	0	.00	0	.00
ADMIN SECRETARY III	00429	62	4	0	.00	1	25.00
EXECUTIVE ASSISTANT I	00430	64	1	0	.00	0	.00
PUBLIC INFORM ASST III	00435	57	3	0	.00	0	.00
PUBLIC INFORM ASST IV	00436	59	4	1	25.00	1	25.00
PUBLIC INFORM ASST V	00437	61	1	0	.00	0	.00
PROCESSING ASSISTANT II	00439	54	4	1	25.00	2	50.00
PROCESSING ASSISTANT III	00440	57	17	0	.00	0	.00
PROCESSING ASSISTANT IV	00441	59	19	2	10.53	2	10.53
PROCESSING ASSISTANT V	00442	61	11	2	18.18	3	27.27

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
PROCESSING UNIT SUPV V	00456	61	2	0	.00	1	50.00
ACCOUNTING CLERK IV	00470	59	2	0	.00	0	.00
LIBRARY CLERK II	00487	54	1	0	.00	0	.00
LIBRARY CLERK III	00490	57	3	0	.00	0	.00
ADMINISTRATIVE SECRE (V)	00565	61	1	0	.00	0	.00
DEPT PURCHASING AGENT I	00609	65	1	0	.00	0	.00
DEPT PURCHASING AGENT II	00610	68	1	0	.00	0	.00
INTERIOR DESIGNER	00675	72	1	0	.00	0	.00
ACCOUNTANT II	00702	75	1	0	.00	0	.00
ACCOUNTANT III	00703	77	1	0	.00	0	.00
ACCOUNTING SPECIALIST II	00715	69	1	0	.00	0	.00
BUSINESS OFFICER IV	01544	80	1	0	.00	0	.00

THIS DISPLAY INCLUDES ONLY PERMANENT FULL-TIME AND PART-TIME SPA/EPA (NON-UNIV) EMPLOYEES. RETIREMENTS, DISMISSALS & DEATHS ARE ONLY COUNTED IN TOTAL SEPARATIONS COLUMN; EXCLUDES LWOPS

TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
ADMINISTRATIVE ASST I	01601	63	6	0	.00	0	.00
ADMINISTRATIVE ASST II	01602	65	3	0	.00	0	.00
ADMINISTRATIVE OFFICER I	01605	67	5	1	20.00	1	20.00
ADMINISTRATIVE OFFICER II	01606	70	2	2	100.00	4	200.00
ADMINISTRATIVE OFF III	01631	72	4	0	.00	0	.00
PERSONNEL TECHNICIAN I	01811	63	1	0	.00	0	.00
PERSONNEL ANALYST TRAINEE	01820	NG	1	0	.00	0	.00
PERSONNEL ANALYST I	01821	70	0	1	.00	1	.00
PERSONNEL ANALYST II	01822	72	1	0	.00	0	.00
STAFF DEVELOPMENT COORD	01895	73	1	0	.00	0	.00
APPLICATIONS PROGRAMMER I	02209	69	1	0	.00	0	.00
APPLICATIONS PROGRMMER II	02214	74	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
APPLIC ANALYST PROG I	02215	76	1	0	.00	0	.00
COMPUTING CONSULTANT I	02226	70	2	0	.00	0	.00
COMPUTING CONSULTANT III	02228	74	3	0	.00	0	.00
COMPUTING SUPPORT TECH II	02297	63	3	0	.00	0	.00
TELECOMM SYS ANALYST I	02371	78	1	0	.00	0	.00
MEDIA TECHNICIAN I	02801	59	1	0	.00	0	.00
PHOTO LABORATORY TECH II	02809	61	2	0	.00	0	.00
PHOTO LABORATORY TECH IV	02811	65	1	0	.00	0	.00
PHOTOGRAPHER I	02831	61	2	0	.00	0	.00
PHOTOGRAPHER II	02832	66	4	0	.00	0	.00
ARTIST ILLUSTRATOR I	02851	60	1	0	.00	0	.00
ARTIST ILLUSTRATOR II	02852	64	4	1	25.00	1	25.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
BATTLESH MEMORIL PROM DIR	02895	69	1	0	.00	0	.00
INFORMA & COMMUNIC SPEC I	02911	63	4	3	75.00	3	75.00
INFORM & COMMUN SPEC II	02912	68	4	0	.00	0	.00
DEVELOPMENT ASSOCIATE	02943	70	1	0	.00	0	.00
EXEC DIR,N.C. ARTS COUNCL	02944	79	1	0	.00	0	.00
ARTS DEVEL CONSULTANT	02947	68	5	0	.00	1	20.00
ARTS PROGRAM ADMINISTRATR	02948	70	9	0	.00	0	.00
STATE CAPITOL/VIS CTR ADM	03001	72	0	0	.00	1	.00
FOLKLIFE PROGRAM ADMIN	03003	70	2	0	.00	0	.00
MARITIME MUSEUM DIRECTOR	03004	75	1	0	.00	0	.00
ASST DIR/STATE ARCH/HISTO	03005	79	2	0	.00	0	.00
DIR/STATE ARCHIVES & HIST	03006	84	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
RECORDS MGMT ANALYST I	03011	66	3	1	33.33	1	33.33
RECORDS MGMT ANALYST SUPV	03012	70	1	0	.00	0	.00
RECORDS MGMT ANALYST II	03013	68	5	0	.00	0	.00
RESEARCH HISTORIAN	03014	68	2	0	.00	0	.00
RESEARCH HISTORIAN SUPVR	03015	72	1	0	.00	0	.00
ARCHAEOLOGIST SUPERVISOR	03016	72	2	0	.00	0	.00
ARCH & HIST PRESERV ADMIN	03017	76	1	0	.00	0	.00
HIST SITES INTERP SUPVR	03018	73	1	0	.00	0	.00
ARCHIVES & HIS REG SUPVR	03019	72	5	0	.00	0	.00
ARCHIVES & HISTORY ASST	03021	64	2	0	.00	0	.00
MUSEUM PROGRAM CHIEF	03022	72	3	0	.00	0	.00
MUSEUM CURATOR	03023	70	9	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
HISTORIC SITES OPS SUPVR	03024	74	1	0	.00	0	.00
ASSOCIATE MUSEUM CURATOR	03025	68	14	1	7.14	1	7.14
MUSEUM EXHIBIT DESIGNER	03026	68	2	0	.00	0	.00
HIST PRESERV/REST SPEC I	03028	68	6	0	.00	0	.00
HIST PRESERV/REST SPEC II	03029	70	6	0	.00	0	.00
HIST PRESERV/RESTOR SUPRV	03030	72	3	0	.00	0	.00
STATE HISTOR SITES ADMINI	03037	76	1	0	.00	0	.00
STATE ARCHIVES & REC ADMI	03038	76	1	0	.00	1	100.00
HISTORIC PUBS EDITOR II	03041	70	4	0	.00	0	.00
HISTORIC PUBS EDITOR III	03042	72	4	0	.00	2	50.00
STATE HISTORI PUBLICA ADM	03044	76	1	0	.00	0	.00
HISTORIC PUBS EDITOR I	03045	65	5	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
HISTORY MUSEUM REGISTRAR	03047	68	5	0	.00	0	.00
MUSEUM TECHNICIAN	03049	63	8	2	25.00	2	25.00
MUSEUM SPECIALIST	03051	66	17	0	.00	0	.00
HISTORIC INTERPRETER I	03052	58	15	0	.00	0	.00
HISTORY MUSEUM CURATOR	03053	70	1	0	.00	0	.00
HISTORY MUSEUM CONSER	03054	68	2	2	100.00	2	100.00
HISTORIC INTERPRETER II	03056	60	20	1	5.00	1	5.00
HISTORIC SITE ASSISTANT	03057	58	10	1	10.00	2	20.00
HISTORIC INTERPRETER III	03058	62	15	0	.00	0	.00
HISTORIC SITE MANAGER I	03059	64	7	1	14.29	1	14.29
HISTORIC SITE MANAGER II	03061	66	11	0	.00	1	9.09
HISTORIC SITE MANAGER III	03062	68	7	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
HISTORIC SITES SPCLIST I	03064	66	7	0	.00	0	.00
HISTORIC SITES SPCLIST II	03065	68	3	3	100.00	3	100.00
HISTORIC SITES SPLIST III	03066	70	8	0	.00	0	.00
ARCHIVIST II	03069	70	1	0	.00	0	.00
ARCHIVIST I	03071	65	10	1	10.00	1	10.00
ARCHIVIST II	03072	68	5	0	.00	0	.00
ARCHIVIST III	03073	70	7	0	.00	0	.00
ARCHIVIST SUPERVISOR	03076	72	4	0	.00	0	.00
ARCHAEOLOGICAL TECHNICIAN	03079	61	2	0	.00	0	.00
RECORDS SVCS BRANCH SUPV	03083	74	1	0	.00	0	.00
ARCHAEOLOGIST I	03084	67	3	0	.00	0	.00
ARCHAEOLOGIST II	03085	70	6	0	.00	1	16.67

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
ARCHIVES CONSERVATN ASST	03086	58	1	0	.00	0	.00
STATE ARCHAEOLOGIST	03088	76	1	0	.00	0	.00
ART MUSEUM TECHNICIAN	03112	62	1	0	.00	0	.00
ARTS MUSEUM CONSERVATOR	03113	70	2	0	.00	0	.00
ART MUSEUM ASST CURATOR	03114	66	5	1	20.00	1	20.00
ART MUSEUM LIGHTING TECH	03120	60	1	0	.00	0	.00
ART HANDLER	03122	59	3	0	.00	0	.00
ART MUSEUM REGISTRAR	03125	68	1	0	.00	0	.00
NATURAL SCIENCE CURATOR I	03180	65	1	0	.00	0	.00
NATURL SCIENCE CURATOR II	03181	70	2	0	.00	0	.00
BATTLESHIP MEMORIAL DIR	03189	74	1	0	.00	0	.00
LIBRARY ASSISTANT	03206	59	5	1	20.00	1	20.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
LIBRARY TECHNICAL ASST I	03208	61	12	0	.00	2	16.67
LIBRARY TECH ASST II	03209	63	1	0	.00	0	.00
LIBRARIAN II	03222	67	1	0	.00	0	.00
LIBRARIAN III	03223	69	1	0	.00	0	.00
LIBRARIAN II	03226	69	9	0	.00	1	11.11
LIBRARIAN III	03227	71	6	2	33.33	2	33.33
LIBRARIAN IV	03228	74	6	0	.00	0	.00
LIBRARIAN CONSULTANT II	03229	76	7	0	.00	0	.00
CHIEF, LIBRARIAN CONSULT	03230	78	1	0	.00	0	.00
ASST STATE LIBRARIAN	03238	79	1	0	.00	0	.00
DIRECTOR, STATE LIBRARY	03270	82	1	0	.00	0	.00
TV PRODUCER DIRECTOR II	03351	68	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
VOLUNTEER SERVICES COORD	04130	63	2	1	50.00	1	50.00
VOLUNTEER SERVICES DIR I	04131	66	1	0	.00	0	.00
SAFETY OFFICER III	05812	70	1	0	.00	0	.00
DIR OF SECUR & TRAFFIC I	06025	69	0	0	.00	1	.00
GENERAL UTILITY WORKER	06514	53	14	2	14.29	2	14.29
HOUSEKEEPER	06622	50	7	3	42.86	4	57.14
HOUSEKEEPING SPVR II	06626	58	2	0	.00	0	.00
COSTUME DESIGN ASSISTANT	06781	56	1	0	.00	0	.00
TRADES WORKER I	07301	57	2	0	.00	0	.00
MAINTENANCE MECHANIC I	07303	58	2	0	.00	0	.00
MAINTENANCE MECHANIC III	07304	62	3	0	.00	0	.00
MAINTENANCE MECHANIC IV	07305	64	7	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
MAINTENANCE MECHANIC V	07306	66	2	0	.00	0	.00
MECHANIC SUPERVISOR I	07314	65	1	0	.00	0	.00
MAINTENANCE MECHANIC II	07319	60	7	1	14.29	1	14.29
CARPENTER II	07402	61	7	0	.00	0	.00
CARPENTER SUPERVISOR I	07404	63	3	0	.00	0	.00
FACILITIES MAINT COORD I	07405	62	1	0	.00	0	.00
FACILITY MAINT SUPV I	07411	66	2	0	.00	0	.00
FACILITY MAINT SUPV II	07412	68	1	0	.00	0	.00
FACILITY MAINT SUPV III	07413	70	2	0	.00	0	.00
FACILITY MAINT SUPV IV	07414	71	1	0	.00	0	.00
PAINTER	07471	61	2	1	50.00	2	100.00
ELECTRICIAN II	07492	63	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
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JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
ELECTRONICS TECHNICIAN I	07561	65	1	0	.00	0	.00
FACIL ENGINEERING SPEC	08504	72	1	0	.00	0	.00
FACIL CONST ENGINEER I	08506	74	1	0	.00	0	.00
FACIL CONSTUCT ENG II	08509	77	1	0	.00	0	.00
FACILITY ARCHITECT I	08747	74	2	0	.00	0	.00
GROUNDS WORKER	09173	56	4	0	.00	0	.00
GROUNDS SUPERINTENDENT I	09674	70	1	0	.00	0	.00
SECRETARY CULTURAL RES	20106	FR	1	0	.00	0	.00
DIR, STATE MUSEUM OF ART	20712	FR	1	0	.00	0	.00
ART MUSEUM CURATOR	20729	FR	5	0	.00	0	.00
ASSOCIATE DIRECTOR	20730	FR	1	0	.00	0	.00
CURATOR OF DESIGN	20786	FR	1	1	100.00	1	100.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
PROMOTION ASSISTANT	21259	FR	0	1	.00	1	.00
OPER MGR,ROANOLE ISL COMM	21398	FR	1	0	.00	0	.00
EX DIR,ROANOKE ISLND COMM	21399	FR	1	0	.00	0	.00
DEP SECR/COMMISSIONER II	21442	FR	1	0	.00	0	.00
DIR, STE HISTORY MUSEUM	21633	FR	1	0	.00	0	.00
ASST DIR,MARK & PUBL AFFR	21674	FR	1	0	.00	0	.00
GROUNDS TECHNICIAN	31844	60	2	0	.00	0	.00
ASST CONSERVATOR	31898	68	1	0	.00	0	.00
ART MUSEM EXHIB DESGN TEC	32128	64	1	0	.00	0	.00
SPEC ASST FOR PUB AFFAIRS	32424	75	1	0	.00	0	.00
HORTIC TECH	32641	58	5	1	20.00	2	40.00
DATA PROCESSING CONST II	32875	78	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/04 - 12/31/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
ASST DIR-ARTS COUNCIL	33012	74	1	0	.00	0	.00
INFO & COMM SPECIALIST	33194	65	1	0	.00	0	.00
STATE HIST MUSEU ASST ADM	33552	74	1	0	.00	0	.00
NATURAL SCIENCE CURATOR	33860	68	3	0	.00	0	.00
HORTICULTURAL TECH II	34135	60	1	0	.00	0	.00
MUSEUM GUARD COORD	34198	62	2	1	50.00	1	50.00
ARTIST ILLUSTRATOR	34239	66	2	0	.00	0	.00
NC TRANS HIST MUSEUM DIR	34381	72	1	0	.00	0	.00
REG HISTORY MUSEUM ADMIN	34456	74	2	0	.00	0	.00
ASSC DIR,STATE MUSEUM HIS	34512	76	1	0	.00	0	.00
MUSEUM SECURITY GUARD	34700	58	33	3	9.09	4	12.12
MUSEUM SECURITY SUPV.	34701	60	2	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

State arb.

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
MUSEUM SECURITY GUARD	34700	58	36	5	13.89	7	19.44
MUSEUM SECURITY SUPV.	34701	60	1	0	.00	0	.00
LIBRARY INFO TECH MGR	34738	74	1	1	100.00	1	100.00
CHIEF, LIBRARY SVCS SECTN	34739	78	1	0	.00	0	.00
TOTALS:			730	68	9.32	94	12.88

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
ACCOUNTING TECHNICIAN I	00126	59	2	0	.00	0	.00
ACCOUNTING TECHNICIAN II	00127	61	4	1	25.00	1	25.00
ACCOUNTING TECHNICIAN III	00128	63	3	0	.00	0	.00
ACCOUNTING TECHNICIAN IV	00129	65	1	0	.00	0	.00
STOCK CLERK II	00322	55	1	0	.00	0	.00
STOCK SUPERVISOR	00334	57	1	0	.00	0	.00
SALES MANAGER I	00365	56	6	0	.00	2	33.33
SUPPLY STORE MANAGER I	00391	65	2	0	.00	0	.00
OFFICE ASSISTANT V	00400	61	1	0	.00	0	.00
OFFICE ASSISTANT III	00403	57	11	2	18.18	2	18.18
OFFICE ASSISTANT IV	00404	59	24	4	16.67	5	20.83
PROGRAM ASSISTANT IV	00406	59	1	0	.00	1	100.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
ADMIN SERVICES ASST V	00409	61	4	1	25.00	1	25.00
PROGRAM ASSISTANT V	00410	61	5	0	.00	0	.00
ADMIN SECRETARY II	00428	60	2	0	.00	0	.00
ADMIN SECRETARY III	00429	62	3	0	.00	1	33.33
EXECUTIVE ASSISTANT I	00430	64	1	0	.00	0	.00
PUBLIC INFORM ASST III	00435	57	3	0	.00	0	.00
PUBLIC INFORM ASST IV	00436	59	4	1	25.00	1	25.00
PUBLIC INFORM ASST V	00437	61	1	0	.00	0	.00
PROCESSING ASSISTANT II	00439	54	4	1	25.00	1	25.00
PROCESSING ASSISTANT III	00440	57	17	3	17.65	3	17.65
PROCESSING ASSISTANT IV	00441	59	20	2	10.00	4	20.00
PROCESSING ASSISTANT V	00442	61	9	2	22.22	3	33.33

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
PROCESSING UNIT SUPV V	00456	61	3	0	.00	0	.00
ACCOUNTING CLERK IV	00470	59	2	0	.00	0	.00
LIBRARY CLERK II	00487	54	1	0	.00	0	.00
LIBRARY CLERK III	00490	57	3	0	.00	0	.00
ADMINISTRATIVE SECRE (V)	00565	61	1	0	.00	0	.00
DEPT PURCHASING AGENT I	00609	65	1	0	.00	0	.00
DEPT PURCHASING AGENT II	00610	68	1	0	.00	0	.00
DEPARTMENTAL PURC OFF III	00627	72	1	0	.00	0	.00
INTERIOR DESIGNER	00675	72	1	0	.00	0	.00
ACCOUNTANT II	00702	75	1	0	.00	0	.00
ACCOUNTANT III	00703	77	1	0	.00	0	.00
ACCOUNTING SPECIALIST II	00715	69	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
BUSINESS OFFICER IV	01544	80	1	0	.00	0	.00
ADMINISTRATIVE ASST I	01601	63	6	0	.00	0	.00
ADMINISTRATIVE ASST II	01602	65	3	0	.00	0	.00
ADMINISTRATIVE OFFICER I	01605	67	3	1	33.33	1	33.33
ADMINISTRATIVE OFFICER II	01606	70	3	1	33.33	1	33.33
ADMINISTRATIVE OFF III	01631	72	4	0	.00	0	.00
DEP SEC/COMMISSIONER III	01798	84	1	0	.00	0	.00
PERSONNEL TECHNICIAN I	01811	63	1	0	.00	0	.00
PERSONNEL ANALYST I	01821	70	1	0	.00	0	.00
PERSONNEL ANALYST II	01822	72	1	0	.00	0	.00
PERSONNEL DIRECTOR I	01835	78	1	0	.00	0	.00
STAFF DEVELOPMENT COORD	01895	73	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
APPLICATIONS PROGRAMMER I	02209	69	1	0	.00	0	.00
APPLICATIONS PROGRMMER II	02214	74	1	0	.00	0	.00
COMPUTING CONSULTANT I	02226	70	2	0	.00	0	.00
COMPUTING CONSULTANT III	02228	74	2	0	.00	0	.00
COMPUTER SYSTEMS ADM II	02269	70	1	0	.00	0	.00
COMPUTING SUPPORT TECH II	02297	63	3	0	.00	0	.00
MEDIA TECHNICIAN I	02801	59	1	0	.00	0	.00
PHOTO LABORATORY TECH II	02809	61	2	0	.00	0	.00
PHOTO LABORATORY TECH IV	02811	65	1	0	.00	0	.00
PHOTOGRAPHER I	02831	61	2	0	.00	0	.00
PHOTOGRAPHER II	02832	66	4	0	.00	0	.00
ARTIST ILLUSTRATOR II	02852	64	4	2	50.00	2	50.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
BATTLESH MEMORIL PROM DIR	02895	69	1	0	.00	0	.00
INFORMA & COMMUNIC SPEC I	02911	63	3	3	100.00	3	100.00
INFORM & COMMUN SPEC II	02912	68	4	1	25.00	1	25.00
DEVELOPMENT ASSOCIATE	02943	70	1	0	.00	0	.00
EXEC DIR,N.C. ARTS COUNCL	02944	79	1	0	.00	0	.00
ARTS DEVEL CONSULTANT	02947	68	5	0	.00	0	.00
ARTS PROGRAM ADMINISTRATR	02948	70	9	0	.00	0	.00
STATE CAPITOL/VIS CTR ADM	03001	72	1	0	.00	0	.00
FOLKLIFE PROGRAM ADMIN	03003	70	2	0	.00	0	.00
MARITIME MUSEUM DIRECTOR	03004	75	1	0	.00	0	.00
ASST DIR/STATE ARCH/HISTO	03005	79	2	0	.00	0	.00
DIR/STATE ARCHIVES & HIST	03006	84	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
RECORDS MGMT ANALYST I	03011	66	3	2	66.67	2	66.67
RECORDS MGMT ANALYST SUPV	03012	70	1	0	.00	0	.00
RECORDS MGMT ANALYST II	03013	68	4	0	.00	0	.00
RESEARCH HISTORIAN	03014	68	2	1	50.00	1	50.00
RESEARCH HISTORIAN SUPVR	03015	72	1	0	.00	0	.00
ARCHAEOLOGIST SUPERVISOR	03016	72	2	0	.00	0	.00
HIST SITES INTERP SUPVR	03018	73	1	0	.00	0	.00
ARCHIVES & HIS REG SUPVR	03019	72	4	0	.00	0	.00
ARCHIVES & HISTORY ASST	03021	64	2	0	.00	0	.00
MUSEUM PROGRAM CHIEF	03022	72	3	0	.00	0	.00
MUSEUM CURATOR	03023	70	9	1	11.11	1	11.11
HISTORIC SITES OPS SUPVR	03024	74	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
ASSOCIATE MUSEUM CURATOR	03025	68	15	0	.00	0	.00
MUSEUM EXHIBIT DESIGNER	03026	68	2	0	.00	0	.00
HIST PRESERV/REST SPEC I	03028	68	6	1	16.67	1	16.67
HIST PRESERV/REST SPEC II	03029	70	6	0	.00	0	.00
HIST PRESERV/RESTOR SUPRV	03030	72	3	0	.00	0	.00
STATE HISTOR SITES ADMINI	03037	76	1	0	.00	0	.00
STATE ARCHIVES & REC ADMI	03038	76	1	0	.00	1	100.00
HISTORIC PUBS EDITOR II	03041	70	5	0	.00	0	.00
HISTORIC PUBS EDITOR III	03042	72	4	0	.00	1	25.00
STATE HISTORI PUBLICA ADM	03044	76	1	0	.00	0	.00
HISTORIC PUBS EDITOR I	03045	65	5	0	.00	0	.00
HISTORY MUSEUM REGISTRAR	03047	68	5	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
MUSEUM TECHNICIAN	03049	63	9	0	.00	0	.00
MUSEUM SPECIALIST	03051	66	17	2	11.77	2	11.77
HISTORIC INTERPRETER I	03052	58	15	1	6.67	1	6.67
HISTORY MUSEUM CURATOR	03053	70	1	0	.00	0	.00
HISTORY MUSEUM CONSER	03054	68	2	0	.00	0	.00
HISTORIC INTERPRETER II	03056	60	20	4	20.00	4	20.00
HISTORIC SITE ASSISTANT	03057	58	11	2	18.18	2	18.18
HISTORIC INTERPRETER III	03058	62	15	0	.00	0	.00
HISTORIC SITE MANAGER I	03059	64	7	0	.00	1	14.29
HISTORIC SITE MANAGER II	03061	66	12	0	.00	0	.00
HISTORIC SITE MANAGER III	03062	68	7	0	.00	1	14.29
HISTORIC SITES SPCLIST I	03064	66	7	0	.00	1	14.29

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
HISTORIC SITES SPCLIST II	03065	68	3	1	33.33	1	33.33
HISTORIC SITES SPLIST III	03066	70	8	0	.00	0	.00
ARCHIVIST II	03069	70	1	0	.00	0	.00
ARCHIVIST I	03071	65	9	1	11.11	1	11.11
ARCHIVIST II	03072	68	5	1	20.00	1	20.00
ARCHIVIST III	03073	70	7	0	.00	0	.00
ARCHIVIST SUPERVISOR	03076	72	4	0	.00	0	.00
ARCHAEOLOGICAL TECHNICIAN	03079	61	2	0	.00	0	.00
RECORDS SVCS BRANCH SUPV	03083	74	1	1	100.00	1	100.00
ARCHAEOLOGIST I	03084	67	3	0	.00	0	.00
ARCHAEOLOGIST II	03085	70	6	0	.00	1	16.67
ARCHIVES CONSERVATN ASST	03086	58	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
STATE ARCHAEOLOGIST	03088	76	1	0	.00	0	.00
ART MUSEUM TECHNICIAN	03112	62	1	0	.00	0	.00
ARTS MUSEUM CONSERVATOR	03113	70	2	0	.00	0	.00
ART MUSEUM ASST CURATOR	03114	66	6	1	16.67	1	16.67
ART MUSEUM LIGHTING TECH	03120	60	1	1	100.00	1	100.00
ART HANDLER	03122	59	3	0	.00	0	.00
ART MUSEUM REGISTRAR	03125	68	1	0	.00	0	.00
NATURAL SCIENCE CURATOR I	03180	65	1	0	.00	0	.00
NATURL SCIENCE CURATOR II	03181	70	2	0	.00	0	.00
BATTLESHIP MEMORIAL DIR	03189	74	1	0	.00	0	.00
LIBRARY ASSISTANT	03206	59	6	0	.00	1	16.67
LIBRARY TECHNICAL ASST I	03208	61	13	0	.00	2	15.39

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
LIBRARY TECH ASST II	03209	63	1	0	.00	0	.00
LIBRARIAN II	03222	67	1	0	.00	0	.00
LIBRARIAN III	03223	69	1	0	.00	0	.00
LIBRARIAN II	03226	69	8	1	12.50	2	25.00
LIBRARIAN III	03227	71	5	2	40.00	2	40.00
LIBRARIAN IV	03228	74	6	0	.00	0	.00
LIBRARIAN CONSULTANT II	03229	76	7	0	.00	0	.00
CHIEF, LIBRARIAN CONSULT	03230	78	1	0	.00	0	.00
ASST STATE LIBRARIAN	03238	79	1	0	.00	0	.00
DIRECTOR, STATE LIBRARY	03270	82	1	0	.00	0	.00
TV PRODUCER DIRECTOR II	03351	68	1	0	.00	1	100.00
VOLUNTEER SERVICES COORD	04130	63	3	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
VOLUNTEER SERVICES DIR I	04131	66	1	0	.00	0	.00
SAFETY OFFICER III	05812	70	1	0	.00	0	.00
DIR OF SECUR & TRAFFIC I	06025	69	0	0	.00	1	.00
SECURITY OFFICER I	06030	60	5	1	20.00	1	20.00
SECURITY OFFICER III	06032	63	1	0	.00	0	.00
SECURITY CHIEF I	06061	65	1	0	.00	0	.00
GENERAL UTILITY WORKER	06514	53	13	3	23.08	3	23.08
HOUSEKEEPER	06622	50	6	3	50.00	4	66.67
HOUSEKEEPING SPVR II	06626	58	2	0	.00	0	.00
COSTUME DESIGN ASSISTANT	06781	56	1	0	.00	0	.00
TRADES WORKER I	07301	57	2	0	.00	0	.00
MAINTENANCE MECHANIC I	07303	58	2	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
DEPARTMENT/DIVISION: CULTURAL RESOURCES

JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
MAINTENANCE MECHANIC III	07304	62	4	0	.00	0	.00
MAINTENANCE MECHANIC IV	07305	64	7	1	14.29	1	14.29
MAINTENANCE MECHANIC V	07306	66	2	0	.00	0	.00
MECHANIC SUPERVISOR I	07314	65	1	0	.00	0	.00
MAINTENANCE MECHANIC II	07319	60	9	0	.00	0	.00
CARPENTER II	07402	61	7	0	.00	0	.00
CARPENTER SUPERVISOR I	07404	63	3	0	.00	0	.00
FACILITIES MAINT COORD I	07405	62	1	0	.00	0	.00
FACILITY MAINT SUPV I	07411	66	2	0	.00	0	.00
FACILITY MAINT SUPV II	07412	68	1	0	.00	0	.00
FACILITY MAINT SUPV III	07413	70	2	0	.00	0	.00
FACILITY MAINT SUPV IV	07414	71	1	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
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JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
PAINTER	07471	61	2	1	50.00	1	50.00
ELECTRICIAN II	07492	63	1	0	.00	0	.00
ELECTRONICS TECHNICIAN I	07561	65	1	0	.00	0	.00
FACIL ENGINEERING SPEC	08504	72	1	0	.00	0	.00
FACIL CONST ENGINEER I	08506	74	1	0	.00	0	.00
FACIL CONSTUCT ENG II	08509	77	1	0	.00	0	.00
FACILITY ARCHITECT I	08747	74	2	0	.00	0	.00
GROUNDS WORKER	09173	56	4	0	.00	1	25.00
GROUNDS SUPERINTENDENT I	09674	70	1	0	.00	0	.00
SECRETARY CULTURAL RES	20106	FR	1	0	.00	0	.00
DIR, STATE MUSEUM OF ART	20712	FR	1	0	.00	0	.00
ART MUSEUM CURATOR	20729	FR	5	0	.00	0	.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
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JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
ASSOCIATE DIRECTOR	20730	FR	1	0	.00	0	.00
CURATOR OF DESIGN	20786	FR	1	0	.00	0	.00
PROMOTION ASSISTANT	21259	FR	1	1	100.00	1	100.00
OPER MGR,ROANOLE ISL COMM	21398	FR	1	0	.00	0	.00
EX DIR,ROANOKE ISLND COMM	21399	FR	1	1	100.00	1	100.00
DIR, STE HISTORY MUSEUM	21633	FR	1	0	.00	0	.00
ASST DIR,MARK & PUBL AFFR	21674	FR	1	0	.00	0	.00
GROUNDS TECHNICIAN	31844	60	2	0	.00	0	.00
ASST CONSERVATOR	31898	68	1	0	.00	0	.00
ART MUSEM EXHIB DESGN TEC	32128	64	2	0	.00	0	.00
SPEC ASST FOR PUB AFFAIRS	32424	75	1	0	.00	0	.00
HORTIC TECH	32641	58	4	1	25.00	2	50.00

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TURNOVER RATE ANALYSIS
FOR PERIOD FROM: 07/01/03 - 06/30/04
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JOB TITLE	SCHEM CODE	GRD	# EMPL	VOLUNTARY SEPS	VOLUNTARY % RATE	TOTAL SEPS	TOTAL % RATE
DATA PROCESSING CONST II	32875	78	1	1	100.00	1	100.00
ASST DIR-ARTS COUNCIL	33012	74	1	0	.00	0	.00
INFO & COMM SPECIALIST	33194	65	1	0	.00	0	.00
STATE HIST MUSEU ASST ADM	33552	74	1	0	.00	0	.00
NATURAL SCIENCE CURATOR	33860	68	3	0	.00	0	.00
HORTICULTURAL TECH II	34135	60	1	0	.00	0	.00
MUSEUM GUARD COORD	34198	62	2	0	.00	0	.00
ARTIST ILLUSTRATOR	34239	66	2	0	.00	0	.00
NC TRANS HIST MUSEUM DIR	34381	72	1	0	.00	0	.00
REG HISTORY MUSEUM ADMIN	34456	74	2	0	.00	0	.00
CAPTAIN, ELIZABETH II	34458	72	0	1	.00	1	.00
ASSC DIR,STATE MUSEUM HIS	34512	76	1	0	.00	1	100.00

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VACANT POSITIONS N.C. DEPARTMENT OF CULTURAL RESOURCES – April 1, 2005- (Listed Numerically by Division)

Position	Classification Title	Grade	Job Location	Date Vacant	RMKS	Budgeted Salary		Date Posted	Closing Date
1021	Interior Designer	72	Secretary's Office	02-01-05		$55,795	MAX	02-23-05	03-15-05
1130	Dept. Purchasing Officer III	72	Administrative Services	12-15-04		$38,787	-MP	3-30-05	4-08-05
2139	Processing Assistant IV	59	Archives & Records Public Rec.	4-1-05		$25,964	-MP		Not Advertised
2314	Historic Sites Specialist III	70	Historic Sites	03-01-05		$38,577	-MP	02-23-05	03-30-05
2420	Historic Site Manager II	66	Polk Memorial	04-11-05		$30,596	-MP	3-23-05	4-04-05
2454	Historic Interpreter I	58	Town Creek	01-26-05		$19,418	MIN	02-16-05	03-08-05
2494	Historic Site Manager III	68	Charlotte-Hawkins Brown	03-01-05		$35,275	-MP	3-23-05	4-22-05
2510	Development Associate	70	Tryon Palace	02-28-05		$37,011	-MP	02-16-05	03-31-05
2560	State Capitol/Visitor Center Adm.	72	State Capitol	08-01-04		$46,121	+MP		Not Advertised
2566	Program Assistant V	61	State Capitol	03-15-05		$26,500	-MP	3-31-05	4-19-05
2605	Administrative Assistant II	65	State Historic Preservation Office	02-21-05		$28,000	-MP		Not Advertised
2616	Archaeologist II	70	Office of State Archaeology	3-19-05		$47,227	+MP		Not Advertised
2628	Archaeologist I	67	Office of State Archaeology	03-01-05		$30,211	-MP		Not Advertised
2735	History Museum Conservator	68	Museum of History	06-28-04		$30,468	-MP	02-23-05	03-18-05
2739	Administrative Officer II	70	Museum of History	09-01-04		$51,044	MAX		Not Advertised
2756	Museum Program Chief	72	Museum of History	02-01-05		$40,978	-MP		Not Advertised
2766	Historic Publications Editor II	70	Museum of History	11-01-04		$35,873	-MP		Not Advertised
2803	Museum Specialist	66	Museum of the Albemarle	01-01-05		$31,894	-MP	03-02-05	03-21-05
2806	Museum Specialist	66	Museum of the Albemarle	02-15-05		$33,400	-MP		Not Advertised
2813	Museum Specialist	66	Museum of the Albemarle	02-01-05		$28,038	MIN	02-23-05	03-23-05
2814	Administrative Secretary III	62	Museum of the Albemarle	02-01-05		$32,624	-MP	3-30-05	4-29-05
2818	Office Assistant III	57	Museum of the Albemarle	01-18-05		$22,965	-MP	3-30-05	4-14-05
3097	Art Museum Curator (EPA) FR	FR	Museum of Art	3-1-05		$40,000	FR	3-30-05	4-13-05
3304	Public Information Assistant III (PT)	57	Museum of Art	02-21-05		$11,235	-MP	02-23-05	03-07-05
4104	Librarian Consultant II	76	Library Services	1-1-05		$58,874	+MP	01-05-05	01-11-05
4128	Librarian II	69	Library Services	03-16-05		$37,000	-MP	02-16-05	03-09-05
*4464	Library Clerk III (Library Assistant)	57	Library Services	4-29-05		$25,711	+MP		Not Advertised
4698	Librarian III	71	Library for the Blind	01-01-05		$42,772	+MP	3-30-05	4-20-05
4832	Office Assistant III	57	Library Development	03-01-05		$24,500	+MP	3-31-05	4-18-05

1. Not to be filled at this time 2. Advertised In-House Only 3. Time-Limited Position 4. Employee in Acting Capacity Promotion * Position Classification Pending Official Approval S Advertised State Government Employees Only # Position number out of sequence ** Anticipated Vacancy < H.R. waiting for updated position description initiated by Division or Section [R] Receipts funded (F) Federally Funded (TLP) Time-Limited (PT) Part-Time (G) Grant-Funded PAR received to fill - pending approval ++ Geographical Diff. In Place due to Location !! Requested Action Pending Official Approval

ITEM 4: REVERSIONS FY 2002-03

BUDGET CODE	FUND	EXPENDITURE ACCOUNT	AMOUNT
14800	1110	531211	27,865
14800	1110	531461	1,423
14800	1110	531511	906
14800	1110	531521	2,343
14800	1110	531561	3,548
14800	1110	532199	386
14800	1110	532333	200
14800	1110	532490	159
14800	1110	532714	1,327
14800	1110	532715	5
14800	1110	532721	220
14800	1110	532724	935
14800	1110	532725	350
14800	1110	532727	938
14800	1110	532811	1,015
14800	1110	532840	1,774
14800	1110	532840003	467
14800	1110	532850	1,348
14800	1110	532942	200
14800	1110	533110	2,602
14800	1110	533900	6,122
14800	1110	534539	170
14800	1110	535840	340
14800	1120	531211	34,071
14800	1120	531311	407
14800	1120	531461	2,382
14800	1120	531511	6,186
14800	1120	531521	2,348
14800	1120	531561	2,785
14800	1120	532140	285
14800	1120	532490	457
14800	1120	532714	1
14800	1120	532811	1
14800	1120	534534	3,715
14800	1120	534539	86
14800	1120	534713	21
14800	1210	531211	9,748
14800	1210	531311	997
14800	1210	531461	6,895
14800	1210	531511	62
14800	1210	531521	22
14800	1210	531561	2
14800	1210	531651	301
14800	1210	532199	1,951
14800	1210	532230	249
14800	1210	532390	4,107
14800	1210	532490	50
14800	1210	532513	435
14800	1210	532590	396
14800	1210	532714	1
14800	1210	532715	45

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14800	1210	532721	455
14800	1210	532722	317
14800	1210	532724	501
14800	1210	532725	179
14800	1210	532727	305
14800	1210	532728	275
14800	1210	532731	310
14800	1210	532732	308
14800	1210	532811	3,528
14800	1210	532812	233
14800	1210	532815	12
14800	1210	532840	528
14800	1210	532850	199
14800	1210	532919	1,909
14800	1210	532942	387
14800	1210	533110	954
14800	1210	533900	490
14800	1210	534511	357
14800	1210	534521	14
14800	1210	534539	503
14800	1210	534630	58
14800	1210	534713	645
14800	1220	531211	14,742
14800	1220	531511	3,630
14800	1220	531521	996
14800	1220	531561	4,489
14800	1220	532199	37
14800	1220	532333	523
14800	1220	532714	625
14800	1220	532721	1
14800	1220	532724	77
14800	1220	532727	5
14800	1220	532815	55
14800	1220	532840	853
14800	1220	532850	17,623
14800	1220	532860	352
14800	1220	532942	85
14800	1220	533110	1,326
14800	1220	533900	26
14800	1220	534534	3,170
14800	1220	534713	2,816
14800	1220	535830	24
14800	1230	531211	126,263
14800	1230	531311	714
14800	1230	531421	9
14800	1230	531511	13,134
14800	1230	531521	3,832
14800	1230	531561	11,817
14800	1230	531572	17
14800	1230	531621	784
14800	1230	531631	509
14800	1230	532185	200
14800	1230	532199	77
14800	1230	532220	71

ITEM 4: REVERSIONS FY 2002-03

14800	1230	532331	2
14800	1230	532390	271
14800	1230	532490	2,889
14800	1230	532714	1,007
14800	1230	532715	1
14800	1230	532721	283
14800	1230	532722	111
14800	1230	532724	241
14800	1230	532725	201
14800	1230	532727	58
14800	1230	532728	225
14800	1230	532821	1
14800	1230	532840	4,276
14800	1230	532840003	14
14800	1230	532850	56
14800	1230	532912	300
14800	1230	532942	1,050
14800	1230	533110	1,162
14800	1230	533310	68
14800	1230	533900	17,574
14800	1230	534511	3
14800	1230	534534	1
14800	1230	534539	5,883
14800	1230	534630	134
14800	1230	534713	723
14800	1230	535830	1,084
14800	1230	535890	96
14800	1241	531211	29,120
14800	1241	531311	10,947
14800	1241	531421	1,939
14800	1241	531431	808
14800	1241	531461	598
14800	1241	531511	1,467
14800	1241	531513	2
14800	1241	531521	586
14800	1241	531561	5,142
14800	1241	531625	1
14800	1241	531631	1,008
14800	1241	532170	3
14800	1241	532185	1,977
14800	1241	532194	797
14800	1241	532199	51,880
14800	1241	532210	1,285
14800	1241	532220	888
14800	1241	532230	829
14800	1241	532241	1,597
14800	1241	532310	1,650
14800	1241	532390	1,448
14800	1241	532490	1,147
14800	1241	532511	3,443
14800	1241	532512	1,690
14800	1241	532590	1,795
14800	1241	532714	19
14800	1241	532715	756

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14800	1241	532721	862
14800	1241	532722	1,073
14800	1241	532724	1,639
14800	1241	532725	534
14800	1241	532728	100
14800	1241	532811	140
14800	1241	532812	18
14800	1241	532840	501
14800	1241	532840003	60
14800	1241	532850	350
14800	1241	532911	8,214
14800	1241	532919	670
14800	1241	532942	620
14800	1241	533110	1,204
14800	1241	533310	446
14800	1241	533320	896
14800	1241	533350	22
14800	1241	533900	1,561
14800	1241	534511	813
14800	1241	534534	4
14800	1241	534539	10,866
14800	1241	534610	75
14800	1241	534713	1
14800	1241	535112	1,000
14800	1241	535830	683
14800	1241	538010	248
14800	1242	531211	32,399
14800	1242	531511	2,707
14800	1242	531561	4,972
14800	1242	531572	589
14800	1242	531625	1,064
14800	1242	532199	1,686
14800	1242	532210	561
14800	1242	532230	2
14800	1242	532310	1,938
14800	1242	532333	200
14800	1242	562390	6,541
14800	1242	532714	8,745
14800	1242	532715	240
14800	1242	532721	575
14800	1242	532724	289
14800	1242	532725	151
14800	1242	532727	300
14800	1242	532728	850
14800	1242	532815	2
14800	1242	532840	603
14800	1242	532850	1,850
14800	1242	532942	265
14800	1242	533110	50
14800	1242	533310	42
14800	1242	534511	1,932
14800	1242	534539	451
14800	1242	534610	25
14800	1242	534630	25

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14800	1243	531211	10,131
14800	1243	531431	285
14800	1243	531461	224
14800	1243	531511	2,271
14800	1243	531521	1,307
14800	1243	531561	3,670
14800	1243	531631	4,300
14800	1243	531632	2,165
14800	1243	533900	136
14800	1245	531211	60,928
14800	1245	531411	5
14800	1245	531511	4,117
14800	1245	531521	895
14800	1245	531561	558
14800	1245	532184	2,360
14800	1245	532185	771
14800	1245	532199	4,544
14800	1245	532210	1,626
14800	1245	532220	1
14800	1245	532230	424
14800	1245	532241	1,347
14800	1245	532320	1,200
14800	1245	532331	1,987
14800	1245	532390	2
14800	1245	532430	1,565
14800	1245	532512	8,239
14800	1245	532513	250
14800	1245	532524	50
14800	1245	532590	9
14800	1245	532714	4,300
14800	1245	532715	250
14800	1245	532721	1,703
14800	1245	532722	602
14800	1245	532723	200
14800	1245	532724	1,967
14800	1245	532725	250
14800	1245	532811	2,043
14800	1245	532812	2,300
14800	1245	532840	519
14800	1245	532850	3,888
14800	1245	532860	2,587
14800	1245	632870	647
14800	1245	532913	670
14800	1245	532930	1,025
14800	1245	532942	95
14800	1245	533110	1,926
14800	1245	533120	300
14800	1245	533130	173
14800	1245	533210	1,161
14800	1245	533240	5,000
14800	1245	533290	211
14800	1245	533310	1,378
14800	1245	533350	641
14800	1245	533410	100

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14800	1245	533720	1,075
14800	1245	533900	3,090
14800	1245	534539	3
14800	1245	535241	334
14800	1245	535830	361
14800	1245	535890	500
14800	1245	535900	1,804
14800	1250	531211	63,892
14800	1250	531511	653
14800	1250	531521	1,996
14800	1250	531561	2,744
14800	1250	532210	2
14800	1250	532390	181
14800	1250	532490	1,613
14800	1250	532714	2
14800	1250	532715	51
14800	1250	532721	3
14800	1250	532724	277
14800	1250	532725	130
14800	1250	532731	50
14800	1250	532811	966
14800	1250	532812	2
14800	1250	532840	1,208
14800	1250	532840003	1
14800	1250	532850	2
14800	1250	533110	101
14800	1250	533800	1,500
14800	1250	533900	3
14800	1250	534511	1
14800	1250	534713	75
14800	1290	531511	807
14800	1290	531561	2
14800	1290	531625	4,716
14800	1290	532199	7
14800	1290	534539	3
14800	1330	531211	9,365
14800	1330	531311	1,913
14800	1330	531511	2,630
14800	1330	531521	1,032
14800	1330	531561	1,692
14800	1330	532192	1,235
14800	1330	532199	2
14800	1330	532390	46
14800	1330	532490	1,959
14800	1330	532712	677
14800	1330	532715	1,296
14800	1330	532721	15
14800	1330	532722	402
14800	1330	532725	711
14800	1330	532728	135
14800	1330	532731	4,158
14800	1330	532732	3,961
14800	1330	532811	1,024
14800	1330	532815	7

ITEM 4: REVERSIONS FY 2002-03

14800	1330	532840003	710
14800	1330	532850	8,370
14800	1330	532911	10
14800	1330	532919	312
14800	1330	532942	92
14800	1330	533110	225
14800	1330	533120	274
14800	1330	533900	638
14800	1330	534521	18
14800	1330	534534	820
14800	1330	534713	150
14800	1330	535830	1,809
14800	1330	536948	4,693
14800	1330	536971	4,693
14800	1330	536990	126
14800	1330	536996	296
14800	1340	531211	5,276
14800	1340	531311	1,565
14800	1340	531461	242
14800	1340	531511	1,287
14800	1340	531521	184
14800	1340	531561	737
14800	1340	532815	44
14800	1340	532840	85
14800	1340	533110	85
14800	1410	531211	202,177
14800	1410	531311	2,775
14800	1410	531461	9,714
14800	1410	531511	11,900
14800	1410	531521	7,887
14800	1410	531561	24,092
14800	1410	531625	3,975
14800	1410	532184	570
14800	1410	532185	23
14800	1410	532188	100
14800	1410	532199	2,491
14800	1410	532230	39
14800	1410	532331	7
14800	1410	532390	91
14800	1410	532490	211
14800	1410	532512	243
14800	1410	532513	3
14800	1410	532712	1,019
14800	1410	532714	965
14800	1410	532715	171
14800	1410	532721	976
14800	1410	532722	704
14800	1410	532724	523
14800	1410	532725	378
14800	1410	532727	380
14800	1410	532728	239
14800	1410	532731	641
14800	1410	532732	306
14800	1410	532732900	77

ITEM 4: REVERSIONS FY 2002-03

14800	1410	532811	1,022
14800	1410	532812	6
14800	1410	532815	98
14800	1410	532840	205
14800	1410	532850	4,635
14800	1410	532860	79
14800	1410	532912	9
14800	1410	532942	825
14800	1410	533110	904
14800	1410	533310	38
14800	1410	533900	3,609
14800	1410	534511	1,022
14800	1410	534534	2,002
14800	1410	534539	11,831
14800	1410	534630	19,153
14800	1410	534713	37
14800	1480	532140	29,794
14800	1480	532192	423
14800	1480	532199	9,385
14800	1480	532513	500
14800	1480	532721	303
14800	1480	532724	507
14800	1480	532731	1,226
14800	1480	532732	1,094
14800	1480	532732900	6,892
14800	1480	532812	543
14800	1480	532840	281
14800	1480	532840003	456
14800	1480	532850	50,042
14800	1480	533110	634
14800	1480	533900	418
14800	1480	534530	414
14800	1480	534534	898
14800	1480	534630	33,180
14800	1480	536960	765
14800	1480	536988	690
14800	1500	531211	31,421
14800	1500	531311	2,084
14800	1500	531451	50
14800	1500	531511	1,152
14800	1500	531521	1,011
14800	1500	531561	35,785
14800	1500	531572	990
14800	1500	531625	1,500
14800	1500	531631	461
14800	1500	532185	330
14800	1500	532192	800
14800	1500	532199	607
14800	1500	532210	1,803
14800	1500	532220	1,002
14800	1500	532230	139
14800	1500	532241	1,710
14800	1500	532310	939
14800	1500	532331	1,393

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14800	1500	532333	189
14800	1500	532390	503
14800	1500	532490	804
14800	1500	532512	1,198
14800	1500	532590	151
14800	1500	532712	1,200
14800	1500	532714	5,193
14800	1500	532715	2,199
14800	1500	532721	1,709
14800	1500	532722	1,312
14800	1500	532724	1,264
14800	1500	532725	1,376
14800	1500	532727	869
14800	1500	532728	959
14800	1500	532731900	65
14800	1500	532812	5,010
14800	1500	532840	7,010
14800	1500	532840003	3,030
14800	1500	532850	17,708
14800	1500	532860	3
14800	1500	532911	5,714
14800	1500	532912	344
14800	1500	532919	4,920
14800	1500	532942	230
14800	1500	533110	6,755
14800	1500	533310	848
14800	1500	533320	50
14800	1500	533900	11,379
14800	1500	534511	2,331
14800	1500	534521	67
14800	1500	534534	9,300
14800	1500	534539	223
14800	1500	534610	789
14800	1500	534630	1,248
14800	1500	535830	312
14800	1500	535890	182
TOTAL			1,679,326

Reversions for FY 03-04

Budget Code	Fund	Account	Amount
14800	1110	531141	3
14800	1110	531211	472
14800	1110	531311	302
14800	1110	531511	41
14800	1110	531521	376
14800	1110	531561	943
14800	1110	532199	200
14800	1110	532714	197
14800	1110	532715	5
14800	1110	532721	91
14800	1110	532724	63
14800	1110	532725	48
14800	1110	532727	320
14800	1110	532811	81
14800	1110	532840	502
14800	1110	532840003	174
14800	1110	532850	862
14800	1110	532942	200
14800	1110	533110	503
14800	1110	533900	185
14800	1110	534534	401
14800	1110	534539	41
14800	1110	535830	25
14800	1120	531211	5,830
14800	1120	531311	252
14800	1120	531511	5,689
14800	1120	531521	1,766
14800	1120	531561	2,929
14800	1120	532140	500
14800	1120	532331	347
14800	1120	532333	70
14800	1120	532390	74
14800	1120	532490	1
14800	1120	532714	321
14800	1120	532721	146
14800	1120	532724	180
14800	1120	532727	300
14800	1120	532812	296
14800	1120	532822	69
14800	1120	532840	173
14800	1120	532919	26
14800	1120	533110	339
14800	1120	533240	30
14800	1120	533310	110
14800	1120	534511	15
14800	1120	534534	1

Reversions for FY 03-04

14800	1120	534539	180
14800	1120	534713	284
14800	1120	535830	210
14800	1210	531211	464
14800	1210	531311	1,610
14800	1210	531511	3,083
14800	1210	531521	1,490
14800	1210	531561	1,274
14800	1210	531651	625
14800	1210	532390	714
14800	1210	532490	98
14800	1210	532524	24
14800	1210	532714	49
14800	1210	532715	121
14800	1210	532721	145
14800	1210	532724	468
14800	1210	532725	295
14800	1210	532727	269
14800	1210	532728	274
14800	1210	532811	58
14800	1210	532840	870
14800	1210	532840003	908
14800	1210	532850	238
14800	1210	533110	615
14800	1210	533900	392
14800	1210	534511	200
14800	1210	534539	91
14800	1210	534630	34
14800	1210	534713	83
14800	1220	531461	57
14800	1220	531511	87
14800	1220	531521	60
14800	1220	531561	71
14800	1220	532199	12
14800	1220	532333	4
14800	1220	532490	169
14800	1220	532714	110
14800	1220	532724	1
14800	1220	532811	115
14800	1220	532815	13
14800	1220	532840	414
14800	1220	532850	5,639
14800	1220	533900	180
14800	1220	534511	795
14800	1220	534534	2,646
14800	1230	531211	63,780
14800	1230	531311	13
14800	1230	531421	107
14800	1230	531511	14,210
14800	1230	531521	2,185
14800	1230	531561	7,866

Reversions for FY 03-04

14800	1230	531572	30
14800	1230	531631	300
14800	1230	532185	128
14800	1230	532199	136
14800	1230	532220	2,663
14800	1230	532230	250
14800	1230	532390	466
14800	1230	532490	302
14800	1230	532712	2
14800	1230	532714	505
14800	1230	532715	58
14800	1230	532721	471
14800	1230	532722	282
14800	1230	532724	540
14800	1230	532725	213
14800	1230	532727	28
14800	1230	532728	5
14800	1230	532812	11
14800	1230	532815	162
14800	1230	532821	4
14800	1230	532840	701
14800	1230	532840003	64
14800	1230	532850	218
14800	1230	532942	121
14800	1230	533110	187
14800	1230	533310	124
14800	1230	533900	13,659
14800	1230	564511	56
14800	1230	564534	443
14800	1230	534539	6,777
14800	1230	534630	47
14800	1230	564713	38
14800	1230	535830	107
14800	1230	535890	61
14800	1241	531211	94,449
14800	1241	531311	268
14800	1241	531421	1,571
14800	1241	531431	646
14800	1241	531461	2,975
14800	1241	531511	1,184
14800	1241	531521	4,476
14800	1241	531631	4,915
14800	1241	532185	117
14800	1241	532199	19
14800	1241	532210	818
14800	1241	532220	7
14800	1241	532230	111
14800	1241	532241	3
14800	1241	532310	2
14800	1241	532390	13
14800	1241	532714	12

Reversions for FY 03-04

14800	1241	532721	3
14800	1241	532724	2
14800	1241	532811	15
14800	1241	532812	7
14800	1241	532840	9
14800	1241	532919	95
14800	1241	533110	210
14800	1241	533310	10
14800	1241	533320	9
14800	1241	533900	341
14800	1241	534511	235
14800	1241	534534	3
14800	1241	534539	195
14800	1241	534610	4
14800	1241	534713	201
14800	1241	535112	1,000
14800	1242	531211	48,536
14800	1242	531311	84
14800	1242	531431	3,122
14800	1242	531521	717
14800	1242	531561	4,118
14800	1242	531572	1
14800	1242	532230	1
14800	1242	532310	5,673
14800	1242	532390	2,500
14800	1242	532714	6,000
14800	1242	532728	346
14800	1242	532919	2
14800	1242	532942	78
14800	1242	534511	34
14800	1242	534610	25
14800	1243	531431	333
14800	1243	531461	1,472
14800	1243	531511	222
14800	1243	531521	872
14800	1243	531561	2,482
14800	1243	531631	300
14800	1243	531632	165
14800	1243	532714	8
14800	1243	532724	2
14800	1243	532727	10
14800	1243	533110	10
14800	1243	534539	78
14800	1245	531211	5,467
14800	1245	531311	731
14800	1245	531411	5
14800	1245	531511	12
14800	1245	531521	17
14800	1245	531561	3
14800	1245	532185	57
14800	1245	532199	139

Reversions for FY 03-04

14800	1245	532210	1
14800	1245	532220	1
14800	1245	532714	2
14800	1245	532840	2
14800	1245	532850	4,000
14800	1245	533120	300
14800	1245	533130	501
14800	1245	533240	4,092
14800	1245	533350	207
14800	1245	535241	334
14800	1245	535900	500
14800	1250	531211	1,907
14800	1250	531511	2
14800	1250	531521	534
14800	1250	531561	1
14800	1250	531572	1
14800	1250	532210	2,000
14800	1250	532390	400
14800	1250	532490	60
14800	1250	532714	2,705
14800	1250	532715	100
14800	1250	532721	512
14800	1250	532724	1,903
14800	1250	532725	100
14800	1250	532727	500
14800	1250	532811	448
14800	1250	532850	600
14800	1250	532942	450
14800	1250	533110	344
14800	1250	533800	885
14800	1250	533900	1,891
14800	1250	534511	763
14800	1250	534534	2,501
14800	1250	534539	100
14800	1250	534713	449
14800	1250	535830	2
14800	1260	531211	3,928
14800	1260	531461	4,745
14800	1260	531511	2,352
14800	1260	531561	2,161
14800	1260	532140	240
14800	1260	532714	295
14800	1260	532721	1,100
14800	1260	532724	36
14800	1260	532727	126
14800	1260	532811	3,201
14800	1260	533900	548
14800	1260	534534	1,300
14800	1290	531511	258
14800	1290	531627	3,007
14800	1290	532210	8

Reversions for FY 03-04

14800	1290	532811	1,004
14800	1290	533110	549
14800	1290	533900	1,080
14800	1290	534539	551
14800	1320	531211	11,757
14800	1320	531561	176
14800	1330	532143	1
14800	1330	532524	1
14800	1330	532721	84
14800	1330	532724	146
14800	1330	532725	111
14800	1330	532728	40
14800	1330	532732	356
14800	1330	532812	61
14800	1330	532815	12
14800	1330	532821	5
14800	1330	532850	2,353
14800	1330	532942	1,000
14800	1330	534521	6,233
14800	1330	536948	4,660
14800	1330	536990	46,905
14800	1330	536971	4,660
14800	1340	531211	13,266
14800	1340	531311	1,565
14800	1340	531511	1,715
14800	1340	531521	389
14800	1340	531561	977
14800	1410	531211	204,357
14800	1410	531511	1,660
14800	1410	531521	2,737
14800	1410	531561	28,633
14800	1410	531631	176
14800	1410	532490	31
14800	1410	532714	398
14800	1410	532721	381
14800	1410	532724	109
14800	1410	532840003	472
14800	1410	533110	137
14800	1410	533900	2,301
14800	1410	534511	389
14800	1410	534630	10,067
14800	1480	532199	49,257
14800	1480	532513	25
14800	1480	532714	38
14800	1480	532715	50
14800	1480	532721	64
14800	1480	532722	326
14800	1480	532724	232
14800	1480	532725	3
14800	1480	532727	50
14800	1480	532732	661

Reversions for FY 03-04

14800	1480	532732900	425
14800	1480	532840	138
14800	1480	532840003	227
14800	1480	532850	535
14800	1480	533110	46
14800	1480	534630	868
14800	1480	536960	192,646
14800	1480	536988	2,239
14800	1500	531211	44,099
14800	1500	531311	57
14800	1500	531421	230
14800	1500	531461	676
14800	1500	531561	5,593
14800	1500	531572	1,000
14800	1500	531627	1,500
14800	1500	531631	706
14800	1500	532170	75
TOTAL			1,128,969

April 4, 2005

MEMORANDUM

TO: Libba Evans

FROM: Rick Stone

SUBJECT: DCR Demographics

Following are the demographic numbers within the Department of Cultural Resources compared to the state average:

	DCR	Statewide Average	NC Population
Male	(336) 46%	51.3%	49%
Female	(398) 54%	48.7%	51%
White	(604) 82%	67.6%	72.1%
Black	(109) 15%	28.9%	21.6%
Hispanic	(7) 1%	.86%	4.7%
Asian	(10) 1.36%	1.23%	1.4%
Indian	(4) .54%	1.42%	1.2%
White Male	(283) 39%	37%	
White Female	(321) 44%	30%	
Black Male	(43) 6%	12%	
Black Female	(66) 9%	17%	
Hispanic Male	(2) .003	.005%	
Hispanic Female	(5) .007	1%	
Indian Male	(3) .004	.0085%	
Indian Female	(1) .001	.0056%	

To address EEO goals, the department is attempting to fund minority internship programs such as INROADS, Inc.which has $3,600 administrative fees plus pay and benefits for 12 weeks from late May until early August. As we reported last year, from the period January 1, 2002 to June 15, 2004, the DCR HR Office received 6,709 applications. Of those 548 applications were from Black Males which constitutes 8% of the total. During that same timeframe, we received 998 applications from Black Females which constitutes only 15% of the total. The disciplines unique to this organization such as librarian, historians, archivists, curators, archeologists, publications specialists, etc. are extremely difficult to recruit for with a dearth of minority applicants.

Each week our job posting listing is sent to a number of institutions such as Elizabeth City State, Fayetteville State, Guilford Native American Association, NC A&T, NC Central, NC Commission of Indian Affairs, NC Council for Women, Pembroke State, Shaw University, and Women Equality Action League. We will continue to foster these relationships along with participating in internship programs to increase minority hiring.

EXPLANATION OF INCREASES AND DECREASES SCHEDULE
(For continuation requests only)

Section 4
Attachment 8
(Due 10/29/04)

Department Cultural Resources **Division or Institution** State Historic Sites **Budget Code** 14800

Fund 1241 - State Historic Sites

	2005-06			2006-07		
ACCOUNT	**TITLE**	**EXPLANATION**	**AMOUNT**	**TITLE**	**EXPLANATION**	**AMOUNT**
Requirements						
531461	EPA & SPA Longevity	Increase for longevity based on June 30, 2004 PM739 Position Schedule.	$19,477	EPA & SPA Longevity	Increase for longevity based on June 30, 2004 PM739 Position Schedule.	$25,588
531511	Social Security	Increase to reflect social security on scheduled salaries at 7.65%.	$1,490	Social Security	Increase to reflect social security on scheduled salaries at 7.65%.	$1,957
531521	Retirement	Increase to reflect retirement on scheduled salaries at 5.815%.	$1,133	Retirement	Increase to reflect retirement on scheduled salaries at 5.815%.	$1,488
532210	Energy Service-Elect	Increase to agree to Inflation Schedule.	$24,507	Energy Service-Elect	Increase to agree to Inflation Schedule.	$30,400
532220	Energy Service-Nat. Gas/Propane	Increase to agree to Inflation Schedule.	$38,294	Energy Service-Nat. Gas/Propane	Increase to agree to Inflation Schedule.	$40,172
532230	Energy Service-Water & Sewer	Increase to agree to Inflation Schedule.	$6,455	Energy Service-Water & Sewer	Increase to agree to Inflation Schedule.	$7,054
532721	Lodging-In State	Increase to agree to Inflation Schedule.	$3,917	Lodging-In State	Increase to agree to Inflation Schedule.	$3,917
533900	Other Materials & Supplies	Decrease for nonrecurring appropriation by the 2004 Session of the General Assembly.	($10,000)	Other Materials & Supplies	Decrease for nonrecurring appropriation by the 2004 Session of the General Assembly.	($10,000)
534539	Other Equipment	Increase to agree to Equipment Purchase Schedule.	$227,595	Other Equipment	Increase to agree to Equipment Purchase Schedule.	$3,945
534541	Autos, Trucks, & Buses	Increase to agree to Licensed Vehicle Purchase Schedule.	$165,424	Autos, Trucks, & Buses	Increase to agree to Licensed Vehicle Purchase Schedule.	$65,000
534549	Other Motorized Vehicles	Increase to agree with Other Vehicle Purchase Schedule.	$66,400	Other Motorized Vehicles	Increase to agree with Other Vehicle Purchase Schedule.	$24,520
Total Requirements			$544,692			$194,041
Receipts						
434320	Sale of Surplus Property	Increase to agree to Vehicle Purchase Schedule.	$11,700	Sale of Surplus Property	Increase to agree to Vehicle Purchase Schedule.	$15,250
Total Receipts			$11,700			$15,250
Appropriation			$532,992			$178,791

For assistance contact an OSBM analyst.

OTHER VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

Section 4
Attachment 11
(Due 10/29/04)

Department Cultural Resources **Division or Institution** State Historic Sites **Budget Code** 14800

FUND	ACCOUNT	PRIORITY	DESCRIPTION (MAKE, TYPE YEAR AND MODEL	DATE PURCHASED (MONTH AND YEAR)	NUMBER REQUESTED	JUSTIFICATION/CONDITION* (IF APPLICABLE)	2005-06 TOTAL COST	2005-06 TRADE-IN VALUE** (IF APPLIC.)	2006-07 TOTAL COST	2006-07 TRADE-IN VALUE** (IF APPLIC.)
1241	534549		1987 Ford 1710 Tractor	Mar-87	1	Need new tractor and front end loader. Current tractor has over 3,000 hours of use and needs $2,500 in repairs. Tractor and front end loader can be used at all historic sites in region, esp.during clean-up from area's frequent tropical storms.	$25,000	$1,000		
1241	534549		1990 Befco Flail Mower	Mar-90	1	Replace current Flair mower with new Befco Flail Mower with 6' cut.	$3,000	$500		
1241	534549		1984 1500 Ford Tractor	Mar-84	1	Need 30 horsepower tractor for cutting grass and doing property maintenance. Current tractor had many hours on it and has a multitude of continuing problems.	$16,000	$1,000		
1241	534549		1976 Woods Mower	Mar-76	1	Replace current woods mower with Befco Flail Mower with 6' cut. Current Woods mower is almost 30 years old and has seen many repairs over the years	$3,000	$500		
1241	534549		1994 John Deere Bush Hog	Mar-94	1	Current bush hog was surplused earlier in 2004 because rust and other problems made it unsafe for use.	$1,700	$200		
1241	534549		1982 John Deere 316 Riding Mower	Mar-82	1	Current needs to be surplused--has many horus of service. Replace with John Deere with 48" cut.	$6,000	$750		
1241	534549		1995 603 John Deere bush hog	Mar-95	1	Current bush hog torn all to pieces from many years of service	$1,700	$250		
1241	534549		John Deere 26A Flail Mower	Mar-96	1	current flail mower is in bad shape and needs replacing. Replace with Befco Flail Mower with 6' cut or comparable model	$3,000	$500		
1241	534549		1988 275 Case International Tractor	Mar-88	1	Current tractor not worth repairing--needs transmission housing, all input shafts and gears replaced. Needs to be replaced.	$17,000	$1,000		
1241	534549		Befco, Flail Mower	1989	3	Poor Condition	$9,000	$1,000		
1241	534549		Grasshopper	Unknown	1	Poor Condition	$10,000	$1,000		
1241	534549		Case, 275	Unknown	1	Poor Condition			$16,000	$1,000
1241	534549		Robin Brush Cutters	Unknown	7	Poor Condition			$2,520	$250
1241	534549		Tractor, Ford 3600	Aug-79	1	Many service hours, used for mowing, scraping roads, etc.	$20,000	Keep as backup		
1241	534549		Backhoe, Case	Unknown	1	Replace aging equipment			$55,000	$8,000
			Total Request by Fund/Account				$115,400	$7,700	$73,520	$9,250
			Less: FY 2004-05 Authorized Licensed Motor Vehicle Budget (Column 5)				$49,000	$13,800	$49,000	$13,800
			Net Amount to Add (Subtract) to Worksheet I (Columns 6 & 8) (Requirements to Motor Vehicle Account (Object) and Trade-in to Sale of Surplus Property Receipt Account (Object)				$66,400	$21,500	$24,520	$23,050

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

LICENSED MOTOR VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

Section 4
Attachment 10
(Due 10/29/04)

Department Department of Cultural Resources **Division or Institution** State Historic Sites **Budget Code** 14800

FUND	ACCOUNT	PRIORITY	DESCRIPTION (MAKE, MODEL, YEAR AND VIN)	DATE PURCHASED (MONTH AND YEAR)	ESTIMATED MILEAGE AS OF 6-30-05	TYPE OF USE*	JUSTIFICATION (IF APPLICABLE)	2005-06 TOTAL COST	2005-06 TRADE-IN VALUE** (IF APPLIC.)	2006-07 TOTAL COST	2006-07 TRADE-IN VALUE** (IF APPLIC.)
1241	534541	1	1996 Ford Econoline Superdu	1996	45,000	OTH	One transmission has been	0	0	$ 65,000.00	$ 6,000.00
							replaced twice, A/C failed,				
							electrical problems`				
1241	534541	2	1974 Ford F600 Box	1975	88,000	OTH	Front end, brakes, cab leak	40,500	1,000		
1241	534541	3	1975 Ford F600 Dump	1978	130,000	OTH	Brakes, electrical	42,212	1,000		
1241	534541	4	1982 Ford F600 Dump	1984	145,000	OTH	Brakes, rear hub, axel, No PS	42,212	1,000		
1241	534541	5	1984 6500 GMC Box	1987	78,000	OTH	Exhaust, transmission, power st.	40,500	1,000		
			Total Request by Fund/Account					$165,424	$4,000	$65,000	$6,000
			Less: FY 2004-05 Authorized Licensed Motor Vehicle Budget (Column 5)					$0	$0	$0	$0
			Net Amount to Add (Subtract) to Worksheet I (Columns 6 & 8)					$165,424	$4,000	$65,000	$6,000
			(Requirements to Motor Vehicle Account (Object) and Trade-in to Sale of Surplus Property Receipt Account (Object)								

*Type of use will either be State Highway Patrol (SHP), Division of Motor Vehicles (DMV), other Law Enforcement (OLE) or other (OTH).
**Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

EQUIPMENT PURCHASE SCHEDULE
PURCHASE OR INSTALLMENT PAYMENTS
(For continuation requests only)

Section 4
Attachment 9
(Due 10/29//04)

Department Cultural Resources **Division or Institution** State Historic Sites **Budget Code** 14800

					2005-06			2006-07		
FUND	ACCOUNT*	PRIORITY	EQUIPMENT DESCRIPTION	JUSTIFICATION	QUANTITY NUMBER	COST PER UNIT	TOTAL COST	QUANTITY NUMBER	COST PER UNIT	TOTAL COST
1241	534539		TV Prod. & Post Prod. System ®	See attached	1	$225,000	$225,000			
1241	534539		AV Equipment Replacement®	All sites Existing Equipment				1	$38,650	$38,650
1241	534539		Photocopier-Library®	Existing not servicable				1	$3,500	$3,500
1241	534539		Lawn Mowers®	Worn Out				7	$300	$2,100
1241	534539		Table Saw®	16 years old-worn out	1	$1,500	$1,500			
1241	534539		Billy Goat Vacumn®	Worn Out				1	$2,000	$2,000
1241	534539		Covered Trailer®	Replace worn out "Roll Back"				1	$5,000	$5,000
1241	534539		air compressor®	Safety issue	1	$500	$500	1	$500	$500
1241	534539		Digital camera®	artifact needs	1	$500	$500	1	$500	$500
1241	534539		Push mower®	Safety issue	2	$300	$600	2	$300	$600
1241	534539		generator®	poor condition	1	$700	$700	1	$700	$700
1241	534539		weedeater®	Safety issue	4	$400	$1,600	3	$400	$1,200
1241	534539		fail mower®	Safety issue	1	$2,300	$2,300	2	$2,300	$4,600
1241	534539		chain saws®	Safety issue	2	$300	$600	2	$300	$600
1241	534539		copier®	poor condition	1	$2,500	$2,500	1	$2,500	$2,500
1241	534539		Vaccum Cleaner®	poor condition	2	$400	$800			
1241	534539		leaf blower®	poor condition	2	$400	$800	1	$800	$800
1241	534539		edger®	poor condition	1	$300	$300	1	$300	$300
1241	534539		Pitney Bowes Model C285 Copier ®	Worn out and have high volume of usage	1	$5,000	$5,000	1	$5,000	$5,000
1241	534539		Toshiba 28860 w/ scanner®	Worn Out or inoperable	1	$5,000	$5,000	1	$5,000	$5,000
1241	534539		Telephone System®	Existing equipment is not adequate for the site. The site has outgrown the present system.	1	$20,000	$20,000			
1241	534539		Telephone System®	Exisiting equipment is not adequate for the site. The site has outgrown the present system.	1	$8,000	$8,000			
1241	534539		Copy Machine®	poor condition	1	$3,000	$3,000	1	$3,000	$3,000
1241	534539		Push Mowers®	replaces worn out, difficult to repair				3	$300	$900
1241	534539		Backpack Blower®	replaces worn out, difficult to repair				3	$400	$1,200
1241	534539		John Deere front deck mower®	replaces worn out, difficult to repair	2	$7,500	$15,000			
1241	534539		Weedeater®	not repairable, stolen	3	$350	$1,050			
1241	534539		Bush Hog®	old does not work	1	$2,000	$2,000			
1241	534539		Backpack Blower®	not repairable, stolen	2	$400	$800			
1241	534539		Copier®	not repairable	1	$2,500	$2,500			
1241	534539		Marantz Tape Recorder®	record oral histories	1	$750	$750			
1241	534539		Nikon Zoom Camera & lens kit®	record site history	1	$750	$750			
1241	534539		4-6" Limb Chipper®	clean up storm debris				1	$1,250	$1,250
1241	534539		Chain Saw®	replace stolen	2	$600	$1,200	2	$600	$1,200
1241	534539		Other Equipment®	replace stolen tools	1	$1,600	$1,600	1	$1,750	$1,750
1241	534539		Video Camera®	replace aging equipment	1	$575	$575			
1241	534539		Chairs®	replace broken, damaged	35	$45	$1,575			
					Total by Fund/Account		$306,500	Total by Fund/Account		$82,850
					Less: 2004-05 authorized equipment budget		$78,905	Less: 2004-05 authorized equipment budget		$78,905
					Net Amount to Worksheet I (Columns 6 & 8)		$227,595	Net Amount to Worksheet I (Columns 6 & 8)		$3,945

**Prepare a separate schedule for each Fund/Account.*

(R) = Replacement (I) = Installment

Department of Cultural Resources
Response to Inquiry: First Flight Positions

April 2005

Eight positions were established for First Flight. One position was lost due to budget cuts in July 2003. Of the remaining seven positions, three positions have been reassigned within the Department of Cultural Resources (DCR). The remaining four positions were abolished with the corresponding reserve allocated to meet other staffing needs in the Department.

Department of Cultural Resources
Repair & Renovation Needs

Project Name	Amount
Bennett Place Bennett House Repairs	50,348
Bentonville Battleground Buildings Repairs	40,495
Brunswick Town Archaeological Ruins Stabilization	293,286
Charlotte Hawkins Brown Memorial Elliot Hall Renovation	2,206,095
Charlotte Hawkins Brown Memorial Galen Stone Hall Interior Renovations	3,748,666
Charlotte Hawkins Brown Memorial General Repairs	100,000
Charlotte Hawkins Brown Memorial Gregg Cottage Renovation	176,475
Charlotte Hawkins Brown Memorial Kimball Hall Interior Renovations	1,444,281
Charlotte Hawkins Brown Memorial Massachusetts Cottage Renovation	556,884
Charlotte Hawkins Brown Memorial Reynolds Hall Renovation	2,231,349
Historic Edenton Building Repairs	165,794
Historic Halifax Jail Interior Restoration	163,000
Historic Halifax William R. Davie House Renovation	890,711
Historic Stagville Restorations - Phase II	621,269
Horne Creek Farm Buildings Repairs and Restoration	193,663
House in the Horseshoe Buildings Repairs	19,148
Mountain Gateway Museum Site Improvements	285,387
Museum of History Building Repairs	251,838
Museum of History Chronology Exhibit - Phase II	2,167,457
Museum of History Renovation and Expansion	25,028,744
Museum of the Cape Fear Visitor Center Repairs	330,358
Oteen Center Renovation	2,156,822
Reed Gold Mine Engine Shaft Rehabilitation	1,185,155
Reed Gold Mine Visitor Center Siding Repair	104,892
Tryon Palace History Education and Visitor Center Site Preparation	4,473,751
Total:	**48,885,868**

SIX-YEAR CAPITAL IMPROVEMENT NEEDS SCHEDULE
NEW

Department CULTURAL RESOURCES

Institution or Program Archives & History

(In Thousands)

Description	Source of Funds	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Tryon Palace-History Education Center - Site Preparation	Appr.	$ 4,474	$	$	$	$	$
CSS Neuse Civil War Museum	Appr.	$ 2,745	$	$	$	$	$
New State Records Center/ State Library for the Blind and Physically Handicapped – ADVANCE PLANNING	Appr.	$ 737	$	$	$	$	$
House in the Horseshoe Site Improvements	Appr.	$ 191	$	$	$	$	$
Horne Creek Farm Site Improvements	Appr.	$ 191	$	$	$	$	$

SIX-YEAR CAPITAL IMPROVEMENT NEEDS SCHEDULE
NEW

Department CULTURAL RESOURCES

Institution or Program Museum of Art

(In Thousands)

Description	Source of Funds	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Museum of Art New Museum Building	Appr.	$ 60,608	$	$	$	$	$

SIX-YEAR CAPITAL IMPROVEMENT NEEDS SCHEDULE
NEW

Department CULTURAL RESOURCES

Institution or Program Museum of History

(In Thousands)

Description	Source of Funds	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Museum of History Renovation and Expansion	Appr.	$ 25,029	$	$	$	$	$

Department of Cultural Resources (14800)

Recommended Budget and Positions

	2005-06	2006-07
Budget		
Worksheet I Continuation	$61,114,752	$59,597,482
Reductions	-	-
Expansion	$1,183,268	$1,193,268
RECOMMENDED BUDGET	$62,298,020	$60,790,750
Positions		
Worksheet I Continuation	727.280	727.280
Reductions	-	-
Expansion	6.000	6.000
RECOMMENDED POSITIONS	733.280	733.280

Appropriation Items -- Recommended Adjustments

Expansion

	2005-06	2006-07
North Carolina Arts Council		
1. Grassroots Arts Program		
Funding is recommended to increase grants for local arts programs. These grants provide funding to all 100 counties through the local arts council network.		
Appropriation	**$300,000**	**$300,000**
Office of the Secretary		
1. Boards and Commissions and North Carolina Awards		
Funding is recommended to support the travel and work of the Director of Boards and Commissions, who serves as departmental liaison with 39 nonprofit support groups and foundations for state historic sites and museums. The Director of Boards and Commissions must frequently travel statewide in this capacity. Funding is also recommended to restore the state appropriation for the North Carolina Awards program, which has been receipt-supported for several years.		
Appropriation	$50,000	$50,000

Administrative Services

1. Information Technology Services Expansion

Funding is recommended for the expansion of Information Technology Services in order to enhance the department's ability to preserve, develop, and disseminate documents, digital images, and other electronic resources. Also it is recommended that one Applications Programmer I position be established.

Appropriation	**$37,500**	**$50,000**
Appropriation - Nonrecurring	**$2,500**	
Number of Positions	**1.000**	**1.000**

North Carolina Symphony

1. Medical Insurance Coverage for Symphony Employees

Funding is recommended in order to include 79 employees in the State Health Plan. The NC Symphony musicians and staff were included in the State Health Plan during the 2004 Session of the General Assembly.

Appropriation	**$543,268**	**$543,268**

Museum of Art

1. Funding to Increase Program Diversity and Increase Security

Funding is recommended to extend programming to schools and communities using computers, the Internet, and other means in order to broaden the museum's reach to the citizens of North Carolina. Funding is also recommended to establish five new Museum Guard positions.

Appropriation	**$250,000**	**$250,000**
Number of Positions	**5.000**	**5.000**

Total Recommended Expansion

	2005-06	2006-07
Recurring		
Requirements	$1,180,768	$1,193,268
Receipts	-	-
Appropriation	$1,180,768	$1,193,268
Number of Positions	6.000	6.000
Nonrecurring		
Requirements	$2,500	-
Receipts	-	-
Appropriation	$2,500	-
Number of Positions	-	-

Total Recommended Adjustments for Department of Cultural Resources 2005-07

	2005-06	2006-07
Recurring		
Requirements	$1,180,768	$1,193,268
Receipts	-	-
Appropriation	$1,180,768	$1,193,268
Number of Positions	6.000	6.000
Nonrecurring		
Requirements	$2,500	-
Receipts	-	-
Appropriation	$2,500	-
Number of Positions	-	-
Total Budget Adjustments	$1,183,268	$1,193,268
Total Position Adjustments	6.000	6.000

NC Department of Cultural Resources

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1110	53 2199	MISC CONTRACTUAL SERVICE	$40,926	$14,371	$30,509	$14,371	$14,371	Funding for the Governor's North Carolina Awards
14800	1110	53 2711	TRANS AIR - IN-STATE	$1,173	$0	$0	$0	$0	Account used for staff travel to attend national professional conferences and public art & historic exhibitions
14800	1110	53 2712	TRANSP-AIR-OUT OF ST-US	$0	$1,400	$0	$1,400	$1,400	Account used for staff travel to attend national professional conferences and public art & historic exhibitions
14800	1110	53 2714	TRANSP-GRND IN STATE	$4,173	$5,609	$2,395	$5,609	$5,609	Travel for public relations staff covering public events for the historic sites, art museum, symphony, state library; travel for staff attending boards/commission meetings and other public events ; and site visits for monitoring program, funding, and personnel.
14800	1110	53 2715	TRANSP-GRND-OUT ST-IN US	$0	$210	$0	$210	$210	Account used for staff travel to attend professional conferences and public art/historic exhibitions.
14800	1110	53 2721	LODGING-IN ST	$2,116	$2,000	$1,235	$2,000	$2,000	Public relations staff covering public events for the historic sites, art museum, symphony, state library; travel for staff attending boards/commission meetings and other public events ; and site visits for monitoring program, funding, and personnel.
14800	1110	53 2722	LODGING-OUT OF STATE-IN US	$55	$1,500	$0	$1,500	$1,500	Account used for staff travel to attend professional conferences and public art/historic exhibitions.
14800	1110	53 2724	MEALS-IN STATE	$1,220	$1,640	$500	$1,640	$1,640	Subsistence for public relations staff covering public events for the historic sites, art museum, symphony, state library; travel for staff attending boards/commission meetings and other public events ; and site visits for monitoring program, funding, and personnel.
14800	1110	53 2725	MEALS-OUT OF STATE, IN US	$0	$548	$0	$548	$548	Subsistence for public relations staff covering public events for the historic sites, art museum, symphony, state library; travel for staff attending boards/commission meetings and other public events ; and site visits for monitoring program, funding, and personnel.
14800	1110	53 2726	MEALS-OUT OF COUNTRY	$0	$300	$0	$300	$300	Subsistence for public relations staff covering public events for the historic sites, art museum, symphony, state library; travel for staff attending boards/commission meetings and other public events ; and site visits for monitoring program, funding, and personnel.
14800	1110	53 2727	MISC SUBSISTENCE-IN STATE	$426	$1,400	$648	$1,400	$1,400	Fees for registration and other travel related expenses.
14800	1110	53 2728	MISC SUBSISTENCE-OUT OF ST	$0	$800	$0	$800	$800	Subsistence for public relations staff covering public events for the historic sites, art museum, symphony, state library; travel for staff attending boards/commission meetings and other public events ; and site visits for monitoring program, funding, and personnel.
14800	1110	53 2729	MISC OUT OF COUNTRY	$0	$250	$0	$250	$250	Subsistence for public relations staff covering public events for the historic sites, art museum, symphony, state library; travel for staff attending boards/commission meetings and other public events ; and site visits for monitoring program, funding, and personnel.

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1110	53 2814	CELLULAR PHONE SERVICES	$0	$350	$0	$350	$350	Cell phones are assigned to limited staff who travel to conduct official state business for DCR
14800	1110	53 4511	FURN-OFFICE	$346	$790	$1,320	$790	$790	For replacement of office furniture as needed.
14800	1110	53 4534	PERSONAL COMP-PRINTER	$2,548	$2,297	$111	$2,297	$2,297	Replacement or upgrading of obsolete equipment
14800	1110	53 4539	OTHER EQUIPMENT	$4,717	$538	$86	$538	$538	Replacement or upgrading of obsolete equipment
14800	1110	53 6930	HIST, CULT AND ART ORG	$180,000	$1,105,000	$480,000	$180,000	$180,000	Discretionary grant funding.
14800	1110	53 6931	GRANTS RESERVE	$0	$9,161,618	$5,754,222	$0	$0	Discretionary grant funding.
14800	1120	53 2199	MISC CONTRACTUAL SERVICE	$1,285	$0	$4,500	$0	$0	Contract with individual to provide services for mandated department security policy and security standards
14800	1120	53 2714	TRANSP-GRND - IN STATE	$112	$740	$208	$740	$740	Use of Motor Fleet Management (Motor Pool) vehicles by staff.
14800	1120	53 2721	LODGING-IN ST	$33	$313	$0	$313	$313	Lodging reimbursed to staff to travel to Thomas Wolfe Historic Site to check on renovation progress
14800	1120	53 2724	MEALS - IN STATE	$16	$358	$0	$358	$358	To reimburse staff for travel to various sites throughout the state
14800	1120	53 2727	MISC SUBS-IN STATE	$95	$600	$125	$600	$600	To reimburse staff for travel to various sites throughout the state
14800	1120	53 4511	FURN-OFFICE	$1,099	$4,545	$790	$3,045	$3,045	Replacement costs for chairs, desks, filing cabinets in Department's Budget Office and IT office
14800	1120	53 4534	PERSONAL COMP & PRINTER	$32,473	$135,408	$35,143	$135,408	$135,408	Computer replacement costs for Administration and other areas in the Department
14800	1120	53 4539	OTHER EQUIPMENT	$18,727	$8,987	$13,496	$8,987	$8,987	Data equipment for department's IT area
14800	1210	53 2199	MISC CONTRACTUAL SERVICE	$2,960	$3,290	$0	$3,290	$3,290	$2000 encumbered for NC portion of State Historic Preservation Officers' study
14800	1210	53 2712	TRANSP-AIR-OUT OF ST-US	$576	$0	$856	$0	$0	Used by the Deputy Secretary/Director of Historical Resources/Outreach coordinator for out-of-state travel
14800	1210	53 2714	TRANSP-GRND - IN STATE	$13,931	$1,214	$2,523	$1,214	$1,214	Used by the Deputy Secretary/professional staff of Historical Resources Administration and Research Branch for site visits, consultations, speeches, etc.
14800	1210	53 2715	TRANS GRND-OUT STA,IN US	$414	$260	$66	$260	$260	Used by Deputy Secretary/Director of Historical Resources/Outreach coordinator for out-of-state cabs, shuttles, trains
14800	1210	53 2721	LODGING-IN ST	$8,431	$1,500	$517	$7,491	$7,491	Used by Deputy Secretary/professional staff of Historical Resources Administration & Research Branch for site visits, consultations, etc. Some travel pending.
14800	1210	53 2722	LODGING-OUT OF STA-US	$1,284	$1,023	$1,284	$1,023	$1,023	Used by Deputry Secretary/Director of Historical Resources/Outreach coordinator for out-of-state board meetings, conferences, workshops; some travel pending
14800	1210	53 2724	MEALS - IN STATE	$2,123	$3,400	$277	$3,400	$3,400	Used by Deputy Secretary/professional staff of Historical Resources Administration & Research Branch for site visits, consultations, etc. Some travel pending.
14800	1210	53 2725	MEALS-OUT OF STATE,IN US	$304	$800	$341	$800	$800	Used by Deputy Secretary/Director of Historical Resources/Outreach coordinator for out-of-state meetings, conferences; some travel pending
14800	1210	53 2727	MISC SUBS-IN STATE	$356	$625	$366	$625	$625	Used by Deputy Secretary/professional staff of Historical Resources Administration & Research Branch for in-state registrations

Targeted Zero-Based Budgeting Expenditures

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1210	53 2728	MISC SUBS-OUT OF ST-US	$536	$295	$245	$295	$295	Used by Deputy Secretary/Director of Historical Resources/Outreach coordinator for out-of-state registrations
14800	1210	53 2731	BD/NON-EMPLOYEE TRANSP	$1,144	$1,560	$1,358	$1,560	$1,560	Reimburses Historical Commission members and Marker Committee members for travel
14800	1210	53 2732	BD/NON-EMPLOYEE SUBSIS	$797	$1,460	$922	$1,460	$1,460	Reimburses Historical Commission members for meals
14800	1210	53 4511	FURN-OFFICE	$1,120	$346	$50	$346	$346	Used to replace basic office equipment; some purchases may be pending
14800	1210	53 4521	OFFICE EQUIPMENT	$139	$0	$0	$3,700	$0	Replace worn or obsolete office equipment
14800	1210	53 4534	PERSONAL COMP & PRINTER	$421	$1,019	$0	$1,019	$1,019	$1686 encumbered to update staff computer
14800	1210	53 4539	OTHER EQUIPMENT	$12,999	$491	$0	$491	$491	$4000 encumbered to replace 17-year old copier
14800	1210	53 6914	CONFEDERATE CEMETERY	$2,500	$2,500	$2,500	$2,500	$2,500	Pass-through money appropriated by the legislature
14800	1220	53 2199	MISC CONTRACTUAL SERVICE	$250	$262	$25	$262	$262	Each NCHR author is paid $25 so that Archives and History may retain copyright to each article. Ten articles are usually published annually. Some expenditures are forthcoming.
14800	1220	53 2712	TRANSP-AIR-OUT OF ST-US	$628	$0	$0	$0	$0	Out-of-state travel is occasionally necessary for purposes of marketing and selling books at and serving on the panels of national meetings.
14800	1220	53 2714	TRANSP-GRND - IN STATE	$34	$653	$14	$653	$653	In-state travel is necessary for research and for exhibiting and selling books at various meetings and conferences. Some expenditures are forthcoming.
14800	1220	53 2724	MEALS - IN STATE	$0	$56	$0	$56	$56	If overnight travel is necessary to conduct section business, employees are reimbursed for meals.
14800	1220	53 2727	MISC SUBS-IN STATE	$12	$0	$0	$0	$0	Parking fees are incurred at numerous repositories where research is conducted. Conference registration fees are incurred whenever books are exhibited and sold at said events.
14800	1220	53 4511	FURN-OFFICE	$474	$0	$682	$0	$0	Lockable filing cabinets are needed for storage of confidential files. Ergonomic chairs and computer tables are necessary to comply with DCR health and safety regulations.
14800	1220	53 4534	PERSONAL COMP & PRINTER	$11,754	$0	$509	$0	$0	Because of the nature of editorial work, individual computers, printers, and/or scanners are needed. High quality, high resolution copies must be produced both digitally and in paper form prior to the actual publication of a book.
14800	1230	53 2199	MISC CONTRACTUAL SERVICE	$137	$993	$68	$993	$993	Funds are used to pay for technical consultation about conservation of permanently valuable records in the State Archives.
14800	1230	53 2712	TRANSP-AIR-OUT OF ST-US	$643	$300	$391	$300	$300	When it is more economical to fly, funds are necessary to send state archivist and staff to national and regional meetings to participate on committees and programs and to attend archival and records management workshops.

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1230	53 2714	TRANSP-GRND - IN STATE	$5,616	$14,000	$4,928	$14,000	$14,000	Funding is essential for travel statewide to provide records management and archival services to local government, state universities, and state government agencies as mandated under G.S. 121 and 132. All funds will be used for consultation and records transfer from counties by end of this fiscal year.
14800	1230	53 2715	TRANS GRND-OUT STA,IN US	$0	$1,600	$0	$1,600	$1,600	Funds are necessary to send state archivist and staff to national and regional meetings within driving distance to participate on committees and programs and to attend archival and records management workshops. All funds encumbered.
14800	1230	53 2721	LODGING-IN ST	$1,274	$3,500	$844	$3,500	$3,500	When overnight stay is necessary to provide records management and archival services to local government, state universities, and state government agencies as required under G.S. 121 and 132, funds are needed for lodging. Balance will be used by end of fiscal year.
14800	1230	53 2722	LODGING-OUT OF STA-US	$678	$500	$90	$500	$500	Funds are necessary to pay for overnight lodging for state archivist and staff attending national and regional meetings to participate on committees and programs and to attend archival and records management workshops. Balance of fund is encumbered.
14800	1230	53 2724	MEALS - IN STATE	$724	$2,750	$713	$2,750	$2,750	Funding is essential for meals when traveling statewide to provide records management and archival services to local government, state universities, and state government agencies as mandated under G.S. 121 and 132. The remainder of balance is encumbered.
14800	1230	53 2725	MEALS-OUT OF STATE,IN US	$388	$500	$236	$500	$500	Funds are necessary to pay for meals for state archivist and staff attending national and regional meetings to participate on committees and programs and to attend archival and records management workshops. The remainder of balance is encumbered.
14800	1230	53 2727	MISC SUBS-IN STATE	$11,879	$1,000	$1,202	$7,970	$7,970	Funding is required for registration fees and parking when attending meetings and providing records management and archival services to local government, state universities, and state government agencies as mandated under G.S. 121 and 132. It is necessary to transfer money into this account each year.
14800	1230	53 2728	MISC SUBS-OUT OF ST-US	$0	$2,000	$172	$2,000	$2,000	Funds are necessary to cover parking, bus, shuttle, and taxi transportation, and registration fees for state archivist and staff attending national and regional meetings to participate on committees and programs and to attend archival and records management workshops. Balance is encumbered for upcoming program participation and conferences.
14800	1230	53 2731	BD/NON-EMPLOYEE TRANSP	$581	$0	$0	$0	$0	These funds are used to pay transportation expenses for members of the State Historical Records Advisory Board to help provide archival training statewide and for technical consultants on a need basis.

Targeted Zero-Based Budgeting Expenditures

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1230	53 2732	BD/NON-EMPLOYEE SUBSIS	$178	$0	$0	$0	$0	These funds are used to pay meal and lodging expenses for technical consultants and members of the State Historical Records Advisory Board to help provide archival training statewide.
14800	1230	53 4511	FURN-OFFICE	$3,666	$3,044	$151	$1,744	$1,744	These funds will be used to pay for lockable filing cabinets, ergonomic chairs, desks, and to replace aging furniture.
14800	1230	53 4534	PERSONAL COMP & PRINTER	$36,408	$34,933	$19,590	$33,433	$33,433	Purchase of printers, scanners, servers, desktop computers to facilitate office work, digitization of archival records, and provide records management services required under G.S. 121 and 132. Balance of fund is encumbered.
14800	1230	53 4539	OTHER EQUIPMENT	$61,872	$71,017	$843	$104,585	$71,017	Replacement of aging reader/printers, copiers, microfilm cameras, photograph processor, and other equipment in the State Archives, State Records Center, and the Outer Banks History Center. Also used to purchase new equipment for digitization of public records. This fund is based on level of receipts, and current balance is encumbered.
14800	1241	53 2199	MISC CONTRACTUAL SERVICE	$141,149	$91,848	$59,606	$91,848	$91,848	Including encumbrances, $76,248.00 spent to date for alarm, security and grounds service contracts. Funds for many other types of contracts have been paid since installation of alarms from 532490, Other Maintenance Agreements. Alarm continuation funds were used to make an earlier budget reduction.
14800	1241	53 2712	TRANSP-AIR-OUT OF ST-US	$681	$1,500	$0	$1,500	$1,500	Funds in this account have been used for MFM payments from Account 532714 mandated by 1993 Senate Bill 27, and has also been used for 532390 repairs normally covered by R&R.
14800	1241	53 2714	TRANSP-GRND - IN STATE	$162,283	$161,112	$87,413	$161,112	$161,112	1993 SB 27 mandated expense. Authorized YTD $157,780 has funded MFM vehicles at sites @ 1 per average. Necessary for craftsmen and staff travel to fulfill preservation and education missions of Division. Grandfathered $.20 per mile vehicles are aging out raising the minimum mileage rate.
14800	1241	53 2715	TRANS GRND-OUT STA,IN US	$0	$2,188	$13	$2,188	$2,188	Funds used for 532714 (1993 SB 27 mandated expense) and 532390 repairs normally covered by R&R.
14800	1241	53 2721	LODGING-IN ST	$12,161	$5,849	$6,210	$9,766	$9,766	Most current Auth YTD $8,625 overnights for support of craftsmen, specialists and events support. Monies also diverted to assist with 532390 repairs previously covered by R&R.
14800	1241	53 2722	LODGING-OUT OF STA-US	$1,952	$6,900	$1,115	$6,900	$6,900	Funds used for 532714 (1993 SB 27 mandated expense) and 532390 repairs normally covered by R&R.
14800	1241	53 2724	MEALS - IN STATE	$11,329	$14,068	$4,981	$14,068	$14,068	Funds used for 532714 (1993 SB 27 mandated expense). Used for craftsmen, specialist, and program/preservation support. Monies also diverted to 532390 repairs normally covered by R&R.
14800	1241	53 2725	MEALS-OUT OF STATE,IN US	$1,805	$1,714	$840	$1,714	$1,714	Funds used for 532714 (1993 SB 27mandated expense) and 532390 repairs normally covered by R&R. Travel to pick up artifacts & specialized/training.

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1241	53 2727	MISC SUBS-IN STATE	$3,940	$100	$592	$100	$100	Funds used for 532714 (1993 SB 27 mandated expense) and 532390 repairs normally covered by R&R.
14800	1241	53 2728	MISC SUBS-OUT OF ST-US	$25	$100	$300	$100	$100	Funds used for 532714 (1993 SB 27 mandated expense) and 532390 repairs normally covered by R&R.
14800	1241	53 4511	FURN-OFFICE	$1,273	$7,811	$507	$7,811	$7,811	Most current YTD Authorized is $2,579.00, with $1,371 remaining after encumbrances are subtracted. Furniture schedule for 23 historic sites as well as recent staff relocations at the Jordan House, Dobbs Building, State Capitol and CAVC. Upcoming refurnishing of Wolfe Memorial office/conservation/education areas not covered by fire insurance.
14800	1241	53 4534	PERSONAL COMP & PRINTER	$13,326	$13,029	$18,437	$13,029	$13,029	Bring 23 sites up to capability to complete online leave reports and e-procurements, and replaces broken equipment statewide. Also upcoming NC ECHO digitalization of Division collections equipment needs.
14800	1241	53 4539	OTHER EQUIPMENT	$40,710	$76,884	$17,266	$304,479	$80,829	The most current Auth YTD is $54,364, with $12,467 remaining after encumbtrances are subtracted. This account is used for all equipment failures. Includes alarms, audiovisuals, collections, digital, housekeeping, office, restoration, and outside maintenance/preservation equipment for 23 historic sites and division specialists.
14800	1241	53 4541	MOTOR VEHICLES	$0	$0	$0	$165,424	$65,000	Used to perform major 532310 and 532390 repairs that normally would be covered by R&R. Division continues to get further behind in large vehicle replacement schedule.
14800	1241	53 4549	OTHER MOTORIZED VEHICLES	$49,000	$46,557	$0	$112,957	$71,077	Used to perform major 532310 and 532390 repairs that normally would be covered by R&R. Division continues to get further behind in heavy equipment (tractors, gators, backhoes) replacement schedule.
14800	1241	53 6910	NC TRANSP MUSEUM FD	$21,170	$0	$0	$0	$0	Federal grant. All monies spent.
14800	1242	53 2199	MISC CONTRACTUAL SERVICE	$4,702	$4,150	$560	$4,150	$4,150	Funds used for insect/termite, trash removal, and trimming/tree removal contracts as well as annual maintenance contracts for Library and Collections software -- essential for preservation and care of rare books and historic objects.
14800	1242	53 2714	TRANSP-GRND - IN STATE	$9,329	$16,781	$7,671	$16,781	$16,781	Funds used for 1993 Senate Bill mandated expense (lease of vehicles from MFM). Staff also uses funds in account to attend mandated state training sessions/meetings, professional conferences, and community meetings across North Carolina. Funds will be used to cover a deficit in 532220 natural gas.
14800	1242	53 2715	TRANS GRND-OUT STA,IN US	$0	$240	$0	$240	$240	These funds are used for driving to surrounding states for museum and decorative arts meetings. Remaining funds to be used towards 532220 natural gas deficit.
14800	1242	53 2721	LODGING-IN ST	$129	$950	$323	$950	$950	Four employees attended mandated Historic Weapons Certification workshop and remaining funds to be used towards 532220 natural gas deficit.

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1242	53 2724	MEALS - IN STATE	$70	$424	$231	$424	$424	Four employees attended mandated Historic Weapons Certification workshop and one employee slated to take required training. Remaining funds to be used towards 532220 natural gas deficit.
14800	1242	53 2725	MEALS-OUT OF STATE,IN US	$0	$151	$223	$151	$151	One employee recently attended a ticketing system upgrade seminar in Virginia which will leave a deficit. 532728 monies were recently transferred into this account to cover overage.
14800	1242	53 2727	MISC SUBS-IN STATE	$0	$300	$0	$300	$300	Expenses related to staff in-state travel support not included in other accounts. Remaining funds will be transferred to cover a deficit in 432815, Email and Calendaring.
14800	1242	53 2728	MISC SUBS-OUT OF ST-US	$0	$850	$0	$850	$850	These funds were recently transferred to cover the deficit in 532725. The remaining balance will be used to cover a projected deficit in 535890, Other Admin Expense.
14800	1242	53 4511	FURN-OFFICE	$1,135	$2,943	$0	$2,943	$2,943	Funds used to maintain furniture replacement schedule and to prepare spaces for additional office and curatorial staff. Remaining unencumbered amount will be transferred to 532230, Water & Sewer, to cover deficit.
14800	1242	53 4534	PERSONAL COMP & PRINTER	$1,422	$3,529	$0	$3,529	$3,529	Used for upgrading of overall computer system with 2 computers, 2 printers, 1 monitor, and USP surge protection system batteries. Remaining balance to be used for projected deficit in 535890 Other Admin Expense.
14800	1242	53 4539	OTHER EQUIPMENT	$15,582	$12,406	$0	$13,065	$13,065	Funds used for communication devices for maintenance crew, HVAC replacement, copier maintenance, construction/maintenance equipment, safety lighting for evening events, repair parts for truck/garden equipment, and washing machine for costumes. Remaining balance to be used towards deficits in 532199, Other Services, and 5321285, Waste Removal.
14800	1242	53 4549	OTHER MOTORIZED VEHICLES	$0	$0	$0	$14,212	$0	No present monies. Future monies for replacement of 1 tractor, 2 tillers, 1 mower, and 1 electric utility cart.
14800	1243	53 2714	TRANSP-GRND - IN STATE	$242	$550	$0	$550	$550	Used for equipment, telephone service changes, and future rental of necessary space for storage of historic Capitol chairs.
14800	1243	53 2727	MISC SUBS-IN STATE	$90	$100	$0	$100	$100	Used for equipment, telephone service changes, and future rental of necessary space for storage of historic Capitol chairs
14800	1243	53 4539	OTHER EQUIPMENT	$1,647	$543	$125	$6,060	$543	Replace outdated and broken fax, telephones, copier, and computer equipment upgrades. (Also aided by 1241 monies.)
14800	1243	53 2724	MEALS - IN STATE	$12	$64	$0	$64	$64	Used for equipment, telephone service changes, and future rental of necessary space for storage of historic Capitol chairs
14800	1245	53 2199	MISC CONTRACTUAL SERVICE	$6,182	$10,500	$821	$10,500	$10,500	Includes pest control, security system monitoring, maintenance work, programmers, etc.
14800	1245	53 2714	TRANSP-GRND - IN STATE	$7,193	$4,300	$2,406	$4,300	$4,300	Staff travel among the Beaufort, Southport, and Manteo locations and Raleigh

Targeted Zero-Based Budgeting Expenditures

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1245	53 2715	TRANS GRND-OUT STA,IN US	$0	$250	$0	$250	$250	Staff travel among the Beaufort, Southport, and Manteo locations and Raleigh
14800	1245	53 2721	LODGING-IN ST	$609	$2,200	$458	$2,200	$2,200	Staff travel among the Beaufort, Southport, and Manteo locations and Raleigh
14800	1245	53 2722	LODGING-OUT OF STA-US	$0	$602	$0	$602	$602	Staff travel among the Beaufort, Southport, and Manteo locations and Raleigh
14800	1245	53 2723	LOGDING-OUT OF COUNTRY	$0	$200	$0	$200	$200	Staff travel among the Beaufort, Southport, and Manteo locations and Raleigh
14800	1245	53 2724	MEALS - IN STATE	$942	$2,200	$497	$2,200	$2,200	Staff travel among the Beaufort, Southport, and Manteo locations and Raleigh
14800	1245	53 2725	MEALS-OUT OF STATE,IN US	$0	$250	$83	$250	$250	Staff travel among the Beaufort, Southport, and Manteo locations and Raleigh
14800	1245	53 4539	OTHER EQUIPMENT	$20,930	$16,486	$0	$16,486	$16,486	Includes a few needed computers - most equipment needs have had to be deferred and money from this object transferred out to cover increased insurance and utility costs. Since a hurricane damaged a building, wind damage insurance has been required at a cost of $11,000. This is a new and unanticipated additional expense
14800	1250	53 2199	MISC CONTRACTUAL SERVICE	$567	$0		$0	$0	Federal Funds used to cover pest control
14800	1250	53 2714	TRANSP-GRND - IN STATE	$14,087	$26,031	$4,866	$26,031	$26,031	Used by all staff for site visits, public meetings, etc.
14800	1250	53 2715	TRANS GRND-OUT STA,IN US	$32	$0	$0	$0	$0	Used by DOT project review staff for out of state meetings
14800	1250	53 2721	LODGING-IN ST	$3,681	$562	$876	$562	$562	Used by all staff for site visits, public meetings, etc.
14800	1250	53 2722	LODGING-OUT OF STA-US	$1,023	$0	$0	$0	$0	Used by DOT project review staff for out of state meetings
14800	1250	53 2724	MEALS - IN STATE	$3,159	$2,631	$573	$2,631	$2,631	Used by all staff for site visits, public meetings, etc.
14800	1250	53 2725	MEALS-OUT OF STATE,IN US	$267	$0	$0	$0	$0	Used by DOT project review staff for out of state meetings
14800	1250	53 2727	MISC SUBS-IN STATE	$2,261	$1,301	$431	$1,301	$1,301	Used by all staff for site visits, public meetings, etc.
14800	1250	53 2728	MISC SUBS-OUT OF ST-US	$24	$0	$0	$0	$0	Used by DOT review staff for out of state travel
14800	1250	53 2731	BD/NON-EMPLOYEE TRANSP	$319	$0	$0	$0	$0	Reimburses National Register Advisory Committee for travel to Raleigh
14800	1250	53 2732	BD/NON-EMPLOYEE SUBSIS	$935	$0	$431	$0	$0	Reimburses National Register Advisory Committee for travel to Raleigh
14800	1250	53 4511	FURN-OFFICE	($223)	$2,602	$0	$2,602	$2,602	Used to outfit DOT project review staff with needed office furnishings
14800	1250	53 4534	PERSONAL COMP & PRINTER	$19,269	$2,788	$999	$2,788	$2,788	Used for needed computer upgrades
14800	1250	53 4539	OTHER EQUIPMENT	$7,693	$564	$0	$564	$564	Used for miscellaneous equipment needs
14800	1250	53 6976	CLG GRANTS-REC-NPS	$85,819	$85,000	$0	$85,000	$85,000	This is a federal budget item
14800	1260	53 2199	MISC CONTRACTUAL SERVICE	$138	$0	$0	$0	$0	Security Monitoring for the Underwater Branch located at Ft. Fisher.
14800	1260	53 2714	TRANSP-GRND - IN STATE	$2,890	$258	$1,015	$258	$258	Archaeology site inspections/meetings per state/federal mandates
14800	1260	53 2715	TRANS GRND-OUT STA,IN US	$0	$308	$0	$308	$308	No professional conferences attended-funds used elsewhere
14800	1260	53 2724	MEALS - IN STATE	$327	$785	$437	$785	$785	Archaeology site inspections/meetings per state/federal mandates
14800	1260	53 2725	MEALS-OUT OF STATE,IN US	$0	$176	$0	$176	$176	Funds diverted to pay utility costs
14800	1260	53 2727	MISC SUBS-IN STATE	$0	$904	$0	$904	$904	Funds diverted to pay utility costs
14800	1260	53 2728	MISC SUBS-OUT OF ST-US	$0	$759	$0	$759	$759	Funds diverted to pay utility costs

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1260	53 2731	BD/NON-EMPLOYEE TRANSP	$0	$109	$0	$109	$109	Travel funds for public volunteers used for prof. Staff needs
14800	1260	53 2732	BD/NON-EMPLOYEE SUBSIS	$0	$27	$0	$27	$27	Travel funds for public volunteers used for prof. Staff needs
14800	1260	53 4511	FURN-OFFICE	$1,324	$0	$0	$0	$0	Two ergonomic desk chairs were purchased in 2003-04.
14800	1260	53 4539	OTHER EQUIPMENT	$5,264	$0	$0	$0	$0	Digital projector and scanner equipment for OSA Research Lab.
14800	1290	53 2199	MISC CONTRACTUAL SERVICE	$546	$86	$444	$86	$86	Burglar alarm monitoring for Western Office and Oteen Center plus bushhoging for Oteen Center
14800	1290	53 2714	TRANSP-GRND - IN STATE	$4,188	$4,656	$3,487	$4,656	$4,656	Archaeology, Historic Preservation, Archives and Records Management, Museum Planning and Historic Sites Education for 28 Western Counties.
14800	1290	53 2721	LODGING-IN ST	$129	$500	$501	$500	$500	Archaeology, Historic Preservation, Archives and Records Management, Museum Planning and Historic Sites Education for 28 Western Counties.
14800	1290	53 2724	MEALS - IN STATE	$191	$533	$441	$533	$533	Archaeology, Historic Preservation, Archives and Records Management, Museum Planning and Historic Sites Education for 28 Western Counties.
14800	1290	53 2725	MEALS-OUT OF STATE,IN US	$26	$0	$0	$0	$0	For staff travel
14800	1290	53 2727	MISC SUBS-IN STATE	$70	$400	$131	$400	$400	Archaeology, Historic Preservation, Archives and Records Management, Museum Planning and Historic Sites Education for 28 Western Counties.
14800	1290	53 4511	FURN-OFFICE	$1,249	$0	$0	$0	$0	Cuts were made from this line item in order to cover mandatory budget reductions in previous years.
14800	1290	53 4539	OTHER EQUIPMENT	$569	$0	$0	$0	$0	Cuts were made from this line item in order to cover mandatory budget reductions in previous years.
14800	1320	53 2199	MISC CONTRACTUAL SERVICE	$164,472	$27,958	$6,421	$27,958	$27,958	Funds contract services for public performances, maintenance of Park Theater and grounds.
14800	1320	53 2712	TRANSP-AIR-OUT OF ST-US	$0	$675	$0	$675	$675	Funds staff required to courier artwork to/from loaning institutions
14800	1320	53 2713	TRANS-AIR-OUT OF COUNTRY	$642	$0	$0	$0	$0	Funds staff required to courier artwork to/from loaning institutions
14800	1320	53 2714	TRANSP-GRND - IN STATE	$2,768	$4,541	$2,095	$4,541	$4,541	Staff travel required for museum operations
14800	1320	53 2715	TRANS GRND-OUT STA,IN US	$0	$2,193	$0	$2,193	$2,193	Funds essential for staff travel to organize public art exhibitions
14800	1320	53 2721	LODGING-IN ST	$98	$220	$0	$220	$220	Funds essential for staff travel to organize public art exhibitions
14800	1320	53 2722	LODGING-OUT OF STA-US	$0	$4,100	$0	$4,100	$4,100	Funds staff required to courier artwork to/from loaning institutions
14800	1320	53 2723	LOGDING-OUT OF COUNTRY	$0	$61	$0	$61	$61	Funds essential for staff travel to fulfill educational mission of the museum
14800	1320	53 2724	MEALS - IN STATE	$36	$331	$0	$331	$331	Funds essential for staff travel to fulfill educational mission of the museum
14800	1320	53 2725	MEALS-OUT OF STATE,IN US	$0	$956	$0	$956	$956	Funds essential for staff travel to organize public art exhibitions
14800	1320	53 2727	MISC SUBS-IN STATE	$410	$100	$180	$100	$100	Funds essential for staff travel to fulfill educational mission of the museum
14800	1320	53 2728	MISC SUBS-OUT OF ST-US	$0	$1,400	$1,400	$1,400	$1,400	Funds essential for curatorial staff to travel to arrange loans of artwork for exhibitions
14800	1320	53 2729	MISC OUT OF COUNTRY	$397	$0	$0	$0	$0	Funds staff required to courier artwork to/from loaning institutions

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1320	53 4511	FURN-OFFICE	$2,619	$2,869	$1,428	$2,869	$2,869	Funds needed to replace worn-out office furniture
14800	1320	53 4534	PERSONAL COMP & PRINTER	$21,651	$33,920		$33,920	$33,920	Funds nessential to upgrade or replace aging/failing computer equipment
14800	1320	53 4539	OTHER EQUIPMENT	$38,164	$12,097		$12,097	$12,097	Funds essential to maintain anatiquated projection equipment for public film series
14800	1320	53 6935	NC STATE ART SOCIETY	$6,972	$6,972		$6,972	$6,972	Funds essential for annual grant to NC Art Society
14800	1330	53 2199	MISC CONTRACTUAL SERVICE	$57,917	$94,120	$13,917	$94,120	$94,120	As of 3/24/05 $61,590 encumbered. Funds are for publications, website, conservation of artwork and temporary clerical help.
14800	1330	53 2521	RENTAL/MOTOR VEHICLES	$213	$0	$0	$0	$0	Emergency use of rental vehicle to return staff to Raleigh
14800	1330	53 2712	TRANSP-AIR-OUT OF ST-US	$1,240	$2,650	$1,828	$2,650	$2,650	Staff represents Agency at national professional conferences at times requiring air transportation.
14800	1330	53 2714	TRANSP-GRND - IN STATE	$20,568	$30,403	$14,902	$30,403	$30,403	Provide technical assistance, attend meetings and monitor funded projects throughout the state.
14800	1330	53 2715	TRANS GRND-OUT STA,IN US	$1,565	$1,363	$1,238	$1,363	$1,363	Staff represents Agency at national professional conferences sometimes within driving distance. If not then taxis or public transportation is needed at destination.
14800	1330	53 2721	LODGING-IN ST	$9,462	$11,006	$5,488	$11,006	$11,006	Provide technical asistance, attend meetings and monitor funded projects throughout the state.
14800	1330	53 2722	LODGING-OUT OF STA-US	$4,135	$2,500	$6,323	$2,500	$2,500	Staff represents Agency at national professional conferences. Duration averages 3 days.
14800	1330	53 2724	MEALS - IN STATE	$6,689	$10,305	$3,771	$10,305	$10,305	Provide technical assistance, attend meetings and monitor funded projects throughout the state.
14800	1330	53 2725	MEALS-OUT OF STATE,IN US	$1,281	$2,751	$1,508	$2,751	$2,751	Staff represents Agency at national professional conferences. Duration averages 3 days.
14800	1330	53 2727	MISC SUBS-IN STATE	$4,135		$1,826	$4,000	$4,000	Provide technical assistance, attend meetings and monitor funded projects throughout the state.
14800	1330	53 2728	MISC SUBS-OUT OF ST-US	$5,344	$2,500	$964	$2,500	$2,500	Registration for national professional conferences
14800	1330	53 2731	BD/NON-EMPLOYEE TRANSP	$9,172	$11,000	$2,326	$11,000	$11,000	We have a 24-member board appointed by the Governor per GS143B-88. Per GS138-5 we pay their travel expenses. We hold two - three board meetings per year and they also do site visits. We also pay travel expenses for non-board non-staff who serve as panelists at our grant panel meetings and they also do site visits of some of the grant applicants. Our panels and site visits are held in the spring so the majority of these funds are spent in the 4th quarter.
14800	1330	53 2732	BD/NON-EMPLOYEE SUBSIS	$17,262	$10,536	$9,119	$10,536	$10,536	Same as Board/Non-Employee Transportation. However, the YTD figure also includes $4,800 collected as workshop registration fees and used for workshop expenses.
14800	1330	53 4511	FURN-OFFICE	$927	$5,565	$423	$45,736	$5,565	For replacement of office furniture as needed. For 05-06 we will be moving into a smaller facility requiring us to replace larger pieces of furniture that we currently have with smaller pieces.

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1330	53 4521	OFFICE EQUIPMENT	$1,010	$0	$98	$0	$0	Replace worn or obsolete office equipment
14800	1330	53 4528	EQUIP-VOICE COMMUNICATN	$244	$0	$0	$0	$0	Replace worn or obsolete office equipment
14800	1330	53 4530	OTHER DP EQUIPMENT	$633	$0	$2,560	$0	$0	With the increased usage of websites more digital equipment is needed i.e. scanners, photo scanners
14800	1330	53 4534	PERSONAL COMP & PRINTER	$3,254	$8,672	$3,060	$8,672	$8,672	Replace worn or obsolete office equipment
14800	1330	53 4539	OTHER EQUIPMENT	$1,109	$0	$668	$12,983	$0	In order to document funded projects, equipment such as cameras and slide projectors are being replaced with digital cameras, data projectors and digital recording equipment to enable electronic documentation.
14800	1330	53 6900	UNDERSERVED-RECEIPTS	$83,700	$83,600	$63,700	$83,600	$83,600	Federal funds from National Endowment for the Arts
14800	1330	53 6932	VAGABOND SCHOOL OF DRAM	$43,578	$43,578	$43,578	$43,578	$43,578	Special Appropriations to Flat Rock Playhouse for operating support
14800	1330	53 6934	GRANT-CAROLINA BALLET	$0	$100,000	$100,000	$0	$0	Special Appropriations - non recurring to Carolina Ballet for operating support
14800	1330	53 6948	LOST COLONY MATCHING	$228,310	$232,969	$155,313	$232,969	$232,969	Special Appropriations to The Lost Colony for operating support- payments made in 1/12 installments
14800	1330	53 6950	ARTISTS IN EDUCATION-REC	$75,700	$76,000	$58,800	$76,000	$76,000	Federal funds from National Endowment for the Arts
14800	1330	53 6971	GRT-SHAKESPEARE FESTIVAL	$228,310	$232,969	$155,313	$232,969	$232,969	Special Appropriations to NC Shakespeare Festival for operating support- payments made in 1/12 installments
14800	1330	53 6984	CHALLENGE AMERICA-REC	$103,000	$100,000	$54,378	$100,000	$100,000	Federal funds from National Endowment for the Arts
14800	1330	53 6990	BASIC GRANTS PROG-APPROP	$2,455,605	$2,519,000	$2,422,081	$2,519,000	$2,519,000	Grants to non-profit organizations and individuals to support a wide range of arts programming
14800	1330	53 6996	GRASSROOTS ARTS PROG-AP	$1,159,500	$1,159,500	$1,120,663	$1,159,500	$1,159,500	Distribute grant funds on a per capita basis for local arts programming in every county in NC
14800	1330	53 6997	PARTNERSHIP-RECEIPTS	$474,686	$474,200	$269,236	$474,200	$474,200	Federal funds from National Endowment for the Arts
14800	1340	53 6936	NC SYMPHONY SOCIETY INC	$2,391,362	$2,082,595	$1,388,397	$1,882,595	$1,882,595	The grant-in-aid is allocated entirely toward the $4.7 million cost of the orchestra musicians' salary and benefits. The grant-in-aid represents less than half of the cost of the musician's salary and benefits, and less than one-quarter of the Symphony's total annual expenses.
14800	1410	53 2199	MISC CONTRACTUAL SERVICE	$100,963	$134,984	$45,117	$141,095	$141,095	Library for the Blind automated catalog, pest control for rented building, proofreading of braille books, microfiche duplication for State Publications Clearinghouse (G.S. 125-11.8), and cataloging/interlibrary loan services. Also funds transferred out to cover rent and electricity increases for the Library for the Blind and to purchase books and other library resources. 05-06 increase to cover higher cost of LBPH automated catalog.
14800	1410	53 2712	TRANSP-AIR-OUT OF ST-US	$3,114	$6,100	$714	$6,100	$6,100	Air travel for staff attendance at essential conferences and meetings in last quarter of FY04-05

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1410	53 2714	TRANSP-GRND - IN STATE	$4,127	$10,291	$2,673	$10,291	$10,291	Ground transportation for staff to provide assistance, advice, and counsel to individual libraries and to plan and coordinate cooperative programs among libraries (G.S. 125-2(8 & 10)). Includes site visits; workshops; Board, Trustee, and Friends meetings.
14800	1410	53 2715	TRANS GRND-OUT STA,IN US	$454	$3,001	$304	$3,001	$3,001	Ground transportation for staff attendance at essential conferences and meetings. Funds transferred to meet obligations in other accounts.
14800	1410	53 2721	LODGING-IN ST	$2,144	$5,643	$1,742	$5,643	$5,643	Lodging for staff to provide assistance, advice, and counsel to individual libraries and to plan and coordinate cooperative programs among libraries (G.S. 125-2(8 & 10)). Includes site visits; workshops; Board, Trustee, and Friends meetings.
14800	1410	53 2722	LODGING-OUT OF STA-US	$4,286	$8,700	$1,079	$8,700	$8,700	Lodging for staff attendance at essential conferences and meetings. Funds transferred out to meet obligations in other accounts.
14800	1410	53 2724	MEALS - IN STATE	$1,284	$3,114	$921	$3,114	$3,114	Meals for staff to provide assistance, advice, and counsel to individual libraries and to plan and coordinate cooperative programs among libraries (G.S. 125-2(8 & 10). Includes site visits; workshops; Board, Trustee, and Friends meetings.
14800	1410	53 2725	MEALS-OUT OF STATE,IN US	$1,649	$2,791	$418	$2,791	$2,791	Meals for staff attendance at essential conferences and meetings.
14800	1410	53 2727	MISC SUBS-IN STATE	$1,491	$3,000	$1,558	$3,000	$3,000	Registration for staff to participate in in-state workshops and meetings.
14800	1410	53 2728	MISC SUBS-OUT OF ST-US	$1,682	$2,000	$864	$2,000	$2,000	Registration for staff to participate in essential out-of-state conferences and meetings.
14800	1410	53 2731	BD/NON-EMPLOYEE TRANSP	$1,407	$4,175	$1,029	$4,175	$4,175	Transportation for members of the State Library Commission and Public Librarian Certification Commission to attend Commission meetings. Funds transferred out to meet obligations in other accounts.
14800	1410	53 2732	BD/NON-EMPLOYEE SUBSIS	$1,689	$1,570	$283	$1,570	$1,570	Subsistence for members of the State Library Commission to attend Commission meetings.
14800	1410	53 4511	FURN-OFFICE	$3,395	$5,260	$519	$5,260	$5,260	Purchase and replacement of office furniture.
14800	1410	53 4534	PERSONAL COMP & PRINTER	$786	$40,124	$0	$40,124	$40,124	Purchase and replacement of computers and printers for staff and public use. Funds transferred out to meet obligations in other accounts.
14800	1410	53 4539	OTHER EQUIPMENT	$76,195	$41,841	$930	$68,841	$41,841	Purchase and replacement of equipment used to maintain and provide access to library materials. Funds transferred to purchase books and other library resources. 2006 increases to replace 25 year old telephone system and install card access security system at Library for the Blind.
14800	1480	53 2199	MISC CONTRACTUAL SERVICE	$215,028	$213,564	$9,561	$221,064	$221,064	Primarily receipts from NC libraries for resource sharing services provided ($150,000; will be paid to service vendor); remainder for training and service contracts to support statewide programs for services to youth, technology, and continuing education

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1480	53 2712	TRANSP-AIR-OUT OF ST-US	$2,011	$0	$577	$0	$0	Air travel for staff to essential meetings in support of youth and adult reading programs in public libraries
14800	1480	53 2714	TRANSP-GRND - IN STATE	$12,297	$1,300	$1,477	$2,500	$2,500	Ground transportation for staff conducting workshops in support of youth and adult reading programs in public libraries and technology training for public library staff
14800	1480	53 2715	TRANS GRND-OUT STA,IN US	$500	$50	$396	$50	$50	Ground transportation for staff to essential meetings in support of youth and adult reading programs in public libraries
14800	1480	53 2721	LODGING-IN ST	$9,227	$0	$853	$1,000	$1,000	Lodging for staff to conduct workshops in support of youth and adult reading programs in public libraries and technology training for public library staff
14800	1480	53 2722	LODGING-OUT OF STA-US	$2,929	$0	$780	$0	$0	Lodging for staff to attend essential meetings in support of youth and adult reading programs in public libraries
14800	1480	53 2724	MEALS - IN STATE	$4,643	$500	$389	$1,250	$1,250	Meals for staff conducting workshops in support of youth and adult reading programs in public libraries and technology training for public library staff
14800	1480	53 2725	MEALS-OUT OF STATE,IN US	$1,118	$100	$401	$100	$100	Meals for staff attending meetings in support of youth and adult reading programs in public libraries
14800	1480	53 2727	MISC SUBS-IN STATE	$961	$0	$247	$0	$0	Registration fees for essential library meetings
14800	1480	53 2728	MISC SUBS-OUT OF ST-US	$1,345	$0	$0	$0	$0	Registration fees for essential library meetings
14800	1480	53 2731	BD/NON-EMPLOYEE TRANSP	$15,399	$11,368	$721	$11,368	$11,368	Funds to cover expenses for March 05 workshop to train public library staff in the delivery of statewide services (ongoing program)
14800	1480	53 2732	BD/NON-EMPLOYEE SUBSIS	$71,110	$32,702	$22	$45,602	$45,602	Funds to cover expenses for March 05 workshop to train public library staff in the delivery of statewide services (ongoing program)
14800	1480	53 4511	FURN-OFFICE	$11,741	$0	$3,682	$0	$0	Purchase and replacement of office furniture.
14800	1480	53 4530	OTHER DP EQUIPMENT	$2,378	$0	$0	$0	$0	Federal funds expended for Library Services and Technology Act programs administered by the State Library
14800	1480	53 4534	PERSONAL COMP & PRINTER	$27,048	$75,000	$0	$75,000	$75,000	Funds to replace out-of-warranty equipment in support of statewide web-based library services (to be expended in last quarter FY 04-05)
14800	1480	53 4539	OTHER EQUIPMENT	$13,242	$0	$0	$0	$0	Federal funds expended for Library Services and Technology Act programs administered by the State Library
14800	1480	53 6960	AID TO COUNTIES-APPROP	$14,480,490	$14,776,010	$9,683,702	$14,776,010	$14,776,010	Funds for pass-through grants to public libraries (State Aid to Public Libraries Fund)
14800	1480	53 6963	QUIZ BOWL GRANT	$0	$3,000	$0	$3,000	$3,000	Funds for public library Quiz Bowl teams to attend statewide competition in April 05 (ongoing program)
14800	1480	53 6988	GRTS TO LIBRARY ASN-REC	$3,788,392	$4,197,741	$16,112	$4,197,741	$4,197,741	Federal funds for Library Services and Technology Act programs administered by the State Library
14800	1500	53 2199	MISC CONTRACTUAL SERVICE	$48,541	$81,255	$23,124	$81,255	$81,255	Includes pest control, security system monitoring, maintenance work, programmers, work on new building etc.
14800	1500	53 2712	TRANSP-AIR-OUT OF ST-US	$1,309	$2,000	$1,177	$2,000	$2,000	Staff travel to professional conferences etc.

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1500	53 2714	TRANSP-GRND - IN STATE	$26,854	$18,723	$19,697	$18,723	$18,723	Includes Motor Fleet charges for assigned vehicles, staff travel among the various museums, outreach missions, & services
14800	1500	53 2715	TRANS GRND-OUT STA,IN US	$261	$2,800	$185	$2,800	$2,800	Staff travel to professional conferences etc.
14800	1500	53 2721	LODGING-IN ST	$2,704	$4,000	$989	$4,000	$4,000	Staff travel among the various museums, outreach missions, & services
14800	1500	53 2722	LODGING-OUT OF STA-US	$1,896	$2,000	$2,417	$2,000	$2,000	Staff travel to professional conferences etc.
14800	1500	53 2724	MEALS - IN STATE	$2,196	$2,763	$989	$2,763	$2,763	Staff travel among the various museums, outreach missions, & services
14800	1500	53 2725	MEALS-OUT OF STATE,IN US	$600	$3,367	$981	$3,367	$3,367	Staff travel to professional conferences etc.
14800	1500	53 2727	MISC SUBS-IN STATE	$2,425	$2,900	$3,527	$2,900	$2,900	Registration fees, conference fees, workshop fees, parking etc.
14800	1500	53 2728	MISC SUBS-OUT OF ST-US	$2,345	$3,000	$2,210	$3,000	$3,000	Registration fees, conference fees, workshop fees, parking etc.
14800	1500	53 2731	BD/NON-EMPLOYEE TRANSP	$421	$950	$193	$950	$950	travel for board members, lecturers, performers, educators etc.
14800	1500	53 2732	BD/NON-EMPLOYEE SUBSIS	$1,163	$760	$109	$760	$760	subsistence for board members, lecturers, performers, educators etc.
14800	1500	53 4511	FURN-OFFICE	$802	$5,023	$350	$5,023	$5,023	Normal for desks, chairs, etc. Often deferred to meet other pressing needs.
14800	1500	53 4521	OFFICE EQUIPMENT	$743	$356	$0	$356	$356	This would normally cover replacement of obsolete equipment. Often deferred to meet other pressing needs.
14800	1500	53 4528	EQUIP-VOICE COMMUNICATN	$0	$40,000	$0	$40,000	$40,000	New telephone systems including for new Museum of Albemarle building
14800	1500	53 4534	PERSONAL COMP & PRINTER	$35,485	$38,166	$20,719	$38,166	$38,166	Required replacement of obsolete and worn out equipment
14800	1500	53 4539	OTHER EQUIPMENT	$2,160	$0	$5,018	$0	$0	This item covers a vast array - conservation lab, photography, maintenance, etc.
14800	1500	53 4549	OTHER MOTORIZED VEHICLES	$0	$47,950	$19,000	$47,950	$47,950	Item purchased was a forklift for Museum of Albemarle new building. Balance needed to replace lawn maintenance equipment at branch museums.

Budget Code	Fund	Account	Account Title	2003-04 Actual	2004-05 Authorized	2004-05 YTD	2005-06	2006-07	Explanation of Expenditures
14800	1110	53 2814	CELLULAR PHONE SERVICES	$0	$350	$0	$350	$350	Cell phones are assigned to limited staff who travel to conduct official state business for DCR
14800	1110	53 4511	FURN-OFFICE	$346	$790	$1,320	$790	$790	For replacement of office furniture as needed.
14800	1110	53 4534	PERSONAL COMP-PRINTER	$2,548	$2,297	$111	$2,297	$2,297	Replacement or upgrading of obsolete equipment
14800	1110	53 4539	OTHER EQUIPMENT	$4,717	$538	$86	$538	$538	Replacement or upgrading of obsolete equipment
14800	1110	53 6930	HIST, CULT AND ART ORG	$180,000	$1,105,000	$480,000	$180,000	$180,000	Discretionary grant funding.
14800	1110	53 6931	GRANTS RESERVE	$0	$9,161,618	$5,754,222	$0	$0	Discretionary grant funding.
14800	1120	53 2199	MISC CONTRACTUAL SERVICE	$1,285	$0	$4,500	$0	$0	Contract with individual to provide services for mandated department security policy and security standards
14800	1120	53 2714	TRANSP-GRND - IN STATE	$112	$740	$208	$740	$740	Use of Motor Fleet Management (Motor Pool) vehicles by staff.
14800	1120	53 2721	LODGING-IN ST	$33	$313	$0	$313	$313	Lodging reimbursed to staff to travel to Thomas Wolfe Historic Site to check on renovation progress
14800	1120	53 2724	MEALS - IN STATE	$16	$358	$0	$358	$358	To reimburse staff for travel to various sites throughout the state
14800	1120	53 2727	MISC SUBS-IN STATE	$95	$600	$125	$600	$600	To reimburse staff for travel to various sites throughout the state
14800	1120	53 4511	FURN-OFFICE	$1,099	$4,545	$790	$3,045	$3,045	Replacement costs for chairs, desks, filing cabinets in Department's Budget Office and IT office
14800	1120	53 4534	PERSONAL COMP & PRINTER	$32,473	$135,408	$35,143	$135,408	$135,408	Computer replacement costs for Administration and other areas in the Department
14800	1120	53 4539	OTHER EQUIPMENT	$18,727	$8,987	$13,496	$8,987	$8,987	Data equipment for department's IT area
14800	1210	53 2199	MISC CONTRACTUAL SERVICE	$2,960	$3,290	$0	$3,290	$3,290	$2000 encumbered for NC portion of State Historic Preservation Officers' study
14800	1210	53 2712	TRANSP-AIR-OUT OF ST-US	$576	$0	$856	$0	$0	Used by the Deputy Secretary/Director of Historical Resources/Outreach coordinator for out-of-state travel
14800	1210	53 2714	TRANSP-GRND - IN STATE	$13,931	$1,214	$2,523	$1,214	$1,214	Used by the Deputy Secretary/professional staff of Historical Resources Administration and Research Branch for site visits, consultations, speeches, etc.
14800	1210	53 2715	TRANS GRND-OUT STA,IN US	$414	$260	$66	$260	$260	Used by Deputy Secretary/Director of Historical Resources/Outreach coordinator for out-of-state cabs, shuttles, trains
14800	1210	53 2721	LODGING-IN ST	$8,431	$1,500	$517	$7,491	$7,491	Used by Deputy Secretary/professional staff of Historical Resources Administration & Research Branch for site visits, consultations, etc. Some travel pending.
14800	1210	53 2722	LODGING-OUT OF STA-US	$1,284	$1,023	$1,284	$1,023	$1,023	Used by Deputry Secretary/Director of Historical Resources/Outreach coordinator for out-of-state board meetings, conferences, workshops; some travel pending
14800	1210	53 2724	MEALS - IN STATE	$2,123	$3,400	$277	$3,400	$3,400	Used by Deputy Secretary/professional staff of Historical Resources Administration & Research Branch for site visits, consultations, etc. Some travel pending.
14800	1210	53 2725	MEALS-OUT OF STATE,IN US	$304	$800	$341	$800	$800	Used by Deputy Secretary/Director of Historical Resources/Outreach coordinator for out-of-state meetings, conferences; some travel pending
14800	1210	53 2727	MISC SUBS-IN STATE	$356	$625	$366	$625	$625	Used by Deputy Secretary/professional staff of Historical Resources Administration & Research Branch for in-state registrations

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 16, 2005
Room 425
2:00 p.m.

Chairman: Senator Katie Dorsett

Department of Revenue

Introduction of Staff/Executive Overview/Mission/Organization
(Notebook pp. DOR 1 - 7)

Facts and Figures
(Notebook pp. DOR 8)

Collection Initiatives and Analysis
(Notebook pp. DOR 9 - 16)

Recommended Continuation Budget and Organizational Chart
(Notebook pp. DOR 17 - 18; B 394 - 446)

DOR Sections/Divisions

Administration (Fund 1600)/Training/Internal Auditor and Personnel (Fund 1603)
(Notebook pp. DOR 19 - 22 & 26-27; B 402 & 404)

Information Technology (Fund 1605)
(Notebook pp. DOR 28 - 30; B 405 - 406)

Tax Administration
Tax Research (Fund 1607)
(Notebook pp. DOR 31 - 32; B 407)

Corporate, Excise, and Insurance Taxes (Fund 1621)
(Notebook pp. DOR 35 - 37; B 409)

Personal Taxes (Fund 1623)
(Notebook pp. DOR 38 - 40; B 410)

Sales and Use Taxes (Fund 1627),
(Notebook pp. DOR 41 - 43; B 411)

Property Tax (Fund 1629)
(Notebook pp. DOR 44 - 46; B 412 - 413)

Documents and Payments Processing (Fund 1685)
(Notebook pp. DOR 65 - 66; B 429 - 430)

Tax Compliance
Taxpayer Assistance (Fund 1643)
(Notebook pp. DOR 47 - 48; B 414 - 415)

Examination and Collection (Fund 1660)
(Notebook pp. DOR 49 - 52; B 416 - 417)

Project Collect Tax (Fund 1661)
(Notebook pp. DOR 53; B 418 - 419)

Taxpayer Assistance/Call Center (Fund 1662)
(Notebook pp. DOR 54 - 56; B 420 - 421)

Project Compliance (Fund 1663)
(Notebook pp. DOR 57; B 422 - 423)

Unauthorized Substance (Fund 1670)
(Notebook pp. DOR 58 - 60; B 424 - 425)

Motor Fuels (Fund 1700)
(Notebook pp. DOR 67 - 69; B 431 - 432)

Remaining GF Divisions
Security (Fund 1602)
(Notebook pp. DOR 23 - 25; B 403)

Criminal Investigations (Fund 1609)
(Notebook pp. DOR 33 - 34; B 408)

Administrative Services (Fund 1681)
(Notebook pp. DOR 61 - 62; B 426 - 427)

Financial Services (Fund 1683)
(Notebook pp. DOR 63 - 64; B 428)

Receipt-Supported Divisions
Motor Fuels - Fuel Tax Evasion (Fund 1702), International Registration (Fund 1708), Fuel Tax Compliance (Fund 1710), White Goods Disposal Tax (Fund 1800), Scrap Tire Disposal Tax (Fund 1820), Public Transit Tax (Fund 1830), Dry Cleaning Solvent Tax (Fund 1840), Lee Tax Credits (Fund 1850), & Utilities Franchise (Fund 1860)
(Notebook pp. DOR 70 - 78; B 433 - 446)

Required Reports

Semi-Annual Report on Collection of Tax Debt in Compliance with S.L. 2004-124, Section 23.3(c) (Report date January 25, 2005)
(Notebook pp. DOR 79 - 82)

Cumulative Report of Quarterly Activity of Project Compliance per S.L. 2003-284, Section 23.4 (Report date February 1, 2005 for period July 1, 2003 - December 31, 2004)
(Notebook pp. DOR 83 - 88)

Semi-Annual Report on the Taxpayer Assistance and Collection Center (TACC) per S.L. 2004-124, Sec. 23.3 (a) (Report date January 25, 2005)
(Notebook pp. DOR 89 - 95)

Norris Tolson
Secretary

JOINT APPROPRIATIONS GENERAL GOVERNMENT
MINUTES

Wednesday, March 16, 2005
2:00 pm

The Joint Appropriations Subcommittee on General Government met March 16, 2005 2:00 pm in Room 425 of the Legislative Office Building. Senator Dorsett called the meeting to order. She welcomed the staff, Michele Nelson, Marilyn Chism and Kathie Austin, pages, clerk, agencies and Sgt. At Arms. Four Senate Members were present and Representatives Alma Adams, Roger West, Marvin Lucas, Marian McLawhorn, Gene Wilson, Leo Daughtry, and Garland Pierce.

Senator Dorsett then recognized Secretary of Revenue Norris Tolson. Secretary Tolson continued his overview of the Department of Revenue.

Since July 2001, personnel throughout the Department of Revenue (DOR) have been actively engaged in three major projects: Project Collect Tax, the Taxpayer Assistance and Collection Center (TACC) and Project Compliance. The intent of all three projects has been to increase revenue collections to the State of North Carolina. For the period July 1, 2001 through December 31, 2004, the three projects have generated new (additional) revenues of $592 million for the State. Legislative revenue estimates for Fiscal Years 2001-02 through 2004-05 for the projects is $316.3 million; estimated revenues over the four fiscal years have been exceeded by more than $275 million or 187%, with six months still remaining in the current fiscal year.

Project Collect focused entirely on reducing accounts receivables, Project Compliance focused on the examination of tax returns to ensure compliance with State tax statutes and the review of returns before issuing refunds, and the T ACC focused on providing improved customer service and the collection of taxes through the use of call agents. All three projects have been extremely successful and continue to provide much needed new tax reengineering of mail and deposit processes. While the tax system operates as originally designed, the technology upon which it was designed needs to be reassessed in the next four years with an eye toward replacing the system and upgrading to new technology (as documented in the January 5, 2004 Business Systems Infrastructure Study conducted by Deloitte for the Office of State Controller). The Department anticipates having sufficient receipts from the 20% collection assistance fee to fund procurement of a new tax system. North Carolina continues to be an active participant in the nationwide Streamlined Sales Tax Project, which began in March of 2000. The project is an effort created by state governments, with input from local governments and the private sector, to simplify and modernize sales and use tax administration. The project incorporates uniform definitions within tax bases, simplified audit and administrative procedures, and emerging technologies to substantially reduce the burdens of tax collection.

Currently 42 states are participants in this project.

Other than the addition of the T ACC to the Department and personnel reassigned to the call center from other Departmental divisions, there have been no significant organizational changes in the Department. At the TACC, there has been a blending of personnel and skill sets so that any call agent has the expertise to either offer tax assistance or pursue collection of a delinquent tax account.

The Department's 2005-07 Expansion Budget request focuses primarily on information technology issues related to security of the agency's internal operating systems and to the physical security of the Revenue Building. Security of the Department's operating systems was heightened as a result of the 2004 Statewide Security Assessment conducted at the direction of the Information Resource Management Commission (IRMC). Proper staffing in the growing area of IT is also a major focus of the Department's Expansion request.

Vision 2010 is an internal effort within the Department to develop a road map for the future of the NC Department of Revenue. The Department's plan for the future establishes a multi-faceted vision for the Department that defines goals, and lists strategies and activities need for additional lease space for employees being relocated to the larger metropolitan areas; efficiencies will be gained in management of personnel and centralization of tasks to fewer offices and some reduced costs for data network lines. The Department is relocating its Charlotte field office (the largest office outside of Raleigh) from a state owned building to a commercial lease property before the end of the current fiscal year. The rental is anticipated to cost $311,000 annually and has been included in a budget request by the Office of State Budget and Management.

The Department continues to expand its electronic services to its taxpayers to meet the growing demand of its customers. Implementation of a program to allow for the direct deposit of individual income tax refunds has generated direct deposits of 446,217 and 564,200 the past two tax seasons. This growing number of direct deposits represented 17% of all individual income tax refunds in 2004. Taxpayers can also electronically file their sales and use tax return, withholding tax return, motor fuels tax for IFTA motor carrier returns and then select their preferred method of electronic payment, as well as make a tax notice payment by bank draft or credit/debit card by accessing the Department's website. In Fiscal Year 2003-04, EFT payments from multiple tax schedules totaled $13.1 billion ($600 million in the first year of receipts) and the number of electronically filed individual income tax returns totaled 1,563,123, or about one-third of all individual income tax returns filed. While the receiving of electronic tax payments and the paying of refunds electronically is an extremely valuable service to the taxpayer and to the Department, electronic transactions are not without substantial cost; electronic expenditures in Fiscal Year 2003-04 were $462,134 vs. $276,587 just two years ago.

The Department provides quarterly and/or biannual reports on Project Collect, Project Compliance and the Call Center. The most recent reports were furnished in January and February 2005.

The Department continues its efforts to reduce the number of local field office locations throughout the State. Office locations have decreased from 44 in 2001 to 19 in 2004, with a goal of 15 local offices.

Organization of the Department of Revenue

Components of the plan include: employee involvement, employee development, career development, a flexible work environment and operational efficiency. The Department's overall goal is to become a national model for revenue agencies.

Mission of the Department of Revenue

The mission of the Department of Revenue is to administer the tax laws and collect the taxes due to the State in an impartial, uniform, and efficient manner.

Goals and Strategies of the Department of Revenue

The Department had identified three primary goals as strategic directions for the agency. . Maximize State Tax Revenues

- Strategy 1 - Improve compliance strategies and results.
- Strategy 2 - Improve collection strategies and results.
- Strategy 3 - Provide input to the legislative process to promote tax simplification and fairness.
- Strategy 4 - Provide a variety of understandable and accessible taxpayer communication options.
- Strategy 5 - Expand educational and outreach programs.
- Strategy 6 - Promote agency services to taxpayers.
- Strategy 7 - Develop services for the non-English speaking population.
- Strategy 8 - Reduce the amount of time required to resolve taxpayer issues.
- Strategy 9 - Enhance communication and services to the practitioner community.
- Strategy 10 - Require that agency goals take precedence over individual goals.
- Strategy 11 - Promote the health and safety of all employees.
- Strategy 12 - Continuously evaluate business processes and the allocation of resources with respect to agency objectives.
- Strategy 13 - Actively recruit and retain highly qualified individuals who are team-oriented and committed to public service.
- Strategy 14 - Provide employees with the tools, systems and information needed to perform their duties effectively.

The Department of Revenue is a cabinet agency under the leadership of the Secretary of Revenue who is appointed by the Governor. The Secretary provides executive leadership

along with the Deputy Secretary and four Assistant Secretaries who have responsibilities for the day-to-day activities required of the 23 operating divisions in the Department. The agency also has a legislative liaison (special assistant), public information officer and internal auditor who report directly to the Secretary.

The meeting adjourned at 3:30 p.m.

Senator Katie Dorsett, Presiding

Phyllis Cameron, Committee Clerk

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT

March 16, 2005
2:00 pm

ATTACHMENT
D

Overview





Presented to the
Joint Subcommittee
for
General Government
North Carolina General Assembly

FEBRUARY 2005

(The logo for the Department of Revenue's department-wide initiative, Vision 2010, is prominently displayed (above) to depict how we envision the future of our agency radiating from our past and present way of doing business. Vision 2010 is a roadmap to the future to become a national model for revenue agencies. The existing Department logo plan continues to symbolize the revenue generated and collected by the Department, with the star representing the capital and the red bands emitting from the star representing the flow of revenue back to the citizens of North Carolina.)

NC Department of Revenue
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NC Department of Revenue
Facts & Figures

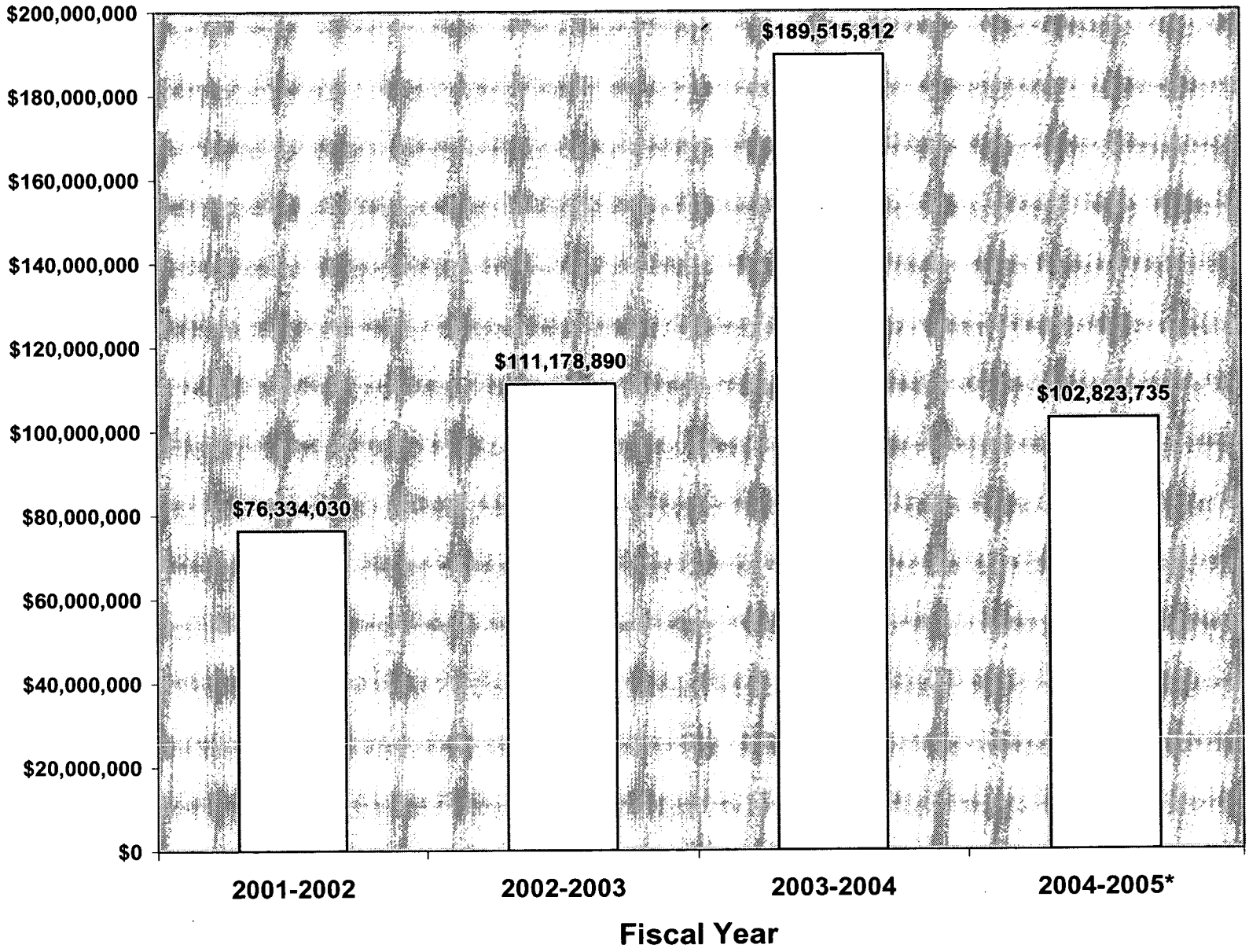
# Departmental Employees FY 2004-05	1,405.5
$ Department of Revenue Certified Budget FY 2004-05	$95.5 million
$ Gross Collections FY 2003-04	$19.9 billion
$ Average Daily Deposit FY 2003-04	$78.2 million
# Pieces of Mail (Incoming) FY 2003-04	8,122,589
# Pieces of Mail (Outgoing) FY 2003-04	8,922,981
# Tax Returns Processed FY 2003-04	9,725,620
# Tax Payments Processed FY 2003-04	5,686,072
$ Refunds (all tax schedules) FY 2003-04	$2.2 billion
# Refunds (all tax schedules) FY 2003-04	2,740,696
$ Refunds (Individual Income) FY 2003-04	$1.46 billion
# Refunds (Individual Income) FY 2003-04	2,658,709
$ Refunds (Individual Income) Direct Deposited FY 2003-04	$367.1 million
# Refunds (Individual Income) Direct Deposited FY 2003-04	564,200
$ Distributions/Transfers to Local Governments/State Agencies FY 2003-04	$2.6 billion
# Refund Returns (Individual Income) Filed Electronically FY 2003-04	1,344,036
# Non-Refund (Individual Income) Returns Filed Electronically FY 2003-04	219,087
# Non-Individual Income Returns filed Electronically FY 2003-04	103,642
$ Gross EFT Collections FY 2003-04	$13.1 billion
$ Gross Tax Deposits by Electronic Funds Transfer (EFT) from 1/1/94-6/30/04	$91.7 billion
$ Interest Earnings on Electronic Funds Transfer (EFT) from 1/1/94-6/30/04	$34.3 million

DOR-8

Financial Services Division
January 1, 2005

Located at the Department's Website: www.dor.state.nc.us/aboutus/facts.html

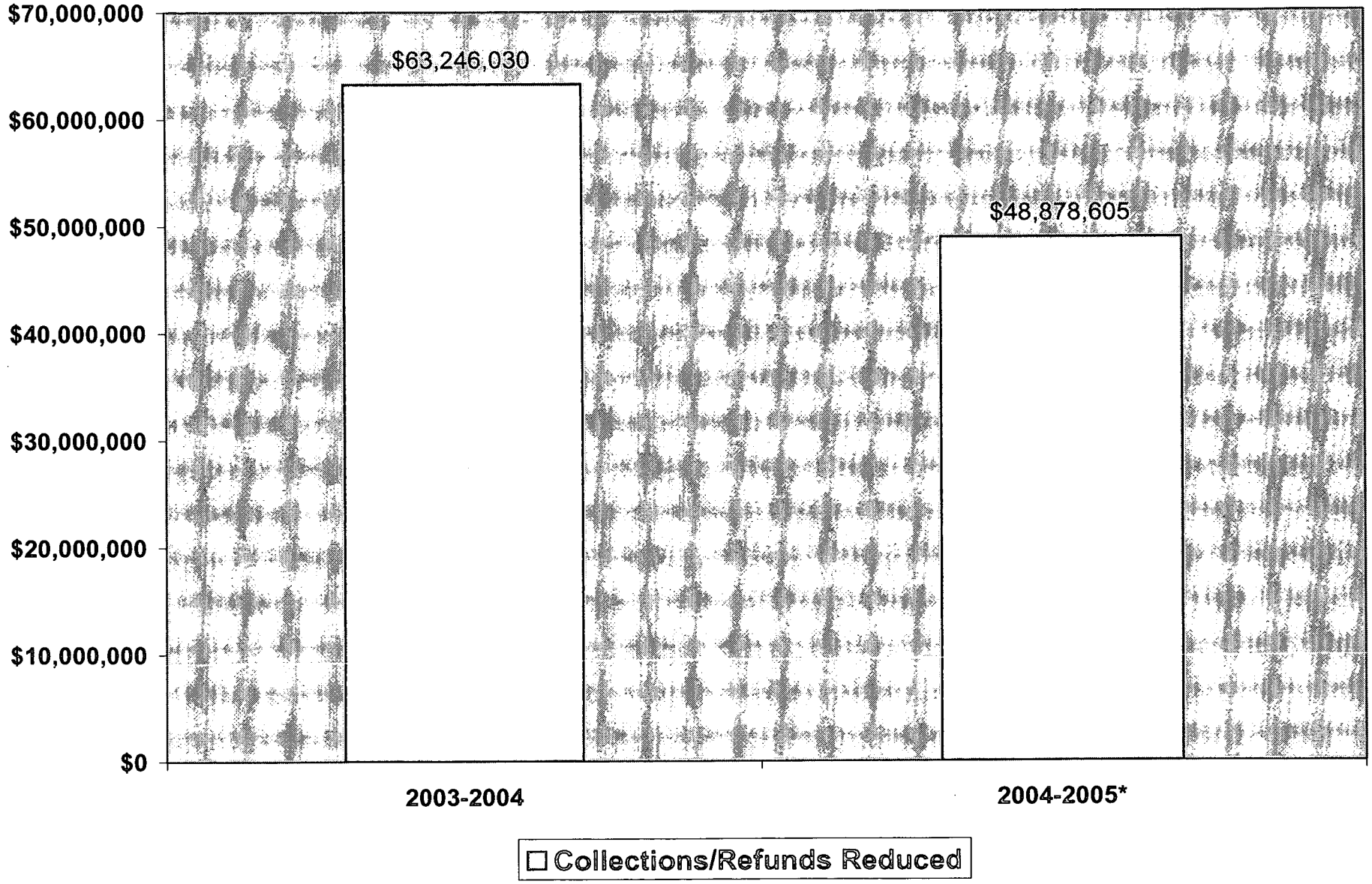
North Carolina Department of Revenue
"Project Collect" Collections



DOR-9

* 2004-2005 represents collections from July 1, 2004 through December 31, 2004.

North Carolina Department of Revenue
"Project Compliance" Collections/Refunds Reduced



DOR-10

* 2004-2005 represents assessments and colletions/refunds reduced from July 1, 2004 through December 31, 2004.

North Carolina Department of Revenue
Analysis of Collections by Special Project

Project Collect Collections *

Fiscal Year	2001-2002	2002-2003	2003-2004	2004-2005		TOTALS
Actual Collections	$76,334,030	$111,178,890	$189,515,812	$102,823,735	**	**$479,852,467**
Legislative Estimates	50,000,000	82,500,000	50,000,000	50,000,000	***	
Collections Exceeding Estimates	**$26,334,030**	**$28,678,890**	**$139,515,812**	**$52,823,735**		

* Includes TACC (call center) collections of $43 million from 10/1/03 - 12/31/04
** Represents collections from 7/1/04 through 12/31/04
*** Represents revenue estimates for the entire fiscal y ear

DOR-11

Project Compliance Collections

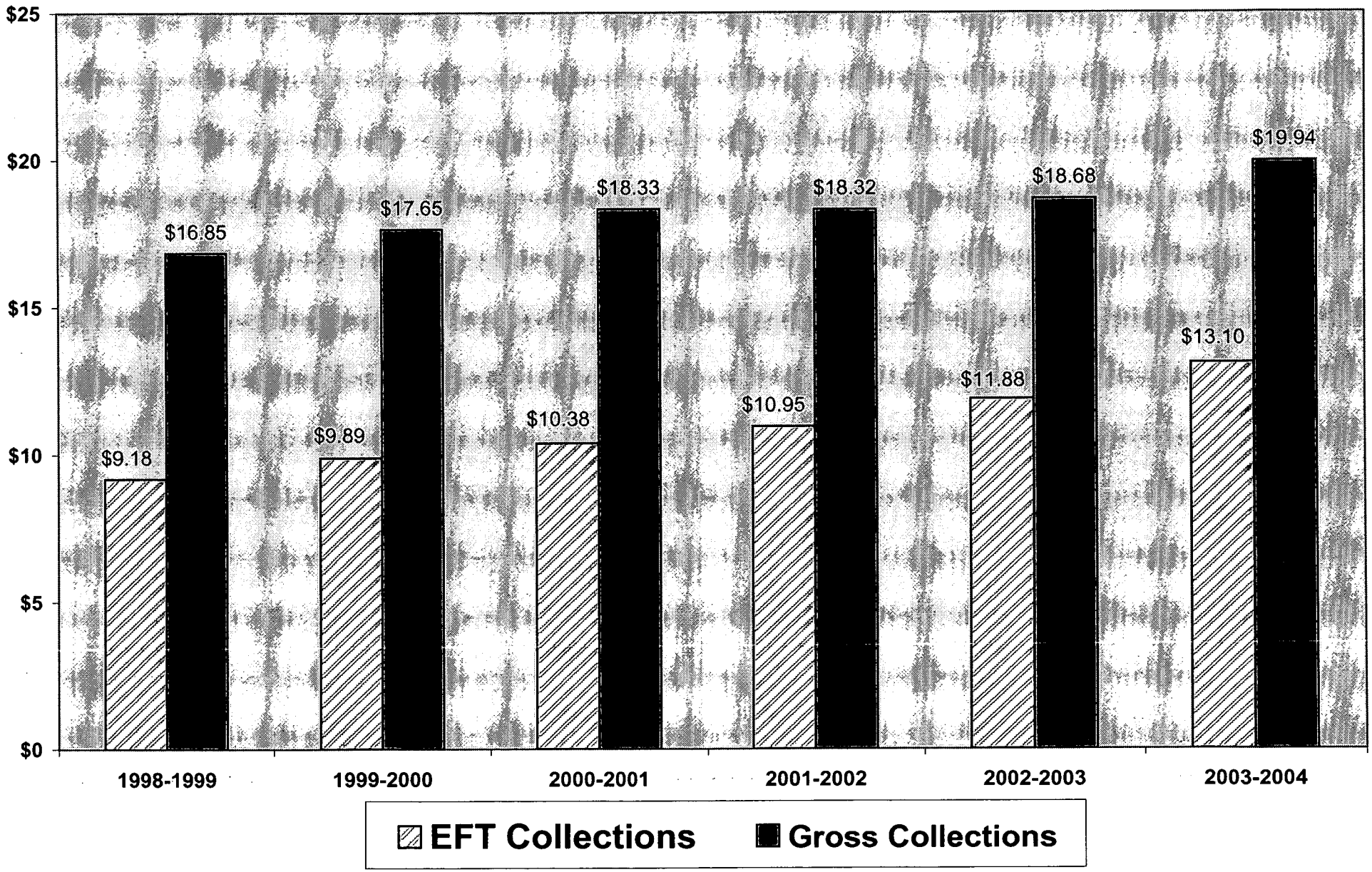
Fiscal Year	2001-2002	2002-2003	2003-2004	2004-2005		TOTALS
Actual Collections	N/A	N/A	$63,246,030	$48,878,605	****	**$112,124,635**
Legislative Estimates	N/A	N/A	40,204,537	76,116,865	*****	
Collections Exceeding Estimates	N/A	N/A	**$23,041,493**			
Collections Needed to Meet Estimates				**($27,238,260)**		

**** Represents collections from 7/1/04 through 12/31/04
***** Represents revenue estimates for the entire fiscal y ear

Total Actual Collections	**$591,977,102** ******
Total Actual Expenditures	**$21,396,433** ******
Return on Investment (ROI)	**28:1**

****** Represents actual collections and actual expenditures from 7/1/01 through 12/31/04

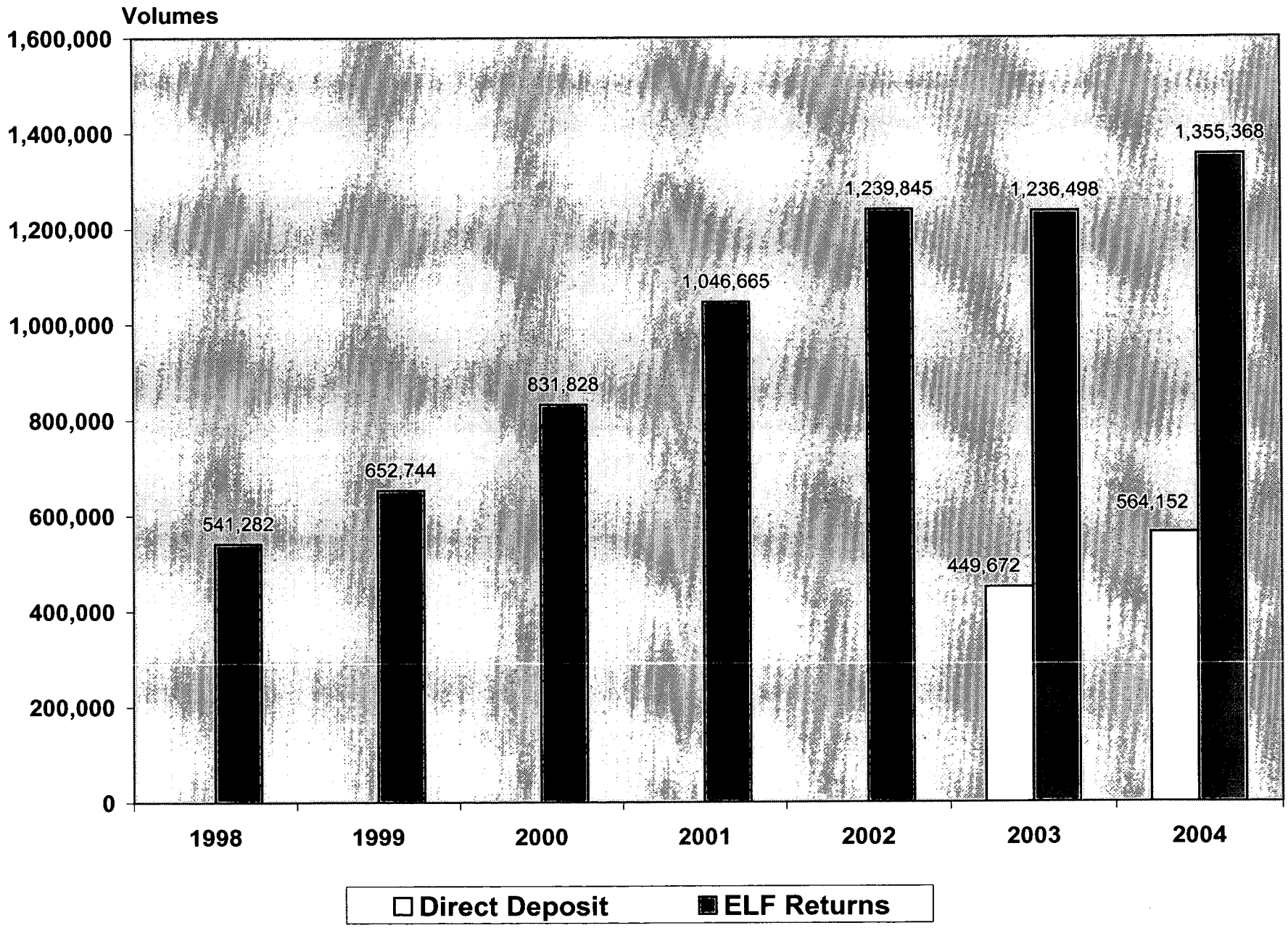
North Carolina Department of Revenue
Comparison of Electronic Funds Transfer (EFT) Tax Collections to Total Tax Collections



DOR-12

North Carolina Department of Revenue
Comparison of Electronically Filed (ELF) Individual Income Tax Returns and Direct Deposit of Individual Income Tax Refunds

DOR-13



North Carolina Department of Revenue

Accounting of Costs Directly Related to the Collection of Tax Debt

(required by House Bill 1414, Section 23.2, 2004 Session)

	Actual * FY 2004-05	Total
14700/1660 - Examination and Collection		
Salaries and Benefits (70 Positions)	$1,706,572.23	**$1,706,572.23**
17400/1661 - Project Collect Tax		
Salaries and Benefits (48 Positions)	$901,318.43	
Maintenance	1,853.88	
Travel	10,284.03	
Communication	28,828.77	
Supplies	20,066.44	
Equipment	20,086.58	
Legal Expenses	9,895.37	
Other Admin Expenses	4,772.37	**$997,105.87**
14700/1662 - Taxpayer Call Center		
Administrative Services	$6,542.62	
Utility/Energy Service	9,315.72	
Maintenance	27,653.38	
Rentals/Leases	147,595.08	
Travel	8,971.77	
Communication and Data Processing	414,381.31	
Other Services	3,164.00	
Supplies	8,637.09	
Equipment	3,148.85	**$629,409.82**
24704/2040 - DOR Call Center (A)		
Contractual Services	$2,695.68	
Rent/Lease (ITS Monthly Phone Lease)	150,465.00	**$153,160.68**
24704/2474 - Project Collect Tax (B)		
Postage (IRS Offsets)	$104,672.01	
Paper/Supplies (IRS Offsets)	478.64	
Postage for Project Collect Notices (C)	0.00	
Locator Service (D)	0.00	**$105,150.65**
TOTAL		**$3,591,399.25**

*** Represents actual expenditures from July 1, 2004 through December 31, 2004.**

(A) This Fund represents the original $3.0 million allocation to establish the call center. The cash balance as of 12/31/04 is $1.3 million.

(B) This Budget Code/Fund was established to account for receipts of the 20% collection assistance fee. The current cash balance for the assistance fee as of 12/31/04 is $26,622,489.

(C) The Department is allowed to expend up to $267,273 from the collection assistance fee for postage paid by the Department for Project Collect notices; $137,879.59 in postage expenses was incurred for notices in the first two quarters of the FY 2004-05. The Department was reimbursed in January 2005. (see attached chart)

(D) The Department is allowed to expend up to $100,000 for taxpayer locator services. Beginning Spring 2005, the Department will participate in a pilot program to exchange information electronically with three locator services. Expenditures will not occur until the end of FY 2004-05.

North Carolina Department of Revenue

FISCAL YEAR & QUARTERLY COMPARISON
PROJECT COLLECT TAX POSTAGE F/Y 2004-2005

POSTAGE $$	1st			QUARTERLY	2nd			QUARTERLY
NOTICE TYPE	JULY	AUGUST	SEPTEMBER	TOTALS	OCTOBER	NOVEMBER	DECEMBER	TOTALS
Final Assessments	$ 7,973.35	$ 6,107.76	$ 12,864.21	$ 26,945.32	$ 6,033.43	$11,172.83	$ 7,205.90	$ 24,412.16
Amended Assessments	311.31	79.72	510.30	901.33	768.58	443.69	434.38	1646.65
Legal Papers US Mail	8392.95	6804.17	9339.50	24536.62	7644.83	4250.51	2965.09	14860.43
Legal Papers Courier	125.00	136.71	166.30	428.01	155.08	188.41	135.75	479.24
Statement of Account	13.43	4.89	16.22	34.54	15.28	21.45	11.84	48.57
RO Collection Letters	6.13	0.00	61.34	67.47	1.20	1.34	7.40	9.94
Garnishment Release Letter	2519.09	2596.19	3408.38	8523.66	3663.65	2505.21	2726.51	8895.37
Collection Proceedings	25.70	0.00	11.93	37.63	21.80	13.69	49.21	84.70
Collection Fee Notices	2971.11	2931.91	929.74	6832.76	5292.47	1189.95	9349.68	15832.10
CTL Release Letters	8.80	0.00	0.00	8.80	14.19	1202.44	5.40	1222.03
RO Final Tax Assessments Courier	104.05	86.01	83.17	273.23	133.94	105.36	102.08	341.38
Reguest for Pymt Agreements	918.92	0.00	179.08	1098.00	105.09	157.99	96.57	359.65
MONTHLY TOTALS	$23,369.84	$18,747.36	$ 27,570.17		$23,849.54	$21,252.87	$ 23,089.81	
QUARTERLY TOTALS				$ 69,687.37				$ 68,192.22
FISCAL YEAR TOTAL				$ 69,687.37				$137,879.59 *

DOR-15

* Represents reimbursement to the Department for Project Collect postage expenditures for the first two quarters of FY 2004-2005. Reimbursement occurred in January 2005.

North Carolina Department of Revenue
Hispanic Initiative
FY 2004-2005

Account	Budget	Expenditures	Encumbered	Balance
Interpreter Services	$ 66,000.00	$ 1,941.36	$ 3,500.00	$ 60,558.64
Travel	11,000.00			11,000.00
Postage	92,000.00			92,000.00
Printing	45,000.00			45,000.00
Advertising	23,000.00	149,022.00		(126,022.00)
Office Supplies	13,000.00		1,598.50	11,401.50
TOTAL	**$ 250,000.00**	**$ 150,963.36**	**$ 5,098.50**	**$ 93,938.14**

FISCAL DATA

North Carolina Department of Revenue

Budget Code 14700

Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
General Fund				
Total Requirements	$82,318,279	$95,566,190	$96,417,648	$96,569,514
Receipts	8,388,546	18,561,892	17,264,349	17,273,215
Appropriation	$73,929,733	$77,004,298	$79,153,299	$79,296,299
Positions	1341.5	1405.5	1373.5	1376.5
Corrected Positions	1341.5	1405.5	1408.5	1411.5

NOTE: In the organization charts that follow for the various divisions, some positions may be duplicated on more than one divisional chart due to reporting relationships and how the divisions chose to display their organizations. The number of positions presented in the "FISCAL DATA" for each budgetary Center will always be correct with the notable exception on this page and the page for Fund 1660. On these two pages the position counts are incorrect due to an incorrect posting during the budget preparation process. The corrected number of positions are noted above as 1408.5 and 1411.5.

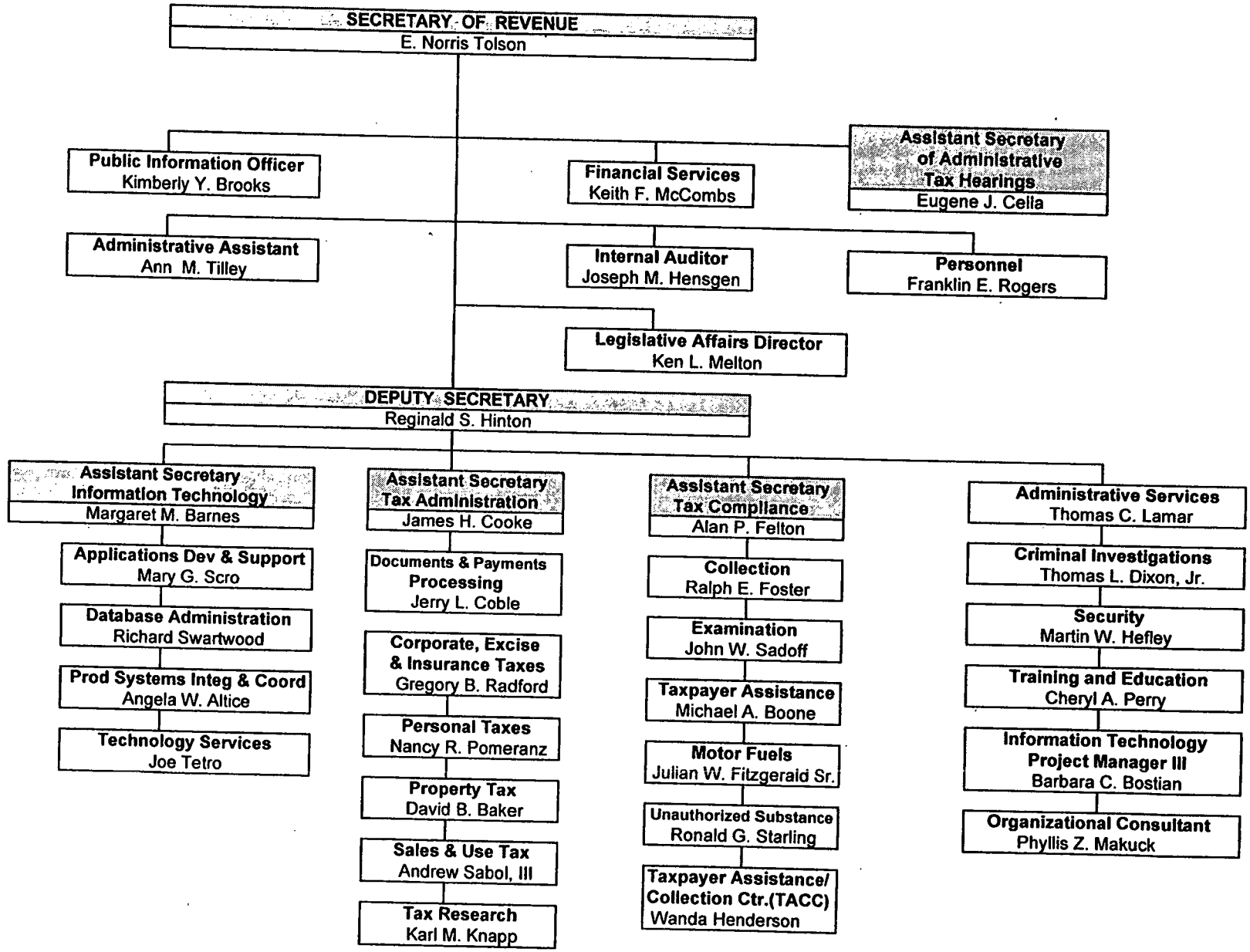
CONTINUATION BUDGET Highlights:

- **FY 2005-06 $2,149,001** **FY 2006-07 $2,292,001**
- FY 2005-06 increase is 2.8% of current year's budget or 2% when basic increases for annualized salaries and related fringe benefits are factored out.
- FY 2006-07 increase is 3.0% of current year's budget or 2.2% when basic increases for annualized salaries and related fringe benefits are factored out.

NORTH CAROLINA DEPARTMENT OF REVENUE

2/23/2005

DOR-18



North Carolina Department of Revenue
Administration - Center 1600

Administration consists of the Secretary of Revenue, the Deputy, the five assistant secretaries, internal auditor, public information officer, legislative liaison and support staff. The Deputy and assistant secretaries have responsibility for the various activities in the department's 23 divisions. The divisions in the Department can be broadly categorized in the functional areas of collections, compliance, planning, development and technology, tax administration, taxpayer assistance, processing, and support.

FISCAL DATA

Administration - Center 1600
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$1,412,355	$1,562,042	$1,587,772	$1,589,667
Receipts	0	0	0	0
Appropriation	$1,412,355	$1,562,042	$1,587,772	$1,589,667
Positions	20	20	20	20

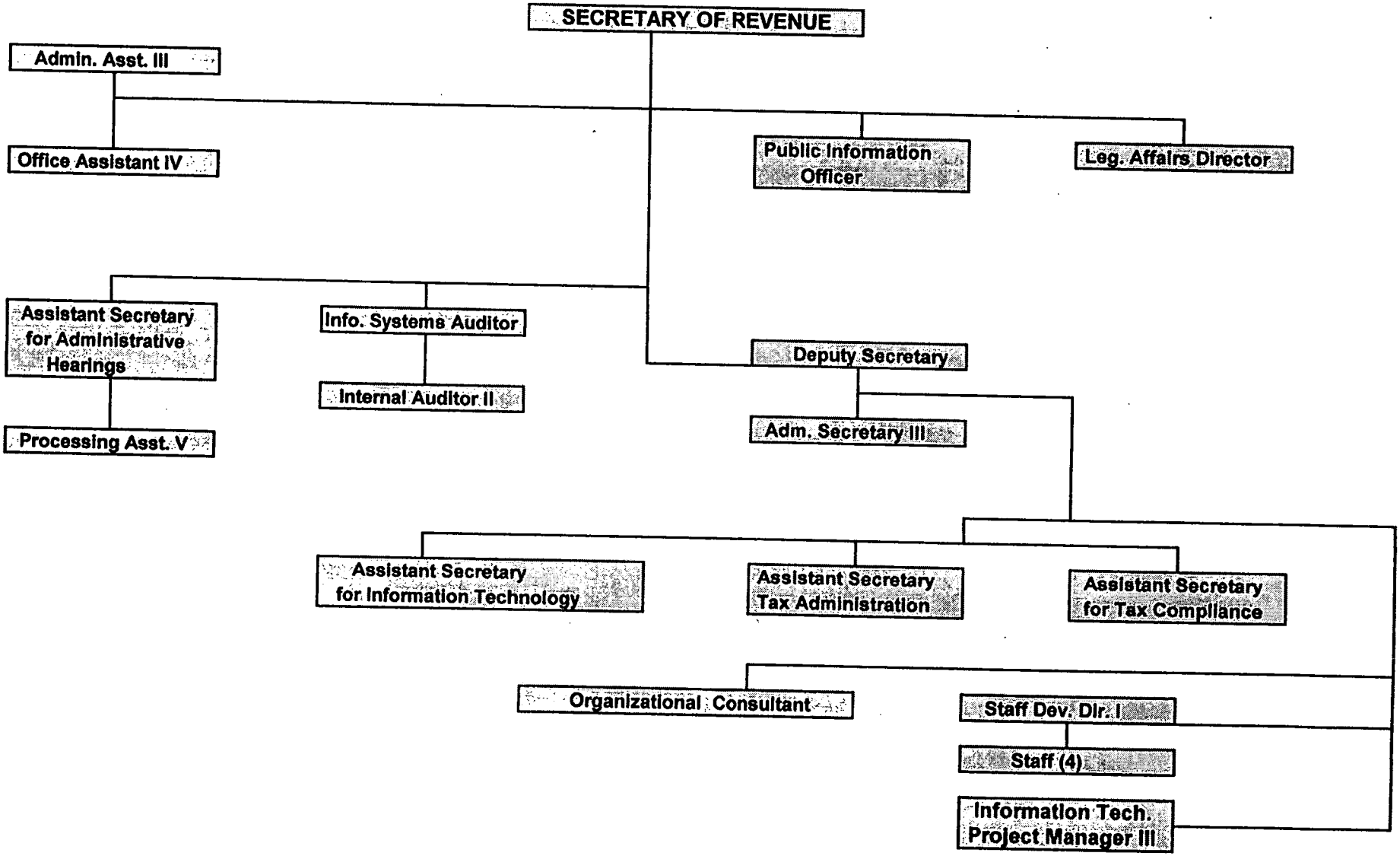
CONTINUATION BUDGET Highlights:

- **FY 2005-06 $25,730** **FY 2006-07 $27,625**
- Increase to Temporary Wages, Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures.

2/23/2005

NORTH CAROLINA DEPARTMENT OF REVENUE

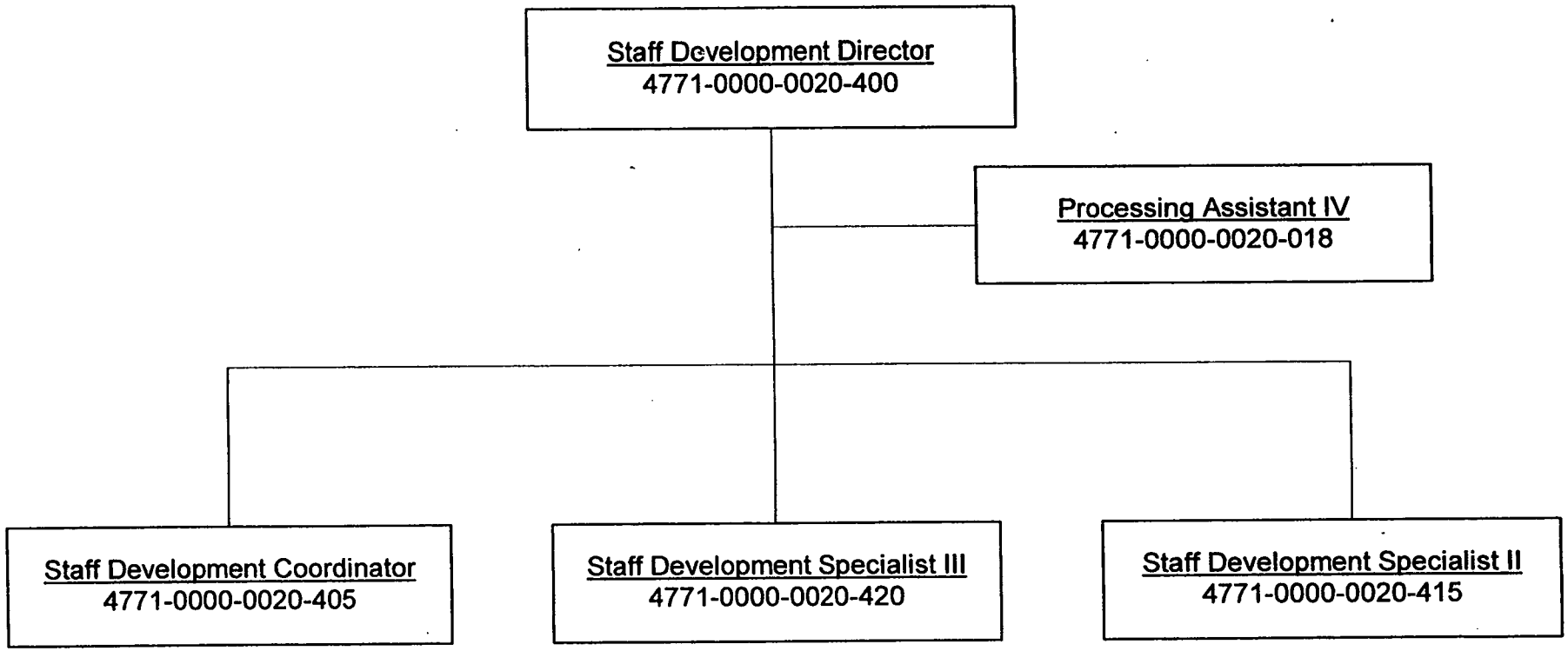
ADMINISTRATION



DOR-20

North Carolina Department of Revenue
Training Division
Organization Chart

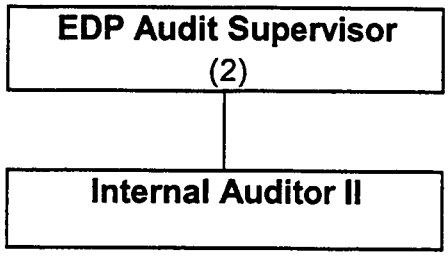
DOR-21



January 25, 2005

North Carolina Department of Revenue

INTERNAL AUDIT



January 25, 2005

DOR-22

North Carolina Department of Revenue
Security - Center 1602

The Security Division develops and maintains an integrated program for the protection of all agency resources from unauthorized access, modification or disclosure, and intentional or unintentional loss or destruction. The program includes information systems security, physical security, and disclosure of tax information.

FISCAL DATA

Security - Center 1602
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$874,333	$858,117	$929,397	$932,085
Receipts	1,859	0	0	0
Appropriation	$872,474	$858,117	$929,397	$932,085
Positions	17	17	17	17

Security's primary tasks include:

- Recommending and maintaining DOR security policies, procedures and guidelines.
- Providing access to resources, both DOR and external resources available to DOR, upon authorization from DOR management.
- Managing systems which detect potential intrusions or attempts to obtain unauthorized access to DOR resources; acting as a single point of contact and investigating all security related incidents and violations.
- Providing guidance and technical assistance to all DOR units, including analyzing, evaluating and approving all security plans and requirements.
- Ensuring the appropriate level of security is implemented in all systems developed or purchased.
- Conducting periodic reviews and audits of DOR operating units and systems/other resources to ensure compliance with Federal/State legal and regulatory requirements and DOR security regulations.
- Providing security training and awareness for all employees.

CONTINUATION BUDGET Highlights:

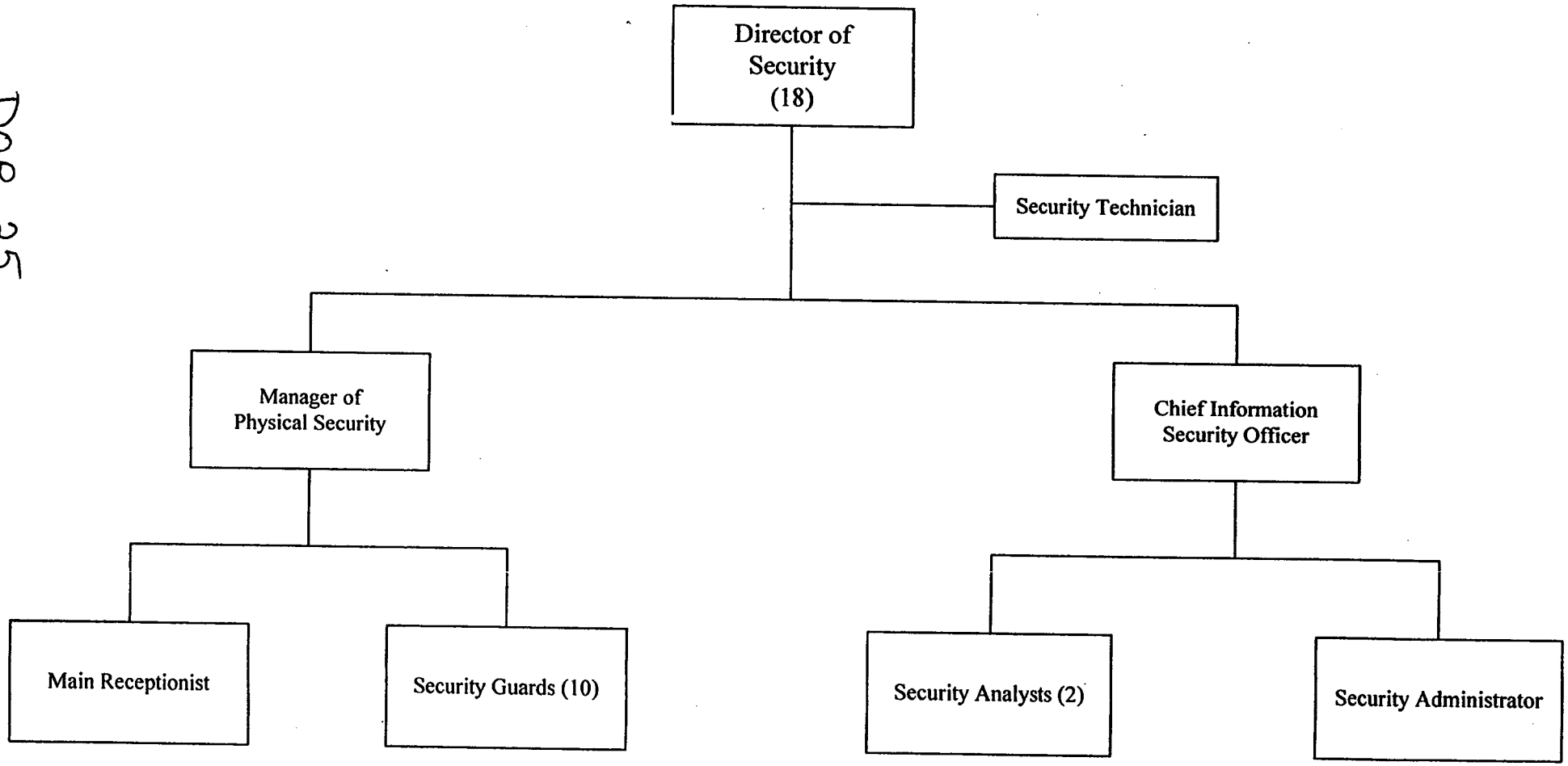
- **FY 2005-06** **FY 2006-07**
  $71,280 **$73,968**
- Increase to Overtime Pay, Holiday Pay, Longevity and related benefits to meet prior year's actual expenditures.

North Carolina Department of Revenue

01/01/05

DOR-25

Security Division



North Carolina Department of Revenue
Personnel - Center 1603

The Personnel Division provides administrative and technical guidance and human resource services to departmental employees. Typical human resources functions include, recruiting, selecting and hiring employees, administering benefits and overseeing the administration of personnel policies in accordance with State Personnel rules and guidelines.

FISCAL DATA

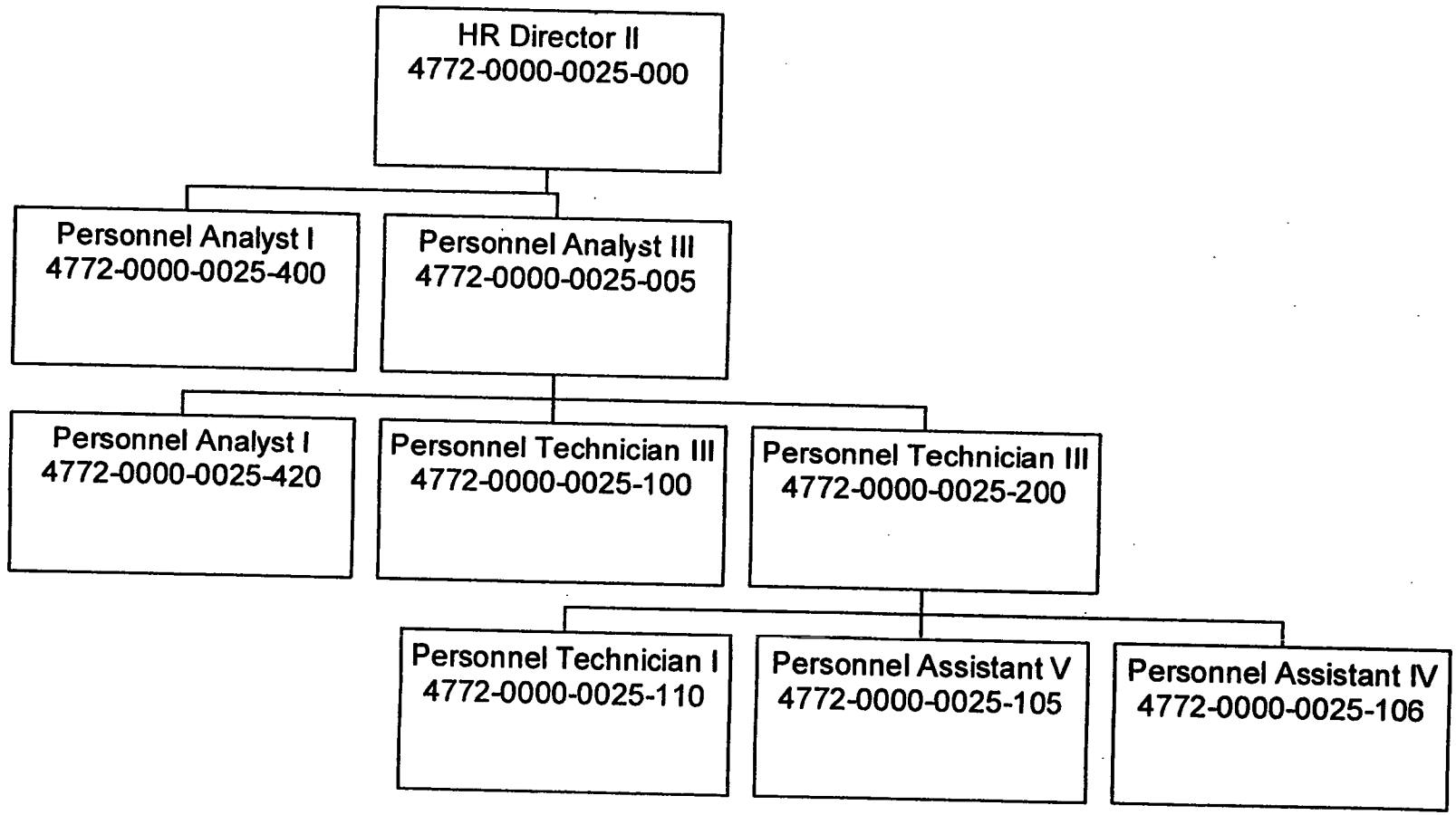
Personnel - Center 1603
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$500,725	$494,991	$509,933	$509,933
Receipts	0	0	0	0
Appropriation	$500,725	$494,991	$509,933	$509,933
Positions	9	9	9	9

CONTINUATION BUDGET Highlights:

- **FY 2005-06 $14,942** **FY 2006-07 $14,942**
- Increase and Decrease to Temporary Wages, Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures.

Personnel Division



North Carolina Department of Revenue

Information Technology (IT) - Center 1605

Information Technology (IT) is a group of four divisions and one major sub-unit with a common mission: to promote and provide quality information services and technology in an efficient manner to facilitate the administration of tax laws and the collection of taxes due the state. IT was reorganized in 1996 to emphasize the importance of technology and broaden the scope of responsibilities so that the department could better manage its technology assets. The main goals were to implement technology that would allow the department to efficiently capture and manipulate data to support needs both within and outside the agency, and to provide all employees with powerful work management and office automation tools to improve employee productivity. The name was changed in 2001 from Planning, Development and Technology (PD&T) to Information Technology.

Applications Development and Support Division

Responsible for the development and support of all Department of Revenue (DOR) business applications, including ITAS, JETS, RCA, ELF, OFP, Electronic Funds Transfer (EFT), Data Capture, and several other PC-based applications.

Database Management Division

Responsible for directing, designing, implementing, managing, securing, recovering, maintaining, monitoring and performance-tuning all departmental multi-user database management systems, including batch and on-line application access layers.

Production Systems Integration and Support Division

Responsible for directing and facilitating production integration activities for the department's computer software applications, including leading business requirements definition efforts, ensuring business requirements are met through the required application development or technology deployment, coordinating user acceptance test plans, development and execution, and management of system availability and batch job execution.

Technology Services Division

This division is comprised of four sub units. The Network group is responsible for the infrastructure of the network and the integration of the equipment attached to the network. The Client/Server group is responsible for providing systems programmer and system administration support for the application and database servers that support the business operations. The Help Desk Support Center group is made up of the phone center and on-site support, provides help desk and hardware and software support for the department's workstations. The Computer Operations and Production Control group provides a variety of functions and is staffed for three shifts 5 days/week. Functions include providing direct support to the Data Capture system through systems programming and systems administration; scheduling, monitoring, and coordinating the production cycle and operation of the ITAS system; and supporting the DOR e-mail system's hardware and operating system software.

Quality Assurance

Responsible for establishing, implementing, and enforcing industry standard processes, procedures, and tools used during the software development and maintenance life cycles.

FISCAL DATA

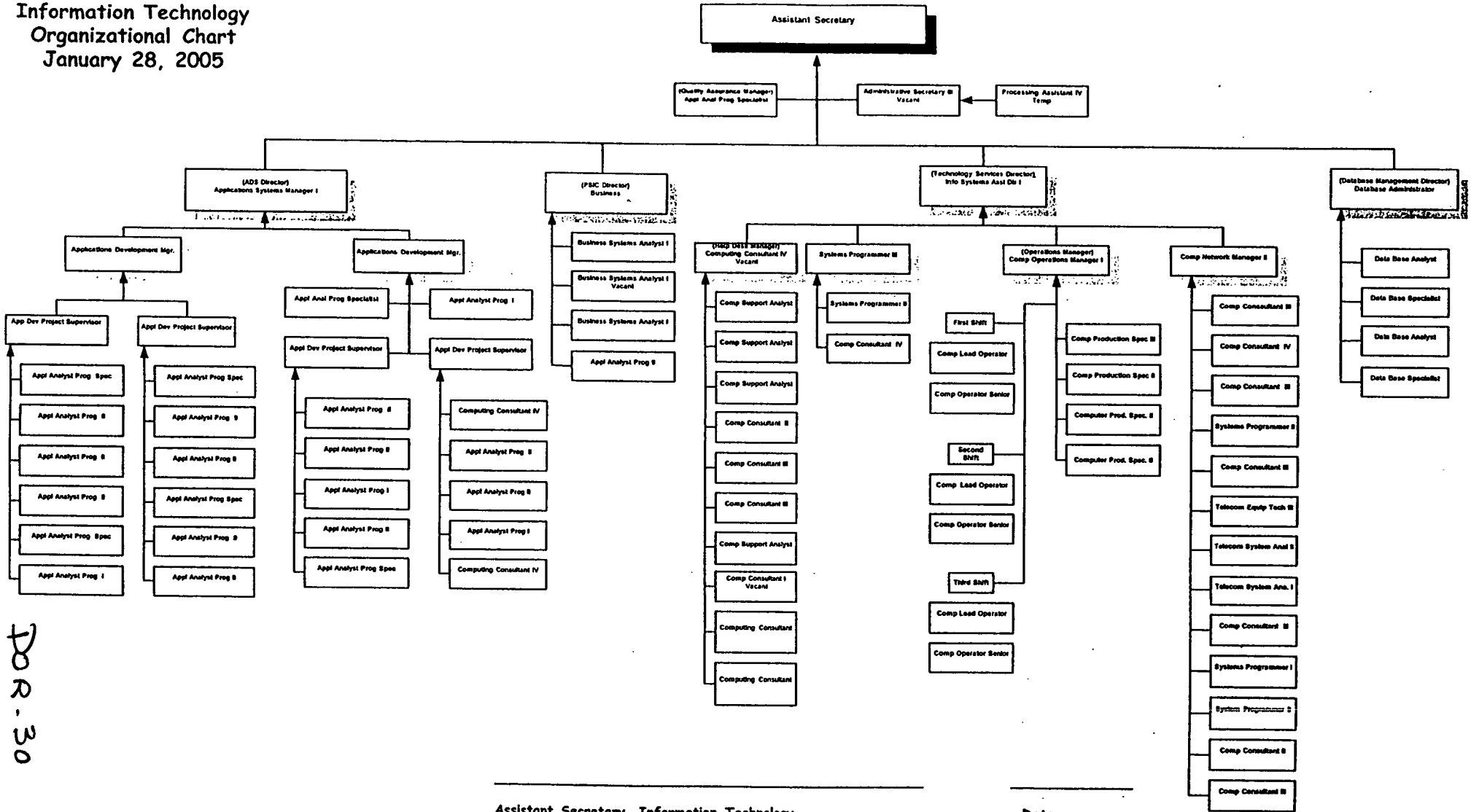
Information Technology - Center 1605
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$13,536,567	$14,190,424	$14,577,509	$14,596,645
Receipts	30,350	0	0	0
Appropriation	$13,506,217	$14,190,424	$14,577,509	$14,596,645
Positions	77.5	77.5	80.5	83.5

CONTINUATION BUDGET Highlights:

- **FY 2005-06 $387,085** **FY 2006-07 $406,221**
- Increase to Temporary Wages, Longevity Pay, Overtime Pay, Holiday Pay, Shift Premium Pay, Workers Compensation and related benefits to meet prior year's actual expenditures.
- Reallocate contractual funds of $223,610 (Year 1) and $434,739 (Year 2) to salaries/benefits to establish 6 new permanent staff positions; 3 positions in Year 1, and 3 additional positions in Year 2. Over a 2 year period, salaries/benefits for the 6 positions is $242,000 less than the cost that is currently being paid to 6 private contractors. Conversion does not eliminate the need to continue to utilize contractors for special projects.
- Increase to Computer/Data Processing Services of $255,093 for Year 1 and for Year 2 to meet average annual ITS data processing expenditures of $5,372,366. Increase of $255,093 was requested only after there was a realignment of $501,000 from within the IT existing budget during the Continuation Budget process. DOR does not believe the increase of $255,093 will be sufficient to pay increasing IT costs for the two upcoming fiscal years, based on prior history; however there was no basis for a larger (requested) increase based on current available data.

Information Technology Organizational Chart January 28, 2005



DOR-30

Assistant Secretary, Information Technology

Date

North Carolina Department of Revenue
Tax Research - Center 1607

The Tax Research Division compiles and publishes statistical and descriptive information on state and local taxes, analyzes the impact of proposed changes in the tax laws, researches and reports on tax issues, and answers inquiries from other state agencies and the public about the tax laws. The division works with the Department of Commerce to provide information for industrial development clients.

FISCAL DATA

Tax Research - Center 1607
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$528,585	$824,535	$826,125	$827,576
Receipts	2,826	0	0	0
Appropriation	$525,759	$824,535	$826,125	$827,576
Positions	17	17	17	17

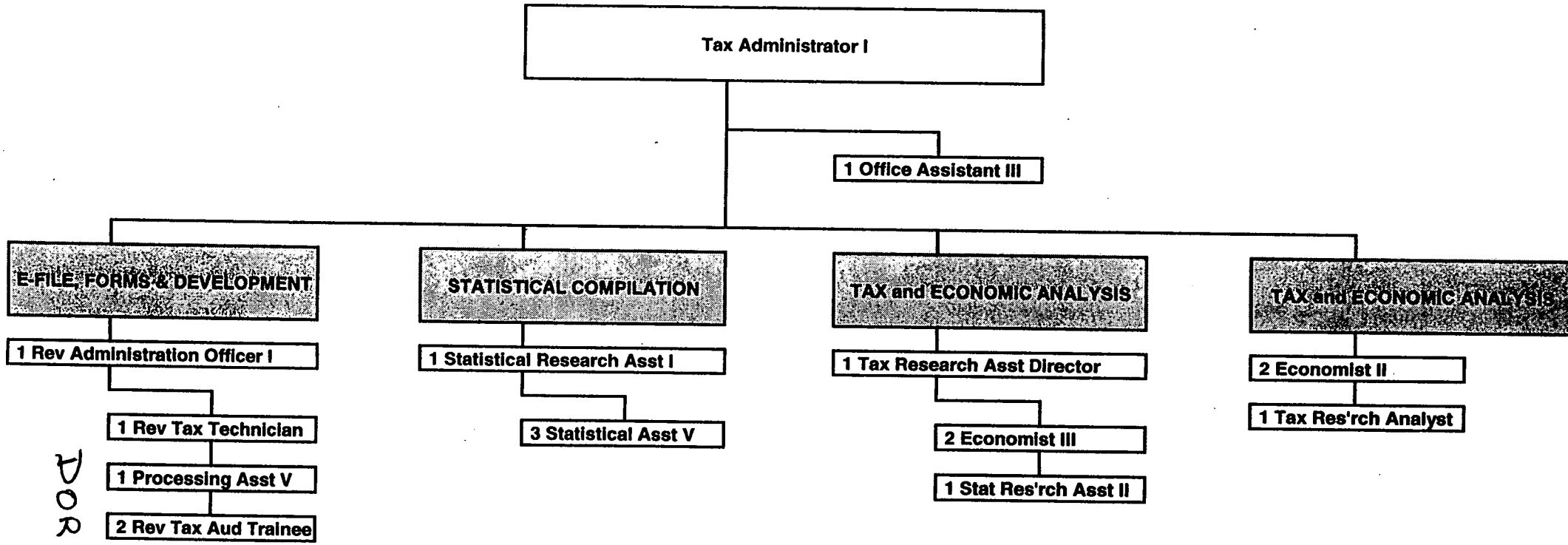
CONTINUATION BUDGET Highlights:

- **FY 2005-06 $1,590** **FY 2006-07 $3,041**
- Increase and decrease to Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures.

/26/2005

North Carolina Department of Revenue

TAX RESEARCH DIVISION



DOR-W2

North Carolina Department of Revenue
Criminal Investigations - Center 1609

Criminal Investigations (CID) elevates the level of voluntary compliance with all tax schedules administered by the Department through the enforcement of the criminal provisions of the North Carolina Revenue Laws. The goal is to successfully identify, investigate and prosecute those individuals and businesses that intentionally violate the state's tax statutes. CID investigations generally center on high profile flagrant violators that set up schemes to evade substantial amounts of state taxes. Agents are responsible for developing clear, convincing, and admissible evidence to prove the allegations in court. This involves interviewing subjects and witnesses; locating, securing and analyzing books, records and other evidence; compiling financial data; making prosecution recommendations; drafting and serving arrest warrants; and acting as the state's chief witness in all criminal proceedings.

FISCAL DATA

Criminal Investigations - Center 1609
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$812,134	$895,199	$905,977	$907,585
Receipts	0	0	0	0
Appropriation	$812,134	$895,199	$905,977	$907,585
Positions	13	13	13	13

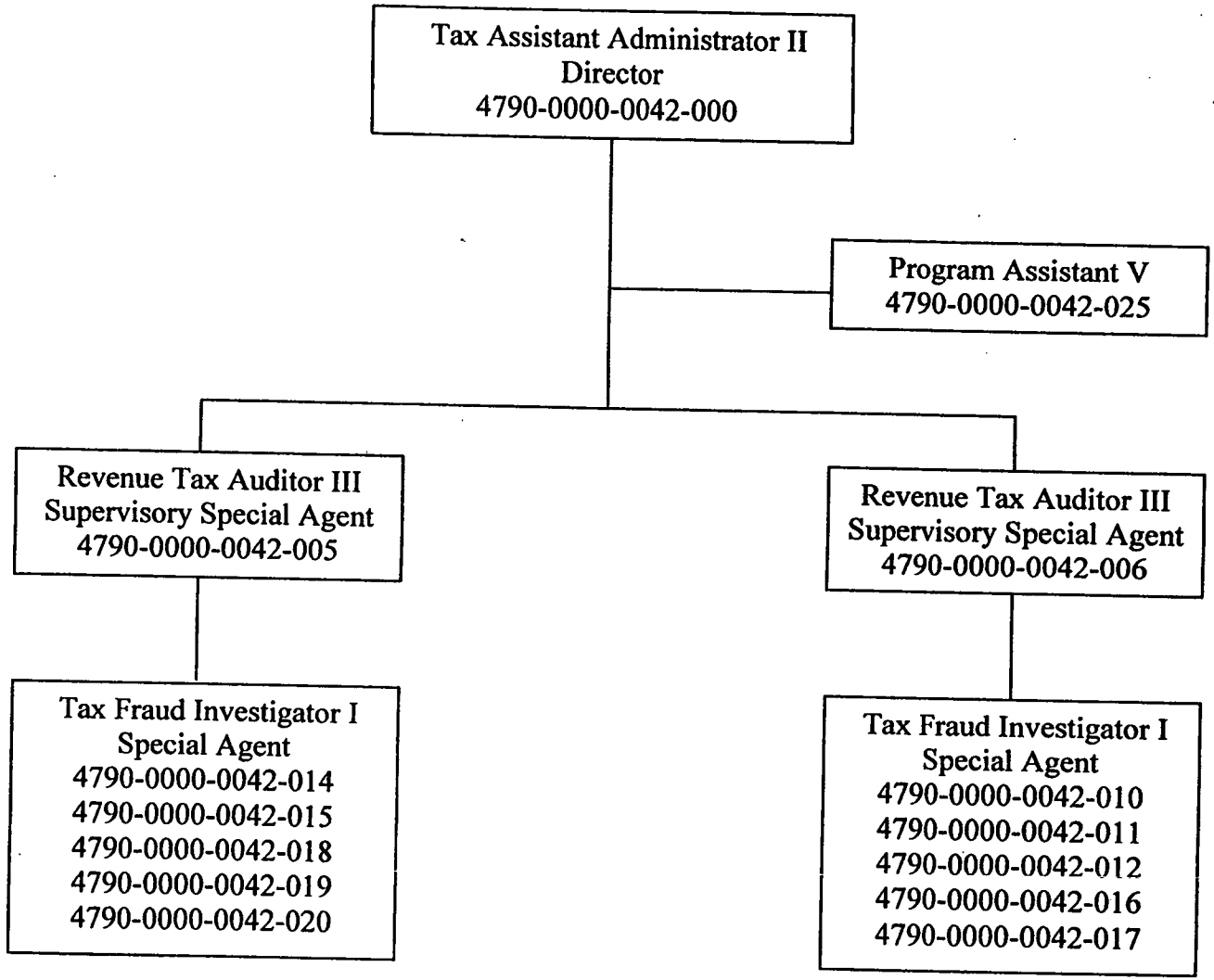
- CID does not prosecute individuals that make honest mistakes, misunderstand, or misinterpret the tax laws – It must prove that all violations were WILLFUL.
- As of 12/31/04, CID has successfully prosecuted 523 criminal cases and has a conviction ratio of 99.6%.
- Taxes, penalties and interest assessed in CID cases average $66,342 per case over a 20 year history.
- As of 12/31/04, $34.7 million has been assessed in CID cases.

CONTINUATION BUDGET Highlights:

- **FY 2005-06 $10,778** **FY 2006-07 $12,386**
- Increase to Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures.

North Carolina Department of Revenue
Criminal Investigations Division

DOR-34



North Carolina Department of Revenue
Corporate, Excise & Insurance - Center 1621

The Corporate, Excise and Insurance Tax Division administers the tax laws in an equitable and efficient manner and seeks to educate tax practitioners and Department personnel about the laws in order to achieve maximum compliance.

FISCAL DATA

Corporate, Excise & Insurance - Center 1621
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$813,116	$813,260	$820,471	$821,000
Receipts	942	0	0	0
Appropriation	$812,174	$813,260	$820,471	$821,000
Positions	12	12	12	12

The Division:

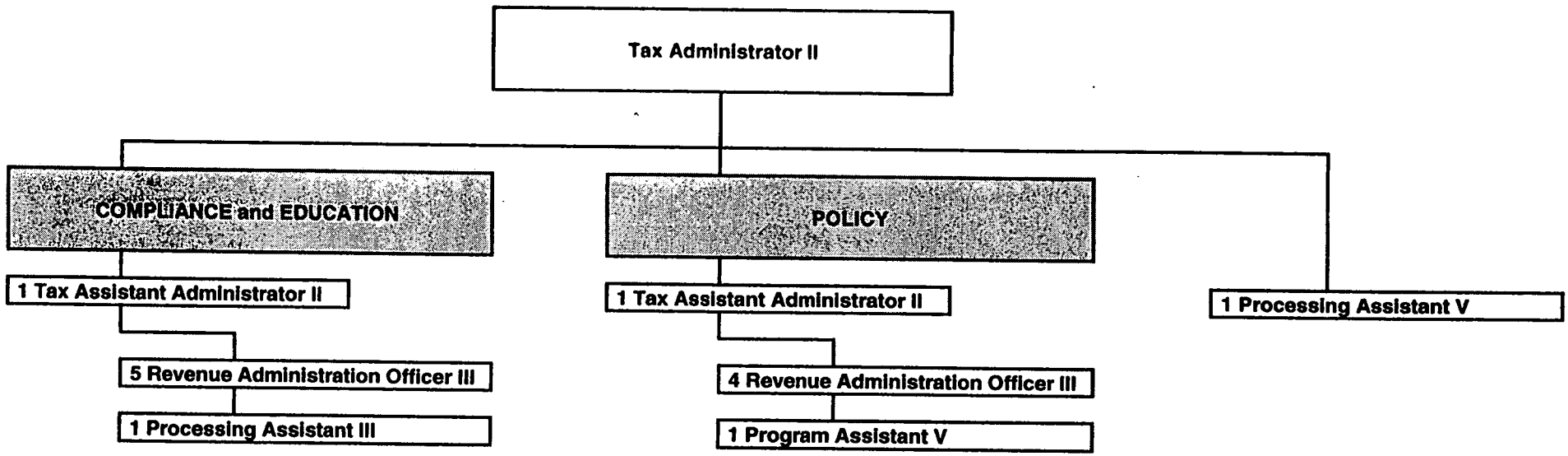
- Resolves highly complex and controversial issues.
- Writes and updates publications and forms.
- Issues private letter rulings to taxpayers and practitioners inquiring about specific issues with significant emphasis on William S. Lee credits.
- Conducts informal conferences.
- Prepares briefs and decisions for Administrative Tax Hearings.
- Represents the division at Administrative Tax Hearings and Tax Review Board Hearings.
- Receives, reviews, and responds to voluntary disclosures submitted by the Multistate Tax Commission Voluntary Disclosure Program.
- Plans/develops strategies for implementing legislative changes/new tax laws.
- Makes presentations to various groups on issues and law changes related to taxes administered by the Division.
- Participates in special projects and programs:
  - SEATA Exchange Program
  - Multistate Tax Commission Nexus Program and Uniformity Committee member.
  - Participant in Federation of Tax Administrators, Tobacco Section Southeast Region (Secretary).

CONTINUATION BUDGET Highlights:

- **FY 2005-06** **FY 2006-07**
  $7,211 **$7,740**
- Increase and decrease to Temporary Wages, Longevity, and related benefits to meet prior year's actual expenditures.

North Carolina Department of Revenue

CORPORATE, EXCISE & INSURANCE TAX DIVISION



DOR-37

North Carolina Department of Revenue
Personal Taxes - Center 1623

The Personal Taxes Division administers the tax laws with respect to individual income, gift, and estate tax. The division is responsible for formulating State tax policy; providing technical direction and assistance to the General Assembly, the accounting community, attorneys, department employees, and taxpayers; interpreting and applying North Carolina's tax laws, rules, and regulations; and resolving complex and controversial tax issues.

FISCAL DATA

Personal Taxes - Center 1623
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$507,273	$538,983	$553,694	$553,694
Receipts	0	0	0	0
Appropriation	$507,273	$538,983	$553,694	$553,694
Positions	8	8	8	8

The Division:

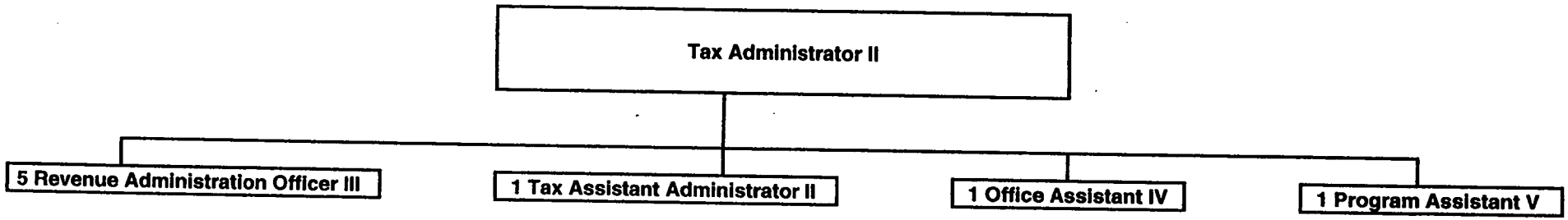
- Resolves highly complex and controversial issues.
- Develops, designs, and revises tax forms, instructions, and other publications.
- Coordinates the printing and mailing of tax forms and publications, including writing bid specifications.
- Issues letter rulings to taxpayers about specific issues.
- Conducts informal conferences.
- Prepares briefs and drafts of decisions for administrative tax hearings.
- Handles offers in compromise received from taxpayers.
- Represents the Department at administrative tax hearings and Tax Review Board hearings.
- Plans/develops strategies for implementing legislative changes/new tax laws.
- Suggests technical and substantive law changes to the General Assembly.
- Critiques pending legislation.
- Makes presentations to various groups on the taxes administered by this Division.
- Administers the tax credit for qualified business investments, including approving the applications for credit, totaling the credits applied for, applying the annual ceiling to the credits applied for, and notifying taxpayers of the credits that may be claimed.

CONTINUATION BUDGET Highlights:

- **FY 2005-06** **FY 2006-07**
  $14,711 **$14,711**
- Increase to Temporary Wages, Longevity and related benefits to meet prior year's actual expenditures.

North Carolina Department of Revenue

PERSONAL TAXES DIVISION



DOR-40

North Carolina Department of Revenue
Sales & Use - Center 1627

The Sales and Use Tax Division is responsible for formulating state tax policy and providing technical direction and assistance in the administration of the state's tax laws with respect to sales and use, utility sales, motor vehicle lease and rental, scrap tire disposal, white goods disposal, dry-cleaning solvent, and Mecklenburg County transit taxes.

FISCAL DATA

Sales & Use - Center 1627
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$801,882	$872,988	$879,196	$879,196
Receipts	0	0	0	0
Appropriation	$801,882	$872,988	$879,196	$879,196
Positions	13	13	13	13

The Division:

- Resolves highly complex and controversial issues.
- Writes and updates publications and forms.
- Issues letter rulings to taxpayers inquiring about specific issues.
- Conducts informal conferences.
- Prepares briefs and decisions for Administrative Tax Hearings.
- Represents the division at Administrative Tax Hearings and Tax Review Board Hearings.
- Plans/develops strategies for implementing legislative changes/new tax laws.
- Critiques pending legislation.
- Administers Direct Pay Permits.
- Makes presentations to various groups on sales and use taxes.
- Monitors vendors under State contract for compliance of use tax collection responsibility.
- Participates in a number of special projects and programs.
    - SEATA Exchange Program.
    - Multistate Tax Commission Nexus and Uniformity Committee member.
    - Participant state in the Streamlined Sales Tax Project.

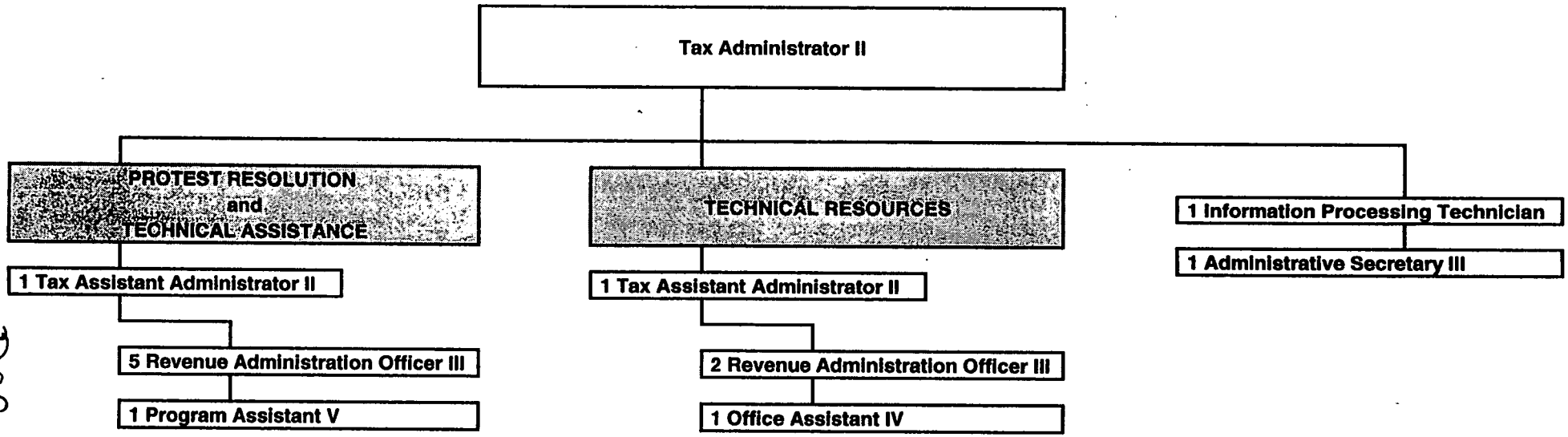
CONTINUATION BUDGET Highlights:

- **FY 2005-06** **FY 2006-07**
  $6,208 **$6,208**
- Increase to Longevity and related benefits to meet prior year's actual expenditures.

1/26/2005

North Carolina Department of Revenue

SALES AND USE TAX DIVISION



DOR-43

North Carolina Department of Revenue
Property Tax - Center 1629

The Property Tax Division exercises general and specific supervision over the administration of the property tax in this state. One hundred percent (100%) of this division's annual expenditures are repaid to the General Fund in the following year from the local sales and use tax.

FISCAL DATA

Property Tax - Center 1629
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$984,974	$1,057,586	$1,061,722	$1,063,863
Receipts	0	3,800	0	0
Appropriation	$984,974	$1,053,786	$1,061,722	$1,063,863
Positions	15	15	15	15

The Division:

- Explains the property tax laws through rules, bulletins, directives, private letter rulings, notices, forms and instructions, and other means.
- Resolves protests brought by taxpayers over property tax disputes with local governments.
- Appraises the public service companies operating in this state and distributes the value to the proper taxing jurisdiction. This represents approximately $25 billion in value.
- Makes public presentations and conducts training programs.
- Formulates principles of property tax policy that promote fairness, simplicity, and economic neutrality.
- Analyzes and recommends proposed changes in the property tax laws.
- Maintains a thorough understanding of current and new property tax legislation and communicates that with the local tax officials and the public.
- Serves as staff to the North Carolina Property Tax Commission which serves as the State Board of Equalization and Review.

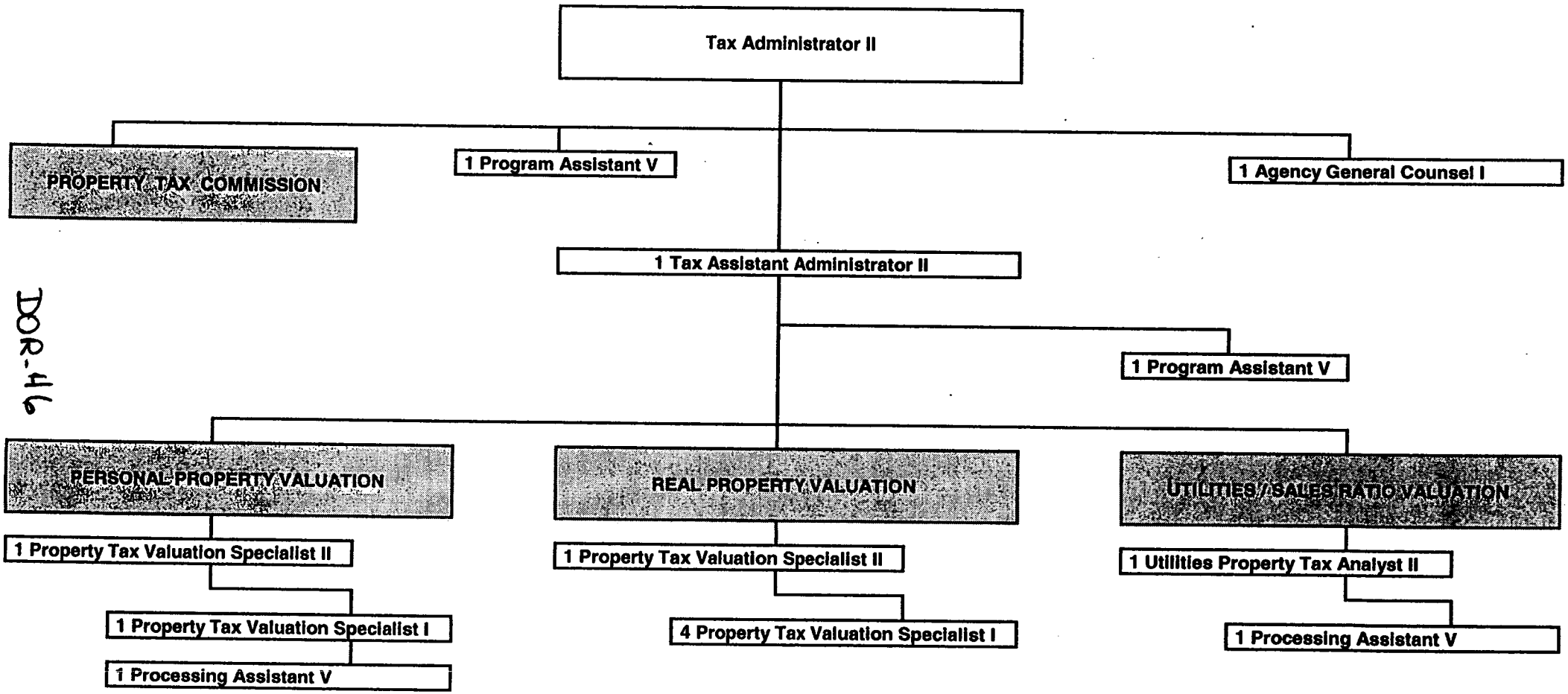
CONTINUATION BUDGET Highlights:

FY 2005-06	FY 2006-07
$7,936	$10,077

- Increase to Longevity, and related benefits to meet prior year's actual expenditures.
- Increase to Compensation for Property Tax Board Members to meet prior year's actual expenditures.
- Increase to Lodging, Meals and Board Subsistence, due to allowable OSBM inflationary increase for subsistence.

North Carolina Department of Revenue

PROPERTY TAX DIVISION



DOR-416

North Carolina Department of Revenue
Taxpayer Assistance - Center 1643

The Taxpayer Assistance Division provides the public with courteous and timely taxpayer assistance by giving clear and accurate information regarding tax matters. In meeting the demand for taxpayer assistance, the division strives to be readily accessible, through personal contact and the use of technology, and responsive to the public's needs. The division seeks to obtain a higher degree of voluntary compliance by providing timely, accurate, and understandable information.

A group of employees in the Central Section (86 positions) of the Taxpayer Assistance Division comprise Level II and Level III call center support for the Taxpayer Assistance and Collection Center (TACC). TACC employees in Rocky Mount handle Level I calls and if necessary, transfer calls to Level II and III in accordance with standard operating procedures.

FISCAL DATA

Taxpayer Assistance - Center 1643
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$7,422,656	$8,571,013	$8,551,087	$8,559,904
Receipts	201,642	235,068	234,470	234,470
Appropriation	$7,221,014	$8,335,945	$8,316,617	$8,325,434
Positions	183	182	182	182

The following statistics for FY 2003-04 relate to the Taxpayer Assistance Division (Central Section and Service Centers) only and does not include TACC statistics for personnel in Rocky Mount.

- Total calls answered - 269,187
- Taxpayers assisted at 11 Service Centers statewide - 70,250
- Pieces of correspondence worked - 84,872

CONTINUATION BUDGET Highlights:

- **FY 2005-06 ($19,328)** **FY 2006-07 ($10,511)**
- Increase to Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures.
- Decrease to Temporary Wages and related benefits of $34,454 to reflect prior year's actual expenditures.
- Decrease in Forest Products receipts to agree with changes in receipts supported line items.

North Carolina Department of Revenue

Taxpayer Assistance Division

12/18/2005

TOTAL POSITIONS: 204

Denotes TACC Employees
Total TACC Positions: 86

Michael A. Boone, Director

Field Personnel - TPA Service Centers
Gary W. Blackley, Assistant Director
- 11 Revenue Office Managers
- 32 Revenue Officers
- 11 Information Processing Technicians
- 1 Processing Assistant

****VACANT****
Assistant Director

1 Processing Assistant

TACC EMPLOYEES
Count of Total Positions (86)
- 28 Revenue Administration Officers
- 25 Revenue Tax Auditors
- 4 Administrative Assistants
- 29 Tax Technicians

Rebecca A. Mudd, Assistant Director

DOR-48

Correspondence
Debra W. Wall, Group Manager

Receiving / Sort / Suppress
Doris M. Emory, Supvr
- 3 Processing Assistants

Ret Mail / Research / Re-Mail
Angelicia D. Brown, Supvr
- 7 Processing Assistants

Word Processing
Linda W. Moore, Supvr
- 2 Processing Assistants

Notices Distribution
Wanda S. Norris, Supvr

Individual Income Tax
Stella H. Boykin, Supvr
- 5 Processing Assistants

Corporate Inc & Franchise Tax
June D. Proctor, Supvr
- 2 Processing Assistants

Sales & Withholding Taxes
Mary P. Musselwhite, Supvr
- 2 Processing Assistants

Correspondence Team I
Belinda G. Hathcock, Supvr
- 7 Processing Assistants

Correspondence Team II
Torri G. Young, Supvr
- 7 Processing Assistants

Correspondence Team III
Judy C. Wood, Supvr
- 7 Processing Assistants

Income Technical
Alvago P. Olds, Group Manager
- 13 Revenue Administration Officers
- 1 Revenue Tax Auditor

Business Technical
Wallace Ashley, III, Group Manager
- 12 Revenue Administration Officers

Telephone Units
Eulalia A. Winstead, Supvr
- 4 Administrative Assistants
- 29 Revenue Tax Technicians

Electronic Knowledge Group
Alice M. Worsley, Manager
- 2 Revenue Tax Technician
- 1 Revenue Administration Officer

Taxpayer Research & Resolution
Linwood D. Mitchell, Group Manager

Tax Compliance Unit
Lizzie R. Watson, Supvr
- 7 Revenue Tax Auditors

Problem Resolution Unit
Angela P. Stephenson, Supvr
- 7 Revenue Tax Auditors

Amended Returns Unit
Teresa H. Bunn, Supvr
- 6 Revenue Tax Auditors

Telephone Operations
Linda S. Dodson, Supvr

Michael A. Boone, Director

North Carolina Department of Revenue
Examination and Collection - Center 1660

Examination Division
The Examination Division administers the tax laws and determines taxes. Division personnel conduct state tax audits of individuals, businesses, and governmental entities by employing professional audit methods, standards, and procedures. Examinations will be conducted in the most effective, efficient, and professional manner in order to attain the highest degree of compliance with tax laws and regulations. Personnel also provide timely and effective customer service, assistance, advice, and information on tax matters to individuals, businesses, and governmental entities.

Collection Division
The Collection Division is responsible for resolving past due tax accounts. The resolution may involve collection, adjustments, penalty waivers or settlements. The ultimate goal is to assist taxpayers in becoming compliant with the state tax statutes. The division collects delinquent taxes for all tax schedules administered by the department.

FISCAL DATA

Examination and Collection - Center 1660
Continuation Budget

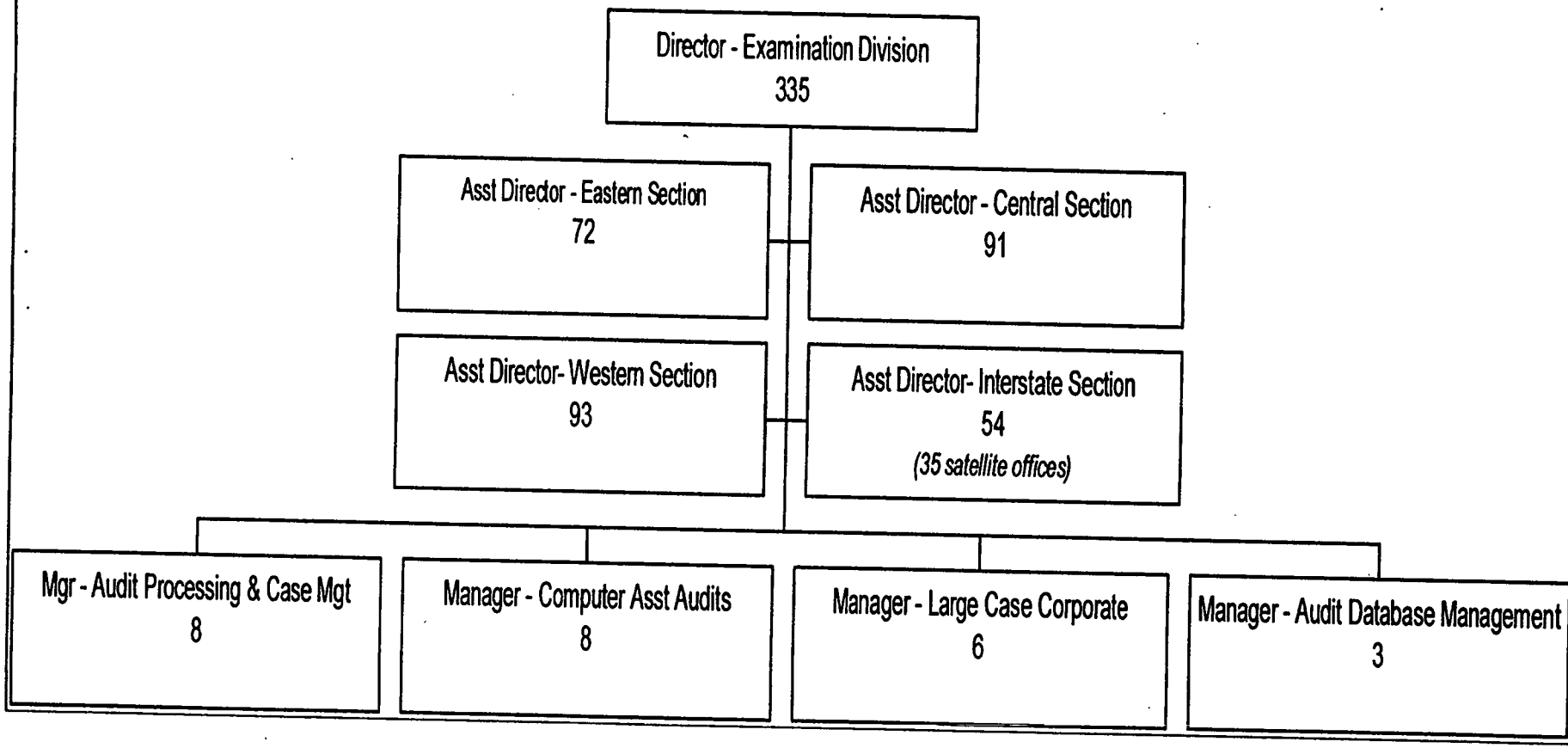
	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$23,541,501	$24,956,606	$25,169,103	$25,192,020
Receipts	16,917	3,667,234	3,779,345	3,783,107
Appropriation	$23,524,584	$21,289,372	$21,389,758	$21,408,913
Positions	430	433	399	399
Corrected Positions	430	434	434	434

NOTE: Position counts are incorrect due to an incorrect posting of position counts during budget preparation. Correct position counts are 434 for each year of the new biennium.

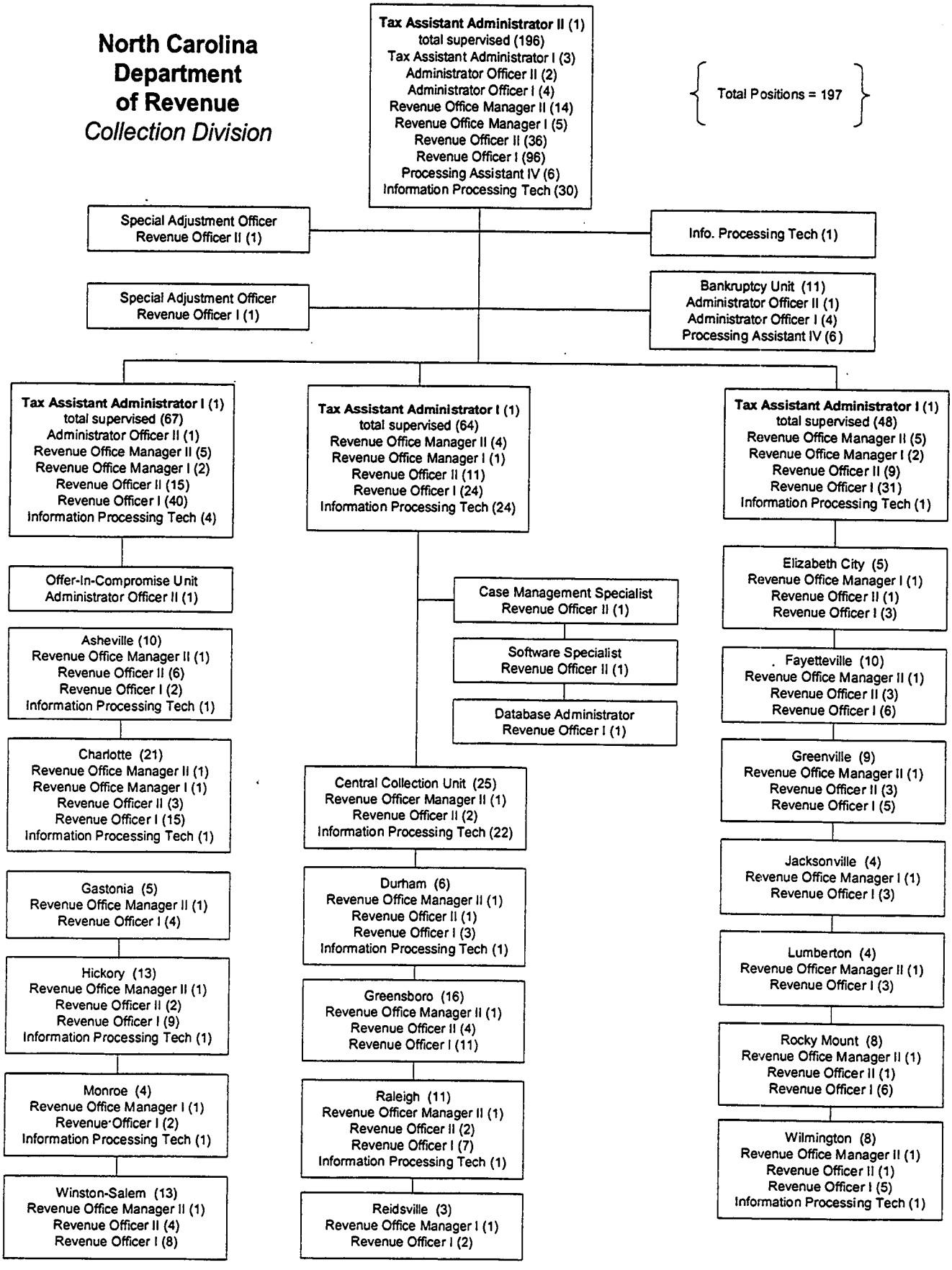
CONTINUATION BUDGET Highlights:

- **FY 2005-06** **FY 2006-07**
  $100,386 **$119,541**
- Increase and decrease to Temporary Wages, Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures.
- Increase of $29,600 for the actual expenditures incurred for the monthly reimbursement to 36 interstate auditors who live and work out-of-state. Auditors are required to have a separate room in their home to conduct Department business. Monthly payment of $300 assists auditor with expenses related to having a separate room for business purposes. Currently $100,000 budgeted annually. [36 interstate auditors x $300 monthly reimbursement x 12 months = $129,600]

NORTH CAROLINA DEPARTMENT OF REVENUE - EXAMINATION DIVISION



North Carolina Department of Revenue
Collection Division



DOR-52

North Carolina Department of Revenue
Project Collect Tax- Center 1661

Project Collect Tax is an ongoing project in the Department that has two primary objectives; (1) to reduce accounts receivables, and (2) to collect $150 million in tax debt over and above normal revenue collections for the 2001-03 Biennium. Based on legislation as enacted by the 2001 General Assembly, the Department can assess a 20% collection assistance fee on tax debts that remain unpaid 90 days after the notice of final assessment has been mailed to the taxpayer.

The Collection Division has collected a total of $479.9 million in Project Collect Tax initiatives for the forty two month period ending December 31, 2004. The Department continues to review procedures to automate collection processes to aid citizens in becoming compliant with the State's revenue laws.

FISCAL DATA

Project Collect Tax - Center 1661
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$1,971,839	$2,311,083	$2,504,086	$2,504,086
Receipts	396,904	2,311,083	2,504,086	2,504,086
Appropriation	$1,574,935	$ 0	$ 0	$ 0
Positions	48	48	48	48

NOTE: The 48 positions allocated to this Budget are represented organizationally in the following divisions where their specific job duties are performed: Information Technology, Taxpayer Assistance and Examination and Collection.

CONTINUATION BUDGET Highlights:

- **FY 2005-06 $193,003** **FY 2006-07 $193,003**
- Increase to Temporary Wages, Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures (increase is entirely to receipts).

North Carolina Department of Revenue
Taxpayer Call Center - Center 1662

The Department officially began operations at its new Taxpayer Assistance and Call Center (TACC) located outside of Rocky Mount, NC on October 1, 2003. Implementation of the TACC has allowed the Department to discontinue using private collection agencies. The Center has 47 positions. The purpose of the Center is to provide a more centralized location for collection activities and taxpayer assistance. Prior to the opening of the call center, the Department was only able to answer 25% of its incoming calls from taxpayers. The Department is now able to provide a much higher level of customer service to taxpayers. State-of-the-art telephone technology has allowed the Department to answer 91.04% of its incoming calls since opening TACC. In February 2004, NCDOR implemented a predictive dialing system that makes calling delinquent taxpayers much more efficient. A predictive dialer automatically contacts (calls) taxpayers to an agent. The dialer can place an average of 2,300 calls a day while the agents were manually averaging 50 calls per day. The dialer saves the agents time by dialing the number automatically and by not connecting calls to an agent that do not reach a human.

FISCAL DATA

Taxpayer Call Center - Center 1662
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$2,248,598	$3,663,992	$4,162,217	$4,162,632
Receipts	722,557	2,154,593	2,154,593	2,154,593
Appropriation	$1,526,041	$1,509,399	$2,007,624	$2,008,039
Positions	48	47	47	47

- Only about 36% of TACC Level I calls are transferred to other parts of the agency, thus allowing taxpayers to get timely service without being transferred to numerous stations.
- Total Calls answered by TACC Level I agents: 765,401 with an average talk time of 3:17 minutes
- 2,113,180 – Number of times the TACC Level I phone numbers have been dialed by taxpayers (including the automated refund line that doesn't connect to agents):
- After navigating through the menu, the taxpayer can opt to speak to an agent at any time. Approximately 94.5% of the taxpayers that opt to speak to an agent get helped. An estimated 5.5% of the taxpayers abandon or hang up after opting to speak to an agent.
- Of taxpayers who chose to speak with agents; average wait time is 57 seconds.
- Since start-up, TACC has collected more than $43 million.

CONTINUATION BUDGET Highlights:

- **FY 2005-06** **FY 2006-07**
  $498,225 **$498,640**
- Increase to Temporary Wages, Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures. Increase to temporary salaries is $453,913.

North Carolina Department of Revenue

TAXPAYER ASSISTANCE AND COLLECTION CENTER (TACC)

DOR-56

1 Revenue Office Manager
2 Revenue Officer II
1 Statistical Assistant V
9 Processing Assistant V
2 Foreign Language Interpreter
62 Processing Assistant IV

PERMANENT POSITIONS:	47
TEMPORARY POSITIONS:	30

Assistant Secretary for Tax Compliance
Alan P. Felton

Revenue Officer Manager II
4784-0000-0076-620

Revenue Officer II
4784-0000-0076-355

Revenue Officer II
4782-0000-0065-788
(8) Processing Assistant V

Statistical Assistant V
4784-0000-0076-708

Processing Assistant V
4784-0000-0076-843

Processing Assistant V
4784-0000-0076-684
(7) Processing Asst. IV
(1) Foreign Lang. Interpreter

Processing Assistant V
4782-0000-0065-779
(8) Processing Asst. IV

Processing Assistant V
4784-0000-0075-210
(8) Processing Asst. IV

Processing Assistant V
4782-0000-0065455
(8) Processing Asst. IV

Processing Assistant V
4784-0000-0076-688
(8) Processing Asst. IV

Processing Assistant V
4784-0000-0074-165
(8) Processing Asst. IV

Processing Assistant V
4784-0000-0076-682
(7) Processing Asst. IV
(1) Foreign Lang. Interpreter

Processing Assistant V
4784-0000-0076-683
(8) Processing Asst. IV

North Carolina Department of Revenue
Project Compliance - Center 1663

Project Compliance began on July 1, 2003, to address the noncompliance of state tax statutes. With additional personnel resources totaling 86 (new) positions, a revenue goal for the project was to produce an additional $40 million in revenue collections from audit assessments for Fiscal Year 2003-04. For Fiscal Year 2004-05 the projected revenue was an additional $76.1 million; for a combined total of $116 million in additional revenue collections over two years. For the period July 1, 2003 through December 31, 2004, total new revenue available to the State is $112.1 million.

The additional revenue collections from this program are the result of examination personnel addressing non-compliance by individuals and businesses primarily in the three major tax types; individual income, sales and use, and corporate income and franchise taxes.

FISCAL DATA

Project Compliance - Center 1663
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$1,463,462	$5,343,156	$5,682,198	$5,684,179
Receipts	0	0	0	0
Appropriation	$1,463,462	$5,343,156	$5,682,198	$5,684,179
Positions	39	86	86	86

NOTE: The 86 positions allocated to this Budget are represented organizationally in the following divisions where their specific job duties are performed: Corporate, Excise and Insurance, Information Technology, Personal Taxes, Taxpayer Assistance, Examination and Collection.

CONTINUATION BUDGET Highlights:

- **FY 2005-06 $339,042** **FY 2006-07 $341,023**
- Increase to Salaries of $507,255 plus related benefits in order to annualize the salaries of 47 new positions received by 2004 General Assembly.
- Increase to Temporary Wages, Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures.
- Decrease to Office Furniture, Office Equipment, and PC/Printers for $294,200 due to nonrecurring appropriation by 2004 General Assembly.

North Carolina Department of Revenue
Unauthorized Substance - Center 1670

The Unauthorized Substance Tax Division administers the levying and collection of the unauthorized substance tax to generate revenue for law enforcement agencies and for the General Fund. The unauthorized substance tax is an excise tax on controlled substances (marijuana, cocaine, etc.), illicit spirituous liquor ("moonshine"), mash and illicit mixed beverages. Seventy percent (70%) of this division's annual expenditures are repaid to the General Fund in the following year from the local sales and use tax.

FISCAL DATA

Unauthorized Substance - Center 1670
Continuation Budget

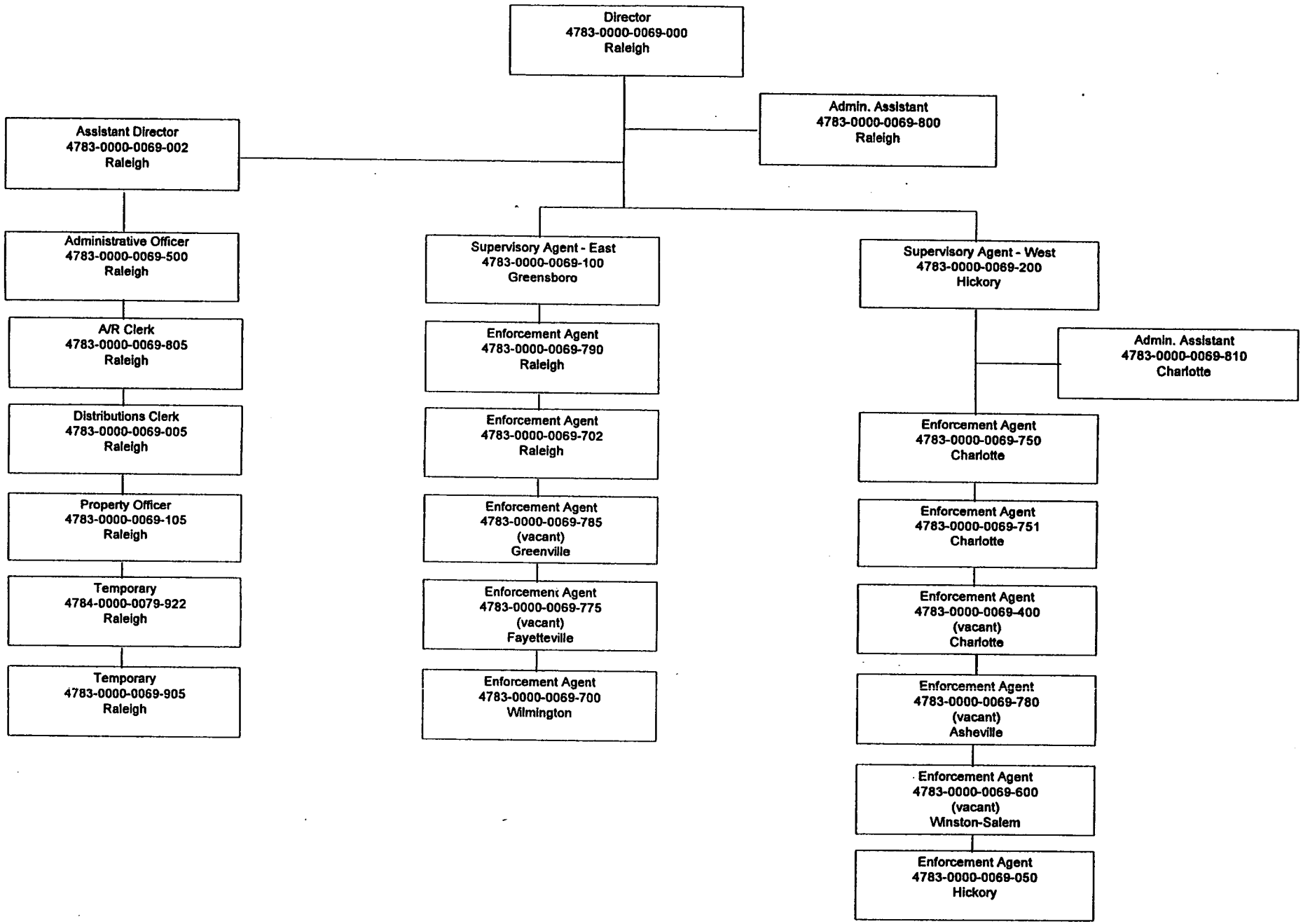
	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$1,151,765	$1,218,252	$1,256,677	$1,260,696
Receipts	0	0	0	0
Appropriation	$1,151,765	$1,218,252	$1,256,677	$1,260,696
Positions	21	21	21	21

- 25% of all funds collected are deposited in the state's General Fund.
- 75% is returned to state and local law enforcement agencies whose investigations led to the tax assessments. Funds returned to law enforcement agencies are to be used to deter and investigate crimes, particularly drug offenses.
- The central office is located in Raleigh with agents located in 9 cities/towns throughout North Carolina.
- Agents are occasionally present when law enforcement executes search warrants and cash and property is seized at the time of the search or at some later date. The cash and proceeds of property sales are applied against tax assessments.
- Effective February 1, 2001, the division entered into an agreement with State Surplus Property to dispose of seized property.
- Although approximately 21 states impose some type of drug tax, North Carolina ranks #1 in the US in total dollars collected. Gross collections for the fiscal year ending:
  - 6/30/01 — $6,406,419.62 was collected
  - 6/30/02 — $8,205,269.48 was collected
  - 6/30/03 — $9,024,184.24 was collected
  - 6/30/04 — $8,468,185.40 was collected
  - 6/30/05 (through 12/31/04) $4,464,468.78 was collected
- There is a link from the Department's web site to State Surplus Property's website which has descriptions and pictures of the property the division seized and State Surplus sells.

CONTINUATION BUDGET Highlights:

- **FY 2005-06** **FY 2006-07**
  $38,425 **$42,444**
- Increase and decrease to Temporary Wages, Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures.
- Increase Travel by $20,170 to meet prior year's actual expenditures. Workload and a understaffed division continues to increase the need for tax enforcement agent s to travel the State extensively.
- Increase to Lodging and Meals, due to allowable OSBM inflationary increase for subsistence.
- Increase Cellular Phone Services by $9,373 to meet prior year's actual expenditures.

Organizational Chart
Unauthorized Substances Tax Division
January 1, 2005



DOR-60

North Carolina Department of Revenue
Administrative Services - Center 1681

The Administrative Services Division is responsible for various services in the department, including the graphic design and production of all tax forms, purchasing of equipment and supplies, all service repair and maintenance operations, building repairs and renovations, shipping and receiving operations, and mail room functions.

FISCAL DATA

Administrative Services - Center 1681
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$7,608,995	$7,051,607	$7,483,842	$7,563,007
Receipts	2,475	47,155	47,155	47,155
Appropriation	$7,606,520	$7,004,452	$7,436,687	$7,515,852
Positions	26	26	26	26

CONTINUATION BUDGET Highlights:

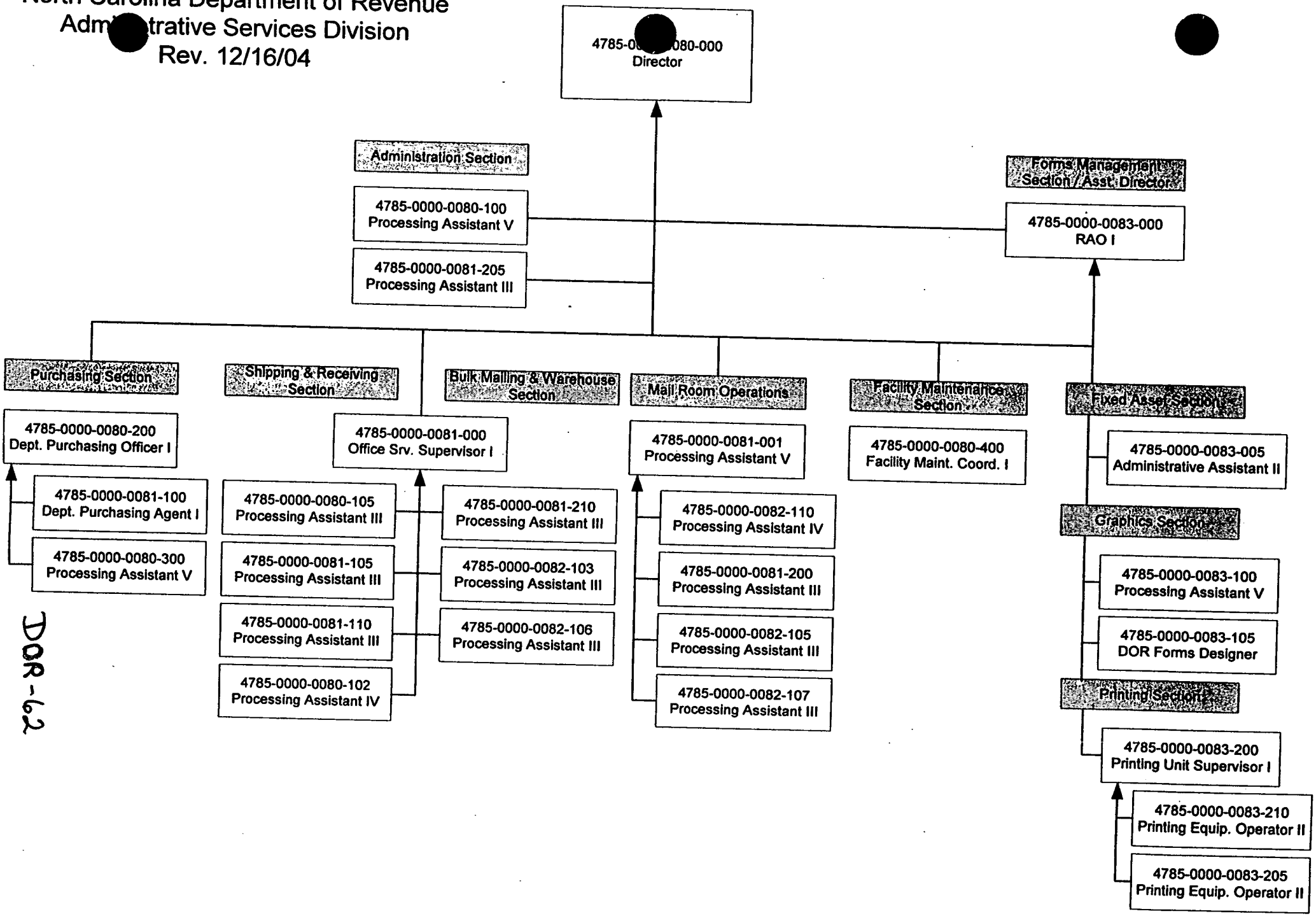
- **FY 2005-06 $432,235** **FY 2006-07 $511,400**
- Increase to Temporary Wages, Overtime Pay, Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures.
- Rent/Lease increase of $8,275 (Year 1) and $25,329 (Year 2) represents 11 different rent increases that will occur on 8 different local office leases in the next biennium (increases are based on existing lease agreements). No increases included for leases that expire and are to be re-bid in next biennium.
- Increase Cellular Phone Services by $6,271 to meet prior year's actual expenditures.
- Increase to Data Processing Services to pay for the increasing cost of providing electronic payment services to taxpayers; $215,456 for Year 1 and $277,185 for Year 2. Electronic services cost $420,208 in FY 2003-04; budgeted amount for FY 2004-05 is $259,380. Increases were calculated on the difference between FY 2003-04 and FY 2004-05 plus a 13% historical growth increase.
- Increase to Postage of $150,232 for Year 1 and for Year 2. Calculations are:

FY 2003-04 Actual Expenditures	$2,712,546
Less: FY 2004-05 Authorized*	2,295,041
Postage Shortfall	$ 417,505
Less: Project Collect Postage from 2004 General Assembly	267,273
Increase for Year 1 and for Year 2	$ 150,232

* Certified FY 2004-05 was realigned by $322,437 from existing DOR funds in order to increase Authorized FY 2004-05 to $2,295,041

- Increase to Clothing for Property Guards to meet prior year's actual expenditures.

North Carolina Department of Revenue
Administrative Services Division
Rev. 12/16/04



DOR-62

North Carolina Department of Revenue
Financial Services - Center 1683

The Financial Services Division provides various administrative support functions to all divisions throughout the department. It is responsible for all financial accounting and reporting requirements of the Department of Revenue, including the accounting and reporting of all tax revenues and disbursements required under the revenue laws of North Carolina, and the accounting and reporting of all departmental budgetary appropriations, receipts, and expenditures.

The division reports on a daily basis the gross tax collections and compiles this data to produce monthly and annual financial statements of net collections of the General Fund, Highway Fund, Highway Trust Fund and Other Revenue Funds. Additionally, the division reconciles all departmental disbursing (bank) accounts and requisitions daily the monies for taxpayer refunds, transfers, and reimbursements to local governments.

The division manages the daily budgetary functions of the department; such as payments to vendors for goods and services purchased and employees for travel related expenses, maintenance of departmental leave records, and payment of permanent and temporary employees. Preparation of the department's biennial and supplemental budget is a function of this division.

FISCAL DATA

Financial Services - Center 1683
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$631,304	$736,583	$723,066	$723,066
Receipts	0	0	0	0
Appropriation	$631,304	$736,583	$723,066	$723,066
Positions	15	15	15	15

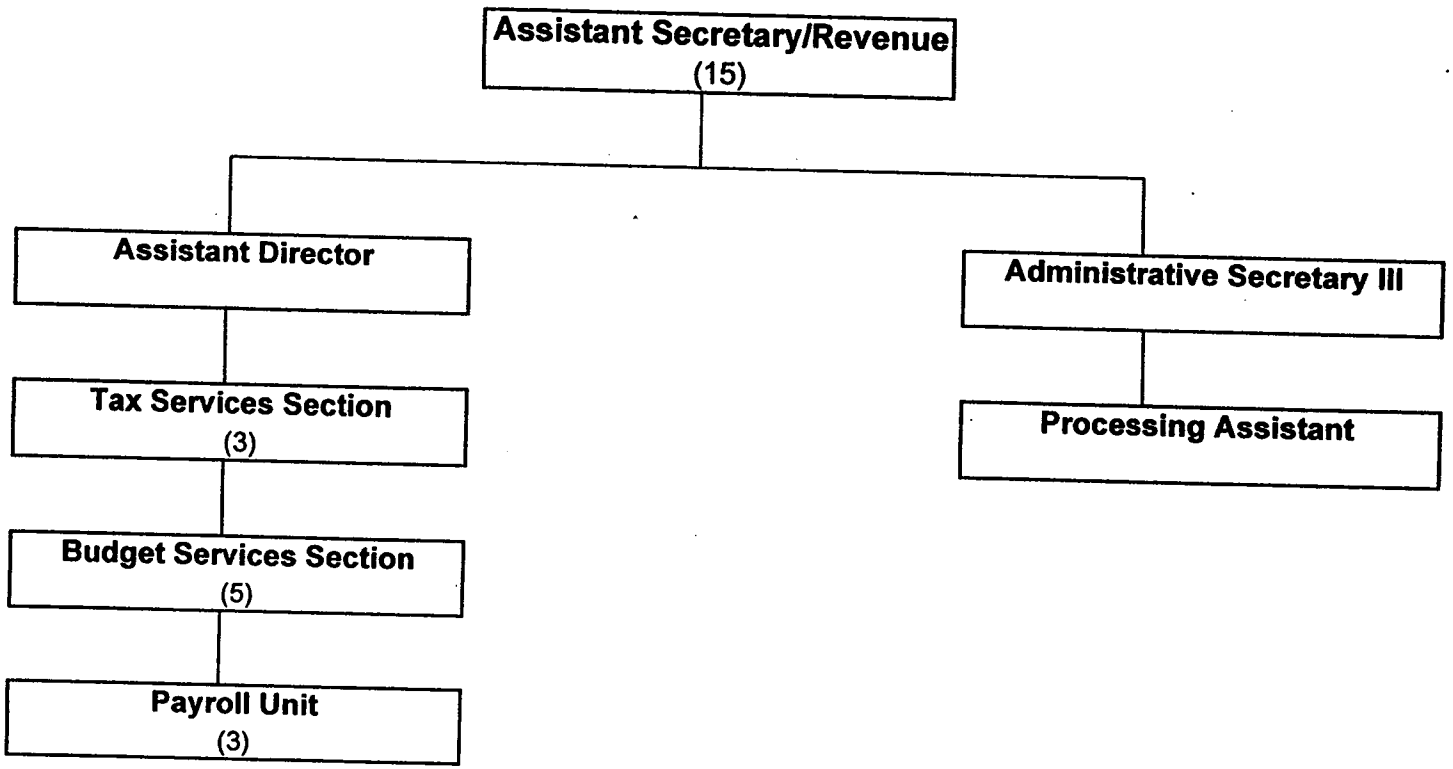
CONTINUATION BUDGET Highlights:

- **FY 2005-06 ($13,517)** **FY 2006-07 ($13,517)**
- Increase and decrease to Temporary Wages, Longevity, Workers Compensation and related benefits to meet prior year's actual expenditures.

North Carolina Department of Revenue

FINANCIAL SERVICES DIVISION

January 25, 2005



EOR-GF

Director, Financial Services Division

Date

North Carolina Department of Revenue
Documents and Payments Processing - Center 1685

The Documents and Payments Processing Division is responsible for ensuring the timely and accurate processing of taxpayer payments and returns. The division is responsible for the extraction and sorting of incoming mail, the preparation of taxpayer documents and payments for entry into the department's Data Capture system, the deposit of taxpayer payments with the various banks used by the department, the capturing of taxpayer data from returns and payments, the correction of exception returns and payments, the registration of new taxpayers, and the management of the department's inactive taxpayer records.

FISCAL DATA

Documents and Payments Processing - Center 1685
Continuation Budget

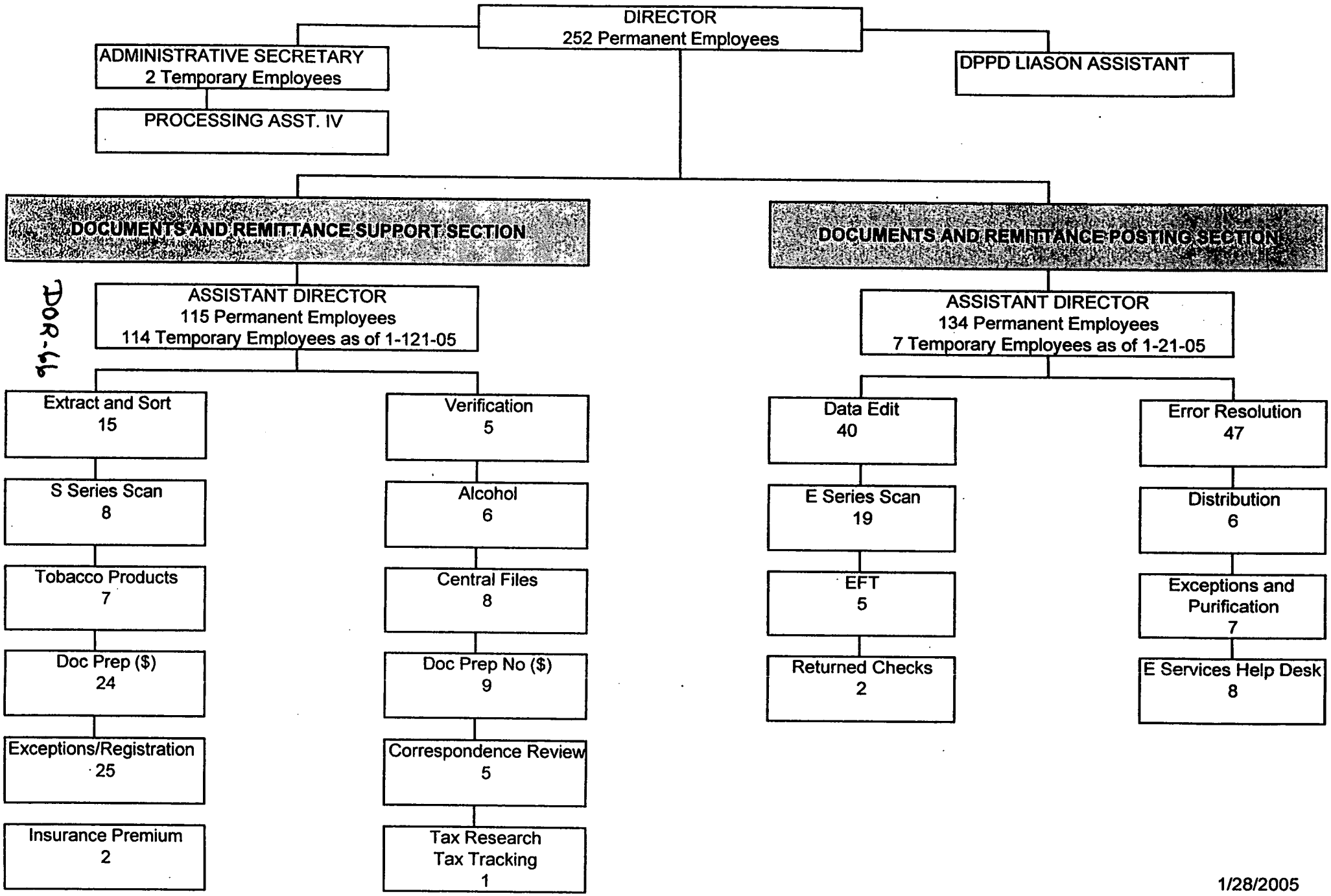
	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$9,148,228	$10,065,840	$10,350,668	$10,351,167
Receipts	654,091	603,026	661,792	662,291
Appropriation	$8,494,137	$9,462,814	$9,688,876	$9,688,876
Positions	238	238	239	239

CONTINUATION BUDGET Highlights:

- **FY 2005-06 $226,062** **FY 2006-07 $226,062**
- Increase to Temporary Wages, Longevity, Workers Compensation, Unemployment Compensation and related benefits to meet prior year's actual expenditures.
- Increase in position count is due to transfer of an existing receipts-supported position from Center 1860–Utilities Franchise.

North Carolina Department of Revenue

DOCUMENTS AND PAYMENTS PROCESSING DIVISION



1/28/2005

North Carolina Department of Revenue
Motor Fuels - Center 1700

The Motor Fuels Tax Division administers the motor fuels (gasoline and diesel), alternative fuels, motor carrier, and inspection tax laws. The division processes monthly, quarterly, and annual returns from its licensees, processes refund claims for entities identified in the Revenue Laws, examines and approves bonds and licenses for major oil companies, and motor fuels and alternative fuel distributors. It issues annual fuel licenses and identification markers (decals) to motor carriers.

FISCAL DATA

Motor Fuels - Center 1700
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$5,099,994	$4,862,475	$4,880,297	$4,884,279
Receipts	5,099,993	4,862,475	4,880,297	4,884,279
Appropriation	$ 1	$ 0	$ 0	$ 0
Positions	68	68	68	68

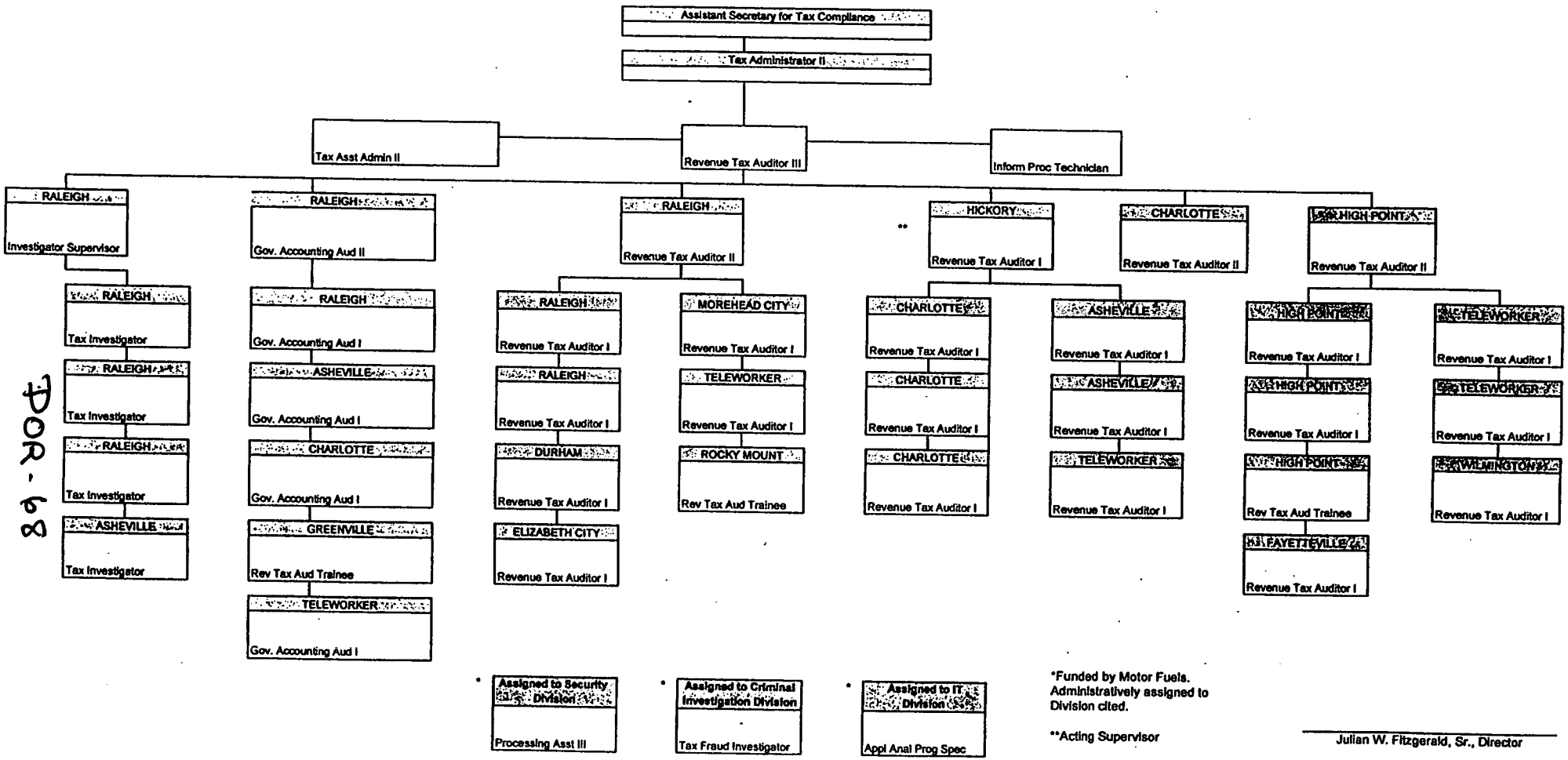
The Division:

- Collects over $1 billion (gross) annually.
- Distributes collections to the Highway Fund, Highway Trust Fund, Leaking Underground Storage Tank Fund and the General Fund.
- Is a member of the International Fuel Tax Agreement (IFTA) which is a base jurisdiction fuel tax agreement. The Division registers qualified motor carriers based in the State and administers the IFTA program for these carriers.

CONTINUATION BUDGET Highlights:

- **FY 2005-06 $17,822** **FY 2006-07 $21,804**
- Increase and decrease to Temporary Wages, Longevity, and related benefits to meet prior year's actual expenditures.

Examination
North Carolina Department of Revenue
MOTOR FUELS TAX DIVISION
Examination Section



*Funded by Motor Fuels. Administratively assigned to Division cited.

**Acting Supervisor

Julian W. Fitzgerald, Sr., Director

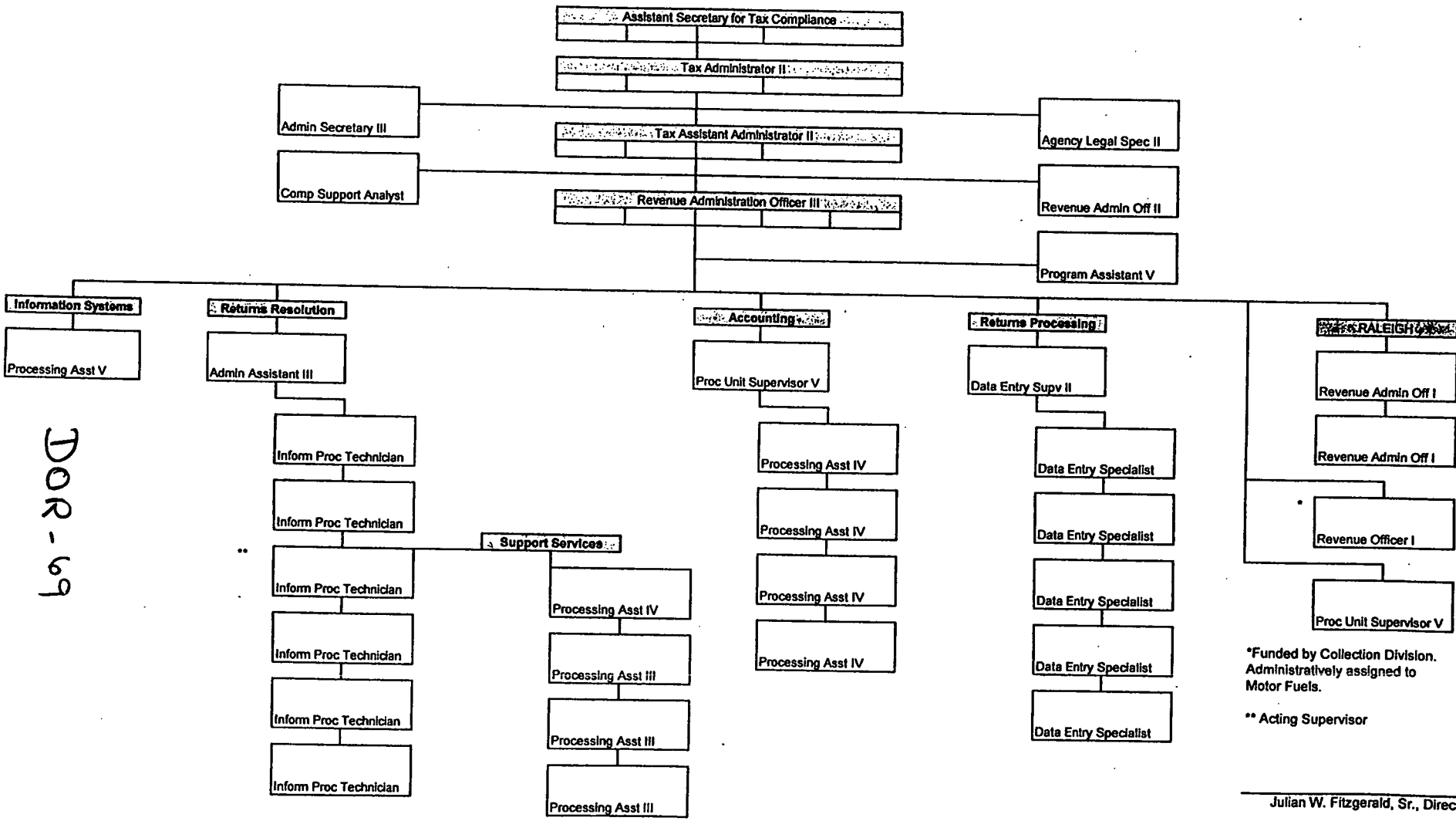
POR-68

North Carolina Department of Revenue

MOTOR FUELS TAX DIVISION

Operations Section

1/26/2005



DOR-69

*Funded by Collection Division. Administratively assigned to Motor Fuels.

** Acting Supervisor

Julian W. Fitzgerald, Sr., Director

North Carolina Department of Revenue

Federal Grant – Fuel Tax Evasion - Center 1702

The Department of Revenue (Motor Fuels Division) is a member of the Joint Fed/State Motor Fuels Tax Compliance Project. This is a partnership with other States and the IRS working together to combat Motor Fuel tax evasion. The Motor Fuels Division actively participates in meetings and other forums to share information and exchange ideas on best practices in administering Motor Fuels Tax programs.

FISCAL DATA

Federal Grant – Fuel Tax Evasion - Center 1702
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$ 35,250	$ 189,768	$ 189,768	$ 189,768
Receipts	35,249	189,768	189,768	189,768
Appropriation	$ 1	$ 0	$ 0	$ 0
Positions	0	0	0	0

CONTINUATION BUDGET Highlights:

- **FY 2005-06 $ 0** **FY 2006-07 $0**

North Carolina Department of Revenue
International Registration (IRP) - Center 1708

The Motor Fuels Division administers the IRP audit functions required to meet the jurisdictional membership responsibilities of the International Registration Plan, Inc. and all related state laws with regards to International Registration Plan audits.

FISCAL DATA

International Registration (IRP) - Center 1708
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$ 0	$ 321,693	$ 321,693	$ 322,316
Receipts	0	321,693	321,693	322,316
Appropriation	$ 0	$ 0	$ 0	$ 0
Positions	0	6	6	6

NOTE: The 6 positions allocated to this Budget are represented organizationally in Motor Fuels.

CONTINUATION BUDGET Highlights:

FY 2005-06	FY 2006-07
$0	$0

North Carolina Department of Revenue
Fuel Tax Compliance – Center 1710

An initiative to combat Motor Fuels Tax evasion and promote increased Motor Fuels Tax compliance.

FISCAL DATA

Fuel Tax Compliance - Center 1710
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$ 0	$2,620,201	$1,031,239	$1,031,239
Receipts	0	2,620,201	1,031,239	1,031,239
Appropriation	$ 0	$ 0	$ 0	$ 0
Positions	0	10	10	10

NOTE: The 10 positions allocated to this Budget are represented organizationally in Motor Fuels.

CONTINUATION BUDGET Highlights:

- **FY 2005-06 (($1,588,962)** **FY 2006-07 (($1,588,962)**
- Decrease to IT Contract Services, Building Repairs, Maintenance, Data Wiring Services, Employee Training, Clothing, Office Furniture, Office Equipment, Security Equipment, Printers and Personal Computers for $1,938,962 due to nonrecurring appropriation by 2004 General Assembly.
- Increase to Maintenance of, (1) LAN Equipment, (2) PC/Printer Equipment, (3) Server Software, and (4) Server Equipment for $350,000 to support Motor Fuels Tracking System.

North Carolina Department of Revenue
White Goods - Center 1800

The White Goods Disposal Tax Act imposes an additional sales and use tax for each white good sold. Net collections, after administrative costs are distributed as follows: 8% to the Solid Waste Management Trust Fund, 20% to the White Goods Management Account and 72% to qualifying counties on a per capita basis.

FISCAL DATA

White Goods - Center 1800
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$216,448	$225,000	$225,000	$225,000
Receipts	216,446	225,000	225,000	225,000
Appropriation	$ 0	$ 0	$ 0	$ 0
Positions	5	5	5	5

NOTE: The 5 positions allocated to this Budget are represented organizationally in other divisions in the Department of Revenue.

CONTINUATION BUDGET Highlights:

- **FY 2005-06 $0** **FY 2006-07 $0**

North Carolina Department of Revenue
Scrap Tire - Center 1820

The Scrap Tire Disposal Act imposes a scrap tire disposal tax on the retail sale of each new motor vehicle tire. Net collections, after administrative costs are distributed as follows: 5% to the Solid Waste Management Trust Fund, 27% to the Scrap Tire Disposal Account and 68% percent to counties on a per capita basis.

FISCAL DATA

Scrap Tire - Center 1820
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$216,678	$225,000	$225,000	$225,000
Receipts	216,679	225,000	225,000	225,000
Appropriation	$ -1	$ 0	$ 0	$ 0
Positions	5	5	5	5

NOTE: The 5 positions allocated to this Budget are represented organizationally in other divisions in the Department of Revenue.

CONTINUATION BUDGET Highlights:

FY 2005-06	FY 2006-07
$0	**$0**

North Carolina Department of Revenue
Public Transit Tax - Center 1830

The department administers the collection, administration and distribution of the ½% transit tax for Mecklenburg County. Proceeds of the collected tax are distributed to Mecklenburg County for specific public transit needs.

FISCAL DATA

Public Transit Tax - Center 1830
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$486,301	$552,636	$552,636	$552,636
Receipts	486,300	552,636	552,636	552,636
Appropriation	$ -1	$ 0	$ 0	$ 0
Positions	7	7	7	7

NOTE: The 7 positions allocated to this Budget are represented organizationally in other divisions in the Department of Revenue.

CONTINUATION BUDGET Highlights:

FY 2005-06	FY 2006-07
$0	$0

North Carolina Department of Revenue

Dry Cleaning Solvent Tax - Center 1840

The Dry-Cleaning Solvent Tax is a privilege tax that is imposed on each gallon of dry-cleaning solvent sold by a retailer to a dry-cleaning facility. Collections from this tax are deposited to the "Dry-Cleaning Solvent Cleanup Fund".

FISCAL DATA

Dry-Cleaning Solvent Tax - Center 1840
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$ 9,783	$125,000	$125,000	$125,000
Receipts	9,783	125,000	125,000	125,000
Appropriation	$ 1	$ 0	$ 0	$ 0
Positions	0	0	0	0

CONTINUATION BUDGET Highlights:

- **FY 2005-06 $0** **FY 2006-07 $0**

North Carolina Department of Revenue
Lee Tax Credits- Center 1850

The Lee Tax Credits Program comprises the personnel who administer the tax credits that can be claimed by individuals, partnerships, corporations, estate, trust and insurance companies on their specific tax returns. The program is supported by receipts from the application fees paid by taxpayers whose intend is to claim a qualifying tax credit for investment in an enterprise tier 3, 4, or 5 area.

FISCAL DATA

Lee Tax Credits - Center 1850
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$215,939	$331,549	$331,596	$331,596
Receipts	215,939	331,549	331,596	331,596
Appropriation	$ 0	$ 0	$ 0	$ 0
Positions	5	5	5	5

NOTE: The 5 positions allocated to this Budget are represented organizationally in other divisions in the Department of Revenue.

CONTINUATION BUDGET Highlights:

- **FY 2005-06 $47** **FY 2006-07 $47**
- Increase to Longevity and related benefits to meet prior year's actual expenditures.

North Carolina Department of Revenue
Utilities Franchise- Center 1860

The Utilities Franchise Program supports the administration of the utilities franchise tax and the distribution of tax receipts from electric power, water and sewerage companies to more than 540 cities and towns on a quarterly basis.

FISCAL DATA

Franchise Utility Tax - Center 1860
Continuation Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$77,594	$86,611	$ 679	$ 679
Receipts	77,594	86,611	679	679
Appropriation	$ 0	$ 0	$ 0	$ 0
Positions	2	2	0	0

NOTE: The 2 positions allocated to this Budget are represented organizationally in other divisions in the Department of Revenue.

CONTINUATION BUDGET Highlights:

- **FY 2005-06 ($85,932)** **FY 2006-07 ($85,932)**
- Decrease in position count is due to transfer of existing receipts-supported positions to Center 1660 and 1685.

REQUIRED REPORTS

North Carolina Department of Revenue

Michael F. Easley
Governor

E. Norris Tolson
Secretary

January 25, 2005

Report on Collection of Tax Debt

To: The Honorable Marc Basnight
President Pro Tempore

The Honorable James B. Black
Speaker of the House

The Honorable Richard T. Morgan
Speaker of the House

From: E. Norris Tolson
Secretary of Revenue

General Statute 105-243.1(f) requires the Department to submit a semiannual report to the North Carolina General Assembly on the Department's progress regarding the collection of tax debt. The report must detail the amount and age of tax debt in three categories: tax debt collected by collection agencies, tax debt collected as a result of the 20% collection assistance fee notice, and all other collections of tax by the Department. The report must list itemized collections by tax type, include a long-term collection plan, a timeline for implementing each step of the plan, a summary of steps taken since the last report and their results, and any other data requested by the Commission or the Committee.

Long Term Collection Plan

The Department was requested by the General Assembly to collect $100 million for the 2003-2005 biennium budget. To achieve this goal, several initiatives are being employed.

- **Civil Enforcement Team**— This team has been transformed into the Levy Officer Team. They are primarily responsible for seizing personal property and selling the property for the purpose of applying the proceeds to a state tax debt. These cases are usually large dollar cases that the taxpayer has refused to make an effort to pay the liability. A pilot program began in March 2004 and is being rolled out statewide based on the success of the pilot program. The team has been assigned 106 cases. The team has collected $1.5 million from this pilot.
- **Enhance Bankruptcy Collections**— This Unit collected $1.7 million for the six-month period ending December 31, 2004. This brings the total collections since July 1, 2001 to $17.4 million.
- **Offer-In-Compromise Program**— The Department has expanded use of the Offer-In-Compromise program as a part of Project Collect. During the six-month period ending December 31, 2004, we collected $1 million. Since July 1, 2001, the Department has reviewed 1915 offers and accepted 763. This resulted in $7.6 million in collections against a total liability of $27.5 million.

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- **Federal Offset Initiative**— During the six-month ending December 31, 2004, this initiative has resulted in state tax debt collections of nearly $600 thousand. The cumulative total of this initiative since July 1, 2001 is $15.5 million.

New revenue generated from all "Project Collect Tax" initiatives for the six-month period ending December 31, 2004 totaled **$102,823,735.** Since July 1, 2001, this initiative has generated **$479,852,447** in new revenue.

Additional Collection Initiatives

In an effort to continue the success of Project Collect Tax, the Department is focused on the following areas as a part of the Department's collection strategy:

- **Organizational Focus**— The Taxpayer Assistance and Collection Center (TACC) has become fully integrated into the Department's collection program. This integration allows the TACC to be an essential part of our collection process. More complex collection cases are worked by highly trained revenue officers in the field. This strategy enables the Department to boost revenue generation through the efficient allocation of valuable resources and by allowing collection cases to be worked while most collectable (less than 120 days old). Under this strategy, the right collection resources are applied to the right case at the right time.
- **Performance Measures**— The Collection Division continues to track performance of the collection program through the various performance measures. Collections are tracked at the division, office and individual collector level. The data from this tracking effort is used to devise better, more efficient strategies for collection of taxes and to allocate resources in an effective manner.
- **Better Information Exchange**— A great deal of effort is being focused on improving collaboration and sharing best practices between the five DOR divisions with primary responsibility for collection of delinquent taxes and tax compliance: Collection, Examination, Taxpayer Assistance, Motor Fuels and Unauthorized Substances.
- **Reduce Accounts Receivable for Accounts Billed Prior to July 1, 2001**

Accounts Receivable—July 1, 2001	$359 Million
Total Reductions	$296Million
Balance as of 12/31/04 Accounts Receivable	$ 63 Million

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Exhibit 1 – Tax Debt Collections
July 1, 2004 –December 31, 2004

Age of Assessments	Collection Agencies	20% Fee Warning Letters	Other DOR Collection Efforts	Totals
0-30 days	$ -	$ 120.79	$ 5,489,149.88	$ 5,489,270.67
31-60 days	$ -	$ -	$ 9,986,936.02	$ 9,986,936.02
61-90 days	$ -	$ 579,329.21	$ 6,023,503.46	$ 6,602,832.67
91-120 days	$ -	$ 3,862,150.38	$ 3,040,311.73	$ 6,902,462.11
121-180 days	$ -	$ 1,618,558.46	$ 4,269,301.20	$ 5,887,859.66
181-365 days	$ 1,838.24	$ 924,245.62	$ 8,336,880.71	$ 9,262,964.57
366-730 days	$ (7,914.08)	$ 438,822.10	$ 8,920,967.87	$ 9,351,875.89
Older than 730 days	$ 10,335.90	$ 378,720.11	$ 7,203,609.66	$ 7,592,665.67
Totals	$ 4,260.06	$ 7,801,946.67	$ 53,270,660.53	$ 61,076,867.26

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Miscellaneous delinquent tax collections	$ 116,385,913.00
Grand Total- Tax Debt Collections (July 2004-December 2004)	$ 177,462,780.26
Total PCT Tax Debt Collections from July 2001-December 2004	**$ 1,082,967,040.50**

Exhibit 2 – Project Collect Tax Collections By Tax Type
July 1, 2004 – December 31, 2004

Tax Type	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004	Total
Individual Income *	$ 11,056,127	$ 6,612,516	$ 14,715,022	$ 17,615,319	$ 10,086,366	$ 12,616,289	**$ 72,701,639**
Sales & Use	$ 2,782,143	$ 1,828,173	$ 4,144,233	$ 4,914,394	$ 2,196,821	$ 3,513,770	**$ 19,379,534**
Corporate	$ 38,987	$ 845,665	$ 597,824	$ 317,046	$ 247,685	$ 844,605	**$ 2,891,812**
Franchise	$ 843,068	$ 201,701	$ 265,736	$ 497,081	$ 294,187	$ 679,921	**$ 2,781,694**
Motor Fuels	$ 42,735	$ 55,740	$ 128,022	$ 82,994	$ 54,226	$ 76,296	**$ 440,013**
Other **	$ 1,563,335	$ 317,597	$ 437,770	$ 781,546	$ 398,326	$ 1,130,469	**$ 4,629,043**
TOTAL	**$ 16,326,395**	**$ 9,861,392**	**$ 20,288,607**	**$ 24,208,380**	**$ 13,277,611**	**$ 18,861,350**	**$ 102,823,735**

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* Individual Income includes debts owed by businesses for employee withholding taxes held but not paid.

** The category "Other" includes License and Excise Taxes, Insurance Premium Tax, Unauthorized Substances Tax, and Estate/Gift Taxes.

North Carolina Department of Revenue

Michael F. Easley
Governor

E. Norris Tolson
Secretary

February 1, 2005

MEMORANDUM

TO: The Honorable Marc Basnight
President Pro Tempore

Senator John H. Kerr, III
Revenue Laws Study Committee Chairman

The Honorable James B. Black
Speaker of the House

Representative Paul Luebke
Revenue Laws Study Committee Chairman

FROM: E. Norris Tolson, Secretary

SUBJECT: Project Compliance Status Report
July 1, 2003 – December 31, 2004

Project Compliance commenced on July 1, 2003 with an established goal to produce an additional $40 million in revenue collections from audit assessments during the fiscal year 2003-04. For the second year of Project Compliance, the established goal is an additional $75 million in revenue collections from audit assessments. The combined total goal for the two years of Project Compliance is $115 million in additional revenue collections.

In support of our efforts, the General Assembly provided funding for 30 new positions in the Examination Division effective October 1, 2003. On October 1, 2004, the agency received funding for an additional 38 examination positions. The examination initiatives identified under Project Compliance that provide revenue generation are resource sensitive, and we are happy to report that a significant return on investment in these new positions continues to be realized.

Although, we are making progress, non-compliance continues to increase across all tax schedules administered by this agency. Tax fairness for all citizens of our state can be addressed through a proactive audit program focused on a rising tide of non-compliance.

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The table below reflects the results for assessments and collections from the Examination Division for the 18-month period, July 1, 2003 – December 31, 2004 and highlights the amount collected by primary tax type. The Examination Division accomplished the results indicated for this period, through heightened emphasis on several key initiatives as indicated in this report. The fiscal year July 1, 2002 to June 30, 2003 serves as the benchmark for Project Compliance target goals and projections.

The status of Project Compliance for the period, July 1, 2003 through December 31, 2004, reflects total net assessments of $751 million. Total collections and refunds reduced for all audit cases total $295.4 million for this same period.

Corporate income and franchise tax examination initiatives throughout the fiscal year have also reduced the availability of William S. Lee tax credits against open and future corporate income or franchise tax liabilities by $67.7 million. These adjustments are not included in collections/refunds reduced amounts indicated in this table.

TABLE
Project Compliance

July 1, 2003 – December 31, 2004

Tax Type	Number of Assessments	Net Assessments	Collections/ Refunds Reduced
Corporate Income	6814	$283,116,393	$ 119,380,047
Franchise	24,326	60,801490	27,045,595
Gift & Inheritance	987	15,447,849	7,859,790
Individual Income	230,104	282,996,113	82,639,281
License & Excise	314	4,184,336	2,029,594.
Sales & Use	11694		
State Tax		60,759,174	35,002,942
County Tax		31,856,646	18,416,173
Withholding	1830	11,887,137	3,028,729
Total	**276,069**	**$751,049,138**	**$295,402,151**

Two Year Goal
***$298,277,508**

****Two Year Goal = Baseline amount $183.27 million + $115 million additional***

Key Examination Initiatives:

Examination initiatives address three primary tax types under Project Compliance. These are individual income, sales and use, and corporate income/franchise taxes.

- **Individual Income**

  - Individual Income Tax Non-filer

Over 51,000 non-filers cases have been identified during this period. This initiative identifies North Carolina residents that file federal tax returns but do not file state individual income tax returns. Total net assessments for this initiative during the Project Compliance period are over $115 million. The initiative currently addresses non-filers for the tax years 1999, 2000, and 2001. This initiative has identified over 96,000 non-filers since its inception.

  - Fraudulent Return Preparers

The Discovery and Special Projects group within the Examination Division has been responsible for identifying fraudulent return preparers. These preparers are referred to our Criminal Investigation Division. As a result of these investigations, a significant number of individual income tax returns are discovered which contain unsubstantiated itemized deductions and false business deductions. For the 18-month period of Project Compliance, 3,500 field audit cases have been completed that recovered $7.5 million in state individual income tax. There is an open inventory of cases to be worked of 2,950.

  - NC-4

This initiative addresses employees claiming *exempt* from withholding or excessive allowances per form NC-4 /(W-4). Many employees attempt to reduce income tax withholding to the lowest level and may not file tax returns at year-end. There is also a resurgence of employees that espouse a belief that there exists no constitutional requirement to file tax returns. Identified as "tax protesters", these individuals claim *exempt* on form NC-4.

This initiative also addresses immigrant workers in this state that claim exempt or excessive allowances to reduce withholding. Employees in this group often claim 7-9 allowances per the NC-4. Many of these workers never file North Carolina income tax returns. The abuse by immigrant workers using false social security numbers and often-false names is widespread across our state.

There have been 1,465 examination cases worked through this initiative. State individual income taxes recovered equal $3.69 million. Employees have also been required to correct NC-4's to properly comply with withholding requirements for subsequent payroll periods.

- NC-3/ Employer Withholding Reports

A special work group has been created within our Examination Division to review the annual withholding reports submitted by North Carolina employers. This initiative identifies employees with no state income tax withheld or under-withheld based on gross wages.

This initiative has identified 6,638 non-filer cases. Net assessments determined by tax auditors working this initiative equal $9.6 million.

- Abusive Tax Avoidance Transactions

In partnership with the Internal Revenue Service and other state revenue agencies, the Examination Division is focusing on taxpayers that have utilized abusive transactions to reduce federal and state income tax liabilities. Abusive scheme cases involve grantor trusts, foreign trusts, basis shifting, and offshore bank accounts to conceal or alter the reporting of gains from the sale of businesses, property, and stock. Offshore bank accounts are also utilized to conceal business income generated from ongoing businesses in this state.

Also included under these transactions are home based schemes used by individuals to deduct personal living expenses as purported home based business expenses. Another segment addresses anti-tax schemes utilized by tax protesters who indicate that wages are not income, or that there is no requirement to file and pay taxes.

The Examination Division completed 163 cases with net assessments of $22.5 million.

➢ Sales & Use Taxes

- Agricultural Certificates

The misuse of agricultural certificates by purchasers of all-terrain-vehicles and off-road motorcycles is widespread. Examinations of retailers of these products reveal significant and frequent purchases of these equipment types at the 1% state tax rate. Purchasers attempt to avoid the full tax rate normally applicable to these sales.

Through this initiative, purchasers misusing the certificate are assessed additional tax, penalty, and interest on the underpaid tax and an additional $250 penalty for misuse of the agricultural certificate. For this period, 3,020 audits have been completed resulting in $3.7 million in assessments for additional taxes.

- Consumer Use Tax

Many North Carolina residents fail to remit and pay the proper use tax on purchases of tangible personal property obtained from outside this state. The agency utilizes a number of matching data sources to identify these purchases.

The Examination Division utilizes data from the United States Customs Service, Wildlife Resource Commission, United States Department of Commerce, and Southeastern Association of Tax Administrators to match for the proper remittance of use tax by consumers. During the period ending December 31, 2004, $3.1 million in North Carolina use tax was collected from 3,719 individuals.

➢ Corporate Income/Franchise Taxes

- William S. Lee Tax Credits

During this period of Project Compliance, the Examination Division closed 228 corporate cases involving these tax credits. Tax credits of 21.6 million were disallowed on returns filed and examined. Examining auditors also reduced future credit installments available on subsequent tax return filings by $67.7 million.

The Examination Division has a current inventory of 222 cases that involve $49 million of credits taken on returns filed and potential future installments of $289 million.

- Corporate Non-Filers

The Examination Division continues an initiative to identify corporations that have failed to file and pay the annual franchise tax. Corporations may have no income tax liability, however, the corporation is required to pay a minimum franchise tax.

Delinquent corporations were identified for the tax years 1995,1996, and 1997 during this period. The Examination Division completed over 25,534 reviews of delinquent corporations that resulted in assessments of $5.04 million.

Years 1998 and 1999 will be addressed in this current fiscal year.

- Shifting of Income

Field auditors in the Examination Division continue to discover a number of tax avoidance techniques utilized by corporations to shift net income from taxation by this state. These strategies generally involve wholly owned subsidiaries created to own trademarks or patents for which North Carolina operating companies "pay" royalties. These holding companies are created in states such as Delaware or Nevada. Tax avoidance techniques also involve the "moving" of income producing intangible assets outside North Carolina into companies organized as LLC's or real estate investment trusts.

These actions result in the material loss of tax revenues by North Carolina. This has been a primary initiative of the Large Case Corporate Group within the Examination Division for the entire period of Project Compliance.

The Examination Division completed 160 cases during this period that represent $166.7 million in net assessments.



Taxpayer Assistance and Collection Center (TACC)

Semiannual Report
July 1 - December 31, 2004

Joint Legislative Commission on Governmental Operations

DOR-89

01/25/05

January 25, 2005

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Preface

Section 22.6(a), Ratified Senate Bill 1115, 2002 Session of the General Assembly of North Carolina specifies that the Department of Revenue may draw up to three million dollars ($3,000,000) through June 2004, (extended to June 2006, Session Law 2004-124, Section 23.2) from the collection assistance fee account created in G.S. 105-243.1 in order to pay for the costs of establishing and equipping a central taxpayer telecommunications service center for collections and assistance and for the costs associated with aligning local field offices with the new center.

Reports on this subject are due to the General Assembly on a semi-annual basis. This report provides the executive summary of the current status of the TACC, funds expended to date, accomplishments to date as well as plans for the next period.

Project Purpose

The purpose of the North Carolina Department of Revenue Taxpayer Assistance and Collection Center is to provide a centralized taxpayer telecommunications service center serving as the main gateway for the interaction between the Department of Revenue and the citizens of North Carolina. The TACC initiates tax collection activities partially driven by automated dialing capabilities, and providing North Carolina citizens with the ability to obtain general tax information and specific tax account information.

Additionally, the TACC maximizes the use of DOR resources to fulfill its mission of collecting taxes due to the State of North Carolina and provide better customer assistance to the citizens of North Carolina. The Department reduces overall operating costs through process efficiency gains and potential manpower and contractor eliminations and reductions.

Project Description

The Taxpayer Assistance and Collection Center (TACC) is fully operational in Rocky Mount, North Carolina as of February 2004. The project implementation was completed for an initial investment of $1,246,402 ($22,654 less than the initial budgeted amount of $1,269,056). A comprehensive telephone system, call agent resource management, Interactive Voice Response (IVR) unit, computer telephony integration (CTI) "screen pops" to agents, and appropriate high-speed telecommunications are operational. The implementation included the following technology components:

- IVR unit with appropriate routing and interfacing to existing computer systems
- Comprehensive telephone switching equipment for the Taxpayer Assistance and Collection Center and DOR Headquarters employees located on the 4th and 5th floors in Raleigh
- Digital telephones and headsets
- Outbound predictive dialing
- Interactive screen presentations for all call agents (screen pops)
- Call agent monitoring and management
- Call history and specific statistics on call responsiveness, busy signals, drops, hang-ups and other related metrics
- 800 toll-free telephone service lines for inbound taxpayer calls
- High speed telecommunication lines

- Personal computers, printers, files servers, UPS device, and other related technical hardware to support this solution in Rocky Mount and Raleigh

To ensure the most efficient use of human resources within the Taxpayer Assistance and Collection Center as well as the entire agency, a comprehensive business process reengineering effort has been conducted for the Collection, Taxpayer Assistance, and to some extent, Examination Divisions. Concurrently, the Collection Division is consolidating its field office locations, and the Taxpayer Assistance Division has expanded services in selected service center locations.

Executive Summary

The Taxpayer Assistance and Collection Center exceeded its first year operational goals and continues to exceed the continued performance expectations of the Department. The TACC is having a far-reaching effect on the way the Department does business by boosting revenue generation in a cost efficient manner, allowing the Department to use its resources so that revenue generation, customer service and taxpayer assistance are dramatically improved. The increased ability to handle call volumes in the TACC is allowing DOR to help many more taxpayers than previously. The TACC is allowing for more effective collection case assignment providing faster and more efficient collections through the use of better technology and case assignment to collection personnel.

Project Costs

Project Report Information As of date: December 31, 2004

This project was expected to have one-time costs of $1,269,056, which was provided from the $3.0 million approved for expenditure by the General Assembly from the collection assistance fee (special revenue) fund (Senate Bill 1115 Section 22.6(a)). The TACC is utilizing the ITS call center service. The service provided by ITS is governed by a Memorandum of Understanding between DOR and ITS on a fixed cost contract price of $50,231 which is paid monthly with funds available from the original $3.0 million allocation.

Actual one-time project costs to date are $1,246,402. These costs were for desktop components (PC's, printers), technical infrastructure devices (switches and servers) and office equipment and furniture for the end-users located in Rocky Mount and Raleigh.

Project Components	One-Time Projected Costs	Actual One-Time Costs
Telephony Call Processing	0	
Technical Infrastructure	$224,772	$340,080
Desktop Components	$375,244	$320,567
Applications Development	$299,900	$299,900
Facility Infrastructure	$369,140	$285,855
Subtotal	$1,269,056	$1,246,402
Telephony Components	0	
GRANDTOTAL	**$1,269,056**	**$1,246,402**

Benefits Derived

The Taxpayer Assistance and Collection Center has yielded success on both the revenue generation and taxpayer assistance fronts. Taken together, the work of the TACC has fulfilled project expectations and performance goals while promising further improvements and efficiency gains in the future.

From July 1,2004 to December 31, 2004, the TACC had generated $18.9 million in collections. The total collected since the TACC opened in October 2003 is $43 million. The revenue generation is the result of a number of factors including effective training and deployment of a highly skilled call agent force, the implementation of a predictive dialer, and the setting of a clear mission for the collection operation. Working together with the Collection Division, the TACC has clearly been a valuable part of the overall success of Project Collect this fiscal year as we'l as meeting its own, individual operational goals.

The benefits to taxpayer service from the TACC have been substantial as well. Before the TACC, with its IVR and staff of taxpayer assistance call agents, the DOR could answer only about one quarter of the phone calls placed by taxpayers to the Department. From July 2004 to December 2004, 99.97% of taxpayers that called the Department had their calls answered on the first try. Only about 35% of these calls are transferred to other parts of the agency, allowing taxpayers to get timely service without being transferred to numerous stations. Call answer times, average wait times, and length of calls are all at or better than performance expectations.

Another tangible benefit derived from the TACC operation is that the agency has ended its use of outside collection agencies and has diverted the work to this internal resource. This business change will promote cost efficiency for the DOR and allow work previously done by workers outside of North Carolina to be accomplished by workers working in a Tier One county (Edgecombe). The TACC is also expected to yield a higher collection rate than did the outside collection agencies.

Future Plans

A continued focus on excellence and operational improvement is critical to the continued success of the TACC. Understanding this, the TACC plans, during the next six months, to:

- Complete agent training to allow all call agents to be designated as "blended" agents (allowing these employees to take both inbound and outbound calls)
- Study further enhancements to the IVR to increase the user-friendly nature of this technology
- Design a comprehensive quality control system to monitor agents and provide performance feedback
- Initiate a "skiptracing" pilot program to improve taxpayer contact data
- Work with the Collection Division to improve collection case flows to maximize revenue generation in the TACC and other parts of the collection process
- Add functionality to the IVR to allow Spanish speaking taxpayers the ability to quickly reach a bilingual call agent
- Initiate a study of call center "best practices" and develop a methodology for constant, incremental improvement in facility operations

DOR-93

North Carolina Department of Revenue

Michael F. Easley
Governor

February 1, 2005

E. Norris Tolson
Secretary

Memorandum

To: The Joint Legislative Commission on Governmental Operations
The Joint Legislative Transportation Oversight Committee

From: E. Norris Tolson
Secretary of Revenue

Subject: Report on Fuel Tax Action Plan

This memorandum reports on the North Carolina Department of Revenue's plans and actions to implement the provisions of Session Law 2004-124 (HB 1414). Section 30.9 requires the Department of Revenue to submit periodic reports regarding its Fuel Tax Action Plan. The initial report was submitted on August 1, 2004. Subsequent reports are to be submitted quarterly, beginning November 1, 2004, and must describe the Department's progress in implementing the plan, the number of new authorized positions that have been filled, and the amount and source of revenue generated from the implementation.

Overview and Strategy

The Motor Fuels Tax Division of the Department of Revenue has determined through investigations, audits, reviewing of filed tax returns, and collaboration efforts with other states that there is clear evidence of fuel tax evasion throughout the country. These various noncompliance activities by taxpayers result in failure to collect millions of dollars in motor fuel taxes each year.

The Fuel Tax Action Plan provides the Division with some of the necessary resources to stop tax evasion in a deliberate and effective manner. The Action Plan consists of various audit and investigative initiatives throughout the entire motor fuels distribution chain to ensure that the proper amount of motor fuel taxes are being remitted to the State, as well as to identify any potential tax evasion schemes that may be occurring.

Resources

The General Assembly authorized the Department of Revenue to establish 10 new positions to implement the Fuel Tax Action Plan. These positions were designated as:

DOR-94

P.O. Box 25000, Raleigh, North Carolina 27640
State Courier 51-71-00
An Equal Opportunity Employer

6 Tax Investigators
Revenue Tax Auditor 1
Information Processing Technician
Processing Assistant V
Applications Analyst Programmer II

The Joint Conference Committee Report on Continuation, Capital and Expansion Budgets (July 17, 2004) designated these positions as "time-limited" with an effective date of July 1, 2004. As of February 1, 2005 the Department has been unable to ascertain the intention of the General Assembly with respect to this "time-limited" designation and has therefore not established nor advertised any of these new positions. Until the determination is made by the General Assembly leadership as to whether these positions will expire as of June 30, 2005 or at some other date, the Department of Revenue will be unable to establish and attract individuals for any of these 10 positions.

Motor Fuels Tracking

The Motor Fuels Tracking System is an electronic system designed to cross-match fuel tax reports to better identify fuel tax evasion. The system increases customer service by streamlining tax return processing through electronic filing and tracks the flow of fuel throughout the entire distribution chain, from pipeline to terminal to supplier.

A Request for Proposal (RFP) was issues on August 18, 2004. Responses from interested vendors were received by the Department for review on October 8, 2004. The evaluation period for these proposals has been extended from mid-November due to several technical and procurement issues. No award has yet been made. Implementation of the tracking system is expected in the fourth quarter of calendar year 2005. The specific date of implementation is dependent on the date of award to the selected vendor.

Revenue Impact

As indicated in the initial report on the Fuel Tax Action Plan (August 2, 2004), the anticipated revenue from the additional positions for Fiscal Year 2004-2005 is $3.5 million. The tracking system will produce approximately $20 million a year for the first two years after the system is fully implemented. Given that none of the new positions have been filled and the tracking system is still in the process of being implemented, no new revenue has been generated to date from the Fuel Tax Action Plan.

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 17, 2005
Room 425
8:30 a.m.

Chairman: Representative Roger West

Office of the State Auditor

Continuation Budget Review
(Notebook pp. 1-24; 2005-2007 Recommended Continuation Budget pp. B 145- – B 155)

Introduction

James Forte
Executive Assistant, Internal Operations

Agency Overview

Beth Wood
Director of Training Director

Wrap Up

James Forte
Executive Assistant, Internal Operations

Questions and Answers

Leslie W. Merritt, Jr.
State Auditor

MINUTES
JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT
MINUTES
March 17,2005
Room 425

The Joint Appropriations Subcommittee on General Government met on Thursday, March 17, 2005 in Room 425 of the Legislative Office Building at 8:30 AM. The following members were present: Chairmen Representatives Roger West and Alma Adams, Vice Chairs Lucas, McLawhorn, Wilson and Committee Members Representatives Daughtry, Goforth, Grady, Pierce, Tucker.

Chairman West introduced the pages, Elizabeth Edwards of Rowan, sponsored by Rep. Weinstein; Danielle Carr from Wake County, sponsored by Speaker Black; Rudy Winn of Wake County, sponsored by Senator Basnight. He thanked the Sergeant at Arms for being there to help out – Richard Townsend, Leslie Wright, Martha Parish, and Tom Wilder. He introduced his Committee Clerk, Linda C. Johnson.

The meeting began with a presentation by Mr. James Forte, Executive Assistant, Internal Operations, who had several presentations for an overview of the department that would provide the information requested. Mr. Forte provided statements about the department's budget expenditures and revenues.

He said they recognized the current budget constraints and hoped to put to rest some of the concerns people might have of that office. He said the department has continued to operate with a legislative mandate for Smart Start Partnerships. They are responsible for the audits of the North Carolina Partnership for Children, Inc. and eighty-two local partnerships. Currently, 8% of the department's budget is allocated to the Smart-Start Program. In the past, contract money for audit purposes has been taken because of budget crises.

Beth Wood, Director of Training for the State's Audit Department, gave an Agency Overview. She explained the function of the Administrative Division – to provide finance, personnel, information resource management and overall administration of operations with a small, qualified staff.

Ms. Wood also explained the Field Audit Division and it's sub-programs to assure the security of computer systems for the State of North Carolina – that outsiders cannot hack into our computers, changing or deleting data. These auditors help our financial statement auditors. A lot of the information that is looked at is computer generated. This group comes in and assures that the information coming off the computer is correct.

Another function of a Field Audit sub-section is the "investigative" or "hot line". Anyone or organization who receives public financing can call in to this office and complain about misappropriations or errors that they may see. Our auditors will then investigate the legitimacy of the complaint. 2,031 complaints have been received since 1988 and this year (2003-04) we have recorded 149 complaints. There have been 179 extensive reviews and have identified $47 million in questionable funds.

Mr. James Forte spoke on the Department's budget of $13.5 million dollars. The staffing in the Department has dropped substantially since 2002 and they are experiencing a 29% turnover rate for junior auditors who stay long enough to become Certified Public Accountants and then leave for better pay. This affects the Departments ability to succeed in what they do. Revenues for the year 2002 thru the current year also fluctuate and are a bit less than in 2002. Mr. Forte asked Controller Cindy Gill to respond to a question regarding reimbursement receipts. Ms. Gill explained that while receipts are shown as projected amounts, the Department receives funds for performing Federal program audits sometimes result in increased receipts. Mr. Forte noted that they realized the constraints of this year's budget and asked the committee to consider the requested funding to assure that they can fulfill accountability that the Governor has mandated for non-profits.

Mr. Forte introduced Beth Wood to make a video presentation. Ms. Wood has been with the Auditor's office for about 32 years. Her overview would indicate how the Auditor's office was an integral part of the Legislature getting its job done. She spoke on the necessity of the Auditor's office providing assurance that taxpayer's monies were being spent as directed by the Legislature's mandates and to report back in the audit reports distributed to the General Assembly. The department is non-partisan and must operate that way. The audit reports are timely, reliable, and useful. Ms. Wood noted the State's statutes guide the department's standards. They must assure that each state agency has operating and administrative procedures in place to prevent abuse or misappropriation of state funds. The department also must ensure that the agencies are accomplishing the intended results. She spoke of the department's internal reviews to assure that an effective use of funds and personnel was being used. Senator Hoyle asked if the department was experiencing a loss or turnover of employees due to competition from other accounting firms. Ms. Wood said they absolutely were and gave an example of an employee, not even an auditor, who left to make $15,000 more per year than the department was able to offer her. Most stay just one or two years to avail themselves of the knowledge to get a CPA certification. It is a significant problem.

Ms. Wood went over the necessity to remain an independent operation not answering to others and that every three years the National State Auditors performed an external quality control review.

A question was asked about reviews of non-profit reports. Ms. Wood told the committee members that the reports were turned in by independent auditors and were reviewed by only 1% of the department's staffing. The department takes certain information from those independent reports and turns the information over to the General Assembly. Responding to a question of what threshold of income was required to have an audit by a qualified CPA firm, Ms. Wood said an agency with $300,000 or more of Federal monies was required to have a full-fledged audit. If they receive between $15,000 and $300,000, they must send in a certified statement as to how they have spent the monies. A third question of whether the department audited churches received a negative reply as they are not receiving State monies.

In reply to a question, Ms. Wood said that all 189 employees of the Audit Department were full-time and they did not hire part-time employees to use for "peak times". He said the department audited about 70 to 80% of state monies so that would entail the largest state agencies mostly. After the largest are audited, they try to visit smaller agencies. Performance audits are usually triggered by requests. These audits are to look at the accomplishment of objectives by the agency.

A discussion ensued as to the frequency of performance versus financial audits and the possibilities of hacking into the State's computer system. The recent finding that most University systems were not secure was mentioned.

Ms. Wood said approximately 80% of the department's budget is used by the financial auditing staff. There are four major reports produced: the State's financial statement; a single financial audit is required for at least 50% of federal funds the State receives. Annual audits of the 59 community colleges are no longer possible due to cutbacks in resources. Now it is done every other year. In the 82 Smart Start programs across North Carolina, the same is true; cutbacks now allow an audit every other year. These audits require 8% of audit resources. This is also true of the Clerks of Court.

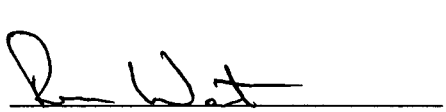
The overviews provided to the Committee showed the percentage allocation of staffing and allocation of financial audit time by agency type. Another overview gave information on on-going performance audits of Medicaid Prescription Drug Costs, DMV Homeland Security Issues, and the Division of Alcohol Law Enforcement.

Discussion ensued on the problem of retaining qualified employees. It was particularly noted that this was a problem in many other State agencies. Suggestion of a study to determine how the State's salaries compare and perhaps make some adjustments.

State Auditor Leslie W. Merritt then wrapped up the meeting, thanking the presenters and commenting on the problem of turnover of personnel. He spoke on the importance of doing more performance audits of non-profits to provide guidelines for them. Clear directions are necessary when there are 4,000 nonprofits and over 7,000 grants being expended. There is a clear need to help nonprofits with performance and grants. Mr. Merritt felt with just a few extra staff positions this would be possible.

A suggestion was made that the department submit their funding needs to ensure non-profits meet the required accountability. Another suggestion was made that perhaps workshops held around the State to provide guidance to non-profits on record keeping would produce improvement in audit findings. Committee members asked if a tracking system was in place on the findings. These are noted and compiled in the department.

Meeting was adjourned.



Representative Roger West, Chair

VISITOR REGISTRATION SHEET

APPROPRIATIONS Subcommittee on General Government Date: 3-17-05

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Robert Clark	
George Mills supra	DOA
David Brown	OSBM
Greg Piner	OSBM
Kari Barsness	OSBM
Leslie Merritt	OSA
Cindy Gilliam	OSA
Robert Wilson	S.O.S

ATTENDANCE

2005-2006

House Appropriations/General Government

( )

DATES HOUSE	March 17														
ALMA ADAMS, CHAIR	✓	/													
ROGER WEST, CHAIR	✓	/													
MARVIN LUCAS, VICE CHAIRMAN	✓	/													
MARIAN McLAWHORN, VICE CHAIRMAN	✓	/													
GENE WILSON, VICE CHAIRMAN	✓		/												
LEO DAUGHTRY		/													
BRUCE GOFORTH	✓														
OBERT GRADY															
GARLAND PIERCE															
RUSSELL TUCKER															
SENATE		/													
KATIE DORSETT, CHAIRMAN	✓	/													
DAVID HOYLE, VICE CHAIRMAN	✓														
ANDREW BROCK		/													
JANET COWELL	✓														
MALCOLM GRAHAM		/													
JIM JACUMIN	✓														
FRED SMITH															

NORTH CAROLINA GENERAL ASSEMBLY

APPROPRIATIONS/ GENERAL GOVERNMENT
2005 – 2006 SESSION



Rep. Alma Adams
Chair



Rep. Roger West
Chair



Rep. Marvin Lucas
Vice Chair



Rep. Marian McLawhorn
Vice Chair



Rep. Gene Wilson
Vice Chair



Rep. Leo Daughtry



Rep. Bruce Goforth



Rep. Robert Grady



Rep. Garland Pierce



Rep. Russell Tucker



Rep. Culpepper
Ex-officio



Rep. Cunningham
Ex-officio



Rep. Eddins
Ex-officio



Rep. Hackney
Ex-officio

Approp. - Gen Govt.

Minutes March 20, 2003

Representative West introduced the pages Dwayne Martin, Wake County sponsored by Senator Carrington, Marion Barmby, Wake County, sponsored by Rep. Miner, Will Lane, Nash County sponsored by Representative Hall.

First order of business is Presentation of Governor's recommended budget on the Department of Agriculture and Consumers Services. Heather Martin from the Fiscal Research Division will be presenting.

Today she will present the recommended Governor's Budget for the Department of Agriculture and the Department of Labor. On Tuesday they covered the level one spending targets and this was passed . She passed out handouts on the Department of Agriculture and summary of continuation and recommended budget. She explained the continuation budget which was about 51 million dollars for fiscal year 2003-2004 and 2004-2005. The recommended reductions 2.2 million for those fiscal years and the total recommendation adjustment 2.2 million for those years. The total recommended budget for the Department of Agriculture and Consumer Services is about 48 million – a reduction of about 4.5%.

Line item reductions:

1. Research Station – cut $41,000 for 2 positions in the Rocky Mount Research Station and one of the positions is vacant the other will be vacated on April 1.

2. Administrative Services – $77,000 for three positions.

3. Marketing - $50,000 . Also a cut to the operating budget for marketing which will affect the Wilmington Farmer's Market. Other operating cuts of $473,000 for both fiscal years.

4. Public Affairs – Elimination of one half of the appropriation to the NC Bureau for Agriculture in the classroom.

5. General Administration – Affects an appropriation for the Southern Dairy Compact which is a coordinated effort among southern states to help dairy farmers with marketing and PR.

6. Natural Gas Propane reserve to be eliminated.

7. General Operating Budget Reduction of $960,000.

No further detail in the Governor's Budget.

Senator Horton had a question regarding the Natural Gas Propane reserve.

Clara Gay, Budget Officer for the Department of Agriculture explained this item. $12,059 was the amount in this budget and offered this to be eliminated.

8. Department-wide position cut of 10 positions to a total of $555,000.

9. Elimination of a position in livestock, Swine Grading Certification.

On Tuesday there will be a representative from the Department present alternate production to the level 1 spending target. Some discussion followed.

Clara Gay explained the position cuts in the budget.

Discussion followed.

Heather presented the Governor's recommended budget for the Department of Labor.

She referred to the second handout. Governor's Recommended Budget, Department of Labor.

Recommended continuation budget for the Department of Labor for the fiscal years of just under $14 million. Reduction total of approximately $671,000. Leaves recommended budget of about $13.2 million for both fiscal years. This is a 4.8% reduction.

1. Commissioners Officer Office, reduction of four positions total of $259,000 for both fiscal years. All of the positions are filled. One is the General Counsel for the Department of Labor, Deputy Counsel to Legislative Liaison, Assistant Administrator in the Budget Division.

2. Administration – elimination of 1.75 positions, a total of $91,000. The filled position is the collection attorney for the Department of Labor. More information regarding this is included in your handout.

Senator Horton had questions regarding this regarding taking four filled positions out of the office. How many people in this office?

Becky **B**rown from the Department discussed this issue regarding the duties of these positions.

Brian Pearce ? from the State Budget office explained how these positions were chosen to be cut. Discussion followed.

Representative Culp asked if there were any vacant positions in the Department. The answer was yes.

3. Workplace Discrimination Division - $2,100 cut in operating budget line items.

4. Wage and Hour Division, elimination of three filled and one vacant positions - $173,000. One of those positions is a 1-800 operator in the Department who takes calls through the Wage and Hour Division but the calls mostly apply to Department Wide problems.

5. Bureau of Labor Statistics – 1 vacant position be eliminated and that position is partly funded through Federal receipts $13, 500 and also reduction of $27,000 for expenditures.

6. Apprenticeship and Training Bureau – elimination of two vacant positions and that is $97,000 reduction for both fiscal years. More information regarding this in the handouts.

7. Continuation Increases – Recommended that the continuation budget increases. Becky Brown mentioned that the Department of Labor will be here on Tuesday to present their alternative recommendations to reach the Level 1 spending target. This concluded her presentation on the Department of Labor.

The 2:00pm meeting was worked into this meeting.

Chief Deputy Jane Smith gave the Governor's Recommended Budget on the Department of Environment and Natural Resource.

Deputy Jane Smith presented the continuation budget. The proposed adjustment to the Governor's budget represent a reduction in appropriation of approximately $7.1 million or 4.7%. Also an increase of $500,000 in non-recurring funds. She referred to the large handout "Detail of Governor's Proposed Budget". She explained this handout. They currently have 459 vacant positions. Some in the process of being filled.

1. Administration – Proposed reductions for this area are elimination of one office assistant in a regional office, one information communication specialist in office of public affairs, minor reduction in operating the state funded cost in the wetlands restoration program.

On the next page a summary of budget actions the General Assembly took in the last biennium. Page 6

On page 7 is an O chart for the administrative area.

2. Aquarium – 3 state funded – Roanoke Island, Fort Fisher and Pine Knoll Shores. She explained the purpose of these. Page 11 is O chart for these.

3. Coastal Management page 15. She explained this. . Page 16 organizational charts. Page 17, budget for the last 5 years. On page 18 the actions the General Assembly has

taken in the last biennium with respect to the Division of Coastal Management. She will get a list of the coastal reserves for the committee.

4. Division of Forest Resources – Lead role on developing , managing and protecting the forest resources of the state. Handle all the state forests as well as insect and disease control. The O chart is on page 21. Funding history on page 22. The Forestry Resources Division budget represents almost 20% of all appropriations that the Department of Environment and Natural Resources has. The also have almost 18.8% of all the positions that the Department has. The majority of the reduction is in the equipment replacement category. The other reductions are forest development, reducing 200,000 of the referring money that they get in forest development. The current appropriation in this program is $589,000 – a 30% reduction in the State portion of that program. The current cash balance is over $5 million. Page 23 shows a summary of the action during the last biennium by the General Assembly.

5. Division of Land Resources – She explained the functions of this Division. Page 26 the organizational chart. Page 27 their five year history. She explained this Division. Page 28 shows the actions the General Assembly has taken in the last few years.

6. Division of Pollution Prevention and Environmental Assistance – Protects the environment and preserves natural resources. Explained the Division's purpose. Page 30 shows the organizational chart. Page 31 their five year history. The are reducing their budget by fund shifting positions. 1 ½ position is being transferred to the solid waste trust fund. Partial position to a federal grant. Reducing operating cost by $66,000. Page 32 shows the summary of the actions the General Assembly has made in that Division over the last few years.

7. Soil and Water Conservation - She explained the functions of this Division. Page 34 shows the organizational chart for the Division. Page 35 shows the five year finding history. Their appropriation is approximately 7.6% of all the Departments appropriations. Their reductions include abolishing two positions and fund shifting one position to receipts. Non-referring reduction of $970,000 with $117,500 money still remaining from a 1997 appropriation for animal waste. Offering $853,000 reduction in the best management practices portion of the A-Cosher? Program. These are non-recurring reductions. Also reducing board, travel and compensation 15.7% in the amount of money provided for these. There is a 10% reduction in district matching funds. The Division operating is being reduced by $57,000 which is 6.6% of the appropriated operating non-salary of their operating funds. Discussion followed. Page 36 is the itemization of the actions the General Assembly has taken in the last biennium.

8. Zoo – She explained the functions of this. On page 38 is the O chart. On page 39 is the five year funding history. Abolish 1 position, funding 6 ½ positions to receipts. Moving some of the line items from operating and moving that money into salaries to hold on to the staff to operate the Zoo. Eliminating most of the increases asked for in the

increase/decrease column. On page 40 is the changes that have been made in the last two years in the budget for the Zoo. This concluded her presentation.

Representative Warren had several questions regarding the aquarium, forestry as well as the Zoo.

Senator ? had a question on special funds.

Ms. Smith was glad he brought this to her attention, She had forgotten this item. On the first page of the handout, item two. The General Assembly places money in the budget to pass through to several other agencies. There are four listed here and they are the only four in the continuation budget. Refer to the handout, page one.

Representative Culp asked if the receipts were up that much. Ms. Smith reported that they felt they were and the State Budget agreed with them.

Discussion followed.

Next presenter was Chief Deputy Secretary Dempsey Benton. There was a short handout that addresses the expansion item that is in the Governor's Budget for the Department. It is the express permit program appropriated at $500,000 - 03-04. It is a one year appropriation not continued. The handout provides a brief summary of that. The proposal is to create two teams a total of eight staff which will provide an optional point of entry by the customers who want to submit plans and have them reviewed by a special team. Discussion followed.

Next meeting Tuesday, 8:30 AM and 2:00 PM.

Meeting adjourned.

Ryan Watt (Chair)

ATTENDANCE

2005-2006

House Appropriations/General Government

( )

DATES 3-20-05		
HOUSE		
ALMA ADAMS, CHAIR	✓	
ROGER WEST, CHAIR	✓	
MARVIN LUCAS, VICE CHAIRMAN	✓	
MARIAN McLAWHORN, VICE CHAIRMAN	✓	
GENE WILSON, VICE CHAIRMAN	✓	
LEO DAUGHTRY		
BRUCE GOFORTH	✓	
OBERT GRADY		
GARLAND PIERCE	✓	
RUSSELL TUCKER		
SENATE		
KATIE DORSETT, CHAIRMAN	✓	
DAVID HOYLE, VICE CHAIRMAN	✓	
ANDREW BROCK	✓	
JANET COWELL	✓	
MALCOLM GRAHAM	✓	
JIM JACUMIN	✓	
FRED SMITH		

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 23, 2005
Room 425
8:30 a.m.

Chairman: Senator David Hoyle

Department of Administration

Department Overview
(Notebook pp. 1-3; 2005-2007 Recommended Continuation Budget pp. B 246- – B 255)

Office of the Secretary

Agency for Public Telecommunications
(Notebook pp. 13-16; 2005-07 Recommended Cont. Budget pp. B 268- – B 269)

Study of State Funded Advertising
(Notebook yellow pages)

NC Board of Ethics
(Notebook pp. 17-21; 2005-07 Recommended Cont. Budget pp. B 309)

Fiscal Management
(Notebook pp. 22-24; 2005-07 Recommended Cont. Budget pp. B 258- – B 259)

Human Resources Management
(Notebook pp. 25-28; 2005-07 Recommended Cont. Budget pp. B 260- – B 261)

Division of Non-Public Education
(Notebook pp. 29-32; 2005-07 Recommended Cont. Budget pp. B 264- – B 265)

Public Information Office
(Notebook pp. 33-34)

Veterans Affairs
(Notebook pp. 35-39; 2005-07 Recommended Cont. Budget pp. B 300- – B 303)

Gwynn T. Swinson
Secretary

House Pages

Name Of Committee: Local Gov't Date: 3/23/05

1. Name: Monte Henry
   County: Wake
   Sponsor: Jennifer Weiss
2. Name: Britney Cherry
   County: Wake
   Sponsor: Senator Stevens
3. Name: Joel Rubin
   County: Wake
   Sponsor: Senator Dorsett
4. Name: Danielle Robinson
   County: Duplin
   Sponsor: C. Allen-Ison
5. Name: Brantly Braswell
   County: Wake
   Sponsor: Sen. Basnight
6. Ariel Cochrane Brown
   Wake
   Senator Stevens
7. Lorenzo Johnson
   Wake
   Speaker Black

Sgt-At-Arms

1. Name: Richard Telfair
2. Name: Leslie Wright
3. Name: Willie Dixon, House
4. Name: Martha Parrish, House
5. Name:

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 23, 2005
Room 425
2:00 p.m.

Chairman: Senator David Hoyle

Department of Administration

Government Operations

Mail Service Center
(Notebook pp. 42-45; 2005-07 Recommended Cont. Budget pp. B 379- – B 380)

Motor Fleet Management
(Notebook pp. 46-50; 2005-07 Recommended Cont. Budget pp. B 373 – B 375)

Office of Historically Underutilized Businesses
(Notebook pp. 51-58; 2005-07 Recommended Cont. Budget pp. B 262- – B 263)

Division of Purchase and Contact
(Notebook pp. 59-63; 2005-07 Recommended Cont. Budget pp. B 281- – B 283)

State Construction Office
(Notebook pp. 64-72; 2005-07 Recommended Cont. Budget pp. B 273- – B 274, B 277)

State Energy Office
(Notebook pp. 73-77; 2005-07 Recommended Cont. Budget pp. B 339- – B 345)

State Property Office
(Notebook pp. 78-82; 2005-07 Recommended Cont. Budget pp. B 275- – B 276)

Division of Surplus Property
(Notebook pp. 83-88; 2005-07 Recommended Cont. Budget pp. B 377)

C. Carlton Myrick
Deputy Secretary for Governmental Operations

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT
MINUTES

Wednesday, March 23, 2005
8:30 am

The Joint Appropriations Subcommittee on General Government met on March 23, 2005 8:30 am in Room 425 of the Legislative Office Building. Senator David Hoyle called the meeting to order. He welcomed the staff, pages, agencies, and Sgt. At Arms. In addition to the Vice Chairman David Hoyle, four Senate Members were present and Representatives Alma Adams, Marvin Lucas, Gene Wilson, Bruce Goforth, Garland Pierce and Russell Tucker.

After extending the welcome and making introductions, Senator Hoyle then recognized Secretary of the Department of Administration Gwynn T. Swinson. Secretary Swinson recognized members of her staff, and went over the funding cuts that the Department of Administration in the past few years faced (refer to attachment for charts).

Agency for Public Telecommunications

The Agency for Public Telecommunications (APT) serves as a production house and advertising consultant for public agencies. APT was founded in 1979 to help agencies better communicate the availability of services and programs to all citizens in North Carolina. APT purpose is to increase public participation in government, to promote public access to government services, and to improve government efficiency through the best use of available technologies.

Live Program- OPEN/net
APT produces live, call-in programs on Tuesday evenings to involve public officials with citizens in discussions about issues of importance across the state. Reaching more than 2.4 million households, it is OPEN/net's goal to increase citizen involvement in government. APT distributes OPEN/net by satellite to cable systems, which carry these prime-time programs as a public service to their subscribers.

Media Services
APT offers a full range of professional audio production services from concept creation through project completion. APT now offers clients a media-buying service as well, so they cannot only create their outreach programs with APT, but also save valuable budget dollars by allowing APT to place their advertising at a highly competitive rate.

In the fiscal year 2003-2004, Media Services produced a record receipt total for APT of more than $3.3 million dollars. Media Services made great progress in promoting the media buying service and potential savings.

Teleconferencing/State Services Network (SSN)
APT provides full-motion video teleconferencing, audio conferencing, web streaming, fiber optic, and phone conferencing across the state, nation and internationally. These services allow clients to communicate with multiple locations and numerous people from one location, the APT studios in Raleigh.

North Carolina Board of Ethics

The overall mission of this Board is to protect the public interest and maintain the publics trust by helping covered "Public Officials" avoid conflicts of interest and appearances of conflict of interest as they perform their public duties. A staff of three supports this Board: Executive Director, Administrative Assistant, and Research Assistant.

Budget
Beginning July 1, 2002, the Board had a budget of approximately $ 224,000 with which to oversee and assist 265 boards and commissions and approximately 2500 actual or prospective appointees and employees during the course of the year. As a result, Secretary of Administration stated that the Board remained unable to publish and distribute its newsletters in hard copy.

Human Resources Management
The Human Resources Management (HRM) Office provides a range of services for the Department of Administration encompassing all major areas of personal administration in accordance with the requirement of the State Personnel Act. The HRM Office is responsible for employee recruitment and selection, position management, salary administration, training and development, employee and management relations, EEO/affirmative action, safety and health, and health benefits administration.

Work/Family Life Program
To assist DOA employees with balancing work and family life, a Work Life
Program was developed in 1999. This program was initially designed to improve employee awareness of existing supportive benefits and policies and to offer resources regarding complex work of life issues.

Safety and Health
The Department of Administration had offered Health and Safety Fairs for several years as the highlight of Wellness and Benefits Week. Employees from five departments participated in various fairs. This event is so successful, that HRM staff assists other departments in developing their own fair.

Staff Development and Training
After a two-year hiatus, the HRM Office revamped and implemented a comprehensive staff development and training program. The 2004-2005 course offering include a combination of web-based and classroom training opportunities on a variety of topics.

INROAD Program
The Human Resources Management Office and the Secretary's Office collaborated with the office of State Personnel in 2004 and employed three INROAD student interns to work on coordinating and developing staff training course, researching the advocacy programs, database development and Web design.

Secretary Swinson then opened the floor to questions. The Subcommittee then questioned the reversion money from the vacant jobs. Secretary answered that question by stating that because the wages were so low in those jobs compared to the private sector it was hard to keep employees. She also stated that she was unaware that reversion money was considered.

Division of Non-Public Education

The NC Division of Non-Public Education (DNPE) was originally established in 1961 as a regulatory agency within the NC Department of Public Instruction. In 1979, the NC General Assembly enacted legislation requiring the Governor to designate a "duly authorized representative of the State of North Carolina" to receive notices of intent to operate and also to terminate a private elementary/secondary school in North Carolina and to inspect certain records of those schools.

DNPE maintains limited current statistical data on each private elementary/secondly school including the school's name, address, telephone number, owner, chief administrator and type of school. Information relating to the range of grades or ages taught and the numbers of students enrolled are also maintained.

Public Information Office

Program Overview
The Public Information Office (PIO) functions as an integral part of the Secretary's Office and not as a separate division. Within the past several years, PIO positions have been reduced from four and three-quarter to two, leaving only a writer-editor and a graphic/Web designer to fulfill the communication needs of the department.

Veterans Affairs

The function of the Division of Veterans Affairs is to assist veterans, survivors, and their families in the presentations, processing, proof, and establishment of claims, privileges, are currently 772,000 veterans living in North Carolina. Combined with the survivors

and dependents, the Department provides assistance to approximately 35% of the state's population.

State Veterans Nursing Home Program

North Carolina's first State Veterans Home began operations in Fayetteville, NC on March 8, 1999. The 150-bed facility was served 718 veterans with skilled long-term healthcare. The Home is Medicaid/Medicare certified and has been certified by the Joint Commission Accreditation of Health Care Organization.

State Veterans Cemeteries Program

The three state veterans cemeteries are located in Black Mountain, Jacksonville and Spring Lake, NC. They provide interments for veterans as well as eligible dependents. As of December 31, 2004 we have had a total of 5,592 burials in out three cemeteries. Just over 78% if these burials are veterans.

State Scholarship for Children of North Carolina War Veterans

The North Carolina Veterans Affairs Commission awarded 335 scholarship in 2001, 379 in 2002, 403 in 2003, and 407 in 2004, to children of deceased and disabled war veterans. The number of applications has increased from 551 in 2001 to 748 in 2004. Secretary Swinson opened the floor for questioning and no questions were asked.

The meeting adjourned at 9:35 a.m.

Senator David Hoyle, Presiding

Phyllis Cameron, Committee Clerk

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT

March 23, 2005
8:30 am

ATTACHMENT
E

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT

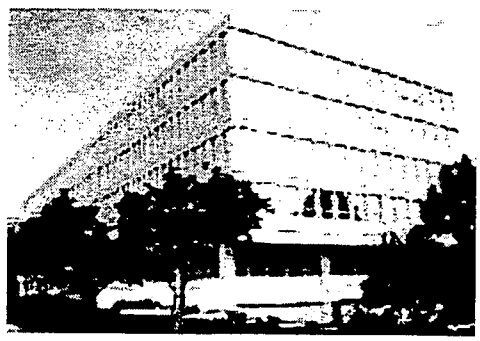
March 23, 2005
2:00 pm

ATTACHMENT
F

State of North Carolina

Department of Administration

Gwynn T. Swinson
Secretary



JOINT APPROPRIATIONS GENERAL GOVERNMENT SUBCOMMITTEE

A Departmental Review Presented to the
North Carolina General Assembly

February 2005

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DEPARTMENTAL OVERVIEW

The Department of Administration is often referred to as the "business manager" of state government. As the state's business manager, the department oversees such operations as building construction, purchasing and contracting for goods and services with special emphasis on reaching historically underutilized businesses, managing state vehicles, acquiring and disposing of real property, and administering a center for mail services and agencies to manage state and federal surplus property. In addition, the department provides maintenance for state facilities and police protection for state government property. The department's Agency for Public Telecommunications serves as the central media production facility for state government, offering video production services, teleconferencing via satellite and fiber, and live call in programs that connect citizens with public officials on the open public events network.

Several programs advocating for citizens of North Carolina with special needs are included in the Administration Department. They include the Governor's Advocacy Council for Persons with Disabilities, the N.C. Human Relations Commission, the N.C. Commission of Indian Affairs, N.C. Council for Women/Domestic Violence Commission, Historically Underutilized Business Office, and the Youth Advocacy and Involvement Office. Most of these programs have an appointed council and a state staff that work on behalf of persons with disabilities, minorities, women, youth and victims of domestic violence.

The department offers still other services including assistance to veterans through the Division of Veterans Affairs and oversight to conventional N.C. private elementary/secondary schools and home schools through the Division of Non-Public Education. The Department has also been home to the State Energy Office since it's relocation to DOA from Commerce in 2000.

Mission

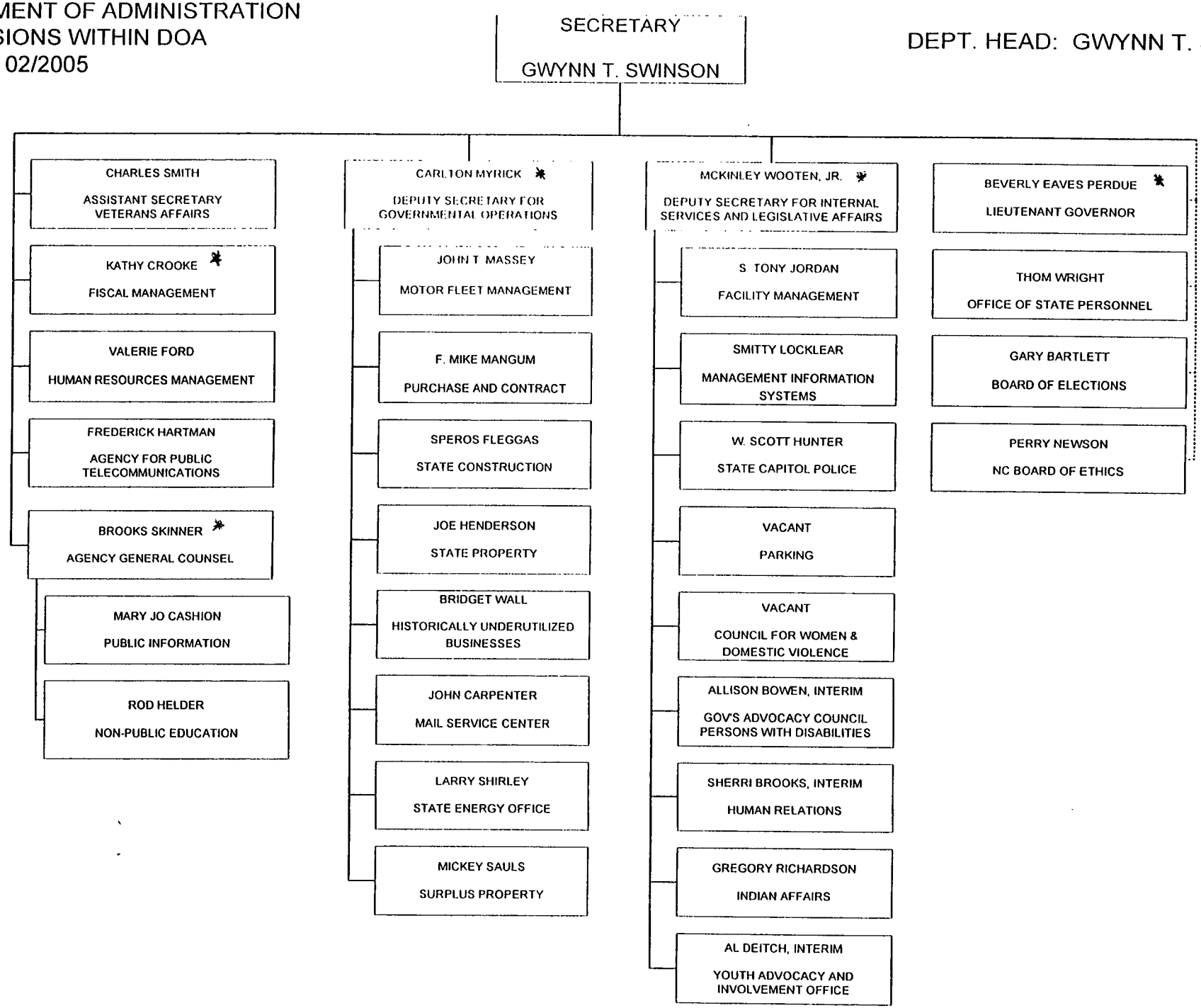
The North Carolina Department of Administration
shall provide high quality services effectively, efficiently and economically
for our customers who are the citizens, agencies and communities of our state.

WE ARE COMMITTED TO:

- ***Quality***
- ***Service***
- ***Excellence***
- ***Integrity***

DEPARTMENT OF ADMINISTRATION
ALL DIVISIONS WITHIN DOA
REVISED 02/2005

DEPT. HEAD: GWYNN T. SWINSON



DEPARTMENT OF ADMINISTRATION

Summary of Budget

	2003-04 Actual	2004-05 Authorized	2005-06 Recommended	2006-07 Recommended
Total Requirements	$ 122,899,313	$ 135,761,202	$ 138,397,555	$ 138,699,569
Total Estimated Receipts	73,730,507	86,332,670	87,359,372	87,421,141
Increase/Decrease Cash Balance	5,316,668	(224,787)	(35,000)	(35,000)
Net Appropriations	$ 43,852,138	$ 49,428,532	$ 51,038,183	$ 51,278,428
Number of Positions	844.74	861.00	861.00	861.00

Notes:

36% of the budgeted appropriations is for Fund 1421 Facility Management

15% of the budgeted appropriations are "pass through" monies for grants, scholarships, aid to local governments, etc.

34% of the budgeted positions are supported from receipts

Cash balance reflected for Special Fund Codes only.

Above Summary Excludes Office of State Personnel housed in the Dept. of Administration for reporting purposes.

OFFICE OF THE SECRETARY

Gwynn T. Swinson
Secretary

Agency for Public Telecommunications

Board of Ethics

Fiscal Management

Human Resources Management

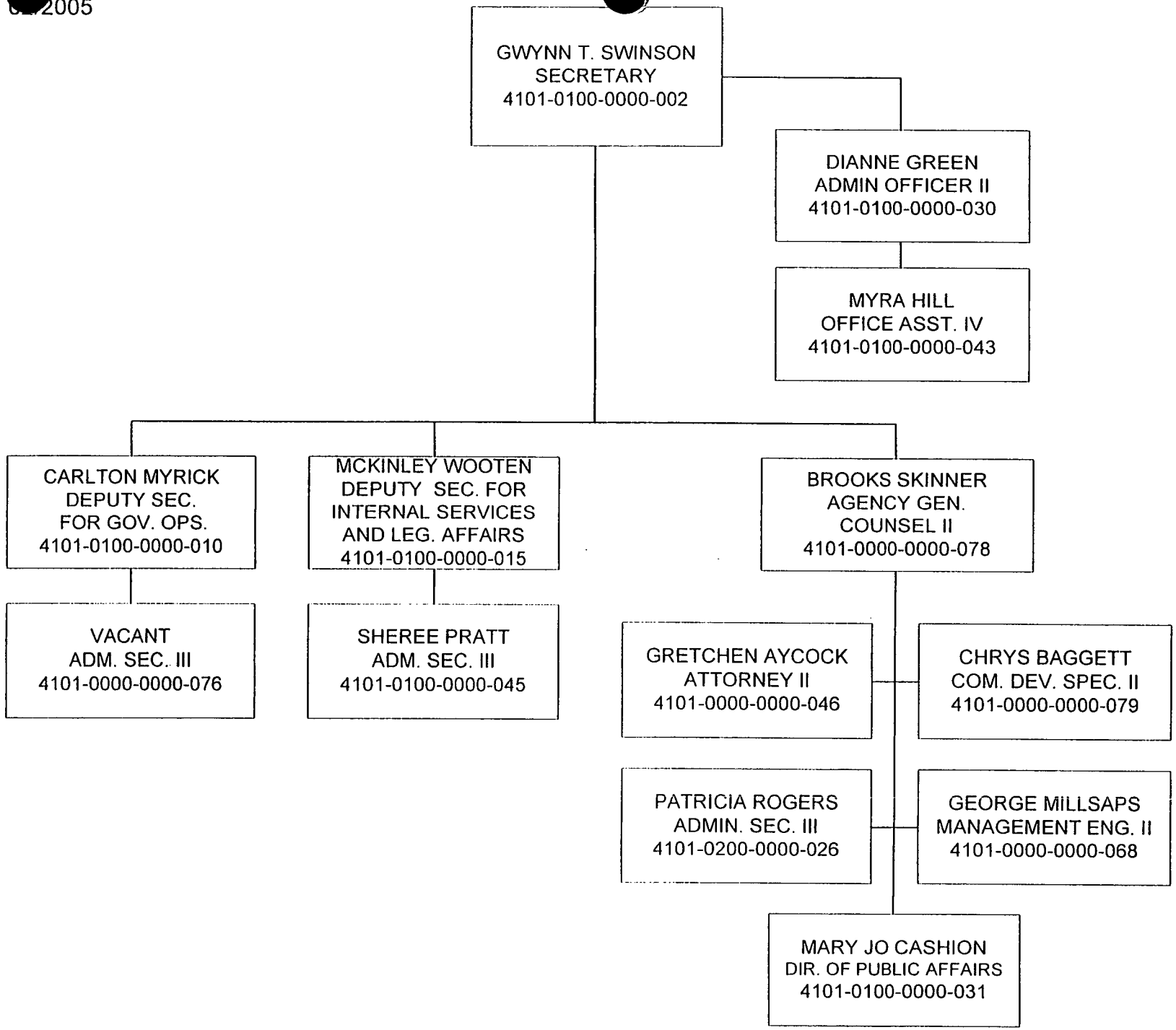
Non-Public Education

Public Information

Veterans Affairs

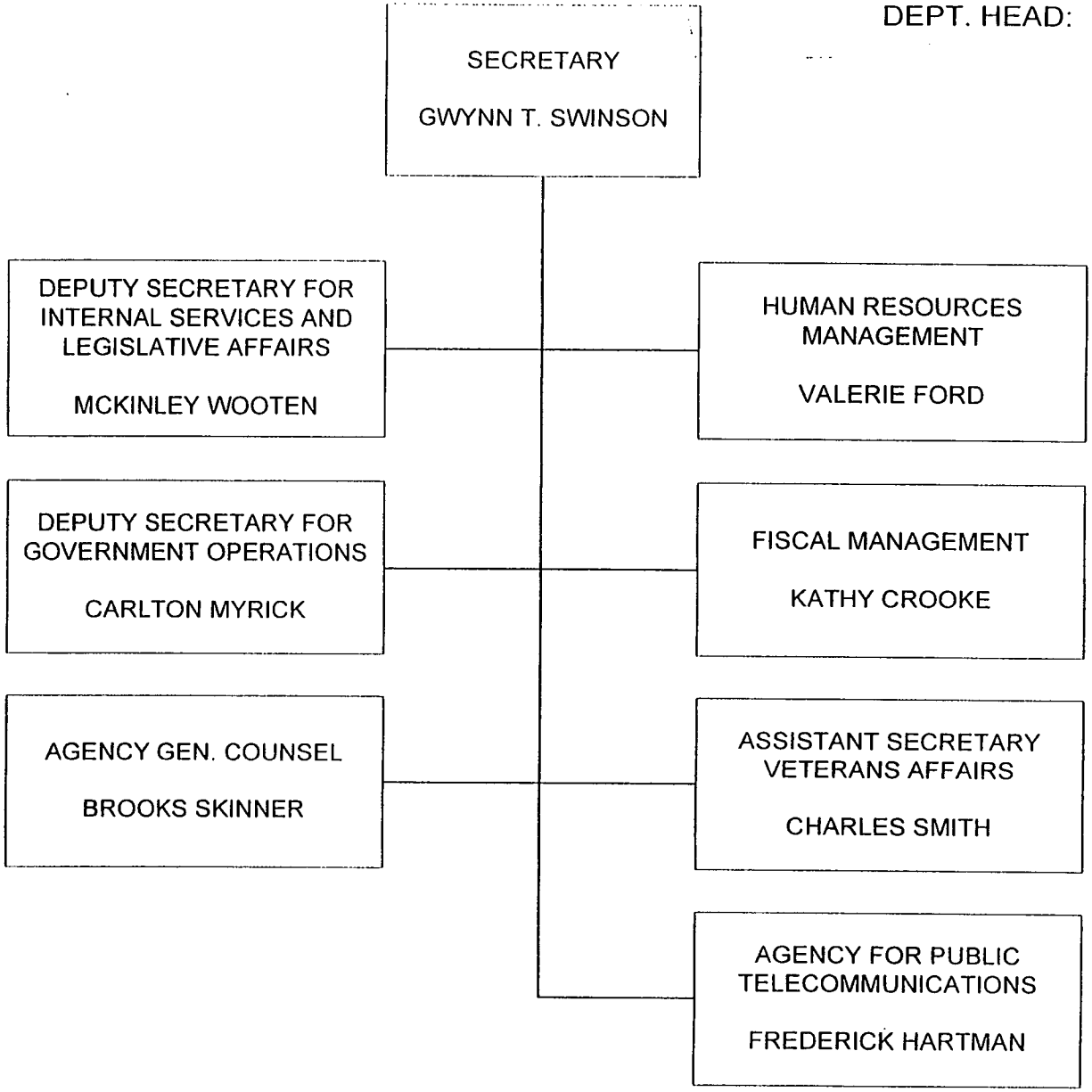
DEPARTMENT OF ADMINISTRATION
SECRETARIES STAFF
REVISED 6/1/2005

DEPT. HEAD: GWYNN T. SWINSON



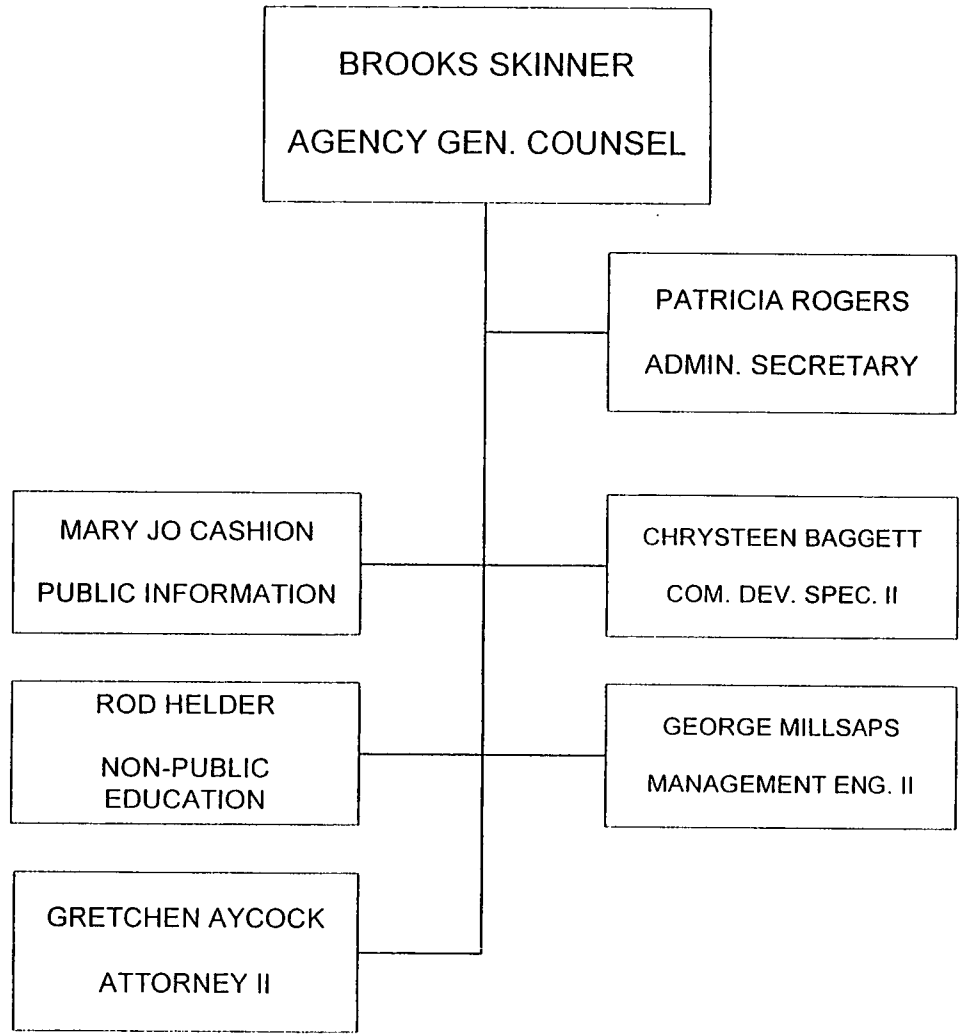
DEPARTMENT OF ADMINISTRATION
DIRECT REPORTS
REVISED 02/2005

DEPT. HEAD: GWYNN T. SWINSON



DEPARTMENT OF ADMINISTRATION
AGENCY [redacted]NERAL COUNSEL
REVISED [redacted]2005

DEPT. HEAD: GWYNN T. [redacted]NSON



DOA Office of the Secretary
FUND 1111
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$ 1,743,245	$ 1,152,160	$ 1,155,037	$ 1,155,037
Total Estimated Receipts	68,750	61,008	61,102	61,102
Net Appropriations	$ 1,674,495	$ 1,091,152	$ 1,093,935	$ 1,093,935
Number of Positions	27.75	14.00	14.00	14.00

Notes:

85% of Budgeted Appropriations is Personnel Cost

6% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

9% of Budgeted Appropriations is Operating Expenses

98% of Budgeted Receipts is Personnel Cost

2% of Budgeted Receipts is Operating Expenses

96% of Budgeted Positions is Supported from Appropriation

4% of Budgeted Positions is Supported from Receipts

DOA Juvenile Law Study Commission
FUND 1803
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$0	$468	$468	$468
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$0	$ 468	$ 468	$ 468
Number of Positions	0.00	0.00	0.00	0.00

Notes:

0% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

100% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

0% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA Pension-Surviving Spouse of Governors
FUND 1851
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$12,000	$12,000	$12,000	$12,000
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$12,000	$ 12,000	$ 12,000	$ 12,000
Number of Positions	0.00	0.00	0.00	0.00

Notes:

0% of Budgeted Appropriations is Personnel Cost

100% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

0% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

0% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA - Transion Team
FUND 1881
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$0	$120,000	$0	$0
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$0	$ 120,000	$0	$0
Number of Positions	0.00	0.00	0.00	0.00

Notes:

0% of Budgeted Appropriations is Personnel Cost

100% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

0% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

0% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA - Governor's Inauguration
FUND 1882
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$0	$205,000	$0	$0
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$0	$ 205,000	$0	$0
Number of Positions	0.00	0.00	0.00	0.00

Notes:

0% of Budgeted Appropriations is Personnel Cost

100% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

0% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

0% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

AGENCY FOR PUBLIC TELECOMMUNICATIONS

Agency Overview

The Agency for Public Telecommunications (APT) serves as a production house and advertising consultant for public agencies. APT was founded in 1979 to help agencies better communicate the availability of services and programs to all citizens in North Carolina. APT's purpose is to increase public participation in government, to promote public access to government services, and to improve government efficiency through the best use of available technologies. APT is supported by a combination of legislative appropriations, receipts for production services, and grants. An appointed Board of Telecommunications Commissioners provides policy direction.

APT offers a full range of media (audio/video) production services and teleconference production services (by satellite, fiber and web streaming). In addition, APT serves as an advertising consultant for agencies who need to reach out to citizens through the media, including newspaper, radio, television, billboard, internet and more. Those services make it more cost-effective and productive for public agencies to provide information to their own employees and to the public about their programs and services. Those services also enable public agencies to offer staff development and training, especially to remote locations, without the expense and lost time of unnecessary travel. In addition, APT produces OPEN/net live, prime time, and call-in programs on cable systems across North Carolina. Finally, APT encourages broader uses of communication channels that match innovative technologies to changing needs through our marketing and outreach activities to other public agencies and through new initiatives of our own.

APT is managed by an Executive Director who oversees 11 staff members who work in the following areas: Operations, Administration, Media Services, OPEN/net and State Services Network. APT has employees a number of contractors and part-time staff to help us meet the high volume of work.

Accomplishments

In the 2003/2004 fiscal year, APT saved state agencies more than $330,000 on the cost of advertising their services by helping those agencies meet their outreach goals in an efficient manner. APT recently completed its first in-depth series on OPEN/net, titled NC Works, a study of economic development in North Carolina. This eight-part series included notable guests from the General Assembly, the Governor's Office and Cabinet, as well as leaders from the private sector. APT also added a significant national client, the Environmental Protection Agency, who has since increased their contract with APT due to the agency's outstanding quality and cost.

Live Programs-OPEN/net*

APT produces live, call-in programs on Tuesday evenings to involve public officials with citizens in discussions about issues of importance across the state. Reaching

more than 2.4 million households, it is OPEN/net's goal to increase citizen involvement in government. APT distributes OPEN/net by satellite to cable systems which carry these prime-time programs as a public service to their subscribers. Each program includes a discussion between viewers who call from their homes and public officials seated in our Raleigh studio.

In an effort to further explore those issues that impact citizens the most, OPEN/net started producing a series of programs on one key topic. The first series, called NC Works, explored the state of economic development in North Carolina. A new series on transportation is planned for the spring of 2005. OPEN/net also broadcasts OPEN/net in Espanol that provides vital information to the state's growing Hispanic population in Spanish.

Media Services

APT offers a full range of professional audio and video production services from concept creation through project completion. APT now offers clients a media-buying service as well, so they can not only create their outreach programs with APT, but also save valuable budget dollars by allowing APT to place their advertising at a highly competitive rate. Options include script writing, booking talent, studio and field shooting, post-production, and distribution of broadcast-quality audio and video according to the clients' needs and budgets, and advertisement placement on television, radio, newspapers, magazines, billboards, movie theaters and more. Our clients' productions have received numerous awards for excellence.

In the fiscal year 2003-2004, Media Services produced a record receipt total for APT of more than $3.3 million dollars. Media Services made great progress in promoting the media buying service and potential savings.

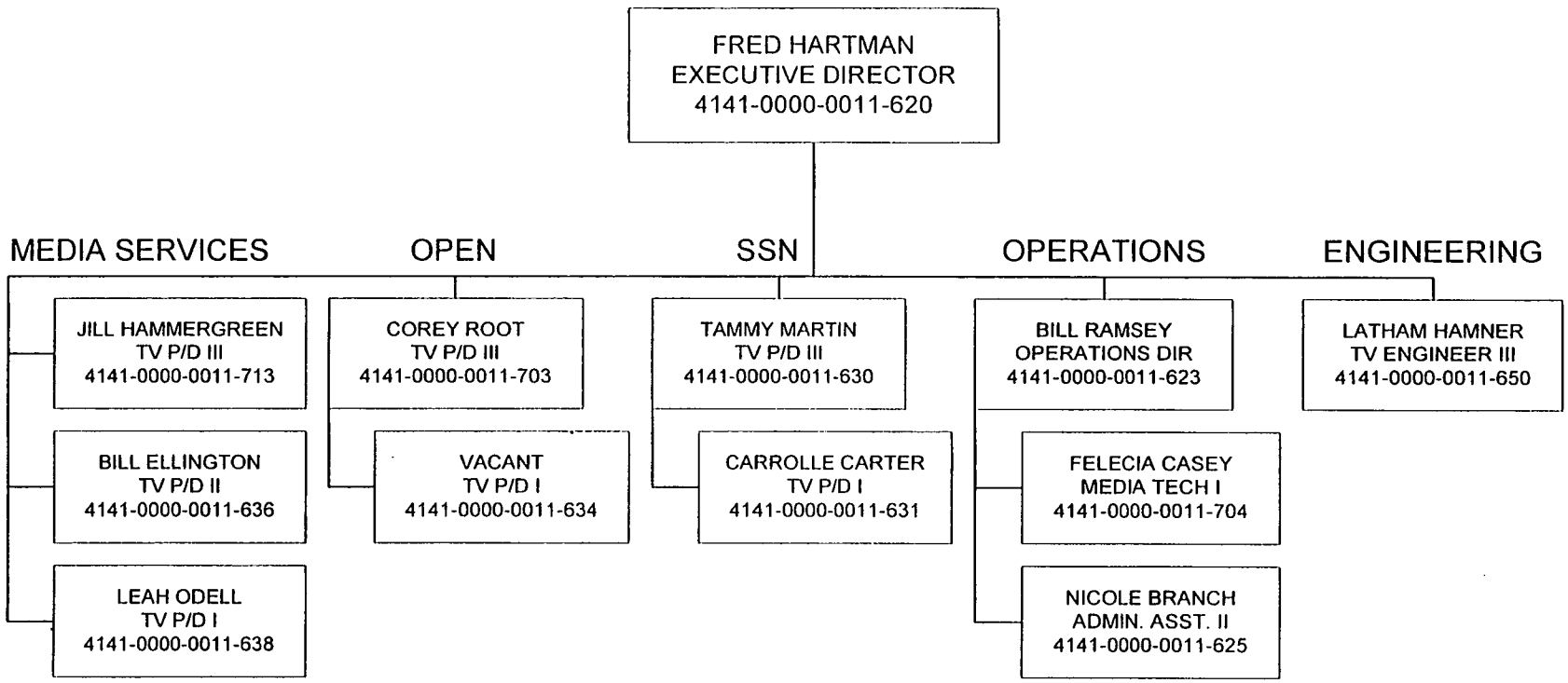
Teleconferencing/State Services Network(SSN)

APT provides full-motion video teleconferencing, audio conferencing, web streaming, fiber optic, and phone conferencing across the state, nation and internationally. These services allow clients to communicate with multiple locations and numerous people from one location, the APT studios in Raleigh.

This service is particularly efficient and effective for state agencies that must communicate with staff and constituents spread out across North Carolina within limited budget constraints. Instead of incurring substantial travel costs, including hotel, car rental, affair, food and gas, agencies can reach multiple locations and large numbers of staff and constituents through the APT studios in Raleigh. In 2004, APT acquired the Environmental Protection Agency and NCSU as major clients who benefit from this service. The EPA finds it more effective and cheaper to travel from DC to the APT studios in Raleigh to conduct their national outreach.

DEPARTMENT OF ADMINISTRATION
NC AGENCY FOR PUBLIC TELECOMMUNICATIONS
REVISED 02/2005

DIV. HEAD: FRED HARTMAN
AGENCY HEAD: GWYNN T. SWINSON



DOA - Agency for Public Telecommunications
FUND 1264
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$2,804,841	$4,058,357	$4,058,357	$4,058,357
Total Estimated Receipts	$2,342,740	$3,508,071	$3,508,071	$3,508,071
Net Appropriations	$462,101	$ 550,286	$550,286	$550,286
Number of Positions	12.00	12.00	12.00	12.00

Notes:

89% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

11% of Budgeted Appropriations is Operating Expenses

5% of Budgeted Receipts is Personnel Cost

95% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

NORTH CAROLINA BOARD OF ETHICS

Number of Board Members

Seven members appointed by the Governor (all positions currently filled)

Purpose

The Board's overall mission is to protect the public interest and maintain the public trust by helping covered "Public Officials" avoid conflicts of interest and appearances of conflict of interest as they perform their public duties. Covered "Public Officials" include gubernatorial and legislative appointees to non-advisory boards and commissions within the Executive Branch of State Government, exempt from the State Personnel Act employees in the Executive Branch, and high-level university officers as designated by the Board of Governors. The Board pursues it goals primarily through education, evaluation of statements of economic interest, advisory opinions, and complaint investigations.

Structure

The Board is supported by a staff of three: (1) an Executive Director, (2) an Administrative Assistant, and (3) a Research Assistant (position currently vacant, but posted for immediate filling).

Budget

Beginning July 1, 2002, the Board had a budget of approximately $224,000 with which to oversee and assist 265 boards and commissions and approximately 2500 actual or prospective appointees and employees during the course of the year.

Report on Activities for 2004

The seemingly perennial budget crisis under which both State government as a whole and the Board of Ethics in particular suffered for the past several years eased in 2004. Literally from its re-establishment in January 2001, the Board has been significantly impacted by budget issues. Some of the initial impacts have lingered, but others have been significantly reduced. From the beginning, not all consequences were bad.

Most significantly, the ban on non-essential travel was lifted, allowing staff the ability to once again make out-of-town ethics education presentations. As background information, the elimination of all non-essential travel in early 2001 brought the Board's budding ethics education and awareness program to an abrupt halt. In 1999 and 2000, the Board's Executive Director made basic ethics education and awareness presentations to over 120 entities reaching literally thousands of Public Officials and other interested individuals. While continuing to increase over the past two years, the number of presentations remained a relatively low 17 in 2004. The reason is that the lifting of the travel ban coincided with announcement of the long-time Administrative Officer's retirement and related staff issues, thus negatively impacting the Board's ability to advertise and solicit participation in its basic ethics education and awareness program. The good news is that the travel ban remains lifted, and the Board should begin 2005 with a full staff contingent. Staff thus hopes to pursue a more vigorous presentation schedule in 2005.

As mentioned above, the Board was short-staffed in 2004. Its long-time Administrative Officer retired in August 2004. Once again this slowed the financial disclosure review process, though not materially. This was largely due to the typical pre-election slowdown in appointments, the new Administrative Assistant's experience and expertise with the Board's custom database system, and the Executive Director's ability to handle SEI evaluations in the interim.

Finally, the Board remained unable to publish and distribute its newsletters *in hard copy*. While it is reasonable to assume that this still results in a reduction in the amount of "ethics" information reaching covered Public Officials, staff attempted to increase distribution by expanding its electronic distribution list for newsletters and other communications. This is obviously the wave of the future not only here in North Carolina but also nationwide. As more Public Officials and other interested parties become used to receiving information in an electronic format, the negative aspects of not sending hard copy newsletters will dissipate and eventually disappear.

On the positive side, however, both past and current budget pressures continue to force the Board to look for alternative ways to accomplish its mission, particularly on the education front. One way it has done so is through the Internet. The Board continued to update and utilize its web site during 2004. Despite the chronic staff shortage, the Board produced six newsletters in 2004, all in an electronic format. As mentioned above, the Board began distributing newsletters electronically to as many covered Public Officials and other interested parties as possible. The Board also updated and expanded the type and amount of information available on the web pertaining to advisory opinions. In addition to adding the actual opinions, the Board updated and improved its different indexes to aid Public Officials and other researchers in answering prospective ethics questions. It also improved all financial disclosure forms for the next filing year. All financial disclosure forms are also available on the web (although electronic filing is not yet an option).

While the number of formal advisory opinions issued by the Board has decreased in recent years (the Board issued five opinions in 2004), the number of "informal" advisory opinions and other advice has increased dramatically. Staff handles a multitude of varied requests almost daily.

Despite the loss of its long-time Administrative Officer, the Board was able to timely review over 1800 Statements of Economic Interest. Public Officials are still able to file a "No-Change" short form if they do not have any material changes to report. And finally on a positive note, the Board remains at full strength since Governor Easley's appointment of Waheed Haq "Rana" in May 2003.

Statistical Summaries

The Board held two (2) meetings in 2004.

The Board received no formal complaints reviewable under Executive Order Number One.

The Board issued five (5) formal advisory opinions.

The Board's Executive Director made 17 ethics education and awareness presentations.

Board staff handled numerous telephone inquiries concerning the Order and Statement of Economic Interest filing requirements and general conflict of interest/appearance of conflict issues, including the issuance of informal advisory opinions.

The Board "published" six (6) electronic newsletters that were available on its expanded web site.

Board staff evaluated 1818 Statements of Economic Interest, including both full and "Supplemental" statements. Specific findings for the SEI evaluations were as follows:

No actual, apparent, or potential conflict of interest	176
Potential for conflict of interest	162
Supplemental Statements reviewed	1480
Total Statements Evaluated:	1818

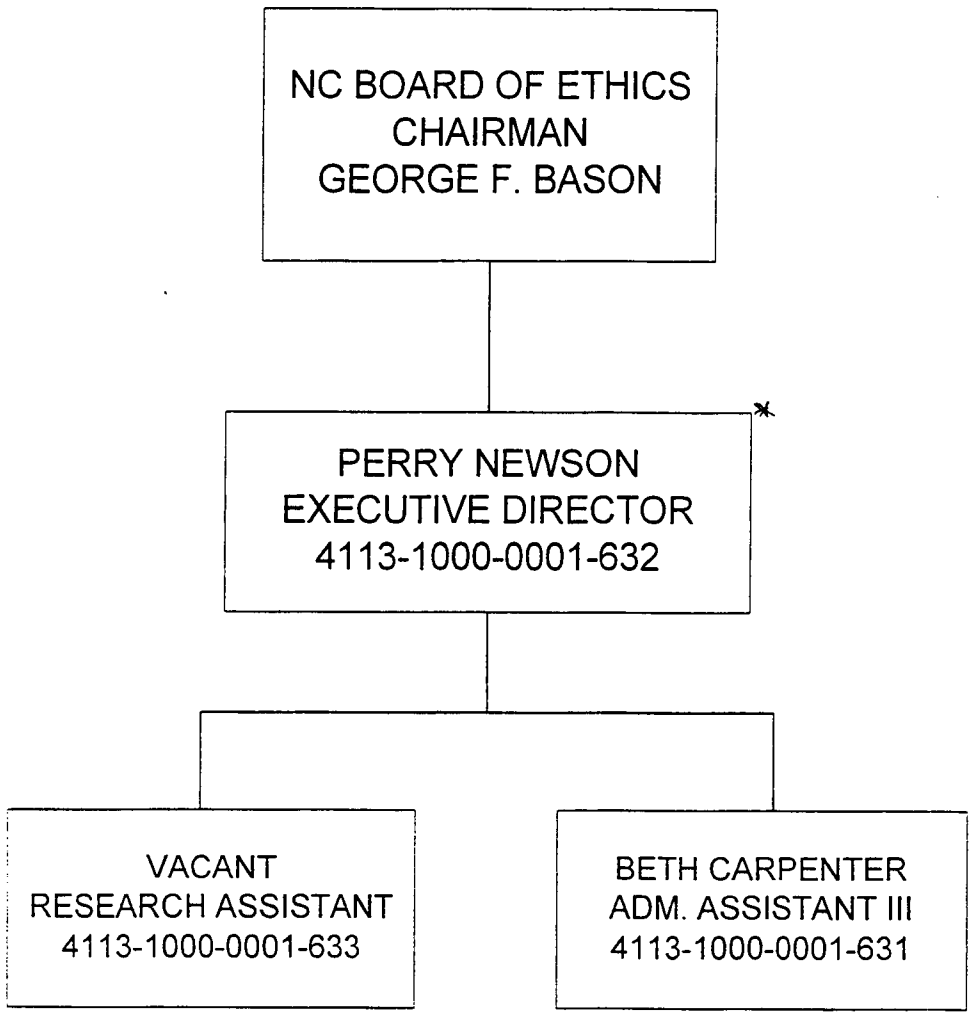
Other Public Officials Voluntarily Coming Under The Board's Jurisdiction:
While the first reach of Executive Order Number One is to the Governor's employees and appointees, others may voluntarily come under the Order's coverage and thereby the Board's jurisdiction. Section 4 of the Order invites each of the elected heads of the Council of State agencies[1], the Board of Governors of the University of North Carolina System, the President Pro Tempore of the North Carolina Senate, and the Speaker of the House of Representatives to *voluntarily* participate in the Order. Those desirous of participating may specify those appointees and exempt employees who must submit a Statement of Economic Interest for evaluation by the Board of Ethics. All services available to Public Officials under the Order are available to those brought within the coverage of the Order voluntarily.

For calendar year 2004, the Board covered approximately 550 Public Officials under section 4 of the Order.

[1] The Lieutenant Governor, the Secretary of State, the State Auditor, the State Treasurer, the State Superintendent of Public Instruction, the Attorney General, the Commissioner of Agriculture, the Commissioner of Labor, and the Commissioner of Insurance.

DEPARTMENT OF ADMINISTRATION
BOARD OF ETHICS
REVISED 02/2005

DIV. HEAD: PERRY NEWSON
DEPT. HEAD: GWYNN T. SWINSON



DOA - State Board of Ethics
FUND 1810
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$170,193	$224,818	$224,818	$224,818
Total Estimated Receipts	$75	$0	$0	$0
Net Appropriations	$170,110	$ 224,818	$224,818	$224,818
Number of Positions	3.00	3.00	3.00	3.00

Notes:

90% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

1% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

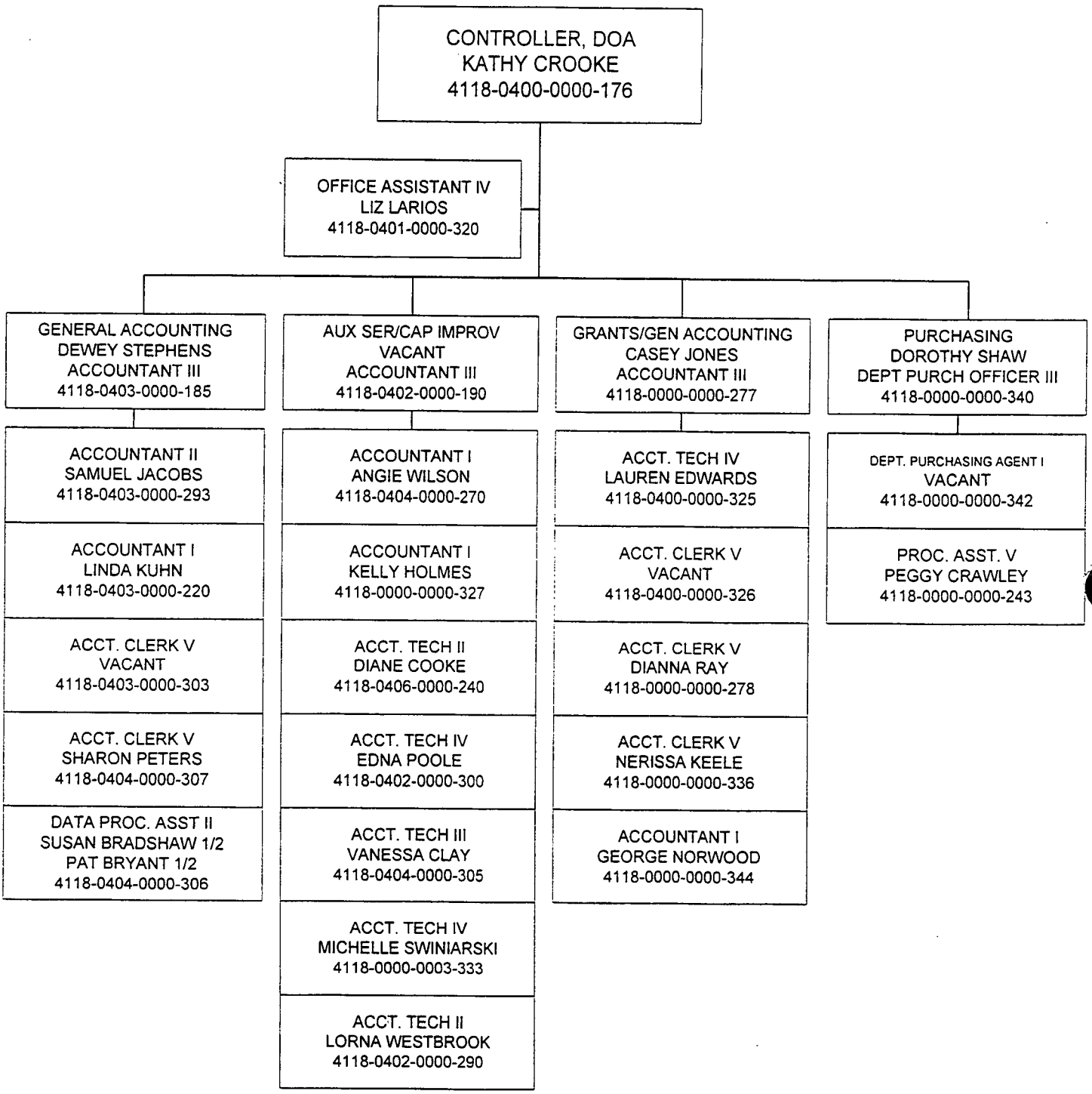
FISCAL MANAGEMENT

Program Overview

The Department of Administration, Office of Fiscal Management, administers the budgeting, accounting, payroll and purchasing functions for the Department of Administration, Office of the Lt. Governor, Office of State Personnel, and the State Board of Elections. This involves the accountability for all fiscal activities for the aforementioned agencies in accordance with requirements of the Office of State Budget and Management, Office of State Controller, the Department of State Auditor, federal agencies, Administrative Codes and applicable General Statutes as set forth by the North Carolina Legislature. The Office files timely financial reports, invoices for central receipt-supported services, makes purchases, prepares budgets, and recommends and administers fiscal policy within the Department of Administration.

DEPARTMENT OF ADMINISTRATION
OFFICE OF FISCAL MANAGEMENT
REVISED 02/2005

DIV. HEAD: KATHY CROOKE
DEPT. HEAD: GWYNN T. SWINSON



DOA - Fiscal Management
FUND 1121
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$1,134,673	$1,337,571	$1,337,622	$1,337,622
Total Estimated Receipts	$247,898	$324,056	$324,056	$324,056
Net Appropriations	$886,775	$ 1,013,566	$1,013,566	$1,013,566
Number of Positions	24.00	24.00	24.00	24.00

Notes:

88% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

12% of Budgeted Appropriations is Operating Expenses

91% of Budgeted Receipts is Personnel Cost

9% of Budgeted Receipts is Operating Expenses

71% of Budgeted Positions is Supported from Appropriation

29% of Budgeted Positions is Supported from Receipts

HUMAN RESOURCES MANAGEMENT

Program Overview

The Human Resources Management (HRM) Office provides a range of services for the Department of Administration encompassing all major areas of personnel administration in accordance with the requirements of the State Personnel Act. The HRM Office is responsible for employee recruitment and selection, position management, salary administration, training and development, employee and management relations, EEO/affirmative action, safety and health, and health benefits administration.

Accomplishments

Work/Family Life Program

To assist DOA employees with balancing work and family life, a Work Life program was developed in 1999. This program was initially designed to improve employee awareness of existing supportive benefits and policies and to offer resources regarding complex work life issues. The HRM Office established a Work Life Resource Center in January 2004, equipped with computers so that employees can access the internet for information or view brochures and pamphlets concerning flexible work options, leave or time off, flexible spending accounts, health and mental health programs, family income security programs and other voluntary life insurance, supplemental plans and pre-paid legal programs. In June 2004, the Human Resources Management Office reinstated and now regularly offers the retirement planning workshop, formerly known as "Preparing Makes Sense".

Safety and Health

The Department of Administration has offered Health and Safety Fairs for several years as the highlight of Wellness and Benefits Week. Employees from five departments participated in various fairs. This event is so successful, that HRM staff assists other departments in developing their own fairs. The 2003 and 2004 fairs included ultrasound scans of the carotid arteries for risk of stroke, the abdominal aorta for aneurysms, the liver, kidneys, pancreas and spleen for abnormalities and the gallbladder for gallstones. Additional screenings such as the Doppler tests for peripheral arterial disease (hardening of the arteries), bone density (osteoporosis), blood pressure and cholesterol checks are also offered. Specialists such as audiologists, chiropractors and massage therapists conduct on site testing and analysis. Representatives from insurance companies (health, life, disability and dental), financial institutions, State Employees' Combined Campaign (SECC) and the State Employees' Association of North Carolina (SEANC) to name a few, are also available to provide information to DOA employees.

Staff Development and Training

After a two-year hiatus, the HRM Office revamped and implemented a comprehensive staff development and training program. The 2004-2005 course offerings include a combination of web-based and classroom training opportunities on a variety of topics i.e. Supervision and Management, Merit-Based Recruitment and Selection, Performance Management, Interaction Management, Customer Service, Communicating and Listening, Americans with Disabilities Act and Drug-Free

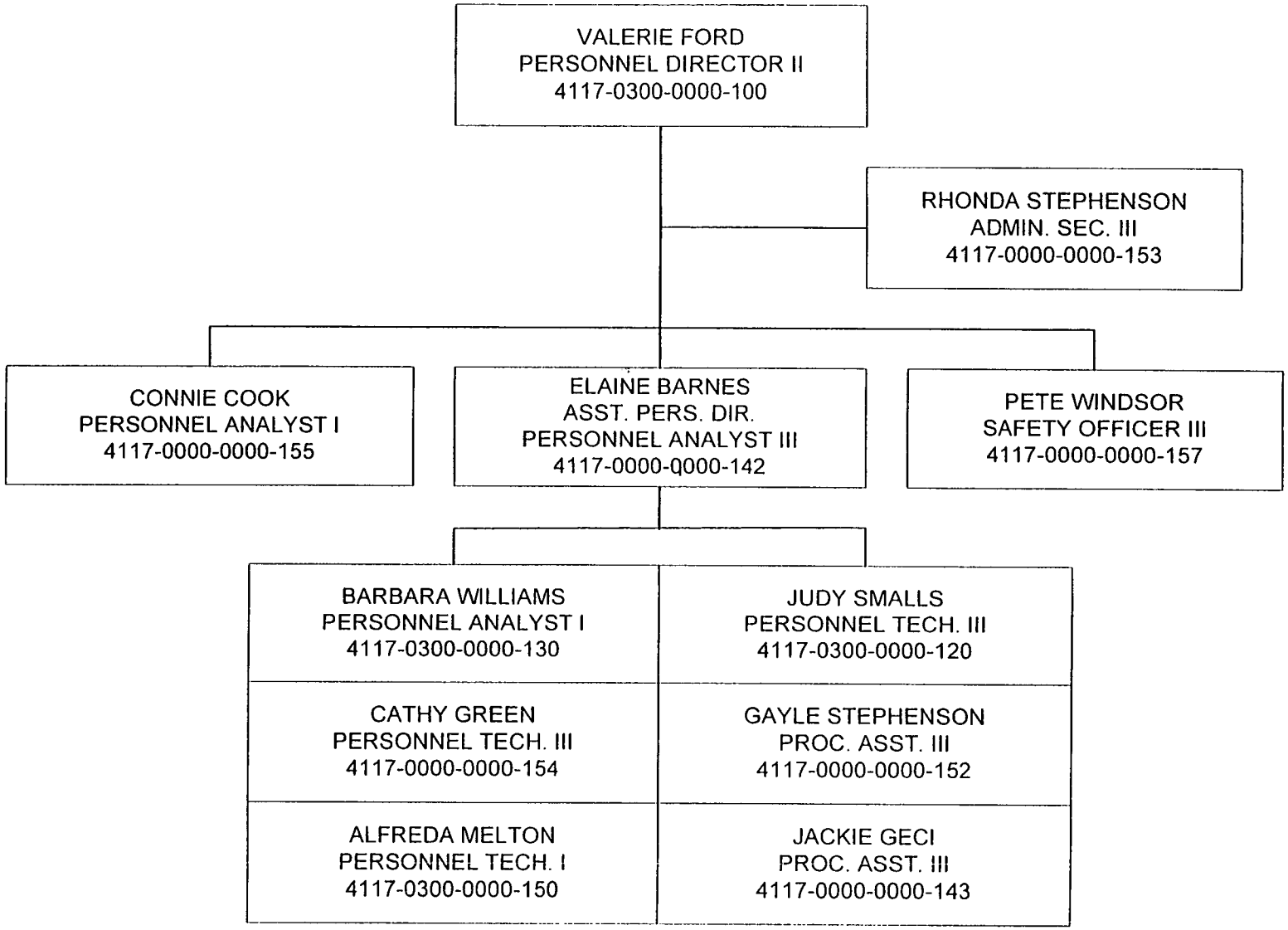
Workplaces. Workshops on building skills in the interpretation and implementation of policies are also provided, along with "hot topic" subjects such as Writing Job Descriptions, Timekeeping, Filing Taxes Electronically, Workers' Compensation and Stress Management.

INROADS Program

The Human Resources Management Office and the Secretary's Office collaborated with the Office of State Personnel in 2004 and employed three INROADS student interns to work on coordinating and developing staff training courses, researching the advocacy programs, database development and Web design. The INROADS program operated only within corporate America, until last year when North Carolina state government made history by becoming the first state government to offer INROADS internships. Founded by Frank Carr of Chicago, INROADS' mission is to increase the number of people of color in corporate management by helping the interns gain entry into business operations. The Department of Administration's participation in the program for the first time this year resulted in North Carolina State government being awarded the Eagle Plus Award for an increase in the number of interns.

DEPARTMENT OF ADMINISTRATION
HUMAN RESOURCES MANAGEMENT
REVISED 02/2005

DIV. HEAD: VALERIE J. FORD
AGENCY HEAD: GWYNN T. STEPHENSON



DOA - Human Resources Management
FUND 1122
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$512,436	$635,215	$637,397	$637,397
Total Estimated Receipts	$11	$900	$900	$900
Net Appropriations	$512,425	$ 634,315	$636,497	$636,497
Number of Positions	10.75	10.75	10.75	10.75

Notes:

91% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

9% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

98% of Budgeted Positions is Supported from Appropriation

2% of Budgeted Positions is Supported from Receipts

DIVISION OF NON-PUBLIC EDUCATION

Program Overview

The NC Division of Non-Public Education (DNPE) was originally established in 1961 as a regulatory agency within the NC Department of Public Instruction. In 1979, the NC General Assembly enacted legislation requiring the Governor to designate a "duly authorized representative of the State of North Carolina" to receive notices of intent to operate and also to terminate a private elementary/secondary school in North Carolina and to inspect certain records of those schools. Governor James B. Hunt Jr. subsequently assigned this responsibility to the Director of DNPE. DNPE operated as a monitoring agency under the direct jurisdiction of the Office of the Governor from October 1979 until July 1, 1998 when it was transferred to the Department of Administration.

DNPE is the only legislatively authorized state government agency which provides oversight to private elementary/secondary schools in this state. It derives its authority from G.S. 115C - 553, 561 and 563(b) of Article 39, Chapter 115C of the NC General Statutes. Article 39 sets forth a list of requirements to be met by such schools. DNPE has the legal responsibility to verify that all private elementary/secondary schools (both conventional and home) are meeting those requirements by periodically inspecting certain school records.

DNPE maintains limited current statistical data on each private elementary/secondary school including the school's name, address, telephone number, owner, chief administrator and type of school. Information relating to the range of grades or ages taught and the number of students enrolled are also maintained. Conventional school information is published each June as the *NC Directory of Non-Public Schools*. Home school data is released each August. The DNPE web site posts this information annually.

DNPE administers the non-public school student driving eligibility certificate program. It also serves as the State's government liaison office to the private elementary/secondary school community and the general public.

DNPE operates with a full-time staff of three persons and one office temp position.

Accomplishments (FY 03-04)

Monitored 29,398 non-public schools for compliance to state laws governing them (27,083 in FY 02-03).

New school notifications processed:

Home -- 6,147 (6,258 in FY 02-03)
Conventional -- 42 (51 in FY 02-03)

School termination notifications processed:
Home -- 3,874 (3,788 in FY 02-03)
Conventional -- 51 (43 in FY 02-03)

Received:
Incoming business telephone calls -- 22,903
Incoming business mail -- 17,504
Web site visitors - 45,800

Non-Public School Driving Eligibility Certificate Program:
Mailed 9,535 student DEC's to non-public schools requesting them
Processed 8 student driver's license revocation requests from schools

In response to requests, distributed at least 5,918 non-public school information packets to people considering starting a home or conventional non-public school.

Conducted on site record inspection visits to 330 conventional non-public and 2 home schools driving 15,317 miles and involving 39 overnight stays.

Reviewed student attendance and nationally standardized test result records for 10,350 home schools through the Inspection By Mail Program.

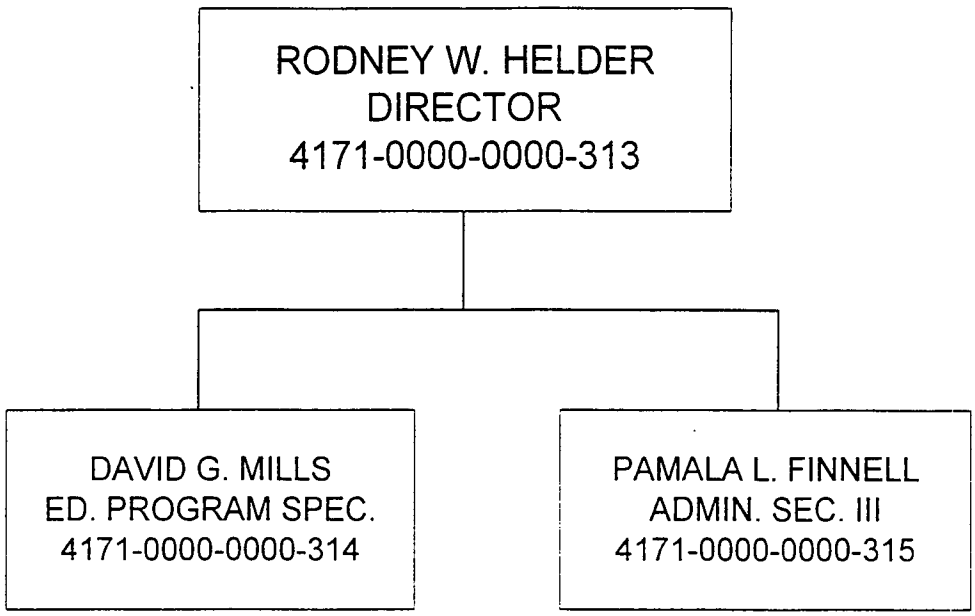
Expanded the division's web site, especially the home school frequently asked questions section which now contains answers to more than 100 questions.

Focused on making the agency more efficient, cost effective and customer friendly.

Spent only $216,991 to accomplish all of the above.

DEPARTMENT OF ADMINISTRATION
NON-PUBLIC EDUCATION
REVISED 02/2005

DIV. HEAD: RODNEY HELDER
DEPT. HEAD: GWYNN T. SWINSON



DOA - Non-Public Education
FUND 1230
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$216,990	$216,469	$218,241	$218,241
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$216,990	$ 216,469	$218,241	$218,241
Number of Positions	3.00	3.00	3.00	3.00

Notes:

77% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

23% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

PUBLIC INFORMATION OFFICE

Program Overview

The Public Information Office (PIO) functions as an integral part of the Secretary's Office and not as a separate division. Within the past several years, PIO positions have been reduced from four and three-quarter to two, leaving only a writer-editor and a graphic/Web designer to fulfill the communication needs of the department.

Accomplishments

The PIO exists to support the communication needs of the Secretary's Office and the divisions. Divisions vary in duties and include those serving other state departments (with duties such as managing the state's motor fleet, assisting underrepresented vendors in doing business with state government, and providing mail services), as well as advocacy agencies serving specific populations (including persons with disabilities, American Indians and other minorities). In large measure, the accomplishments of the PIO are the accomplishments of the agencies it serves.

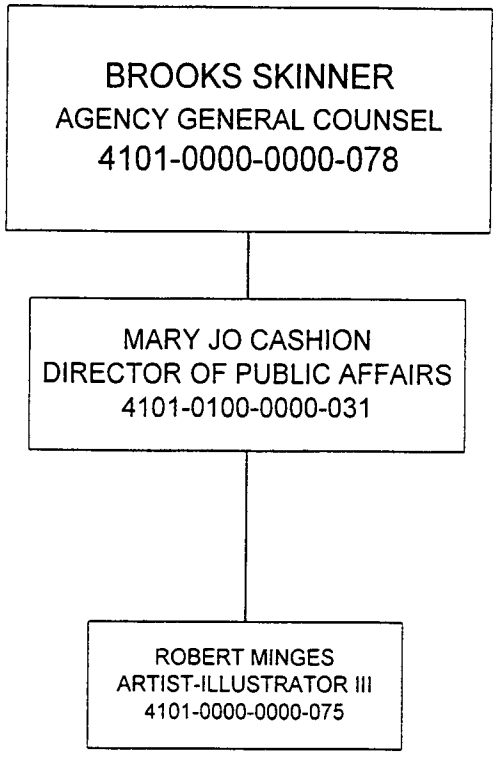
The PIO advises the agencies and produces their communication projects and promotions. The PIO routinely communicates the department's mandated duties and responsibilities, through a variety of means, to other state agencies, to the public, to the media and to other specific audiences. The office also responds to public records requests, which are of special concern since the department functions as the business manager of state government and prides itself on its continuing efficiency and effectiveness.

The PIO created the department's Web site in 1996 in-house using existing departmental resources. The department was one of the first in state government to take seriously the opportunities available on the Internet. Today, when possible, the department's publications, registration and information packets are assembled in various formats and are made available to the public and government agencies on its Web site. Posting on the Web site not only makes it convenient for others to gain access and download the information but also eliminates printing and mailing costs. The PIO makes daily updates to its Web site and coordinates departmental submissions to the state's Web site.

Over the last two years, communication efforts have included the writing, editing, formatting and distribution of news releases, reports, department and division newsletters, mandated meeting notices, and brochures, fliers and other material. The office researched and wrote speeches for the Secretary and assisted with gubernatorial proclamations requested by divisions. The PIO also assisted with media events and responded to numerous media, public records and citizen inquiries.

DEPARTMENT OF ADMINISTRATION
PUBLIC INFORMATION OFFICE
REVISED 02/2005

DIV. HEAD: BROOKS SKINNER
DEPT. HEAD: GWYNN T. SWINSON



VETERANS AFFAIRS

Program Overview

The function of the Division of Veterans Affairs is to assist veterans, survivors, and their families in the presentations, processing, proof, and establishment of claims, privileges, rights, and benefits as they may be entitled to under Federal, State, or local laws. There are currently 772,000 veterans living in North Carolina. Combined with the survivors and dependents, we provide assistance to approximately 35% of the state's population. The Division also represents veterans, survivors, or dependents at hearings and preparing appeals. The Division operates three (3) State Veterans Cemeteries, two (2) long-term care nursing homes for veterans, and a scholarship program for children of North Carolina war veterans who are either deceased, disabled, combat wounded, or served in a war zone.

Accomplishments

Field Services to Veterans and Survivors

The District Offices are staffed by one or more District Service Officers, together with clerical assistance. These service officers are veterans who are highly trained, full-time career personnel. The District Officers file claims for disability and death benefits on behalf of veterans and survivors. In addition to filing claims, these District Officers train, assist, and supervise county veterans service officers. They also conduct training sessions for county service officers. As a part of supervision, they review claims prior to submission to the US Department of Veterans Affairs to insure accuracy and proper development. Ninety-One counties have county service officers; twenty-five are part-time, requiring full-time assistance from this agency. Authority is granted the governing body of any county to establish a veterans service program as long as such program operates in affiliation with this Division and under its supervision. The North Carolina Division of Veterans Affairs serves all counties that do not have county service officers.

The district and county veteran service offices filed 66,254 claims in 2003. Of this total, 32,706 were claims for disability and death benefits. In 2004, these offices filed 73,616 total claims. Of this total, 36,340 were claims for disability and death benefits. In 2003, the Department of Veterans Affairs paid $82.2 million per month in disability and death cases to 117,546 beneficiaries. In 2004, the Department of Veterans Affairs paid $90.8 million per month in disability and death cases to 121,691 beneficiaries. This is an increase of 3.4% in number of beneficiaries receiving benefits and an increase of 9.5% in money paid directly to North Carolina veterans and survivors.

The State Service Office provides representation for personal hearings, reviewing cases for accuracy, and development of appeals. In 2003, the State Service Office averaged reviewing 5,764 cases each month. In 2004, the average was 6,501 cases per month. In 2003 and 2004, four state service officers, collectively averaged 125 personal hearings per month.

North Carolina is ranked 10th in veteran population in the nation and ranked 6th the in nation of the percentage (13.5%) of veterans receiving benefits. This can be attributed directly to the Veterans Service Program in North Carolina.

North Carolina is ranked 5th in the nation in number of military retirees (74,000). In 2004, these retirees and their survivors received $114.27 million per month from the Department of Defense.

State Veterans Nursing Home Program

North Carolina's first State Veterans Home began operations in Fayetteville, NC on March 8, 1999. The 150-bed facility has served 718 veterans with skilled long-term healthcare. The Home is Medicaid/Medicare certified and has been certified by the Joint Commission Accreditation of Health Care Organizations.

North Carolina's second State Veterans Home began operations in Salisbury, NC on November 5, 2004. This Home is a 99 bed skilled nursing care facility located on the United States Department of Veterans Affairs Medical Center campus. This facility has also received Medicaid and Medicare certification.

The North Carolina State Veterans Nursing Home Program is totally a receipt based operation. The home operates on funds from private pay, Medicaid/Medicare, VA Pension, VA Per Diem and other sources such as gifts and donations. The Division employs a private provider to operate the facility, using only receipts to provide skilled long-term health care for our veterans.

The State Veterans Homes save the State of North Carolina approximately $1 million in the State and local portion of Medicaid expenditures each year because of the United States Department of Veterans Affairs benefits.

State Veterans Cemeteries Program

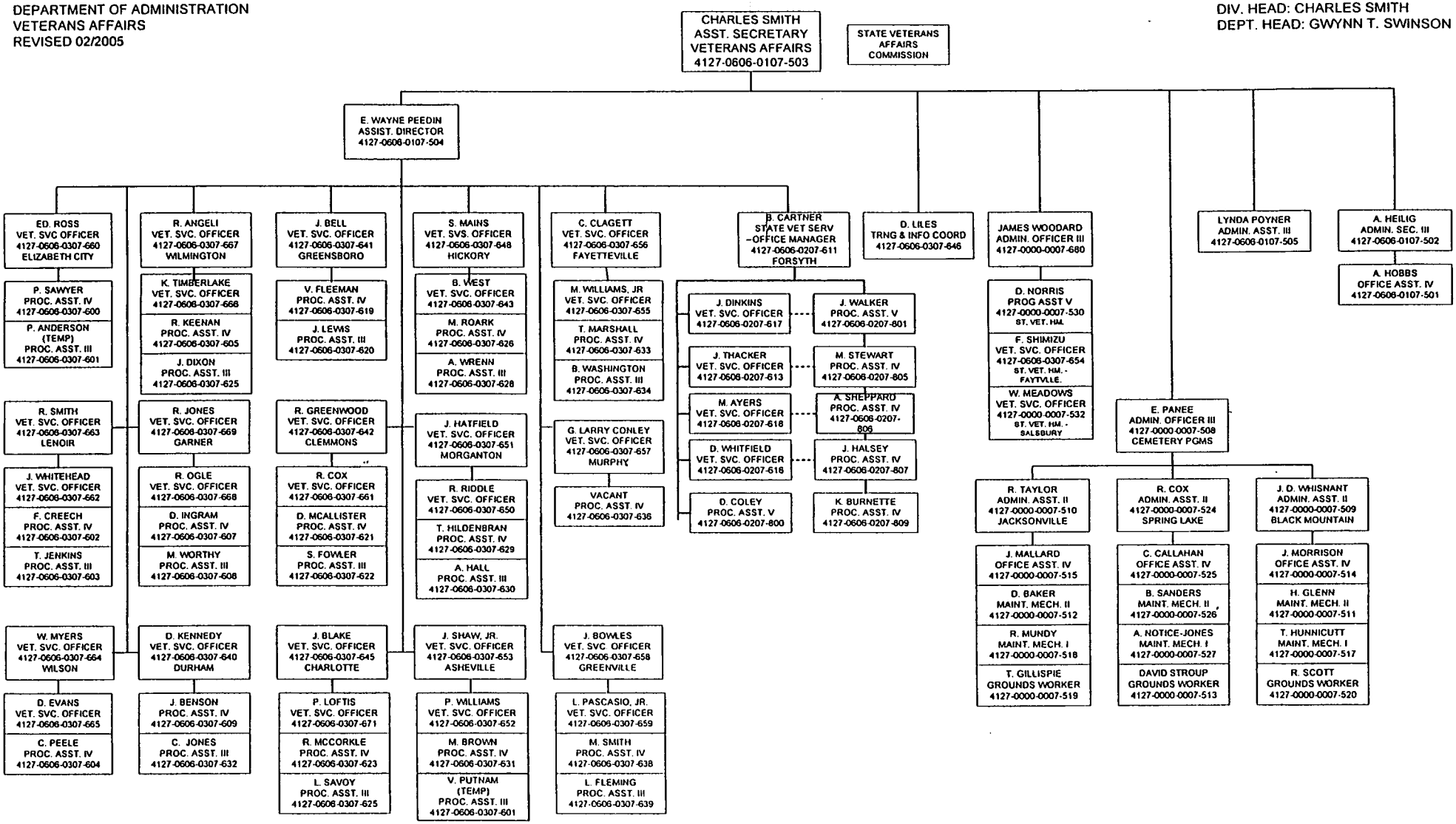
The three state veterans cemeteries are located in Black Mountain, Jacksonville and Spring Lake. They provide interments for veterans as well as eligible dependents. As of December 31, 2004 we have had a total of 5,592 burials in our three cemeteries. Just over 78% of these burials are veterans. The three cemeteries combined did 671 burials in 2002, 717 in 2003 and 724 in 2004. It is expected that total burials will increase each year for the next 4 - 6 years. In mid-2005, NCDVA will begin an expansion of the Coastal Carolina State Veterans Cemetery, Jacksonville, adding another 14 - 16 burial acres. Completion is anticipated for late 2006 or early 2007.

State Scholarships for Children of North Carolina War Veterans

The North Carolina Veterans Affairs Commission awarded 335 scholarships in 2001, 379 in 2002, 403 in 2003, and 407 in 2004, to children of deceased and disabled war veterans. The number of applications has increased from 551 in 2001 to 748 in 2004.

DEPARTMENT OF ADMINISTRATION
VETERANS AFFAIRS
REVISED 02/2005

DIV. HEAD: CHARLES SMITH
DEPT. HEAD: GWYNN T. SWINSON



DOA - Veteran Affairs Administration
FUND 1771
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$9,102,514	$9,215,029	$9,788,115	$9,873,179
Total Estimated Receipts	$3,855,427	$4,041,923	$4,526,144	$4,587,913
Net Appropriations	$5,247,087	$ 5,173,106	$5,261,971	$5,285,266
Number of Positions	86.00	86.00	86.00	86.00

Notes:

64% of Budgeted Appropriations is Personnel Cost

23% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

13% of Budgeted Appropriations is Operating Expenses

3% of Budgeted Receipts is Personnel Cost

96% of Budgeted Receipts is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

1% of Budgeted Receipts is Operating Expenses

95% of Budgeted Positions is Supported from Appropriation

5% of Budgeted Positions is Supported from Receipts

DOA - State Veterans Home Program
FUND 1772
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$7,309,556	$11,111,383	$11,111,407	$11,111,407
Total Estimated Receipts	$7,309,556	$10,611,383	$11,111,407	$11,111,407
Net Appropriations	$0	$ 500,000	$0	$0
Number of Positions	4.00	4.00	4.00	4.00

Notes:

1% of Budgeted Receipts is Personnel Cost

99% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Receipts

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT
MINUTES

Wednesday, March 23, 2005
2:00 pm

The Joint Appropriations Subcommittee on General Government met on March 23, 2005 2:00 am in Room 425 of the Legislative Office Building. Senator David Hoyle called the meeting to order. He welcomed the staff, Michele Nelson, Marilyn Chism and Kathie Austin, pages, agencies, and Sgt. At Arms. In addition to the Vice Chairman David Hoyle, three Senate Members were present and Representatives Alma Adams, Marvin Lucas, Gene Wilson, Bruce, Goforth, Garland Pierce and Russell Tucker.

After extending the welcome and making introductions, Senator Hoyle recognized Deputy Secretary for Governmental Operations C. Carlton Myrick. Deputy Secretary recognized members of his staff, and went over the followings sectors:

Mail Service Center
The General Assembly made the decision in October 1997 that cost savings could be realized by consolidating the various mailrooms in state government into one centralized operation, the Mail Service Center (MSC). As a result of the consolidation, 26 of 39 state agency mailrooms were closed, and 35 of the 69 positions in those mailrooms were transferred to the MSC.

Renovations for New Facility
In January 1999 renovation was started on a 28,000-sq. ft. section of the textbook warehouse at 3905 Reedy Creek Road to house the centralized facility. The State Courier Service was combined into this operation and became the Mail Service Center (MSC) Division. Renovations were completed in April 1999.

Mail Processing Equipment
The JetStar sorter, a high-speed mail sorter, which has a specification rate of 36,000 pieces per hour, was being used by a single agency sorting approximately 360,000 pieces of mail per month. The Mail Service Center now utilizes this machine to sort an average of 2,000,000 pieces of mail monthly.

Security Enhancements
The MSC, in response to 9/11 and the Department of Homeland Security, now X-rays all incoming United States Postal Service (USPS) mail for explosive material and other terrorist threats, a capability that would be fiscally impractical to provide on an agency-by- agency basis.

The MSC response to 9/11 and the Department of Homeland Security, has the capability to "cleanse" mail of biological hazards. The MSC is the only State agency in the nation that has this capability and is only one of the three known entities in the nation that is authorized by the US Environmental Protection Agency to use Ethylene Oxide Gas to sterilize mail.

Savings

The MSC' State Courier Service provides courier service, Monday through Friday, statewide to all 100 counties including availability for all 58 Community Colleges and the 16- campus UNC system. Delivery is made to over 650 locations serving over 4,000 state agency addresses. Courier service provides agencies the ability to send mail from one state agency to another at 65% of the USPS rate.

MOTOR FLEET MANAGEMENT DIVISION

Program Overview

The Motor Fleet Management Division was created by the legislature in January 1982 as the central fleet agency for all of state government. The purpose of Motor Fleet Management is to serve North Carolina state employees by acquiring, maintaining, storing, repairing, replacing and supplying passenger vehicular transportation needed in the performance of official duties, in the most safe, efficient and cost effective way.

Accomplishments

After completion of the pilot project, Asheville Chevrolet was contracted with to rebuild vehicles. This contract ended December 31, 2002. Asheville Chevrolet rebuilt 682 vehicles during the contract period. For these 682 vehicles the average cost of rebuilding was $10,934. Under this contract, the average purchase cost savings per vehicle was $9,975.

OFFICE FOR HISTORICALLY UNDERUTILIZED BUSINESSES

The Office for Historically Underutilized Business (HUB) advocated and promotes the underutilized of minority, women and disabled business enterprise in the state's procurement and contracting process. Executive Order 77 previously established the HUB goals at 4% under Governor Jim Martin's administration (1984-1992). However, with the signing of the Executive Order 150, Governor Hunt increases the HUB goals from 4% to 8 % for FY 1999-2000 and to 10 % for FY 2000-2001.

Vendor Link Updates

The new IT systems, HUBSCO and Vender Link Enhancements went live, making them available for public entities in the State of North Carolina to use. The HUBSCO system allows public entities to enter HUB participation and contract data on construction projects as specified by SB914.

DIVISION OF PURCHASE AND CONTRACT

Strategies included expanding accessibility and use of purchasing information for increasing competition, reduced costs by aggregating needs, reduced processing time, enabling of employees, focused and improved communications and increased use of technology to perform work.

STATE CONSTRUCTION OFFICE

The overall coordination and management for implementation of the state's capital improvement program can summarize the responsibilities of the State Construction Office. Under the historical formation of the office, two primary statutes G.S. 143-31.1, the Executive Budget Act, and G.S. 143-341, the Department of Administration Act, serve as the basis to define the duties and the responsibilities of the office.

Y2K

The State Construction Office served as the coordinator between state agencies and universities and the Statewide Year 2000 office to ensure that all essential state-owned facilities and building system would be Y2K-compliant at critical dates near the beginning of 2000. The State Construction Office saved the State approximately $1.5 million in consulting fees by coordinating this work using in-house staff.

Life Cycle Cost Analysis

The State Construction Office implemented a life cycle analysis manual for State owned facilities in 1986. The Legislature mandated that all buildings constructed for the State, 40,000 square feet or larger, be designed on the basis of life-cycle cost. The manual was updated in 2001, when the Legislature changed the requirement to facilities, 20,000 square feet or larger.

STATE ENERGY OFFICE

The State Energy Office (SEO) is North Carolina's lead agency for energy programs and serves as the official source for energy information and assistance for consumers, businesses, government agencies, and policy makers. The SEO serves each of North Carolina's 100 counties and administers over 90 programs in four primary areas:

- Energy efficiency an renewable energy for residential, commercial, industrial, agricultural, transportation and utility sectors;
- Alternative fuels and alternative fuel vehicles;
- Energy emergencies during natural disasters and supply disruptions; and
- Energy policy recommendations to the Energy Policy Council, General Assembly, the Governor's Office, and other state agencies.

STATES PROPERTY OFFICE

In accordance with G.S. 143 and 146, the State Property Office administers the acquisition and disposition of all state land or interest therein by deed, lease, easement, condemnation or otherwise for all state agencies. The State Property Office also allocates and reallocates land, building and space in buildings among state agencies, institutions or departments. The State Property Office maintains a complete and accurate inventory of state lands and vacant and unappropriated lands. It also provides clerical support to the Capital Planning Commission.

Organizational Structure

The State Property Office has a total of 26 employees, it is divided into three sections, which are: The General Real Estate Section, the Leasing and Space Planning Section and the Facilities Information Section.

The General Real Estate Section is responsible for the acquisition and disposition (by deed and easement, etc.) and allocation of all state lands.

The Leasing and Space Planning Section acquire and disposes of real property by lease and provides space planning in state building and leased space.

The Facilities Information Section manages all land, building and lease records for the State and maintain floor plans of each building, maps, and site plans associated with the State's land holding. The section performs systems administration, applications programming, web development, training and overall computer/software support for the staff.

DIVISION OF SURPLUS PROPERTY

The Federal Surplus Property Agency and the State Surplus Property were organizationally combined as of March 3, 2003 creating the Division of Surplus Property. A management study determined that it would be more economically efficient to combine these two self-supporting agencies. The main objective for 2005 is to continue to promote the State and Federal Surplus Property program by educating state and local government of their services.

Deputy Secretary for Government Operations C. Carlton Myrick opened the floor for questions on all the pervious topics. The subcommittee questioned C. Carlton Myrick and many of her staff members.

Deputy Secretary for Internal Service and Programs McKinley Wooten was recognized to give an overview of the rest of the departments within the Department of Administration.

FACILITY MANAGEMENT DIVISION

Facility Management Division (FMD) provides maintenance and repair services to the state government complex and other facilities in outlying areas, such as the Highway Patrol and SBI complexes on Garner Rd, the Museum of Art complex on Blue Ridge Road and, the James K. Polk Building in Charlotte. Services included minor new construction, renovation, carpentry, painting, housekeeping, steam plant operation, HVAC, electrical, plumbing, welding, elevator maintenance, card access systems, closed-circuit television system, lock shop operations, fire and pest services.

MANAGEMENT INFORMATION SYSTEMS

The purpose of the Management Information System (MIS) Division is to provide automation support for all the agencies within the Department of Administration. This includes computer programming and PC/LAN technical support. MIS has two sections that provide these services.

State Surplus System

MIS has implemented a new statewide computer system for the State Surplus Agency. This is a customized web based computer system that was developed internally. The development of this system included re-engineering their business processes by the use of new computer programming technology.

STATE CAPITOL POLICE

The State Capitol Police Division (SCP), a law enforcement agency with police powers throughout Raleigh and state property in Wake County, provides security and property protection for state government facilities in Raleigh and other areas of Wake County. The division serves as the operations unit during the implementation of the Homeland Security Critical Infrastructure Security Plan, protects state employee and visitors; secures state-owned property; conducts video surveillance throughout the governmental complex, provides security for demonstrations, inaugurations, prison executions, personnel hearing; conduct targeted enforcement, education and awareness campaigns assists visitors to state facilities; investigated crimes committed on state property; and monitors burglar and fire alarm system statewide.

Accomplishments

In calendar year 2004 the State Capitol Police increased its diligence and effort to prevent crime in the governmental complex. As reported by the NC State Bureau of Investigations, the State Capitol Police investigated the following crimes:

- Aggravated Assault (2)
- Burglary (10)
- Larceny (56)
- Motor Vehicle Theft (1)
- Simple Assault (2)

2004 State Capitol Police Crime Analysis Statistics reflect the following criminal activity investigated agency personnel:

- Bomb Threat (2)
- Breaking & Entering in Building (13)
- Breaking & Entering in Vehicle (16)
- Communicating Threats (19)
- Trespassing (24)
- Embezzlement (6)
- Larceny (69)
- Motor Vehicle Collision (151)
- DWI Arrest (46)
- Drug Violation (14)
- Citations Issued (599)

STATE PARKING SYSTEM

Since March 1999 when State Parking System was created we have established a professional office to standardize, administer and improve parking operations and facilities throughout the State Capital Complex. The division is self-supported by the collection of monthly parking fee for spaces leased to State Employees and collections of hourly parking fees from visitors.

Alternative Transportation Subsidy Program

The Division as worked with local mass transit program, Capital Area Transit (CAT) and Triangle Transit Authority (TTA) to attempt to reduce the amount of parking needed of state employees by encouraging a discount monthly rider ship.

NORTH CAROLINA COMMISSION OF INDIAN AFFAIRS

The North Carolina Commission of Indian Affairs was created in 1971 by the North Carolina General Assembly in response to American Indian citizens in North Carolina. The Commission was established pursuant to North Carolina General Statures 143B-404 through 143B-411. The Commission is the only state level agency charged with the responsibility of advocating for the needs of the state's American Indian population.

The creation and success of the following organization can be directly attributed to the work of the North Carolina Commission of Indian Affairs:

- North Carolina Indian Economic Development Initiative, Raleigh, NC
- North Carolina State Advisory Council on Indian Education, Raleigh, NC
- Indian Housing Authority, Fayetteville, North Carolina
- North Carolina Indian Cultural Center, Pembroke, NC
- Dispute Settlement Center, Lumberton, NC
- North Carolina Senior Citizens Coalition, Fayetteville, NC
- North Carolina Native American Youth Organization, Raleigh, NC

- North Carolina Indian Business Association, Raleigh, NC
- United Tribes of North Carolina, Fayetteville, Fayetteville, NC
- Lumbee River Legal Services, Pembroke, NC

COUNCIL FOR WOMEN & DOMESTIC VIOLENCE COMMISSION

The North Carolina Council for Women was created in 1963 and has as it mission to advise the governor, legislature and principal state departments on the special needs of women in North Carolina. Over the years, the agency had been given the authority to also administer over $6 million in state funding to community-based providers of domestic violence, sexual assault and displaced homemaker service.

GOVERNOR'S ADVOCACY COUNCIL FOR PERSON WITH DISABILITIES

The Governor's Advocacy Council for Persons with Disabilities (GACPD) is the Protection and Advocacy agency (P&A) for North Carolina. Each state is required to have a "P&A" to protect the civil rights of its citizens who have disabilities.

NORTH CAROLINA HUMAN RELATIONS COMMISSION

The North Carolina Human Relations Commission, established on January 18, 1963, as the "North Carolina Good Neighbor Council," became a state agency in 1967. It advocates, enforces, and promotes equality of opportunity in the area of housing, public accommodations, education, justice, government services and employment.

YOUTH ADVOCACY AND INVOLVEMENT OFFICE

The Youth Advocacy and Involvement Office (YAIO), under the leadership of four advisory councils and in cooperation with public and private agencies, serves as an advocate for 2 million people in the state under the age of 18.

Accomplishments

- Students Against Destructive Decisions
- Youth Legislative Assembly
- State Government Internship Program
- State Youth Council
- Mini-Grant Program for Youth Organization

The Deputy Secretary for Internal Services opened the floor to questions.

The meeting adjourned at 3:10 p.m.

Senator David Hoyle, Presiding

Phyllis Cameron, Committee Clerk

DEPUTY SECRETARY FOR GOVERNMENT OPERATIONS

C. Carlton Myrick

Mail Service Center

Motor Fleet Management

Office for Historically Underutilized Businesses

Purchase and Contract

State Construction Office

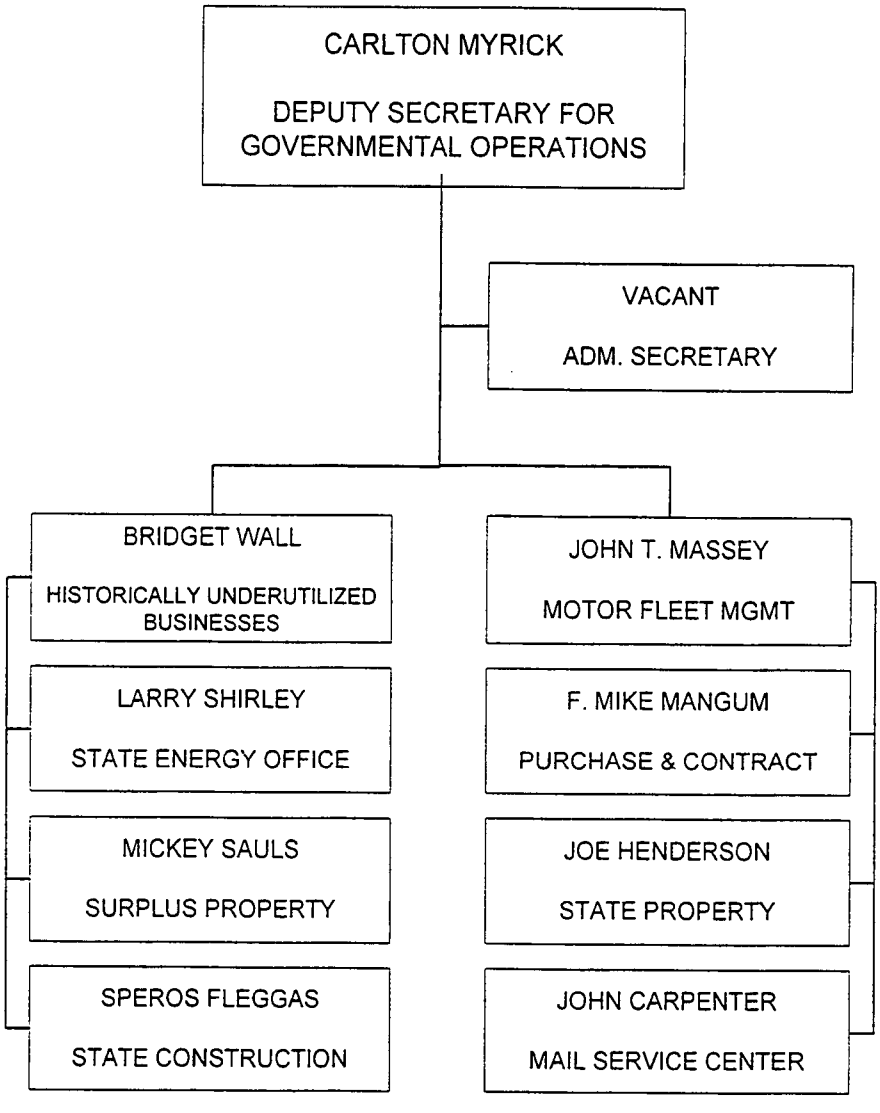
State Energy Office

State Property Office

Surplus Property Division

DEPARTMENT OF ADMINISTRATION
DEPUTY SECRETARY OF
GOVERNMENT OPERATIONS
REVISED 02/2005

DEPT. HEAD: GWYNN T. SWINSON



MAIL SERVICE CENTER

Program Overview

The General Assembly made the decision in October 1997 that cost savings could be realized by consolidating the various mailrooms in state government into one centralized operation, the Mail Service Center (MSC). As a result of the consolidation, 26 of 39 state agency mailrooms were closed, and 35 of the 69 positions in those mailrooms were transferred to the MSC. Most of the employees not transferred remained in their respective agencies in other positions.

Savings were also realized in the number of postage meters being used, a reduction from 50 to 12. This decrease has resulted in savings of $38,000 annually in lease and maintenance costs. Also, a cost avoidance of $49,000 was established when the MSC began processing mail by automatic, not mechanical, postage meters.

A unique zip code established by the US Postal Service for MSC clients has further centralized mail service for state government and will remain permanent even in the event of a change in the agency's location. A well-designed Web site has established a successful communications link for MSC clients. This includes general information about the service and a list of the MSC addresses.

The MSC, in response to 9/11 and the Department of Homeland Security, now has the capability to X-ray and to cleanse mail that is considered a biological hazard.

Currently the Governor's cabinet and most of the Council of State agencies have taken advantage of the savings and the enhanced security equipment available through the MSC system.

In FY 2003-2004 the MSC processed and delivered over 32,000,000pieces of mail.

Renovations for New Facility

In January 1999 renovation was started on a 28,000-sq. ft. section of the textbook warehouse at 3905 Reedy Creek Road to house the centralized facility. The State Courier Service was combined into this operation and became the Mail Service Center (MSC) Division. Renovations were completed in April 1999.

Mail Processing Equipment

The postage metering machines mentioned above, as well as the employees, are utilized a full eight hours per day compared to a maximum of three hours a day before consolidation. The JetStar sorter, a high speed mail sorter, which has a specification rate of 36,000 pieces per hour, was being used by a single agency sorting approximately 360,000 pieces of mail per month. The Mail Service Center now utilizes this machine to sort an average of 2,000,000 pieces of mail monthly. The functions of this sorter is to sort properly addressed outgoing and incoming mail to the correct address, which saves man-hours and creates less manual sorting. The sorter is used to produce a $0.078 per piece savings on all outbound USPS mail when properly addressed.

Daily Distribution

MSC processes and delivers three types of mail - USPS, interoffice mail within Wake County and courier mail daily between Raleigh and over 4,000 agencies in all counties. During FY2003-2004, drivers log over 140,000 miles monthly making mail deliveries. Over the last five years the MSC has continually reevaluated its fleet of vehicles and thus far been able to downsized twenty-eight vehicles. This has resulted in a cost reduction to the MSC of approximately $0.07 per mile per vehicle.

Security Enhancements

The MSC, in response to 9/11 and the Department of Homeland Security, now X-rays all incoming United States Postal Service (USPS) mail for explosive material and other terrorist threats, a capability that would be fiscally impractical to provide on an agency-by-agency basis. The two X-ray machines are housed at the Mail Service Center and used extensively during the tax season by the Department of Revenue due to the large volume of incoming mail containing tax receipts.

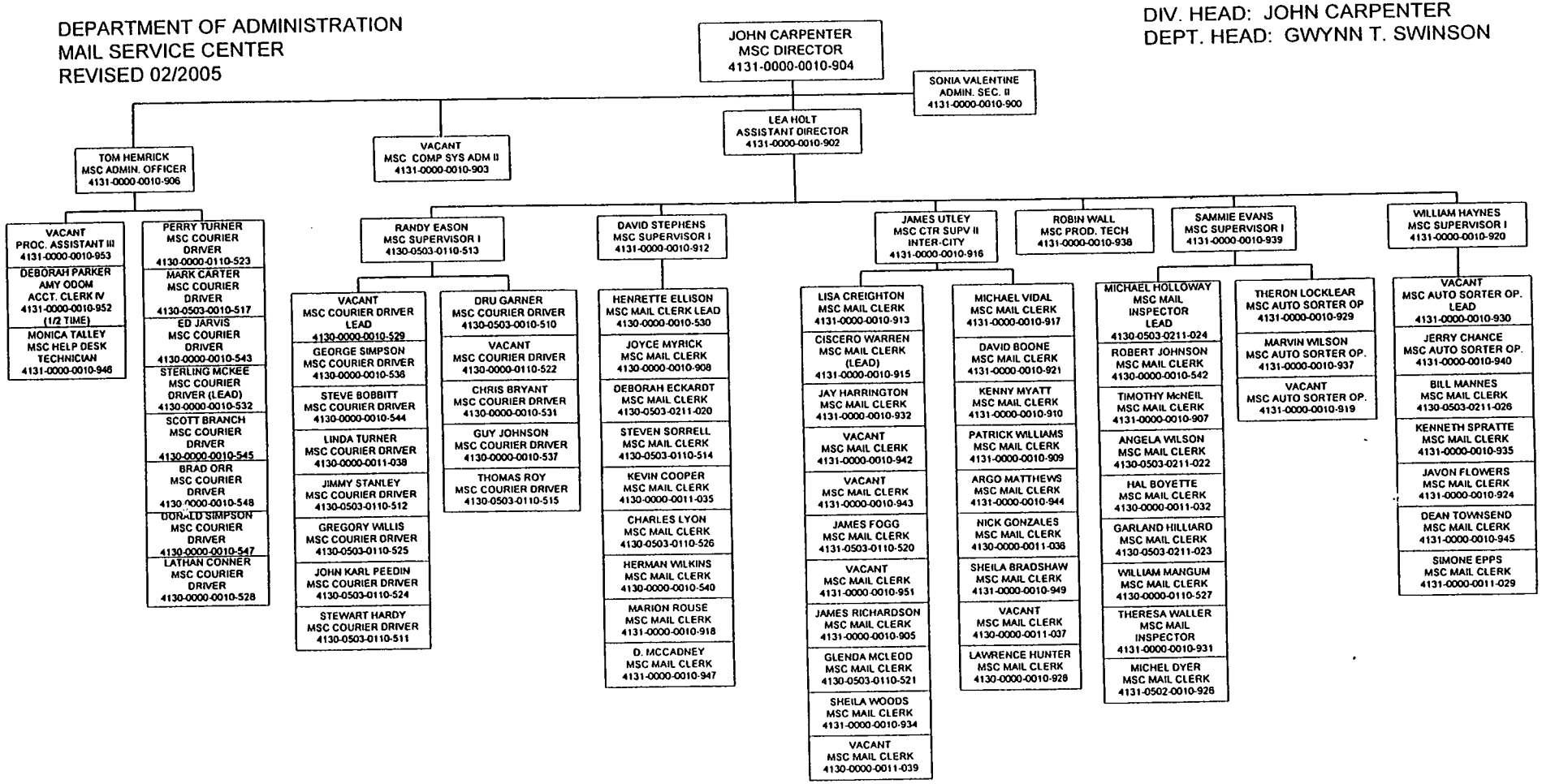
The MSC, again in response to 9/11 and the Department of Homeland Security, has the capability to "cleanse" mail of biological hazards. The MSC is the only State agency in the nation that has this capability and is only one of three (3) known entities in the nation that is authorized by the US Environmental Protection Agency to use Ethylene Oxide Gas to sterilize mail. Again, this is a capability that would not be available on an individual agency basis. It should be noted that providing these two threat reduction services away from our capital complex provides a level of protection to employees and the operations of State government not possible if done within our downtown complex buildings. Although the capability to cleanse mail is available, it is a process that takes approximately 60 hours per cycle. They system is limited to approximately 2,000 pieces of mail per cycle.

Savings

The MSC's State Courier Service provides courier service, Monday through Friday, statewide to all 100 counties including availability for all 58 Community Colleges and the 16-campus UNC system. Delivery is made to over 650 locations serving over 4,000 state agency addresses. Courier service provides agencies the ability to send mail from one state agency to another at 65% of the USPS rate. Approximately 1,500,000 pieces of mail and freight, allowing agencies to spend approximately $900,000 less than the USPS rate, were sent during the period FY2003-2004. Courier service provides one-to-two-day delivery from Raleigh to anywhere in the state and anywhere in the state to Raleigh. The service provides two-to-three-day service from any two points in the state. In essence we can send a letter overnight from Murphy to Raleigh in one day for less than $.25.

DEPARTMENT OF ADMINISTRATION
MAIL SERVICE CENTER
REVISED 02/2005

DIV. HEAD: JOHN CARPENTER
DEPT. HEAD: GWYNN T. SWINSON



DOA - Mail Service Center
FUND 7218
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$3,657,831	$4,014,594	$4,014,594	$4,014,594
Total Estimated Receipts	$3,657,831	$4,014,594	$4,014,594	$4,014,594
Net Appropriations	$0	$0	$0	$0
Number of Positions	83.50	84.00	84.00	84.00

Notes:

74% of Budgeted Funds represents Personnel Cost

26% of Budgeted Funds represent Operating Expenses

MOTOR FLEET MANAGEMENT DIVISION

Program Overview

The Motor Fleet Management Division was created by the legislature in January 1982 as the central fleet agency for all of state government. The purpose of Motor Fleet Management is to serve North Carolina state employees by acquiring, maintaining, storing, repairing, replacing and supplying passenger vehicular transportation needed in the performance of official duties, in the most safe, efficient and cost effective way. All state agencies, including universities -- except for the State Bureau of Investigation and the State Highway Patrol -- are required to utilize Motor Fleet Management for their passenger vehicle transportation needs.

The Motor Fleet Management Division operates two facilities. The Motor Pool is located at 220 E. Peace Street in Raleigh and the Administrative offices and garage are located in Raleigh at 1915 Blue Ridge Road. The garage on Blue Ridge Road repairs and maintains as many vehicles as possible in the Raleigh area. Vehicles outside of the Raleigh area are primarily maintained and repaired by local authorized service centers.

On January 14, 2005 Motor Fleet Management had 8,827 active vehicles in its fleet.

Motor Fleet Management charges agencies for the use of vehicles on a per mile basis. The largest group of vehicles (mid-size, sedan, four cylinders) are charged out at a 23 cents per mile rate. Mileage rates range from a low of 23 cents per mile to a high of 38 cents per mile for a four-wheel drive Suburban. Rates cover all expenses including operation of the Division, gas, oil, tires, repairs, insurance and replacement of the vehicle. Motor Fleet Management rates are very low when compared to the per mile driving costs issued by the American Automobile Association for model year 2002 vehicles. Based on a composite national average of three domestically built cars: a subcompact, a mid-size and a full-size, "motorists now spend an average of 62.3 cents per mile in vehicle related costs" (gasoline, oil maintenance, depreciation and insurance). When compared with Motor Fleet Management's average cost of 20.4 cents per mile for compact, mid-size and full-size vehicles, Motor Fleet Management is providing passenger vehicles at approximately 33 per cent of the national average cost. Per mile costs (20.4 cents per mile) was abnormally low for the 2001-2002 fiscal year because $3.2 million was transferred to the general fund and $10 million was refunded to user agencies.

Accomplishments

Automobile Rebuild Program

After completion of the pilot project, Asheville Chevrolet was contracted with to rebuild vehicles. This contract ended December 31, 2002. Asheville Chevrolet rebuilt 682 vehicles during the contract period. For these 682 vehicles the average cost of rebuilding was $10,934. Under this contract, the average purchase cost savings per vehicle was $9,975. The total cost saved by not having to purchase new vehicles was $7,277,810 for the 742 rebuilt vehicles.

Alternative Fuel Vehicles

Motor Fleet Management (MFM) has 3307 flexible-fuel vehicles that are capable of running on gasoline, E-10 gasoline or E-85 (Ethanol at 85%) fuel. Additionally, we have another 13 vehicles that operate on other alternative fuels such as electricity, propane, or compressed natural gas (CNG). There are 230 standard fleet sedans (Ford Taurus), located at the motor pool on Peace Street that are E-85 flex-fueled vehicles. Additionally, the Motor Pool has 48 hybrid, 3 CNG. MFM has ethanol dispensing facilities at the motor pool and at the Blue Ridge Road facility. The Department of Transportation also has an ethanol fueling site in Wilmington. To remind drivers to use E-85 fuel, MFM provides green electronic fueling keys for the E-85 powered vehicles instead of the more usual black keys. The current price for E-85 is $1.53 per gallon and E-10 gasoline is $1.4349 per gallon. An additional 772 model year 2005 E-85 powered vehicles have been ordered for the fleet. Delivery of vehicles are expected March, April and May 2005.

CNG, Electric, Propane, E-85 (Ethanol) Fueling Sites

The motor pool on Peace Street can provide all the major alternative fuels except for bio-diesel. This fueling site dispenses compressed natural gas (CNG) propane, E-85, gasoline and has a charger for electric vehicles. The Motor Fleet Management facility at 1915 Blue Ridge Road can provide propane, E-85, E-10 gasoline.

Hybrid Vehicles

MFM has Twenty Eight Toyota and Forty Three Honda and Five Ford Escape hybrid vehicles in the fleet. The Toyota hybrid gasoline engine/electric motor vehicles are capable of achieving 52 mpg in the city and 45 mpg on the highway. The Honda, Prius hybrid gasoline engine/electric motor vehicles are capable of achieving 61 mpg in the city and 70 mpg on the highway and the hybrid Honda, Civics achieve 49 mpg in the city and 48 mpg on the highway. The Ford Escapes are estimated to receive 33 mpg in the city and 29 on the highway.

"Right Size" Vehicles

Whenever possible, the division replaces full-size cars with mid-size cars, full-size vans with mini-vans, and full-size, 4-wheel drives with compact, 4-wheel drives. Many of the full-size, 8 cylinder law enforcement vehicles (Ford, Crown Victoria's) have been replaced with mid-size, 6 cylinder law enforcement vehicles (Chevrolet, Impala's). Large SUV's are purchased only for agencies who can justify the need for the vehicle based on towing or hauling requirements.

Since 2003 Motor Fleet Management has only purchased six cylinder Chevrolet Impala's to be used as law enforcement vehicles eliminating the purchase of eight cylinder Ford Crown Victoria's.

Sale of Motor Pool Property ; 220 E. Peace St. Raleigh

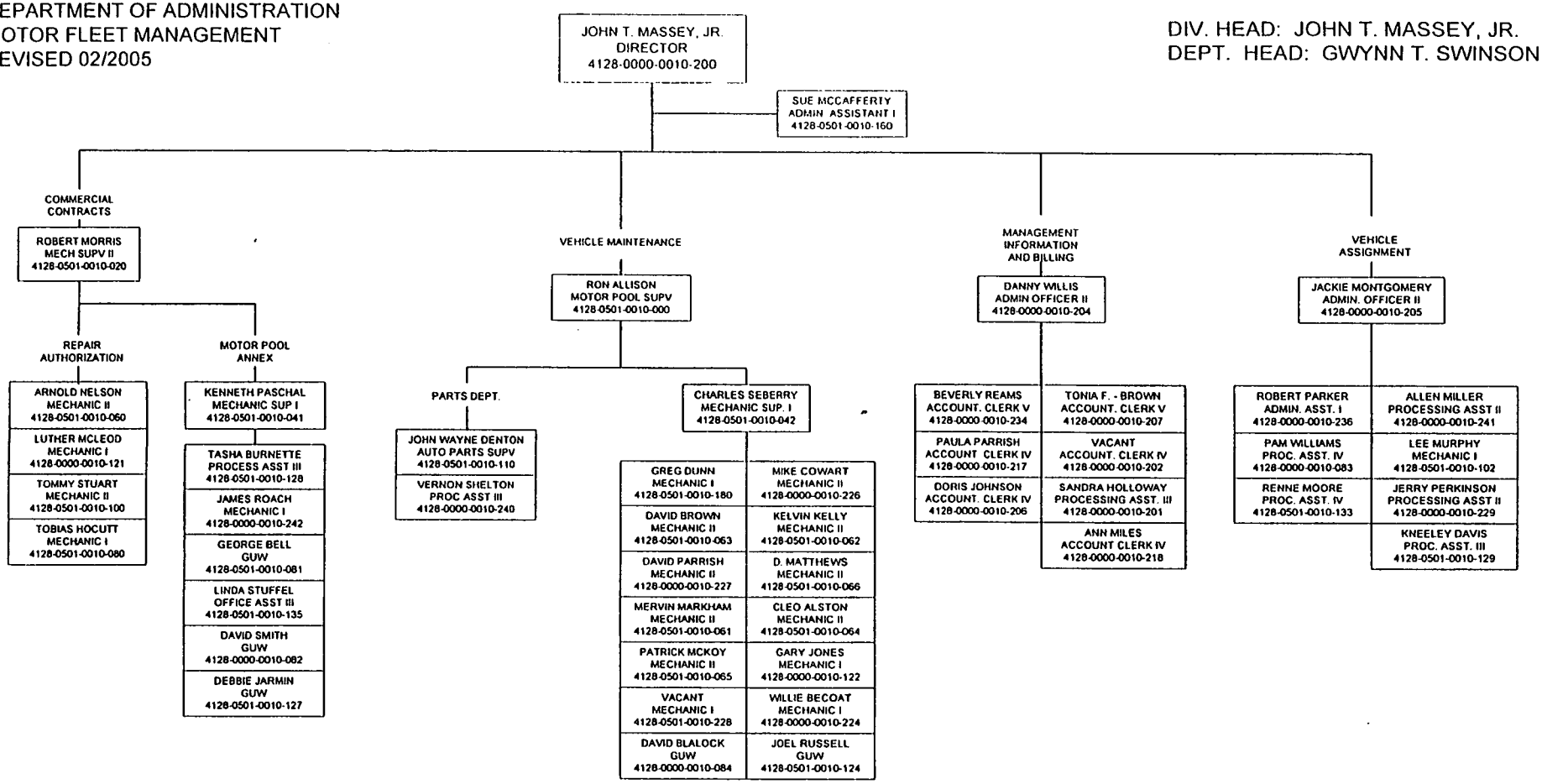
The property where our Motor Pool is located is to be sold. This site houses 274 vehicles used on a daily or trip basis by employees in the downtown Raleigh state complex. The Motor Pool site has fuel facilities to dispense gasohol (E-10), Ethanol (E-85), propane, and compressed natural gas. The site also contains an automated car wash facility. Due to the expense involved with moving the compressed natural gas

dispenser, and car wash facility, MFM does not plan to relocated these to Blue Ridge Road.

MFM has looked for an alternate Motor Pool location and has met with a representative of the State Property Office to find out more about this move. Current plans are for the Motor Pool to move to our 1915 Blue Ridge Road location. Some method of moving employees from downtown to our Blue Ride Road location will have to be developed if significant utilization of motor pool vehicles is to continue. The Blue Ridge Road facility does not have adequate space to provide employees with a place to park and leave their private vehicles.

DEPARTMENT OF ADMINISTRATION
MOTOR FLEET MANAGEMENT
REVISED 02/2005

DIV. HEAD: JOHN T. MASSEY, JR.
DEPT. HEAD: GWYNN T. SWINSON



DOA - Division of Motor Fleet Management
FUND 7211
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$38,460,945	$41,711,980	$41,711,980	$41,711,980
Total Estimated Receipts	$38,460,945	$41,711,980	$41,711,980	$41,711,980
Net Appropriations	$0	$ -	$0	$0
Number of Positions	48.00	48.00	48.00	48.00

Notes:

4% oF Budgeted Funds represents Personnel Cost

61% of Budgeted Funds represents Car Purchases

35% of Budgeted Funds represents Operating Expenses

OFFICE FOR HISTORICALLY UNDERUTILIZED BUSINESSES

Program Overview

The Office for Historically Underutilized Businesses (HUB) advocates and promotes the utilization of minority, women and disabled business enterprises in the state's procurement and contracting process. By an Executive Order signed by Governor James Hunt on April 20, 1999, the HUB Office was relocated from the Division of Purchase and Contract to the Secretary of Administration's Office to increase the visibility and awareness of the HUB Program. Executive Order 150 created a new position, Assistant to the Secretary for HUB Outreach, which was filled in May 1999. The Executive Order also established a HUB Advisory Council whose members are appointed by the Governor.

The HUB goals were previously established at 4% by Executive Order 77 under Governor Jim Martin's administration (1984-1992). However, with the signing of the Executive Order 150, Governor Hunt increased the HUB goals from 4% to 8% for FY 1999-2000 and to 10% for FY 2000-2001. Under Governor Michael Easley's Administration, the goal has remained at 10%. In 2001, during Governor Easley Administration, the HUB Office's existence was codified in the 2001 Legislative Session with the same responsibilities as identified in Executive Order 150. This legislation established the existence of the HUB Office and provided actual operating funds for the office.

The HUB Office utilizes the Internet to promote the HUB Program via its web page, which was set-up in September 1999. HUB vendors gain easier access to purchasing and contracting opportunities through the Division of Purchase & Contract's VENDOR LINK system. VENDOR LINK is an electronic vendor registration and notification system. HUB Designation is also initiated through this system. Currently, approximately 11,120 vendors have HUB Designation in the VENDOR LINK database.

Statewide entities that are to provide HUB reports to the state's HUB Office on its expenditures with historically underutilized businesses were also identified in the Executive Order. Namely, these entities are state agencies, community colleges, public school systems and state universities. In August 1999, the HUB Office developed and implemented a more comprehensive reporting system. This system included a new computer program, which was developed by in-house staff, to compile and generate the report data for over 225 state reporting entities.

The Quarterly HUB Reports include individual reports on Cabinet Department Agencies, Council of State Agencies, Support Agencies, Community Colleges, Public Schools, State Universities and State Construction. The HUB Office prepares the reports for the Governor's Office and provides copies to the Cabinet Secretaries and HUB Advisory Council. With the increased use and availability of technology, head officials of department agencies, community colleges,

universities and public schools can be notified when each Quarterly HUB Report is posted to the HUB Office's web site at www.doa.state.nc.us/hub . This allows head officials to be informed and aware of their respective organization's historically underutilized business participation. The HUB Office provides training to purchasers on preparing and compiling the HUB reports.

On December 6, 2001, the General Assembly enacted Senate Bill 914, which made major changes to laws governing public construction in the State of North Carolina. This bill signed by Governor Michael F. Easley on December 19, 2001 became effective January 1, 2002. Senate Bill 914 affords flexibility in the public construction bidding process, provides for significant new requirements for promoting the use of minority contractors, as well as documenting and reporting good faith effort to that end.

Specifically new legislation, N.C.G.S.§ 143-128.3, was established on minority business participation administration for publicly bid capital projects. N.C.G.S.§ 143-128.3(d) required the Secretary of Administration to establish an advisory board to develop recommendations for the improvement of recruitment and selection of minority businesses in capital projects for the State of North Carolina.

So established, the Minority Business Capital Projects Advisory Board, this 16 member Board appointed by the Secretary of Administration consists of state agency, community college, university system, municipal, design, construction, and HUB contracting community representatives.

Accomplishments

Minority Business Legislation for Public Construction Contracting

Senate Bill 914 affords flexibility in the public construction bidding process, provides for significant new requirements for promoting the use of minority contractors, as well as documenting and reporting good faith effort to that end. All public entities, including but not limited to, state agencies, universities, community colleges, public schools, county governments, municipalities and other local governments, are required to report both formal and informal construction project data, N.C.G.S.§ 143-128(a) and G.S. 143-131(b) respectively.

In an effort to assist public entities to comply with the new reporting requirements, the HUB Office convened a committee consisting of state agency, community college, university system, Institute of Government (IOG), North Carolina Institute of Minority Economic Development (NCIMED), municipal, design, construction, and HUB contracting community representatives.

This committee created the new "HUBSCO (acronym for Historically Underutilized Businesses and State Construction Office) Construction Reporting System." HUBSCO is a web-based application. The system was made available to all public entities on January 13, 2003. From inception to date, the HUB Office

has conducted fifty-eight (58) free training sessions reaching out to more than 228 public entities including 451 public entity personnel who received training. There are currently 493 users of the system.

New "HUBSCO – Construction Reporting System" step-by-step user's manual made available on the HUB Office website (www.doa.state.nc.us/hub)

MB Rules for Good Faith Effort

The HUB Office in concert with the State Construction Office and the DOA general counsel initiated the process, which included holding public hearing and receiving public comments, to establish rules for Good Faith Efforts as identified in N.C.G.S.§ 143-128.2. The Good Faith Effort rules became permanent August 2004.

Uniform Certification

Certification is a process that ensures local and state government purchasers and contract administrators that an individual business qualifies as a minority business enterprise or historically underutilized business (HUB). Currently, there are multiple local and state government agencies throughout the State that require minority business enterprises or HUBs to certify/designate their businesses with their respective entity to be counted toward their HUB and minority business utilization. The HUB Office assembled a Certification Task Force to explore Statewide Uniform Certification for businesses owned by minorities, women and persons with disabilities. The task force convened three focus groups (western, central, and eastern regions) across the state to obtain feedback from the MWBE/HUBs regarding the cumbersome, repetitious, multiple agency application process. The Department of Administration / HUB Office is currently drafting legislation on Statewide Uniform Certification Program for the 2005 Legislative Session.

Vendor Link Updates

The new IT systems, HUBSCO and Vendor Link Enhancements went live, making them available for public entities in the State of North Carolina to use. The HUBSCO system allows public entities to enter HUB participation and contract data on construction projects as specified by SB914. Enhancements to the Vendor Link system allows contractors to register to receive e-mail notification for construction projects; as well as allows public entities to post construction bids to the State's Interactive Purchasing System (IPS). These systems were designed and developed by DOA's MIS division with input from the HUB Office, State Construction Office and working committee members representing UNC-GA, Community College System, Institute of Government, minority contractor's association, and prime and minority contractors.

Minority Business Capital Projects Advisory Board

The Secretary established a Minority Business Advisory Board comprised of representatives from the general and minority contracting community, and the

university and community colleges systems to provide recommendations on SB914 and identify ways to improve minority business participation in construction projects.

Quarterly Purchaser's Meetings

The Secretary also implemented Quarterly Purchaser's Meetings in May 2004 comprised of purchasers from the State to address issues relating to purchasing and HUB utilization.

HUB Goals

The HUB goals were previously established at 4% by Executive Order 77 under Governor Jim Martin's administration (1984-1992). However, with the signing of the Executive Order 150, Governor Hunt increased the HUB goals from 4% to 8% for FY 1999-2000 and to 10% for FY 2000-2001. Currently, the goal remains at 10%. The HUB Office recorded an average of twenty-six percent (26%) of the state's reporting entities that met or exceeded the goal at fiscal years ended June 30, 2002, 2003, and 2004.

Agency	1stQtr 2004-05	2003-04	2002-03	2001-02
Cabinet Agencies	6	5	4	5
Council Agencies	6	4	4	3
Supporting Agencies	6	6	7	7
Community Colleges	5	7	11	17
State Universities	5	7	11	7
Public Schools	37	27	26	21
Total Entities meeting/exceeding 10% goal	65	56	63	60
%of Entities meeting/exceeding 10% goal	29%	25%	28%	26%
Total Reporting Entities	226	226	227	227

HUB Vendor Orientation/Training Session

In May 2004, the HUB Office held three (3) HUB Vendor Orientation Training Sessions. Vendors were provided a general overview of how to do business with the State, highlighting the various terms associated with government procurement. Various state agency, university, and public school representatives provided an outline of how their respective agency procures goods and services. The orientation and training also included construction break-out sessions consisting of state agency, university, public school, and private sector construction contracting representatives. Additional UNC-General Administration, State Construction Office and UNC-W were available as resource agencies. More than 300 participants participated in the sessions.

Statewide Teleconference on Senate Bill 914

In February 2002, the HUB Office collaborated with the Secretary's Office, State Construction Office, Attorney General's Office, Institute of Government, and the University of North Carolina to sponsor a Statewide Teleconference on Senate Bill 914. The conference provided training and highlights of the changes affecting public building construction. The training reached state agencies and other public and private entities via fiber and satellite at more than 25 locations across the state. The training was also provided via web streaming on the Internet to multiple locations; as well as video copies of the teleconference were made available. Secretary of Administration, Gwynn T. Swinson gave welcome and opening remarks. The Secretary stated that providing SB 914 training via satellite, fiber, and web cast was the most economical, efficient and effective means to reach such a broad audience, consequently resulting in a significant savings for the State in a time of budget crisis. Approximately 900 participants viewed the teleconference at over 30 sites.

Annual Contractor's Networking Reception

The HUB Office sponsored its 2nd Annual Contractors' Networking Reception, which was held in conjunction with the 23rd Annual State Construction Conference. The event was co-sponsored by the N.C. Institute of Minority Economic Development. The intent of the reception was provide a venue for which majority and minority contractors could network, interact with one another and discuss current and upcoming construction project opportunities throughout the state. In sponsoring the Contractor's Networking Reception, the HUB Office has also been successful in encouraging the minority contracting community to participate in the Annual State Construction Conference, which is held the following day. The reception attendees consisted of approximately 150 majority and minority contractors including Architects, Engineers, Electrical Contractors, Attorney's, Trucking Contractors, Contractors Associations, Construction Management firms, subcontractors and other public entity representatives. Seventeen (17) construction related businesses set-up booths and provided information to participants about potential business opportunities on current and future projects.

Disparity Study

The HUB Office contracted with MGT of America in February 2002 to conduct a Disparity Study on construction contracting for state agencies, community colleges and state universities. (MGT conducted the State's previous Disparity Study in 1995.) Due to the lack of funds appropriated for DOA to conduct a disparity study, MGT proposed conducting the study is phases. Phase I, which was completed in October 2002, established the levels of participation for minority and women-owned businesses in state construction projects. The results of the study were used to determine those areas where minority and women-owned businesses were under or over utilized. Phase II, which concluded the study, was completed in December 2003. This phase of the study addressed the causes of the disparity and included extensive anecdotal

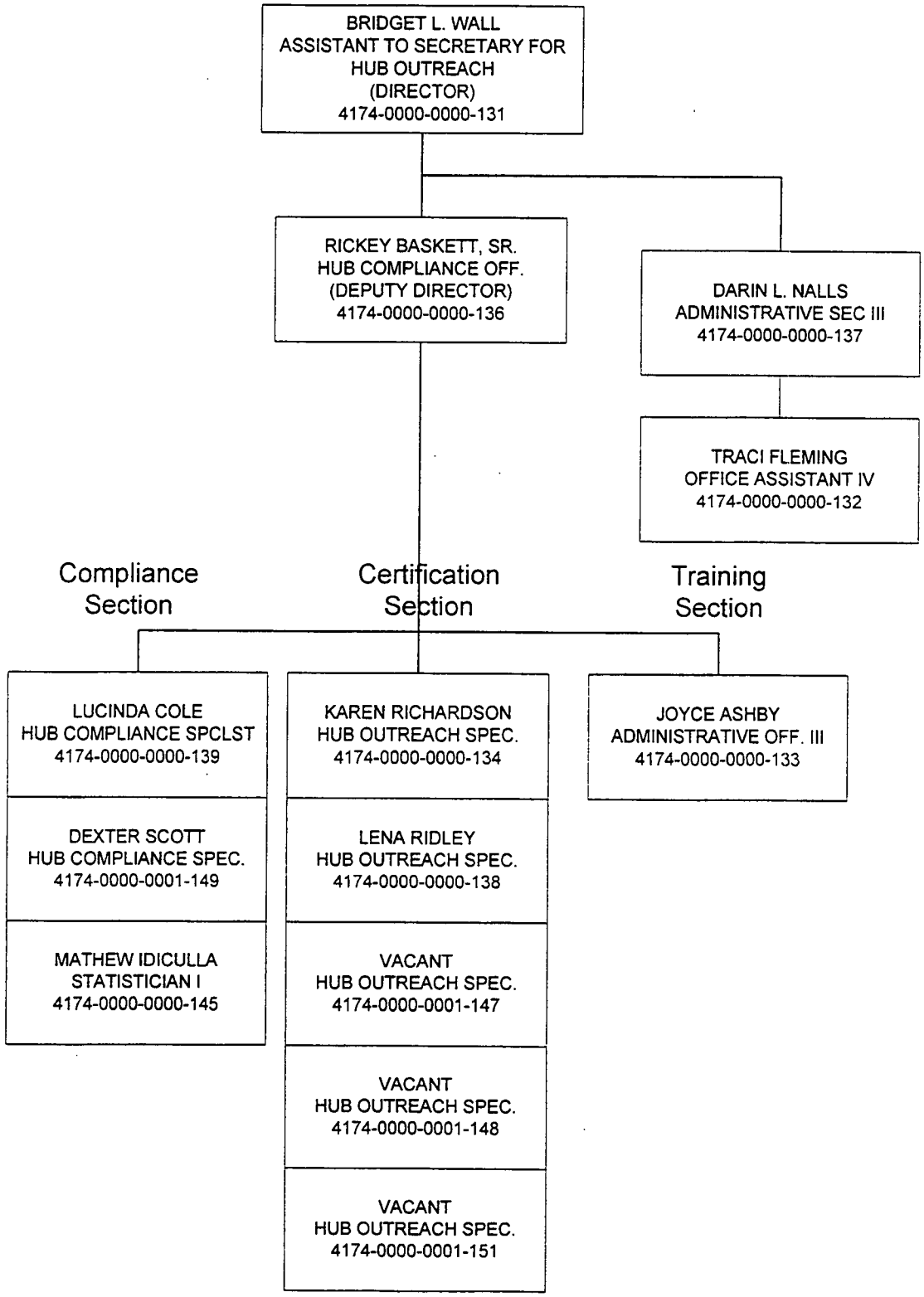
research. This research was done through interviews, surveys of business owners, and focus groups of stakeholders. The study concluded that African-American, Women and Asian-American business were underutilized in construction contracting for the state agencies, community colleges and state universities.

Outreach

From March 1999 (when the HUB Office was moved to the Secretary's Office) through January 2001, the HUB Office participated in over 117 conferences, workshops, seminars, trade-shows and/or presentations promoting the HUB Program. From February 2001 through December 2004, the HUB Office participated in approximately 360 conferences, workshops, seminars, trade-shows and/or presentations promoting the HUB Program.

DEPARTMENT OF ADMINISTRATION
HISTORICALLY UNDERUTILIZED BUSINESSES
REVISED 02/2005

DIV. HEAD: BRIDGET L. WALL
DEPT. HEAD: GWYNN T. SWINSON



DOA Office of Historical Underutilized Businesses
FUND 1123
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	0.00	$ 902,089	$ 862,089	$ 862,089
Total Estimated Receipts	0.00	1,000	1,000	1,000
Net Appropriations	0.00	$ 901,089	$ 861,089	$ 861,089
Number of Positions	0.00	14.00	14.00	14.00

Notes:

69% of Budgeted Appropriations is Personnel Cost

31% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DIVISION OF PURCHASE AND CONTRACT

Program Overview

Mission

Overall mission is to provide effective and efficient acquisition of goods and services for the State of North Carolina including State Agencies, Institutions, Universities, and Community Colleges, all known as State Purchasing Entities. Estimated expenditures are greater than $4 billion annually. Local governments and other non-state agencies, including the public schools, use our Statewide term contracts, and services.

Strategies

Strategies include expanding accessibility and use of purchasing information for increasing competition, reduced costs by aggregating needs, reduced processing time, enabling of employees, focused and improved communications, and increased use of technology to perform work.

Activities that support our MISSION

Include but are not limited to the following:

- Provide efficient and cost effective acquisition of goods and services for State Purchasing Entities through the use of competitive sealed bid/proposal processes, and by providing assistance to State Purchasing Entities statewide with contracting requirements.
  Authority: GS 143-49; 143-52; 143-53; 143-54; 143-56; 143-60; 143-64

- Manage the Statewide E-Procurement initiative and provide leadership in implementation throughout the State.
  Authority: GS 143-48.3

- Provide leadership and training in public purchasing policy and procedures, and use of technology in purchasing processes.
  Authority: GS 143-48.3; 143-49

- Support the HUB program effort to ensure that our processes are open and fair to all participants, and coordinated to meet and/or better HUB Program goals.
  Authority: Executive Order 150: GS 143-48

- Conduct purchasing compliance reviews and necessary follow-up training to ensure the integrity of the competitive bid processes.
  Authority: GS 143-53a(2).

- Develop and administer Statewide term contracts and disseminate information appropriately using competitive sourcing strategies.
  Authority: GS 143-49; 143-52; 143-55; 143-58

- Test new products and inspect equipment for compliance with bid specifications.

Authority: GS 143-60

- Integrate sustainability and institute the idea of protecting our environment down to the lowest level.
  Authority: Executive Order 156; GS 130A-309.14

- Provide and analyze reports, statistics and trends in public purchasing to enable efficient public purchasing and continuous improvement. Use information to initiate or respond to proposed legislation and/or administrative rules changes.

- Make purchasing services available to local governments, charitable non-profit hospitals, local non-profit community sheltered workshops, volunteer fire departments and rescue squads; and certain child placement or residential childcare facilities.
  Authority: GS 143-49

- Offer System Administration and Customer Support to new and existing purchasing personnel and vendors using our Interactive Purchasing System and Vendor Link System. Over 30,000 vendors have registered on Vendor Link.

Accomplishments

Awarded and approved 3314 contracts for open market and term contracts amounting to $1,179,506,374.94 during calendar years 2003-2004. Cost savings and/or cost avoidance are estimated to be $25,411,414. P&C has had a turnover of 30% of its staff, but still accomplished significant cost savings achievements.

Improved communications and customer service

- Unveiled our new website. Not only did it change our layout, but also we improved on the website's overall user friendly interface.

- Planned a Statewide Purchasing Seminar in March of this year to improve our communication and service to all purchasing entities.

- Conducted 401 acceptance inspections on equipment and materials for purchasing entities.

- Formed user groups comprised of users from agencies to insure items on term contracts will meet their needs.

Conducted a Benefits Analysis of the Statewide E-Procurement initiative which showed a cost savings of $127M from November 2001 through December 2003.

Supported environmental issues of sustainability and recycling through award of 543 contracts which promote the purchase and use of reusable, refillable, repairable, more durable, and less toxic supplies and products.

Created Outreach and Education Section to provide oversight of the E-Procurement project, training, compliance, and inspections. Conducted 70 training sessions for purchasing and/or e-procurement at various locations across the State with 1067 individuals participating.

Won three National Awards for NC E-Procurement @ Your Service

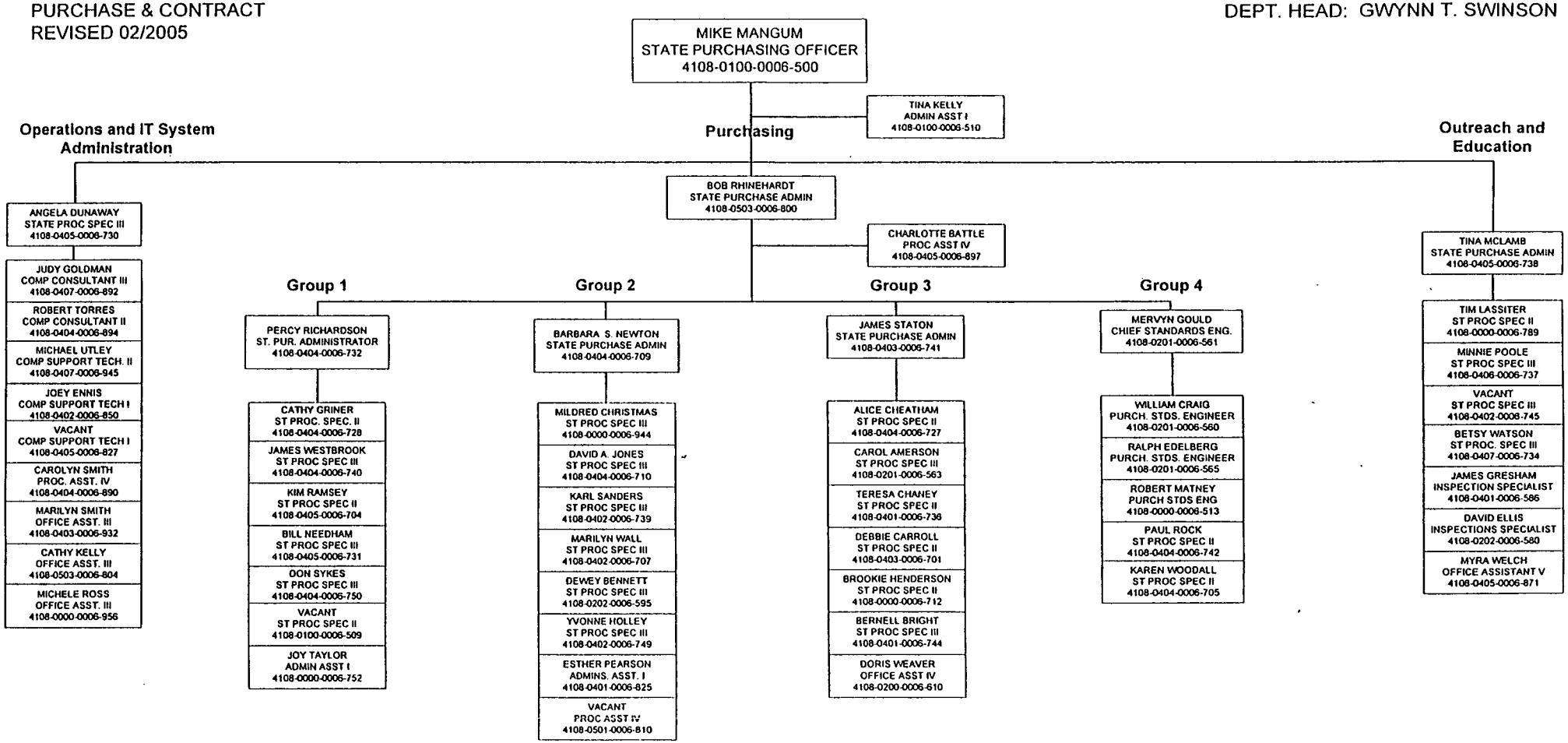
2004 MIT Digital Government Award for Innovation in State Government

2004 Best of the Web Award, Government to Government category

2004 NASPO IT Cronin Award – Honorable Mention

DEPARTMENT OF ADMINISTRATION
PURCHASE & CONTRACT
REVISED 02/2005

DIV. HEAD: MIKE MANGUM
DEPT. HEAD: GWYNN T. SWINSON



DOA - Division of Purchase and Contract
FUND 1511
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$3,069,608	$3,424,747	$3,548,849	$3,548,849
Total Estimated Receipts	$11,840	$13,429	$13,429	$13,429
Net Appropriations	$3,057,768	$ 3,411,218	$3,535,420	$3,535,420
Number of Positions	53.00	53.00	53.00	53.00

Notes:

90% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

10% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

STATE CONSTRUCTION OFFICE

Program Overview

The responsibilities of the State Construction Office can be summarized by the overall coordination and management for implementation of the state's capital improvement program. Under the historical formation of the office, two primary statutes G.S. 143-31.1, the Executive Budget Act, and G.S. 143-341, the Department of Administration Act, serve as the basis to define the duties and the responsibilities of the office. Under the Executive Budget Act, the Governor is required to have performed a study and review of plans and specifications to determine whether buildings, repairs, alterations, additions or improvements to physical properties for which appropriations of state funds are made have been designed for the specific purposes for which such appropriations are made; and that such projects have been designed giving proper consideration to economy in first cost, in maintenance cost, in materials and type of construction; and that architectural features are selected which give proper consideration to economy in design.

The authority for design review and overall management responsibility is further defined under the Department of Administration Act. In addition to having the responsibility of examining and approving all plans and specifications, the State Construction Office assists all agencies in the preparation of requests for appropriations for the construction or renovation of all state buildings, and must issue a certification that the project is sufficiently defined in overall scope, building program, site development, detailed design, construction and equipment budgets and comprehensive project scheduling so as to reasonably ensure that it may be completed with the amount of funds requested. Further, the State Construction Office supervises the letting of all contracts for the design, construction or renovation of all state buildings and supervises and inspects all work done and materials used in the construction or renovation of all state buildings. No such work may be accepted by the state or by any state agency until it has been approved by the department. N.C.G.S. § 143-341(3)(d). In addition, the Facility Condition Assessment Program (FCAP) is administered by the State Construction Office. This program is responsible for identifying deficiencies in all state facilities over 3000 gross square feet. The office is also involved providing architectural and engineering services for the maintenance and upkeep of the 5 million square feet of office and lab space and historical structure in the Downtown Government Complex.

A capital facilities project usually starts with the identification of a need by a state agency or institution. The concept of the need is further defined by the agency through a study of the program requirements that establishes a general scope of work, the size of the facility, nature of the improvements, infrastructure requirements (parking, water, sewer, steam, utilities, etc), any special requirements and schedule. The agency or institution submits this information and budget estimate to the State Construction Office for review and certification. Chapter 45 of the 1998 Session Laws requires the Department of Administration to certify the feasibility of state construction projects and makes that certification a prerequisite to funding by the General Assembly.

After the General Assembly appropriates or authorizes funding, by law the agency or institution has sixty days to select a design firm to provide design services for the project. Designers are selected in accordance with qualifications-based procedures adopted by the State Building Commission that requires advertisement and screening before three firms are submitted to the Commission for a final decision. The State Construction Office serves as staff to the State Building Commission. For University and Community College system projects, the selection of design firms is by the Boards of Trustees. A fixed fee, lump sum design agreement for execution by the agency or institution is negotiated by the State Construction Office for the design and general supervision of the construction work.

For most projects, the design progresses through three phases of development - schematic design, design development, and construction documents. Each phase of design is reviewed and the design does not proceed into the next phase until appropriate approvals have been obtained for previously submitted work. There are some 40 possible state reviews, permits and approvals that may be required on a project and the review process may involve up to 17 different state agencies. Of course, most projects do not require nearly that number of review agency approvals. To many outside of the construction industry, this may seem like a cumbersome and overextended process to get a project from design to active construction. However, each review requirement is based on legislative authority granted to the individual review agencies involved and are complementary to each other. Agency reviews are often very specific following statutory responsibility and occur concurrently so as not to delay the progress of the project.

The State Construction Office is the only agency that conducts a broad-based comprehensive review of the entire project to ensure value for the public funds committed for the project and enhance the success of the project through compliance with statutory requirements. The office deals with contractual issues such as budget, design and construction contracts, statutory and procedural issues for public work and the sufficiency of bid and contract documents. The State Construction Office essentially serves as a clearinghouse for review comments generated by other agencies and checks to see that comments and concerns are resolved prior to approval for receipt of bids. As of January 2005, the State Construction Office currently oversees on a statewide basis a total of 1,459 projects in various stages of design or construction valued at approximately $4.4 billion dollars.

Accomplishments

State Construction Office Audit

From May 2001 through August 2002, the Office of the State Auditor conducted an audit of the state construction process and the State Construction Office. The scope of the audit encompassed all operations of the State Construction Office, as well as review of the responsibilities of the State Building Commission, other state agencies with regulatory responsibility for state construction projects, and the Higher Education Bond procedures as they related to the SCO's duties and responsibilities. The State Auditor's Office concluded that " The State Construction Office has been blamed in the past for obstructing rather than assisting State agencies on construction projects. Our review of the construction process and the role of the State Construction Office has shown that

the Office has effectively provided needed services within the constraints contained in legislation and regulations." The Auditor's Office further concluded that overseeing more than $4 billion worth of construction projects is a difficult job as it is and trying to do it with inadequate information, staffing and technology just makes it that much more difficult. This amount of State spending can have a tremendous impact on North Carolina's economy. It is imperative that these projects and the tax funds that pay for them be adequately managed.

Major Projects

The State Construction Office, in a dual role, over the last twelve years, successfully administered approximately $228 million in contracts for the construction of major and minor projects in the government complex. Major projects included: New Public Education Building, New Revenue Building, Museum of History, Govt. Complex Boiler Plant, Old Education Bldg. Renovation, Old Revenue Bldg. Renovation, Multi-Level Parking Deck #75, Multi-Level Parking Deck #76, and the Museum of Natural Science. For the next two years, the State Construction Office will administer an additional $45 million in building renovations and performance construction contracts in the Downtown Government Complex.

Implementation of the Facilities Condition Assessment Program

In 1987, the Dept. of Administration was authorized by the General Assembly to conduct an operations and maintenance study of all State buildings. In 1988-89, Phase 1 and Phase 2 reports were issued which recommended a "Facility Condition Assessment Program". This started in 1990 with a manager and 3 team members, employed by the State Construction Office. A second team was added in 1993. All buildings 3,000 sq. ft. and over, plus infrastructure items, are assessed on a 3-year repeating cycle, and reports are issued with recommendations for correction of deficiencies, with cost estimates and priorities. Energy assessments are also provided for state facilities with this staff. Other States have adopted similar programs based on the North Carolina model.

Natural Disaster Assessments

Assistance from staff of the SCO has been provided to the Division of Emergency Management, FEMA, and other agencies on numerous occasions following natural disasters in N. C. This included assistance with damage assessment, debris removal, demolition, and/or installing infrastructure for temporary housing sites, in order to help local and state agencies recover and be reimbursed for eligible expenses. Major events when this occurred include Hurricane Hugo in 1989, Hurricane Fran in 1996, Western Floods of 1998, and Hurricane Floyd in 1999. Extensive staff involvement occurred, and the restoration of temporary housing sites following Hurricane Floyd is still ongoing.

Y2K

The State Construction Office served as the coordinator between state agencies and universities and the Statewide Year 2000 office to ensure that all essential state-owned facilities and building systems would be Y2K-compliant at critical dates near the beginning of 2000. The State Construction Office saved the State approximately $1.5 million in consulting fees by coordinating this work using in-house staff. There were no system failures as a result of this effort with a smooth transition into the year 2000.

Security Upgrades

The State Construction Office staff administered the assessment, report preparation and distribution, and the implementation of recommendations, relating to security improvements to the buildings and grounds for the downtown government complex as a result of the September 11, 2001, terrorist attacks. The implementation of these measures is continuing, using a limited source of funds.

Life Cycle Cost Analysis

The State Construction Office implemented a life cycle cost analysis manual for State owned facilities in 1986. The Legislature mandated that all buildings constructed for the State, 40,000 square feet or larger, be designed on the basis of life-cycle cost. The manual was updated in 2001, when the Legislature changed the requirement to facilities, 20,000 square feet or larger. The goal is to ensure that designers maximize the long-term benefits to the State, within the confines of capital appropriation, since the cost imposed on the State over the life of any building far exceeds the initial construction investment.

Awards

Sir Walter Raleigh Awards – given by the City of Raleigh Appearance Commission:

- Governmental Complex Boiler Plant, 1992
- Heck Andrews House, 2000
- Museum of Natural Science, 2000
- Dorton Arena, 2002
- The Old Revenue Building, awarded in 2001

The American Institute of Architects, Charlotte Section, NC Chapter, Honor Award

- NC Department of Revenue Building, 1988

Precast/Prestressed Concrete Institute, Design Award

- Department of Administration, Deck I, 1992

State Capital Foundation, Certificate of Appreciation

- State Capital Restoration, 2000

Capital Area Preservation Anthemion Award

- L.L. Polk House, 2002

Guidelines for Recruitment and Section of Minority Business for Participation in State Construction Contracts

In 1989, the State adopted a verified ten percent (10%) goal for participation by minority business in the total value of work for each state construction project. The State Construction Office assumed the responsibility to develop, establish, and implement the State's guidelines for participation of minority businesses in state construction projects. These guidelines and policies were successfully used until Legislative revisions were adopted in 2001 that transferred much of the responsibility to the HUB office. Since 1989, the State has achieved 10% participation, thereby meeting the goal established by the Legislature. The program instituted by the State Construction Office was never challenged in court and the guidelines are still in effect, coupled with additional requirements under Chapter 496 of the 2001 Session Laws, providing a sound and solid approach to allow all the businesses in the State to participate in the State Capital Improvement program.

Construction of State Prison Facilities

In 1993, the General Assembly transferred the responsibility for the Prison Bond Construction program to the State Construction Office. The State Construction Office had authority to contract for and supervise all aspects of administration, technical assistance, design and construction of prison facilities. The program initially started with $87.5 million in bond funds and in subsequent years, additional projects were funded under the supervision of the State Construction Office. Overall, the State Construction Office administered $254 million in construction, which involved 60 projects statewide and 200 individual contracts. Projects were completed on time and within budget meeting the program needs of the Department of Correction.

State Construction Conference

For the last 24 years, the State Construction Office has hosted and coordinated the annual State Construction Conference. The purpose of the conference is to provide information about the state's construction process and promote a better understanding of the state's capital improvement program. The conference began with less than 200 in attendance and has maximized attendance with over 800 attending the annual conference.

InterSCOPE

InterSCOPE is the State Construction Office's project and workflow tracking database. Development began in 1997, to replace the former, non-Y2K compliant database. Enhancements due to changes in technology continue. A contractor is currently performing a technical analysis of the system to plan for the implementation of further development. The basic system developed was found to be very sound and has an excellent configuration with the flexibility to change databases as required.

The 2000 Education Bond Program

The 2000 Education Bond program was begun in November 2000 with $3.1 Billion dollars to be allocated as $2.5 Billion to the University System and $600 million to the Community College System over a six-year period. The bond program is entering its fifth year. The State Construction Office has reviewed, approved and monitored over 265 projects in the last two years alone. All total, the University System has approximately $1.6 billion in contract commitments for design and construction.

Project Totals

Since 1988, the State Construction Office has contracted, reviewed, approved and monitored construction on 7,026 projects worth nearly $10 billion. (Not adjusted for inflation).

Pilot Green Building Projects

The State Construction Office is overseeing the Energy Conservation Pilot Program. The program requires a minimum of 10 state building projects be designed, constructed and evaluated according to The High Performance Guidelines: Triangle *Region Public Facilities, Version 2.0.* This program will have long term benefits to the State through the establishment of energy efficient and environmental friendly design of State facilities.

Special Fund for Energy Conservation Projects

The State Construction Office has administered seven energy conservation projects located on four university campuses and three state agency sites from funds made available by special appropriations to the State Energy Office. These projects involve lighting retrofits, HVAC system upgrades and chilled water system improvements. Upon completion, each of these projects is estimated to result in immediate cost-savings in operation costs, which also will result in a relatively short payback period. The State Construction Office reviewed the design and monitored the construction of those projects.

Guaranteed Energy Savings Contracts

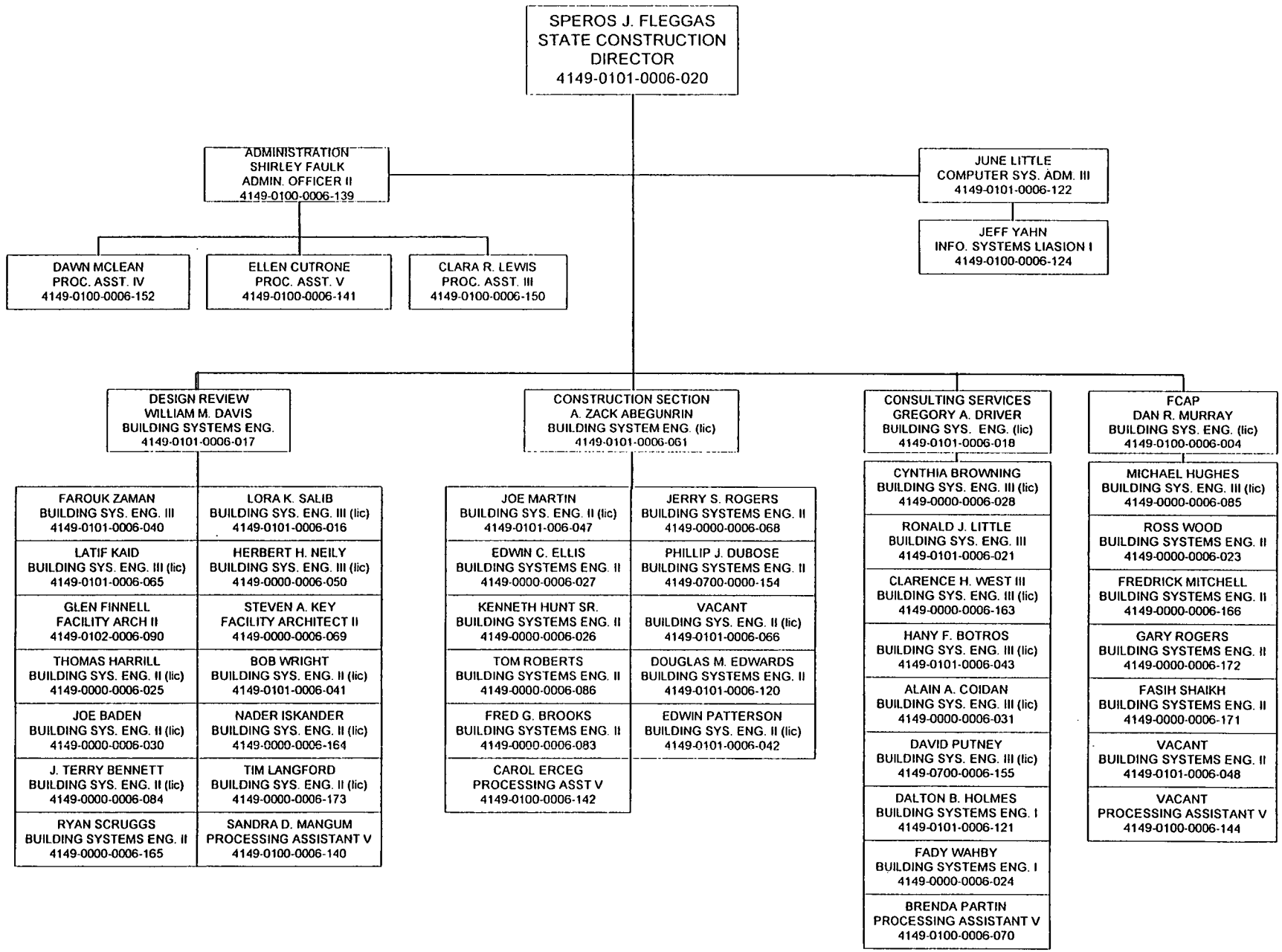
The State Construction Office has taken a leadership role by initiating the first two energy performance contracting projects for State facilities. Projects at the NC Museum of Art ($5.2 million) and the Downtown Government Complex ($11.0 million) will upgrade badly deteriorated equipment such as chillers, air distribution and controls. Two energy companies have recently been selected for these projects. Energy savings will finance the cost of the projects through the reduction in utility costs. No appropriation from the general fund will be used, and it is estimated that the projects will actually generate revenue, with the goal of supplying $500,000 to the general fund over twelve years.

North Carolina Central University Residence Halls 1 And 2

At the direction of the Governor, the State Construction Office was assigned the task of cleaning and renovating two North Carolina Central University residence halls to remove potentially harmful mold and make necessary repairs to the residence halls to get the students back into the dormitories as soon as possible. In conjunction with this work, the State Construction Office also addressed other issues related to life safety, building code and deferred maintenance items. More than 30 contractors worked seven days a week on the 134,000-square foot facility. The nearly $8 million project was completed in record time of six months, allowing students to return to the dormitories and saving the University the cost of providing off-campus housing.

DEPARTMENT OF ADMINISTRATION
STATE C[illegible]TRUCTION OFFICE
REVISED [illegible]2005

DIV. HEAD: SPEROS J. FLEGGAS
DEPT. HEAD: GWYNN T. SWINSO[illegible]



DOA - State Construction Office
FUND 1411
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$3,619,073	$4,050,126	$4,011,705	$4,011,705
Total Estimated Receipts	$55	$950	$950	$950
Net Appropriations	$3,619,018	$ 4,049,176	$4,010,755	$4,010,755
Number of Positions	51.00	52.00	52.00	52.00

Notes:

90% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

10% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA - State Building Commission
FUND 1416
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$9,096	$7,373	$7,373	$7,373
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$9,096	$ 7,373	$73,737	$37,373
Number of Positions	0.00	0.00	0.00	0.00

Notes:

0% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

100% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

0% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

STATE ENERGY OFFICE

Program Overview

The State Energy Office (SEO) is North Carolina's lead agency for energy programs and serves as the official source for energy information and assistance for consumers, businesses, government agencies, and policy makers. The SEO serves each of North Carolina's 100 counties and administers over 90 programs in four primary areas:

1. Energy efficiency and renewable energy for residential, commercial, industrial, agricultural, transportation and utility sectors;
2. Alternative fuels and alternative fuel vehicles;
3. Energy emergencies during natural disasters and supply disruptions; and
4. Energy policy recommendations to the Energy Policy Council, General Assembly, the Governor's Office, and other state agencies.

The SEO, established during the 1973-74 Arab Oil Embargo, operates under the N.C. Department of Administration and serves as staff to the Energy Policy Council. The Council, established by the Energy Policy Act of 1975, is an 18-member body charged with recommending and overseeing state energy policies. The SEO promotes energy efficiency and renewable energy for North Carolina, striving toward a sustainable energy future. The office accomplishes this by administering innovative programs, projects and services that inform, educate, and involve energy consumers, producers and decision-makers. The State Energy Office provides a plan for the state's response to energy supply emergencies. The office is recognized as North Carolina's primary independent resource for energy information and technology.

Accomplishments

Energy Management and Efficiency

- The Utility Savings Initiative (USI), to date, has saved over *$2.6 million* in state utility bills through rate reviews and changes; *$13.6 million* were saved in avoided costs (electricity, water and sewer). Over *2300* individuals have been trained on USI program components and over *30%* of state facilities (about 30,000,000 total square footage) have been surveyed, identifying no-cost, low-cost utility improvements.
- The state's first High Performance Building was opened for operation at the N.C. Arboretum. The utility bill for this 10,000 square foot Operations Center, averaged monthly utility bills of $236.

Energy Policy and Legislation

- Sections were added to existing legislation creating a Low-income Residential Energy Program as a responsibility of the Energy Policy Council.
- New legislation designated the State Energy Office as the lead agency for Performance Contracting, and requiring the office to compile an annual report on guaranteed energy savings contracts. Projects totaling $20 million are now in development.

Energy Education & Outreach

- Approximately *5,220* public inquiries were addressed; *24* "Energy Connections" television programs were broadcast with a potential viewing audience of *4,283,410* per show; *5* issues of *N.C. Energy Notes* were published and distributed; over *120,000* publications were distributed; *262* workshops/trainings, seminars and conferences were supported with approximately *13,000* attendees and approximately *50* media events (radio/television features, press conferences, events, print media coverage) were held.
- The inaugural State Energy Conference was held with over 400 participants; other firsts were the Biomass Conference and Landfill Gas Conference.
- Several major publications were published and disseminated: the revised *State Energy Plan* was published in 2003 and updated in 2004. The Plan provide guidelines and action items for energy work for the next decade. The *Energy Emergency Plan* and the *NC Energy Outlook*, energy forecasts, were published and distributed. A series of 10 energy savings brochures were developed. All documents are available on the SEO's Website: www.energync.net.
- SHOPP: State Heating Oil and Propane Program. Each fall, from October through March, the State Energy Office, along with other participating state energy offices, surveys 51 propane and heating oil dealers servicing North Carolina areas. Propane and Number 2 heating oil prices are reported weekly to the Energy Information Administration via their website, www.eia.doe.gov. These and other consumer prices are highlighted on the SEO website.

Industry

- Under the Energy Management Program, over $3.5 million in energy costs were saved through surveys and audits identifying energy efficiency and energy conservation opportunities. Over $150 million has been saved by industry since the program's inception in 1988.

Renewable Energy & Alternative Fuels

- The Alternative Fuel Demonstration Center opened at the North Carolina Solar Center. The Center's garage has intergrated photovoltaic roof panels which use solar power to charge electric car batteries. The garage also has a demonstration ethanol distillery and eductional exhibits.
- The Centralina Clean Fuels Coalition was awarded the Clean City designation by the U.S. Department of Energy's National Clean Cities Program, making it eligible for grants and federal funding to advance the usage of alternative fuels and AFVs. Nationwide, only 85 other local/regional groups have achieved this designation.
- SEO projects annually displace more than 70,000 gallons of petroleum with B-20 (a blend of 20% bio-based and regular diesel); emission reductions are as follows: sulfur dioxide, 225 tons; nitrogen oxide 87 tons, and carbon dioxide reductions 38,250 tons. Over 693,000 kWh were generated using renewable energy sources.

Assessments of industrial and residential sites identified additional potential production of 3,360,000 kWh.

- Wind maps and landfill gas maps were developed for each North Carolina county, pinpointing potential sites for wind turbines and landfill gas projects to generate energy.

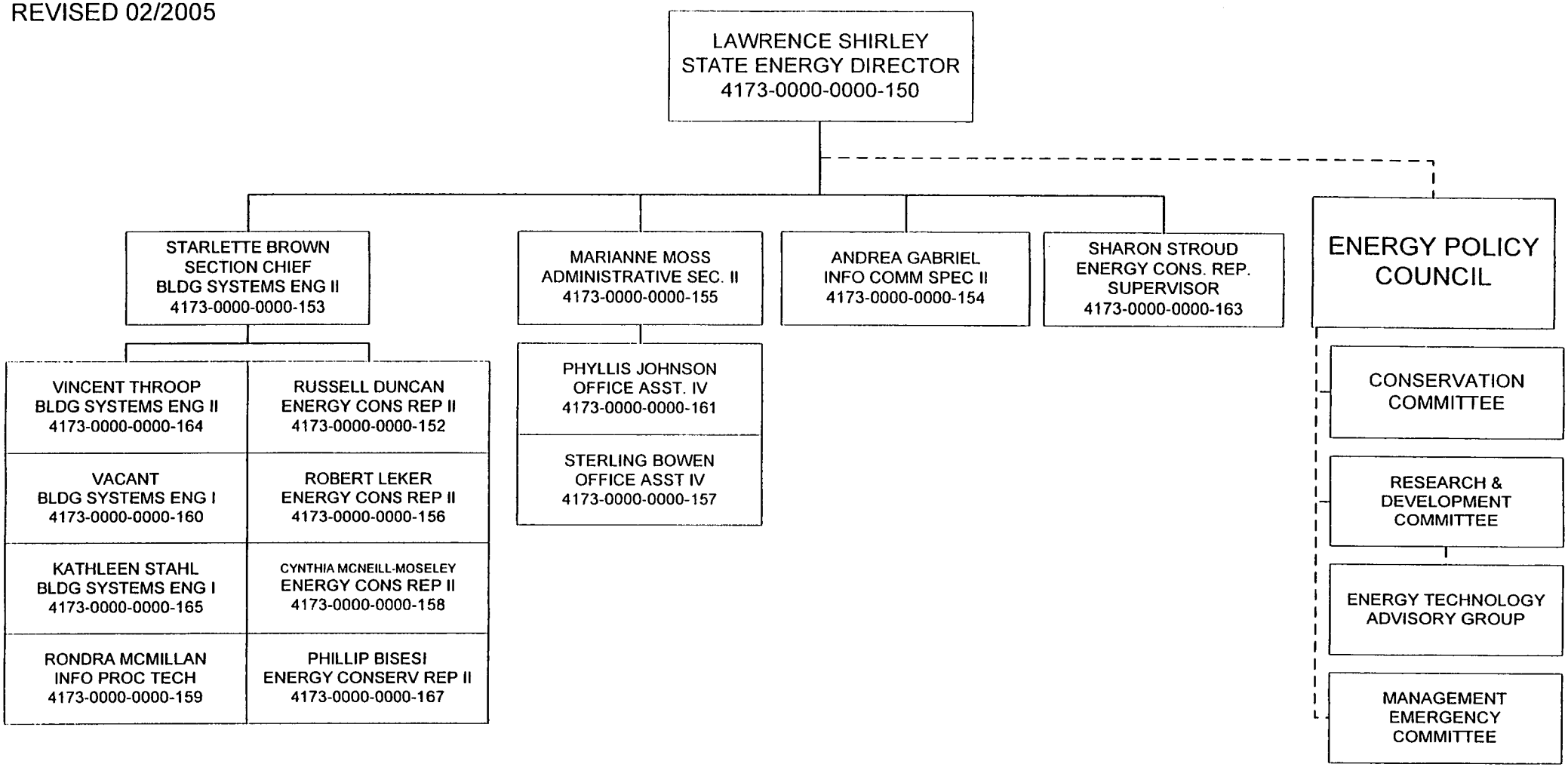
Residential

- The NC HealthyBuilt Homes Program, under the auspices of the NC Solar Center, was launched with State Energy Office funding. Their first development is a 17-home sustainable green community of affordable housing in Asheville.

- The Upgrade & Save program, which replaces furnaces with energy efficient heat pumps in manufactured homes, was expanded from one to eleven North Carolina counties, including Pitt, Nash, Wilson, Wayne, Greene, Lenoir, Martin, Beaufort, Craven, Jones, and Edgecombe.

DEPARTMENT OF ADMINISTRATION
STATE ENERGY OFFICE
REVISED 02/2005

DIV. HEAD: LAWRENCE SHIRLEY
DEPT. HEAD: GWYNN T. SWINSON



DOA - State Energy Office
FUND 2466
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$3,847,932	$3,929,105	$3,929,105	$3,929,105
Total Estimated Receipts:				
Dept. of Energy	1,831,467	1,143,219	1,143,219	1,143,219
PVE	$1,803,251	$ 2,539,178	$2,539,178	$2,539,178
In-Kind Provider Match	$ 230,709	$ 246,708	$ 246,708	$ 246,708
Other	$ 13,161	$0	$0	$0
Change in Fund Bal	$ 69,344	$0	$0	$0
Number of Positions	16.00	16.00	16.00	16.00

Notes:

18% of Budgeted Funds represent Personnle Cost

62% of Budgeted Funds represent Grants

20% of Budgeted Funds represent Operating Expenses

STATE PROPERTY OFFICE

Program Overview

In accordance with G. S. 143 and 146, the State Property Office administers the acquisition and disposition of all state land or interest therein by deed, lease, easement, condemnation or otherwise for all state agencies. The State Property Office also allocates and reallocates land, buildings and space in buildings among state agencies, institutions or departments. The State Property Office maintains a complete and accurate inventory of state lands and buildings. The State Property Office manages the state's submerged lands and vacant and unappropriated lands. It also provides clerical support to the Capital Planning Commission.

Real Property Inventory

12,052 buildings owned
98,355,602 gross square feet

999 leased facilities
4,950,760 net square feet

659,102.165 acres owned
2,065 state owned complexes

Organizational Structure

The State Property Office has a total of 26 employees. It is divided into three sections, which are: the General Real Estate Section, the Leasing and Space Planning Section and the Facilities Information Section.

The General Real Estate Section is responsible for the acquisition and disposition (by deed and easement, etc.) and allocation or reallocation of all state lands.

The Leasing and Space Planning Section acquires and disposes of real property by lease and provides space planning in state buildings and leased space.

The Facilities Information Section manages all land, building and lease records for the State and maintains floor plans of each building, maps, and site plans associated with the State's land holdings. The section performs systems administration, applications programming, web development, training and overall computer/software support for the staff.

To accommodate the workload of property transactions for specific programs, several agencies fund positions in the State Property Office. They are: DENR/Division of Parks and Recreation (2 positions), Ecosystem Enhancement

Program (4 positions), Wildlife Resources Commission (1 position), and Clean Water Management Trust Fund Program (1 position).

Accomplishments
(January 1, 2004 – December 31, 2004)

Property Transactions

- **Acquisition by Deed**
  173 transactions
  49,385.03acres
  $88,842,163.83

- **Acquisition by Easement**
  228transactions
  34,375.13 acres

- **Other Acquisition Transactions** (acquisition by license, allocation, agreement, resolution, etc)
  1 transaction
  7acres

- **Acquisition by Lease**
  22 transactions- land
  80.118acres
  $84,911

- 267transactions – space only (office/warehouse, etc)
  666,913 sq. ft.
  $7,142,700.99

- **Disposition by Deed**
  12transactions
  682.0905 acres
  $21,207,978.90

- **Disposition by License**
  1 transaction
  6,000 acres
  $30,000

- **Disposition by Easement**
  44 transactions
  $164,429

- **Disposition by Lease**
  53 transactions
  361.59acres
  $1,260,459.65

TOTAL ACQUISITION/DISPOSITION TRANSACTIONS HANDLED- 801

Required Reports

State Owned Surplus Real Property System

Session Law 2003-284 amended in Session Law 2004-124 directed the establishment of the State Owned Surplus Real Property Disposal System by the Department of Administration in consultation with state agencies and with assistance from consultants. The purpose of the system is to establish a uniform disposal system that will continuously identify and evaluate surplus property and dispose of it when appropriate.

The System has been developed by the consultant, CB Richard Ellis, and was presented to members of the GA staff in 2004. A presentation of the System to members of the Legislature is expected during the 2005 Legislative Session. A PDF file of the final draft report prepared by the consultant is attached to the hard copy of this report.

Dorothea Dix Master Plan

Session Law 2003-314 amended in Session Law 2004-124 directs the Department of Administration, State Property Office, in consultation with the City of Raleigh to develop a master plan of the Dorothea Dix Campus with the assistance of a consultant by April 1, 2005.

Other Legislation

Commission on State Property

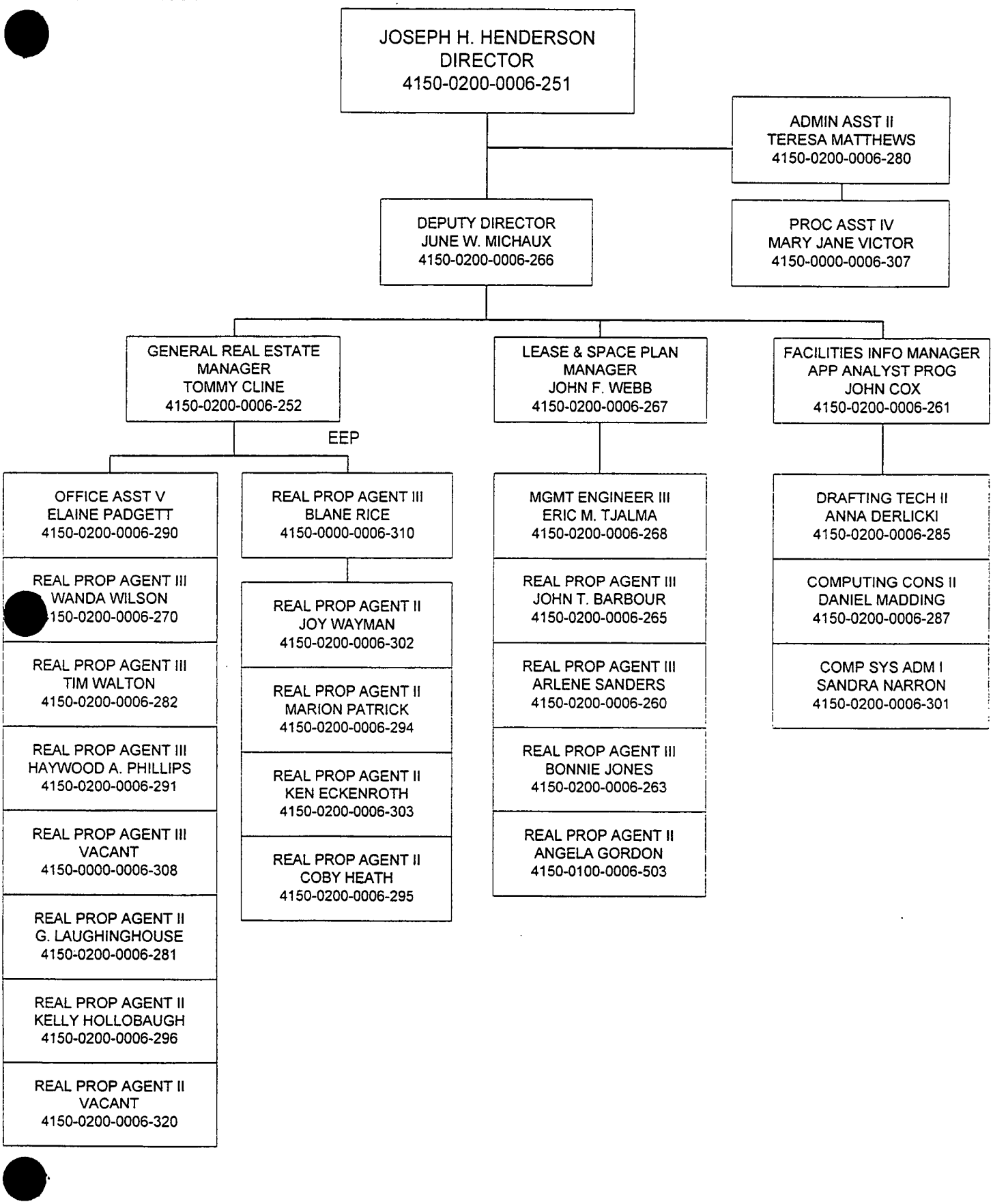
Session Law 2004-124 established the 16 member Commission on State Property /Sale of State Property. The SPO will be responsible for considering recommendations from the Commission regarding the disposal of State Property. The SPO provides information to the Commission
relative to its operational rules and policies and state property database.

Blount Street Historic District

Senate Bill 819 (2003 Session) directed the sale of state-owned property in the District. The RFP, which will invite pre-qualified developers along with their development teams to submit proposals relating to the sale, restoration and redevelopment of properties within and adjacent to the project area has been prepared, collaboratively by the state's consultant on land use planning for the project, state attorneys and SPO.

DEPARTMENT OF ADMINISTRATION
STATE PROPERTY OFFICE
REVISED 02/2005

DIV. HEAD: JOSEPH H. HENDERSON
DEPT. HEAD: GWYNN T. SWINSON



DOA - State Property Office
FUND 1412
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$1,724,732	$1,692,876	$1,695,978	$1,695,978
Total Estimated Receipts	$386,745	$546,069	$549,171	$549,171
Net Appropriations	$1,337,987	$ 1,146,807	$1,146,807	$1,146,807
Number of Positions	25.00	28.00	28.00	28.00

Notes:

94% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

6% of Budgeted Appropriations is Operating Expenses

94% of Budgeted Receipts is Personnel Cost

6% of Budgeted Receipts is Operating Expenses

70% of Budgeted Positions is Supported from Appropriation

30% of Budgeted Positions is Supported from Receipts

DIVISION OF SURPLUS PROPERTY

Program Overview

The Federal Surplus Property Agency and the State Surplus Property Agency were organizationally combined as of March 3, 2003 creating the Division of Surplus Property. A management study determined that it would be more economically efficient to combine these two self-supporting agencies

Federal Surplus Property was created for the specific purpose of serving as a procurement and distribution organization for surplus federal property, (Public Law 94-519). North Carolina recipients are: tax supported and non-profit educational and health agencies, public agencies, providers of assistance to the homeless and impoverished. Recipients pay a service charge for the property that is donated by the federal government.

State Surplus Property offers surplus property received from state agencies and the University System, to other state agencies in need, or sells to qualifying non-profit organizations, and the general public. State Surplus receives property from other sources such as local and county agencies, schools, municipalities, and community colleges. It is State Surplus Property's mission to serve as a medium through which these surplusing agencies have multiple disposition resources available to them. A key component to State Surplus Property 's successful operation is customer satisfaction for government agencies as well as the general public.

In 2004 the Division began working with appropriate government agencies and consultants to determine the physical logistics of combining the Federal and State Surplus Property agencies. Studies are in process to identify potentially suitable sites that will accommodate current operations and potential growth for both agencies. Need to determine the cost-effectiveness of co-locating the Federal and State Surplus programs through a comprehensive examination of both agencies. One of the driving forces to consolidate these agencies is the current plan by the Triangle Transit Authority to establish a Passenger Rail Depot and accessibility roads at the State Surplus Property site.

A key objective for 2005 is to continue to promote the State and Federal Surplus Property programs by educating state and local governments of their services.

Accomplishments

Federal Surplus Property

During 2004 property was donated to 87% of the North Carolina counties. Implemented the sales of prohibited items received from North Carolina airports to be sold on ebay or at State Surplus. Established a program with GSA to purchase pre-sale vehicles to meet the needs of local and state government agencies. More state agencies are utilizing Federal Surplus programs.

State Surplus Property

General Sales and Services

In 2004, approximately $19 million in total sales were generated. State Surplus Property offers agencies with assistance in developing statewide and local area contracts for recyclable items such as scrap metal, used oil and antifreeze, batteries, computers, etc. State Surplus Property offers agencies the ability to dispose and sell their surplus through e-auctions, negotiated sales, sealed bids, inter-agency transfers, and retail sales. Assistance is provided to agencies in the decision-making process of their disposition as well as the actual collection of the property from the agency's location in the Government Complex area.

Computer Program

The function of the Computer Program is to divert used state-owned computer equipment from disposal in landfills. The highlight of the Computer Program is the Computers for Kids Program, a statewide program that sells basic computer systems to public schools and public charter schools for $25 per system. The Computer Program places approximately 1,000 refurbished and tested computers a year into schools that cannot afford new computer equipment. The Computer Program also sells, at discount, computers and peripheral equipment to non-profits, local government agencies, and to state agencies with limited budgets. A weekly retail sale of selected computer items makes a significant contribution to the income of the Program. The Computer Program keeps approximately 155 tons of computer waste out of landfills each year. Older and/or non-functioning CPU's, monitors, printers, networking equipment, etc. are sold to recyclers who channel these items to extended usefulness. In calendar year 2004, the Computer Program had total sales of $231,584. Receipts are retained by State Surplus Property to assist in recovering operating costs. In October 2004, State Surplus Property began charging a recycling fee of $2.00 per monitor sent to State Surplus to help defray the cost of environmentally correct disposal of end-of-life monitors and terminals.

Drug Seizure Program

The Drug Seizure Program is a cooperative effort with the Department of Revenue's Unauthorized Substance Tax Division to sell personal property such as vehicles, jewelry, electronics, furniture, etc. that is confiscated in order to satisfy the tax debt liability from the sale of an unauthorized substance by an individual. During the year 2004, this program generated approximately $1.7 million revenue for state and local government. Of this revenue, 75% is allocated to local law enforcement agencies to support the war against drugs and the remaining is retained by the state.

Escheats and Unclaimed Property

This program is a cooperative effort with the Department of the State Treasurer for the disposition of unclaimed personal property. Presently this property is being sold through electronic auctioning.

RADD Trust

The RADD Trust program is a cooperative effort with the Department of Insurance to dispose of property acquired from insurance companies through liquidation

Retail Sales Programs

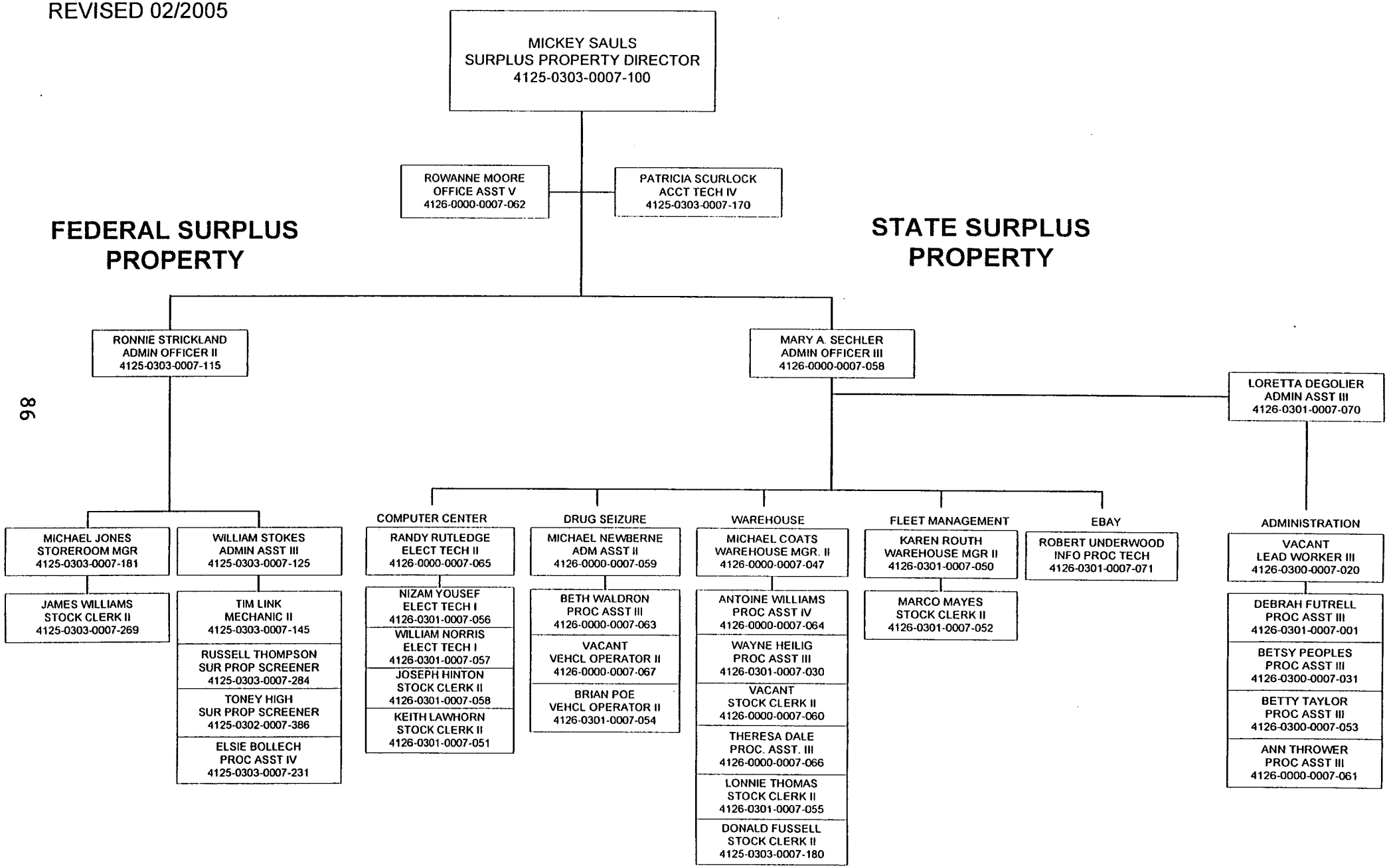
State Surplus Property's primary warehouse site along with five agencies within the University System operate a retail sale (cash and carry) program that offers the public the opportunity to purchase surplus property that has a value of less than $100.00. State Surplus is actively working with two other university agencies on setting up retail sale operations.

E-Auctioning

There are three ebay web sites utilized for the Drug Seizure Program, Escheats and Unclaimed Property, and state-owned property. These sites offer access to a world-wide audience for the disposition of specialty items. In 2004 approximately $375.000 in sales were generated.

DEPARTMENT OF ADMINISTRATION
SURPLUS PROPERTY
REVISED 02/2005

DIV. HEAD: MICKEY SAULS
DEPT. HEAD: GWYNN T. SWINSON



DOA - Federal Surplus Property
FUND 7310
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$722,770	$625,239	$625,239	$625,239
Total Estimated Receipts	$722,770	$625,239	$625,239	$625,239
Net Appropriations	$0	$0	$0	$0
Number of Positions	9.25	9.25	9.25	9.25

Notes:

63% of Budgeted Funds repesents Personnel Cost

37% of Budgeted Funds represents Operating Expenses

DOA - State Surplus Property
FUND 7215
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$1,731,044	$1,510,749	$1,510,749	$1,510,749
Total Estimated Receipts	$1,731,044	$1,510,749	$1,510,749	$1,510,749
Net Appropriations	$0	$0	$0	$0
Number of Positions	27.75	28.75	28.75	28.75

Notes:

64% of Budgeted Funds represents Personnel Cost

36% of Budgeted Funds represents Operating Expenses

DEPUTY SECRETARY FOR INTERNAL SERVICES AND PROGRAMS

McKinley Wooten

Commission of Indian Affairs

Council for Women

Domestic Violence Commission

Facility Management

Governor's Advocacy Council for Persons with Disabilities

Human Relations Commission

Management Information Systems

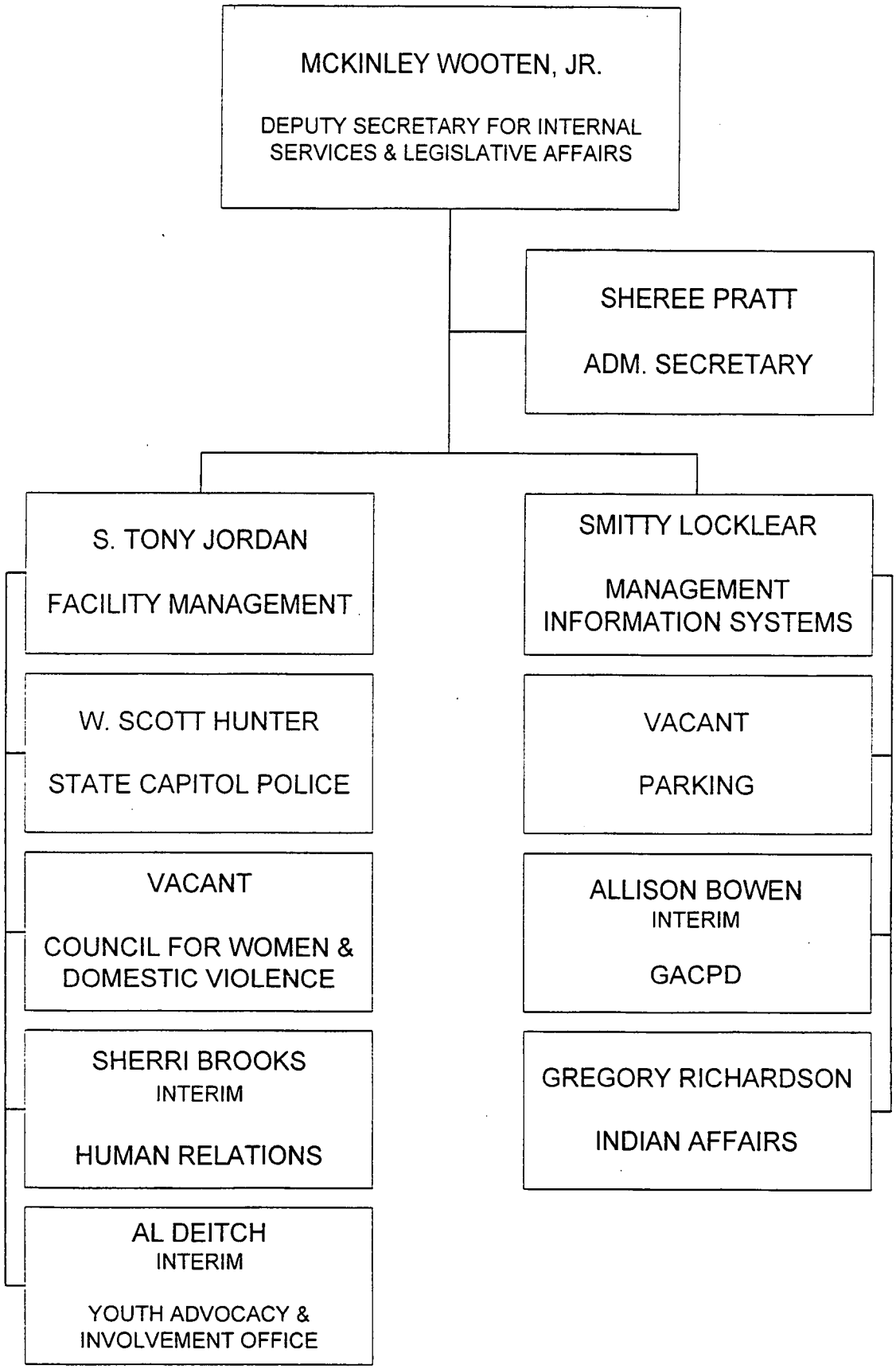
State Capitol Police

State Parking Office

Youth Advocacy and Involvement Office

DEPARTMENT OF ADMINISTRATION
DEPUTY SECRETARY FOR
SERVICES AND LEGISLATIVE AFFAIRS
REVISED 02/2005

DEPT. HEAD: GWYNN T. SWINSON



FACILITY MANAGEMENT DIVISION

Program Overview

Facility Management Division (FMD) provides maintenance and repair services to the state government complex and other facilities in outlying areas, such as the Highway Patrol and SBI complexes on Garner Road, the Museum of Art complex on Blue Ridge Road and, the James K. Polk Building in Charlotte. Services include minor new construction, renovation, carpentry, painting, housekeeping, steam plant operation, HVAC, electrical, plumbing, welding, elevator maintenance, card access systems, closed-circuit television systems, lock shop operations, fire and pest services. Maintenance to the Capitol complex parking facilities, which includes snow and ice removal in the winter, is included in the function of FMD.

Accomplishments

FMD is continuing its preventative maintenance program that has been in place since April 1, 1995. This program involves the maintenance and repair of 146 buildings and over 3064 pieces of equipment. Over the last five years there have been fewer breakdowns of equipment resulting in significant savings. In the Program Statistics report, maintenance costs have been sustained as follows:

1996-97	. 41 cents per square foot
1997-98	. 35 cents per square foot
1998-99	. 30 cents per square foot
1999-00	. 40 cents per square foot (attributed to replacing two chillers
2000-01	. 26 cents per square foot
2001-02	.23 cents per square foot
2002-03	.25 cents per square foot
2003-04	.26 cents per square foot

Energy cost increases have been kept to a minimum despite rising energy costs as follows:

1996-97	1.55 dollars per square foot
1997-98	1.68 dollars per square foot
1998-99	1.53 dollars per square foot
1999-00	1.41 dollars per square foot
2000-01	1.76 dollars per square foot (spike in natural gas prices)
2001-02	1.45 dollars per square foot
2002-03	1.59 dollars per square foot
2003-04	1.63 dollars per square foot

Energy costs can be further reduced through the reduction of lighting costs in buildings in the state government complex as well as through the installation of more energy efficient equipment.

DIV. HEAD: S. TONY JORDAN, JR.
DEPT. HEAD: GWYNN T. SWINSON [redacted]

S. TONY JORDAN, JR.
FACILITY MGMT. DIR[redacted]OR
4151-0301-0008-29[redacted]

JENNIFER NORTON
ADMIN. OFFICER
4151-1100-0013-000

CELIA ATKISON
PROC. ASST. III
4151-0100-0008-040

GLORIA JONES
PROC. ASST. IV
4151-0000-0008-037

EDWARD S. CHAMBERS
FACILITY MAINT MGR II
4151-0301-0008-023

EUGENE SCARBORO
CONSTR. SERV. MGR.
4151-0303-0008-101

PRENTIS DUNLAP
BLDG. SYSTEMS MGR.
4151-0302-0008-330

RICKY TERRY
LANDSCAPE SERV. MGR.
4151-0200-0008-100

HERMAN DUNN
HSKPG. SERV. MGR.
4151-0303-0008-350

GOV.'S MANSION

DAVID BREWER
PLANT MAINT SUPV II
4151-0000-0013-060

INMATE LABORERS
(2)
0000-0000-0000-000

ENGINEERING SERVICES

JANE LEDBETTER
C&R DESIGN TECH. II
4151-0000-0008-024

JORGE AVILES
C&R DESIGN TECH. I
4151-0000-0008-455

ANN STUART
C&R DESIGN TECH. I
4151-0303-0008-375

RHONDA LEE
PROC. ASST. IV
4151-0000-0013-044

WORK CONTROL

ALLISON MERIDIN
PROC. ASST. IV
4151-0305-0008-620

CAROLYN PLEASANTS
PROC. ASST. IV
4151-0100-0008-036

ELIZABETH H. JONES
PROC. ASST. IV
4151-0000-0008-041

ELEVATOR INSPECTION

JIM BROADWELL
MAINT. MECH. IV
4151-0303-0008-602

WAREHOUSE

JENNY MERRITT
WAREHOUSE MGR. II
4151-0303-0008-204

SECURITY SYSTEMS

KEVIN CONTE
ELECTRONICS TECH III
4151-0303-0008-560

SARA KEEN
ADMIN ASST II
4151-0000-0008-431

MELISSA WHEELER
PROCESSING ASST. IV
4151-0400-0009-327

RONALD BARBOUR
ELECTRONICS TECH I
4151-0303-0008-368

CARL FORD
ELECTRONICS TECH I
4151-0303-0008-360

TERRY WOODARD
ELECTRONICS TECH II
4151-0303-0008-379

GREG WILLIAMS
ELECTRONICS TECH I
4151-0000-0008-381

JAMES BASS
ELECTRONICS TECH II
4151-0305-0013-001

WAREHOUSE

RICHARD E. LIMEHOUSE
STOREROOM MANAGER
4151-0400-0009-440

FIRE SAFETY INSPECTOR

THOMAS HODGE
FIRE PREVENT'N INSP.
4151-0000-0013-030

PEST CONTROL

LANNY WILLIAMS
PEST EXTERMINATOR
4151-0805-0008-470

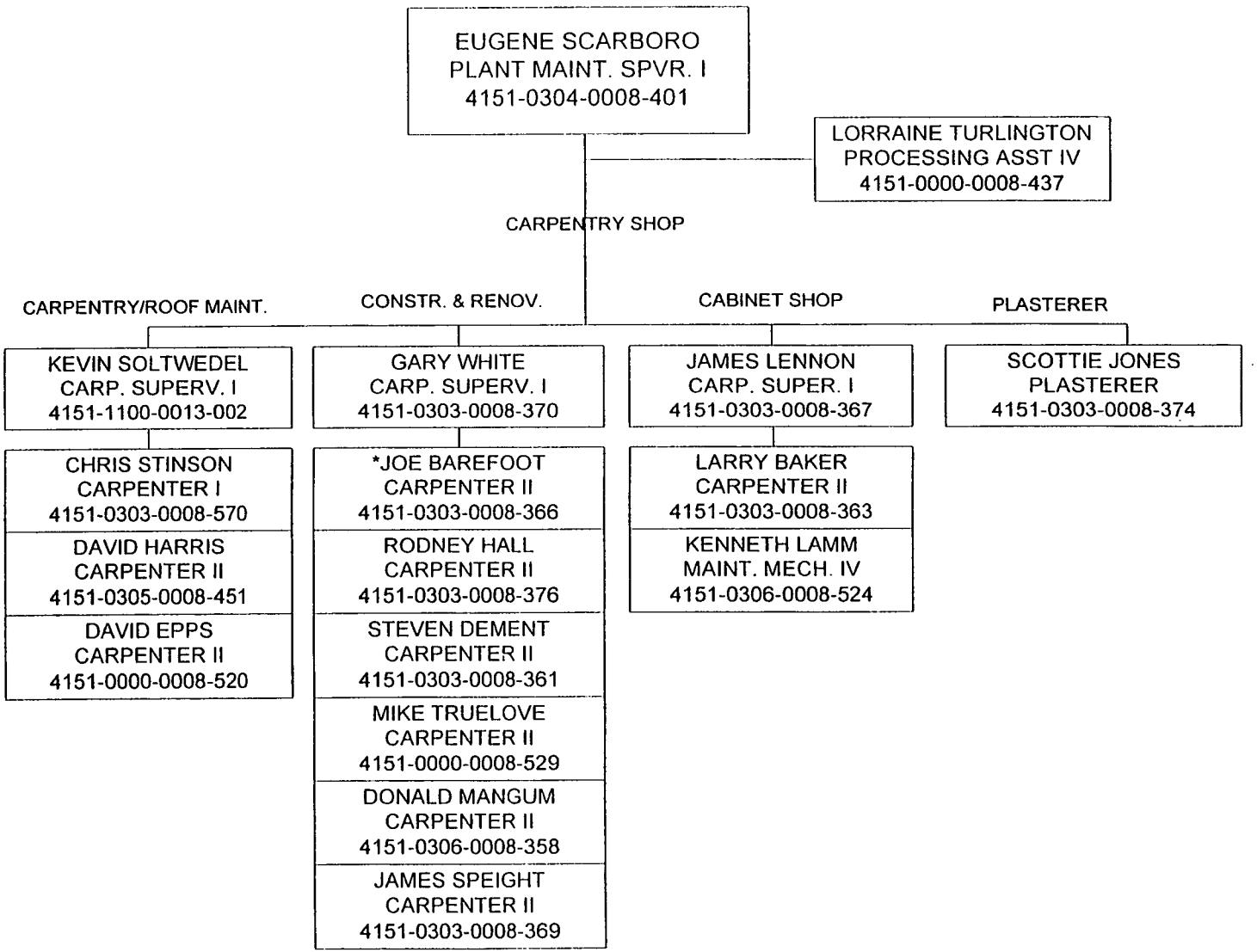
SIGNAGE

STEVE WATSON
ADMIN. ASST. II
4151-0000-0008-359

AARON SMITH
TRADES WORKER I
4157-0200-0008-174

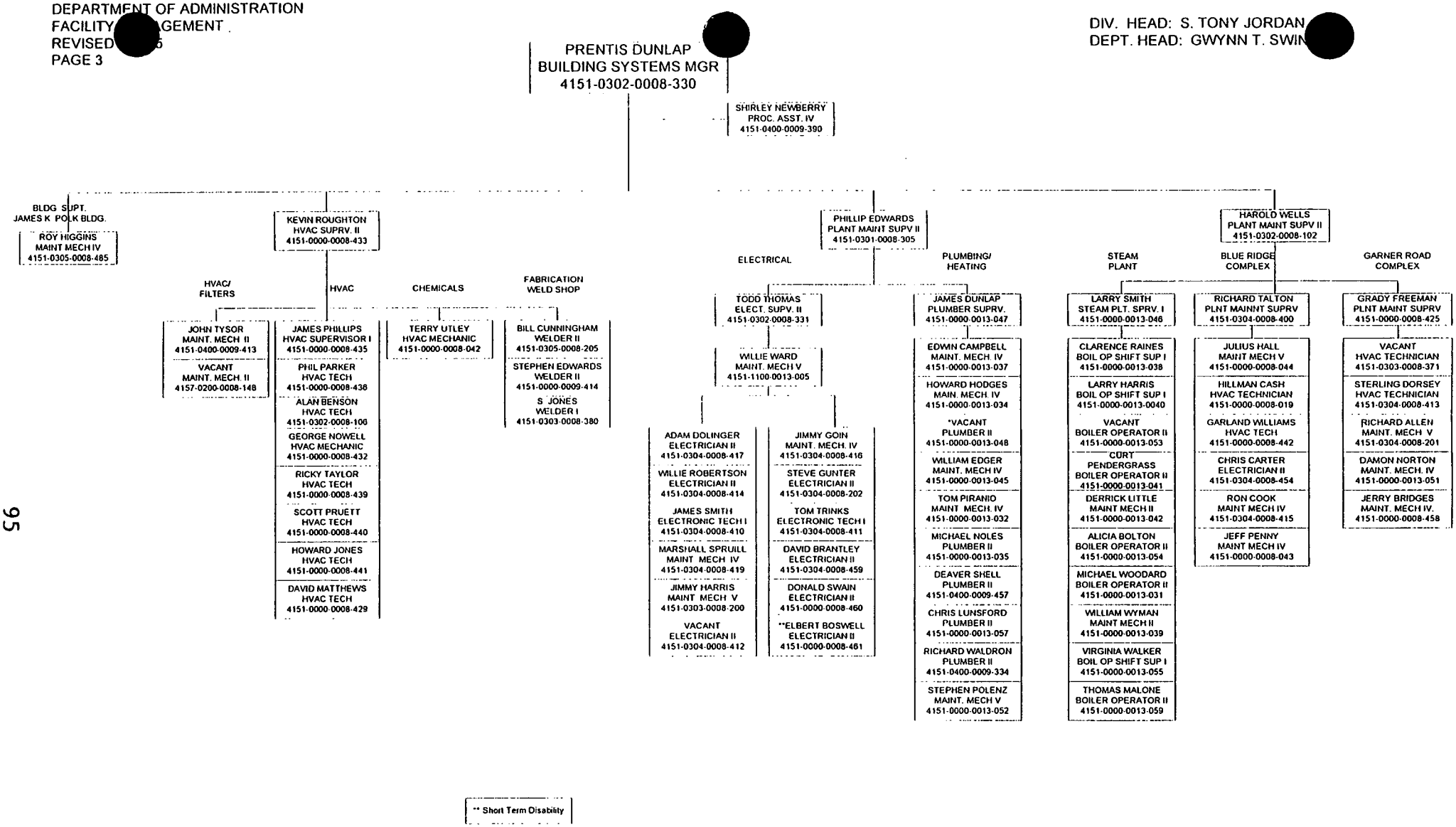
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DIV. HEAD: S. TONY JORDAN, JR.
DEPT. HEAD: GWYNN T. SWINSON



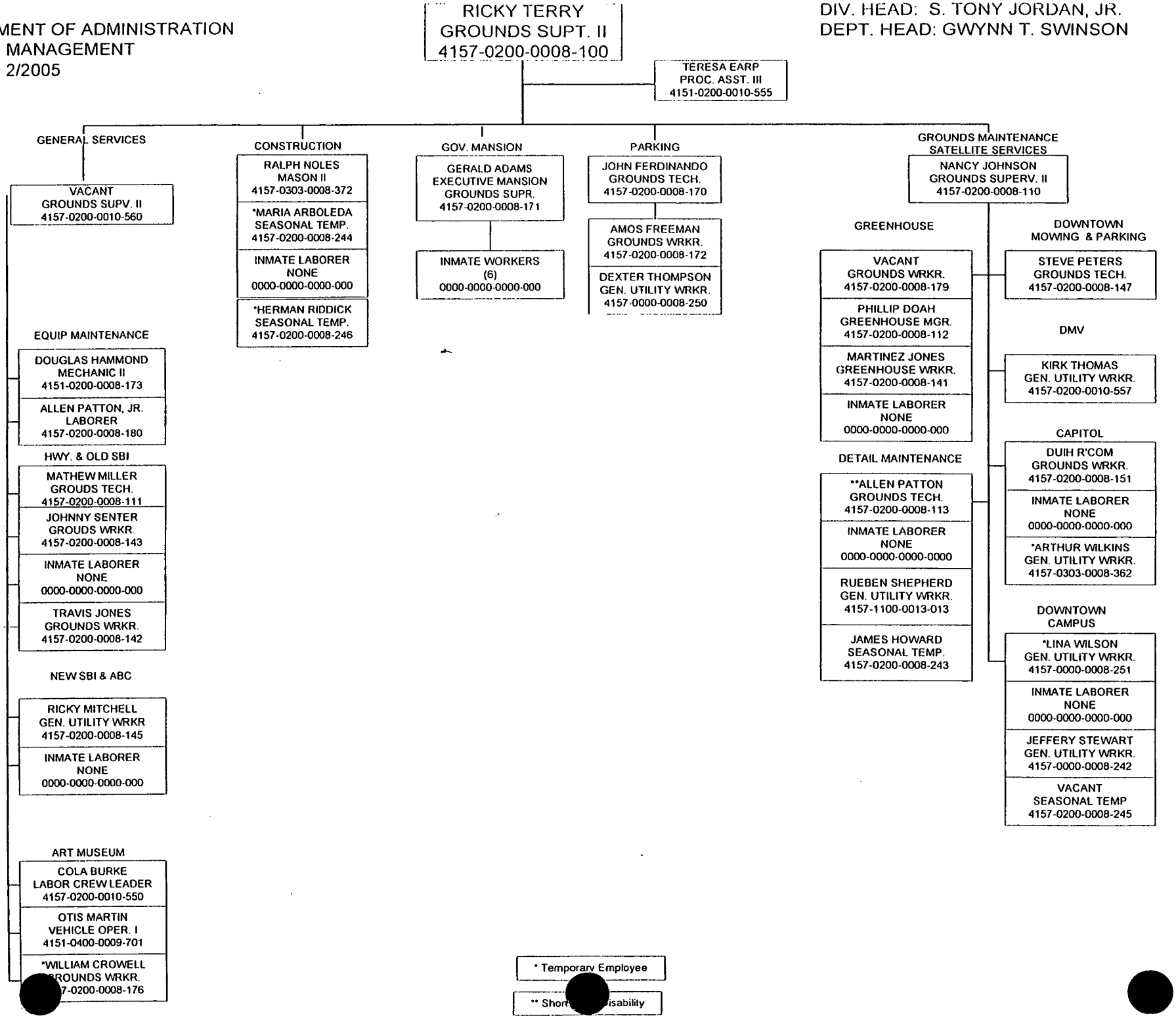
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DIV. HEAD: S. TONY JORDAN
DEPT. HEAD: GWYNN T. SWIN[redacted]



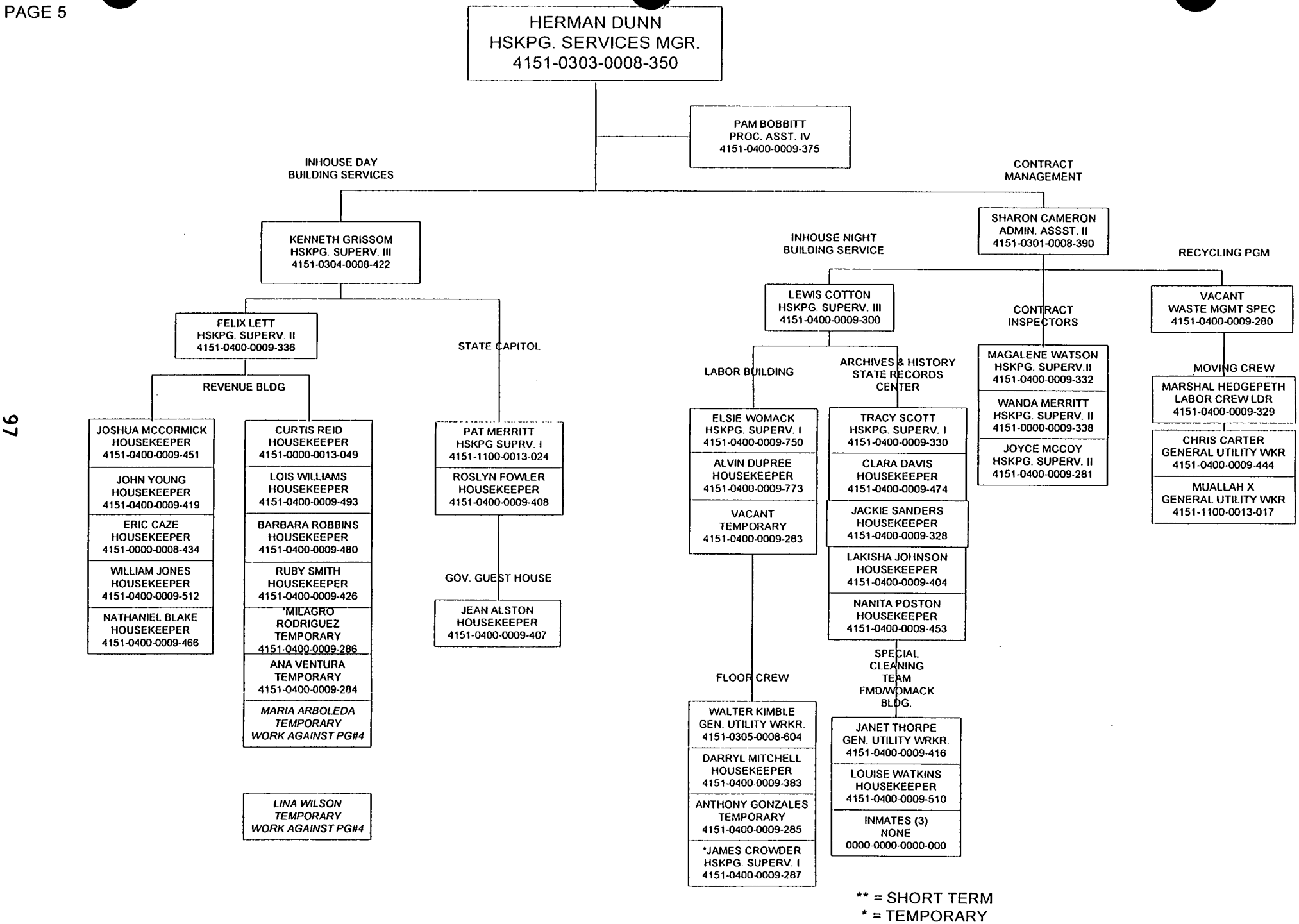
DEPARTMENT OF ADMINISTRATION
FACILITY MANAGEMENT
REVISED 2/2005
PAGE 4

DIV. HEAD: S. TONY JORDAN, JR.
DEPT. HEAD: GWYNN T. SWINSON



DIV. HEAD: S. TONY JORDAN, JR.
DEPT. HEAD: GWYNN T. SWINSON

BUILDING SERVICES



** = SHORT TERM
* = TEMPORARY

DOA - Facility Management
FUND 1421
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$20,884,690	$21,259,991	$23,419,615	$23,666,565
Total Estimated Receipts	$3,494,591	$3,275,691	$3,313,731	$3,313,731
Net Appropriations	$17,390,099	$ 17,984,100	$20,105,884	$20,352,834
Number of Positions	180.00	179.00	179.00	179.00

Notes:

38% of Budgeted Funds Appropriated is Personnel Cost

42% of Budgeted Appropriations is "Pass Through" Monies for Utilities (Electric, Gas, Fuel Oil and Water)

9% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

MANAGEMENT INFORMATION SYSTEMS

Program Overview

Division Mission

The primary purpose of the Management Information Systems (MIS) Division is to provide automation support for all the agencies within the Department of Administration. This includes computer programming and PC/LAN technical support. MIS has two sections that provide these services.

Systems Development Section

This section of MIS provides analysis and computer programming for the department. They provide analysis of an agency's business processes for the purpose of defining business requirements that will enable an agency to be more efficient or reduce administrative costs. Based on the business requirements, they will make recommendations for an off the shelf software solution or design and develop a customized computer system that meets their business needs. This section supports several automated systems that are core to the department such as accounts receivables, accounts payables, leave, inventory, case tracking, and bid advertisements.

Technical Services Section

This section of MIS provides technical support for computer hardware and software purchased within the department. They install and configure new computer hardware and software, relocate existing hardware, upgrade computer hardware and software, and troubleshoot and repair said equipment. Computer hardware includes PC's, laptops, printers, servers, switches, firewalls, and hubs. These various hardware components along with computer software and wiring constitute our Local Area Networks (LAN). They also have the responsibility of Internet connectivity via ITS for these LAN's. This section also has the responsibility of securing the department's LAN's from cyber attacks as well as recovering from disasters. They provide access to computer systems developed by the Systems Development Section as well as other crucial systems located outside of the department.

Accomplishments

State Surplus System

MIS has implemented a new statewide computer system for the State Surplus Agency. This is a customized web based computer system that was developed internally. The development of this system included re-engineering their business processes by the use of new computer programming technology. The new system made the state surplus process more efficient by allowing agencies to enter their own inventory and automating the internal review. This replaced the paper form process that took more time to deliver and decreased the length of time from surplus to sale as well as reduced the cost of printing bids. Additional time saving measures were state surplus staff not having to manually post bids to the Internet as well as agencies being able to run their own reports and track the status of their surplus in real time. Many internal processes were automated such as integrated accounts payable and account receivable systems as well as an inventory tracking system.

Senate Bill 914

MIS was assigned the task of automating many of the tracking requirements of Senate Bill 914. A new web based system was designed, developed, and implemented named HUBSCO. The system allows entities receiving state funds for construction projects to report HUB participation in each project. The data entered from the entities are used by the State HUB Office to produce compliance reports for various purposes.

Another web-based system within the department (IPS/Vendor Link) was modified to advertise Construction Projects. This will give HUB Construction Contractors the ability to be notified of bid opportunities.

Infrastructure

MIS has made several infrastructure upgrades as it relates to computer hardware, software, and standards. Over the past two years, MIS has replaced or upgraded servers, PC's, printers, switches, and installed new standardized software versions. This has been required in order to keep with State standards as well as provide better security protection. Some of our business requirements have changed that required updates to computer hardware and software. The manufacturer of some software had stopped supporting certain versions, making it a security risk for cyber terrorism.

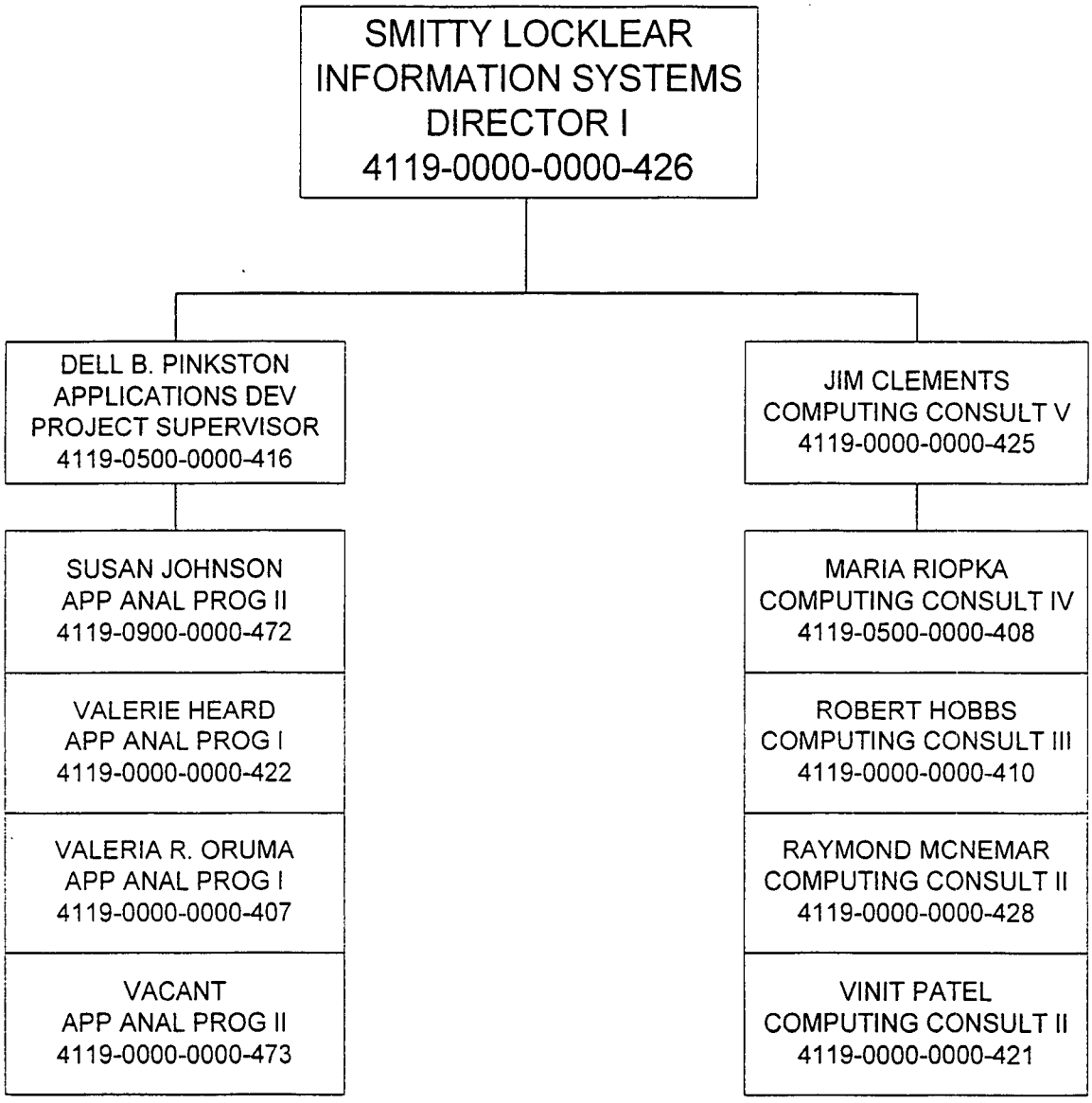
New Initiatives

The MIS division is currently designing a new web based computer system to replace a 27-year-old Motor Fleet Management mainframe system. The new system will reduce operational costs, increase efficiencies, and provide better management tools and reports to help forecast the timely sale and purchase of Motor Fleet vehicles.

In conjunction with Senate Bill 991, MIS is looking at what efficiencies and cost savings can be made by proposing Information Technology changes within the department. Consolidation of departmental IT resources is being considered in order to implement technology in a more consistent, efficient, and cost effective manner.

DEPARTMENT OF ADMINISTRATION
MANAGEMENT INFORMATION SYSTEMS
REVISED 02/2005

DIV. HEAD: SMITTY LOCKLEAR
DEPT. HEAD: GWYNN T. SWINSON



DOA - Management Information Systems
FUND 1241
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$784,018	$782,477	$820,410	$790,410
Total Estimated Receipts	$133,855	$166,844	$168,065	$168,065
Net Appropriations	$650,163	$ 615,633	$652,345	$622,345
Number of Positions	10.00	11.00	11.00	11.00

Notes:

92% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

8% of Budgeted Appropriations is Operating Expenses

100% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

73% of Budgeted Positions is Supported from Appropriation

27% of Budgeted Positions is Supported from Receipts

STATE CAPITOL POLICE

Program Overview

The State Capitol Police Division (SCP), a law enforcement agency with police powers throughout Raleigh and state property in Wake County, provides security and property protection for state government facilities in Raleigh and other areas of Wake County. The division serves as the operations unit during the implementation of the Homeland Security Critical Infrastructure Security Plan, protects state employees and visitors; secures state-owned property; conducts video surveillance throughout the governmental complex, provides security for demonstrations, inaugurations, prison executions, personnel hearings; conducts targeted enforcement, education and awareness campaigns, assists visitors to state facilities; investigates crimes committed on state property; and monitors burglar and fire alarm systems statewide.

The mission statement and core values of the State Capitol Police are stated below.

> "We the members of the North Carolina State Capitol Police shall ensure that public officials, state employees and visitors in the Capitol and other state owned buildings and facilities are provided a reasonably safe and secure environment. This will be accomplished by upholding the laws of North Carolina, the United States Constitution and through a staff of highly professional law enforcement officers, security officers and support staff. We adhere to the principles of integrity, professionalism, respect and fairness."

The General Statute that governs our jurisdiction is G.S. 143-340(21). "To serve as a special police officer and in that capacity to have the same power of arrest as the police officers of the City of Raleigh. Such authority may be exercised within the same territorial jurisdiction as exercised by the police officers of the City of Raleigh, and in addition thereto the authority of a deputy sheriff may be exercised on property owned, leased or maintained by the State located in the County of Wake."

Accomplishments

The State Capitol Police Division, since July 2003, has been under new leadership. The Division has experienced a renewed vision and expanded its scope of services, professionalism and interagency cooperation. The Division's reorganization and new direction clearly reflects the needs of State government and the State Capitol Police Division. The Division is now fully staffed and many accomplishments have been realized 2004.

In calendar year 2004 the State Capitol Police increased its diligence and efforts to prevent crime in the governmental complex. As reported by the NC State Bureau of Investigations, the State Capitol Police investigated the following crimes:

- Aggravated Assault (2)
- Burglary (10)
- Larceny (56)
- Motor Vehicle Theft (1)
- Simple Assault (2)

2004 State Capitol Police Division Crime Analysis Statistics reflect the following criminal activity investigated agency personnel:

- Bomb Threat (2)
- Breaking & Entering – Building (13)
- Breaking & Entering – Vehicle (16)
- Communicating Threats (19)
- Trespassing (24)
- Embezzlement (6)
- Larceny (69)
- Motor Vehicle Collision (151)
- DWI Arrest (46)
- Drug Violation (14)
- Citations Issued (599)

During the post 9/11 era, the State Capitol Police Division has increased preventive patrols, increased officer anti-terrorism awareness training, implemented the frequent use of law enforcement conference calls for information sharing, established an explosives detection canine unit, and provided bomb and other explosives sweeps of government facilities and venues used by state employees, elected officials and local, state, federal and international dignitaries. As the front line of defense against acts of terror within the governmental complex, the State Capitol Police Division has established an effective and open line of communications with the NC Office of Homeland Security and its Director, Secretary Bryan E. Beatty. Likewise, the division has established itself as a leader in homeland security efforts in the governmental complex and in doing so has partnered with NC Emergency Management Division in strategic planning and response to critical incidents occurring in and around the complex. All sworn law enforcement personnel of the division have been trained in Rapid Deployment to equip them to handle active shooters and terrorist situations. The State Capitol Police remains the only State law enforcement agency providing service and assistance for the State Government Complex, 24 hours a day, and seven days a week. Additionally, the agency's Communication Center handled more than 12, 000 calls for service for fire, mechanical, and burglar alarms for a variety of State government facilities throughout North Carolina. In addition to the numerous tasks performed by communications personnel, more than 900 security alarm accounts are monitored 24 hours per day via a comprehensive Phoenix Alarm System managed by the Division of Facility Management.

The State Capitol Police Division has three sections, which operate with a variety of programs.

The Patrol Section provides routine patrol and response to emergencies and calls for police services, requests for assistance, conducts building security checks, and investigates suspected unauthorized entries, personal protection during personnel hearings; protection of State monies in transit (such as DMV fee collection); to executive protection for dignitaries visiting the State government complex.

The Executive Protection Section provides law enforcement services and security in critical State buildings. These are stationary assignments in which on-site law enforcement services, police protection and security are provided to our State Capitol, state dignitaries, employees, and site visitors.

The Investigations Section is dedicated to services, which encompass crime prevention programs to State government employees, Divisions and Departments. The section also provides security assessments for State offices and is responsible for investigating crimes such as breaking and entering, larcenies, or other criminal offenses involving state property or state employees. Interviews are conducted with victims and witnesses, to obtain information pertaining to crimes and arrests are made in connection with violations of the law.

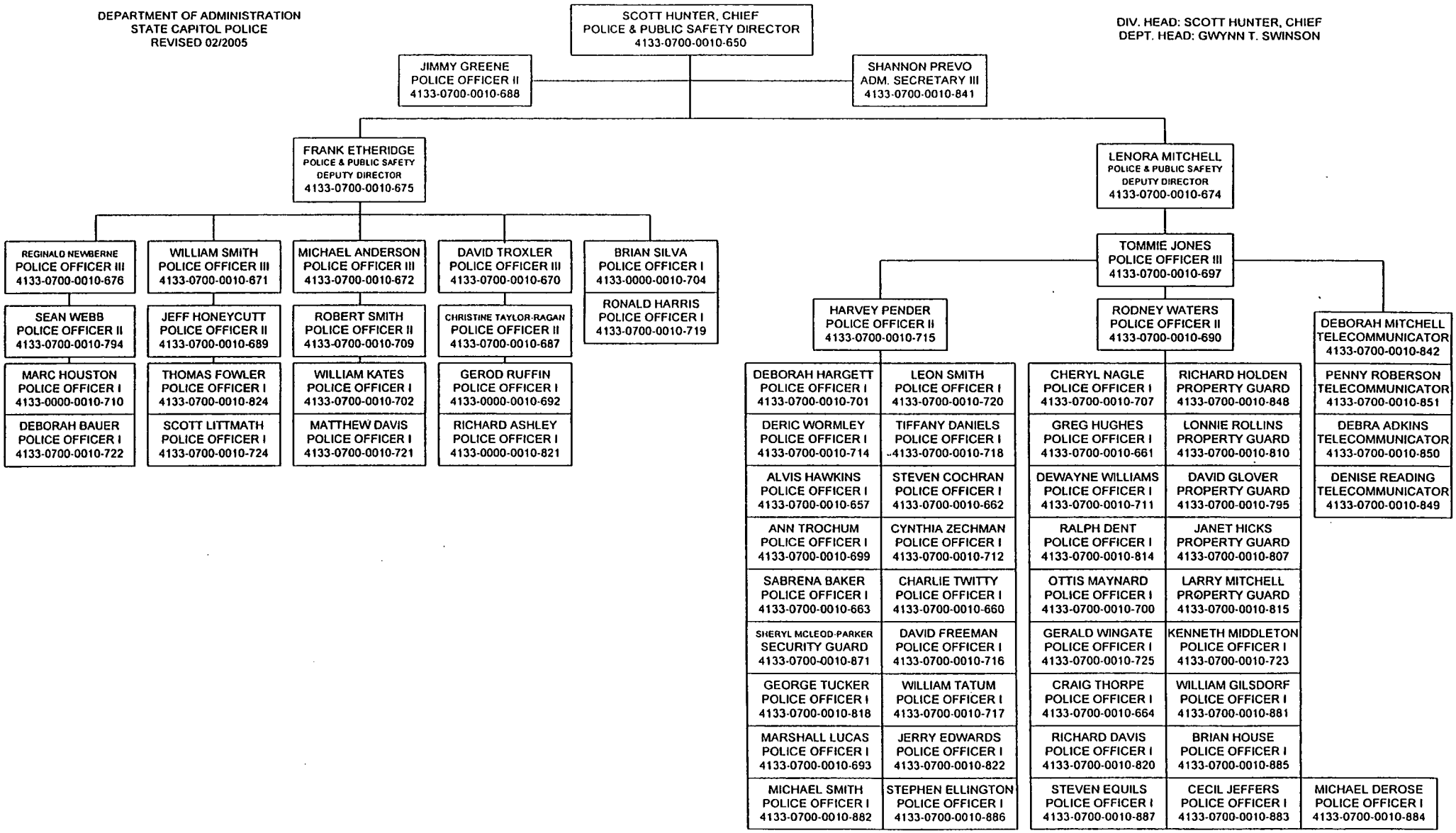
State Capitol Police is the Division of Criminal Information servicing agency for the following State agencies:

- Dorothea Dix Hospital Police
- NC Division of Parks and Recreation (Falls Lake & Umstead Park)
- NC Department of Revenue Police
- NC Department of Insurance Police
- NC General Assembly Police
- NC State Fairgrounds Police.

The State Capitol Police Division continues to experience a reduction in crime rates and has noted an appreciable increase in efficiency as a result of the establishment of specific patrol zones and the assignment of police personnel to each zone. The State Capitol Police Division is committed to providing a safe and secure environment for all state employees and visitors through excellent service and the establishment of effective multi-agency partnerships with local, state and federal law enforcement agencies.

DEPARTMENT OF ADMINISTRATION
STATE CAPITOL POLICE
REVISED 02/2005

DIV. HEAD: SCOTT HUNTER, CHIEF
DEPT. HEAD: GWYNN T. SWINSON



DOA - State Capitol Police
FUND 1623
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$2,716,540	$2,740,768	$2,740,917	$2,740,917
Total Estimated Receipts	$505,744	$517,421	$517,570	$517,570
Net Appropriations	$2,210,796	$ 2,223,347	$2,223,347	$2,223,347
Number of Positions	60.00	67.00	67.00	67.00

Notes:

93% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

7% of Budgeted Appropriations is Operating Expenses

90% of Budgeted Receipts is Personnel Cost

10% of Budgeted Receipts is Operating Expenses

83% of Budgeted Positions is Supported from Appropriation

17% of Budgeted Positions is Supported from Receipts

STATE PARKING SYSTEMS

Program Overview

Since March 1999 when State Parking Systems was created we have established a professional office to standardize, administer and improve parking operations and facilities throughout the State Capital Complex. The division is self-supported by the collection of monthly parking fee for spaces leased to State Employees and collections of hourly parking fees from visitors.

The Division is responsible for directing and administrating the State governmental parking systems, approximately 8200 spaces and coordinating the state employees transportation and commuting programs in the downtown state government complex. The division is active in researching and planning for expansion and/or modification to the operating systems; developing and implementing improvements to processes; and developing, establishing and administering policies and procedures, fees assessment, collections and facility maintenance and enhancement. State Parking Systems manages three pay visitor lot facilities located within the State Complex.

Accomplishments

Accessible Parking

The Division continues to address, clarify and/or resolve handicap accessibility parking issues within the complex. The accessibility issues involve employee assigned to spaces within a reasonable distance to their workstation in accordance the ADA requirements. Signage is continually reviewed and clarified wherever needed. Visitors parking lots are monitored on a daily bases to ensure proper usage and access to those who require the accommodations.

Visitor Parking Facilities

The Division is working on improving parking spaces allotted to visitors. The limited number of spaces that are available to the public constantly taxes this challenging effort. Balancing space availability for daily visitors and spaces needed for special meetings sponsored by the many State Agencies is an ongoing effort to accommodate everyone. Visitor spaces are provided free of charge or at a reduced rate for the volunteers at state complex museums. For the calendar year of 2004 the Division had 167,959 tickets pulled in the visitor parking lots, collected $277,000 in fees, validated free parking valued at $66,710, and reserved 1800 spaces for special events. The Division also operates a bus parking lot for chartered tours and school bus visitors.

Alternative Transportation Subsidy Programs

The Division as worked with local mass transit programs, Capital Area Transit (CAT) and Triangle Transit Authority (TTA) to attempt to reduce the amount of parking needed for state employees by encouraging at a discount monthly ridership. The Division sells monthly bus passes to employees who work in the downtown Raleigh complex at half price. We also encourage the use of TTA's Van Pool Program by providing contact numbers for employees to contact TTA.

Computerized Parking Database System

The Division maintains a current inventory of State owned/leased parking spaces. This also insures that the proper fees for spaces leased to employees are collected on monthly basis. This system also helps locate an employee and allows the Department to be able to contact the employee in case of an emergency involving their vehicle. This Division coordinates, appointed, and trains "Parking Coordinators" for each Department in the downtown State complex, allowing each Department to assign spaces according to their policy and procedures. This helps to disseminate information to employees about parking issues. They also assist in the collection of monthly fees.

Space Management

The Division constantly reviews space utilization to insure that no space is vacant for a period of longer than two months unless that space is allocated for managerial level position or higher and documented in writing. If the spaces are not being used they are reallocated to departments that have the most immediate need.

Sign Study

The Division is constantly reviewing the signage throughout the State Capital Complex to insure of proper placement, legibility, and directional simplicity. The Division constantly reviews wording to insure understanding by all complex visitors, as of this time, signs are not bilingual, but in the near future this issue will have to be addressed.

Facility Maintenance/Enhancement

The Division is constantly working to insure perpetual maintenance and enhancement of parking facilities to insure the safety of those using them, i.e., resurfacing, re-striping, signage, and monthly landscape maintenance. The Division has increased security and restricted access to several lots. These additional measures have increased the maintenance workload with needed repairs and preventative measures.

Collaboration

The Division is in year round communication with several outside organizations, such as Downtown Raleigh Alliance, Carolina Parking Association, the newly formed City/County/State Parking Council, and privately owned and operated organizations to insure we work together as a team for coordination of special events. The Department has regular meetings with Departmental parking coordinators to address issues and concerns and provide a forum to ongoing dialogue and problem resolutions. With the coordinators input a constant review of the comprehensive parking system procedures manual is ongoing.

Strategic Planning

The Division is dedicated to our vision and mission statements to identify broad divisional goals and developed a long-term strategic plan for improving parking policies and operations. We use an integrated team approach to managing the day-to-day affairs of the Division.

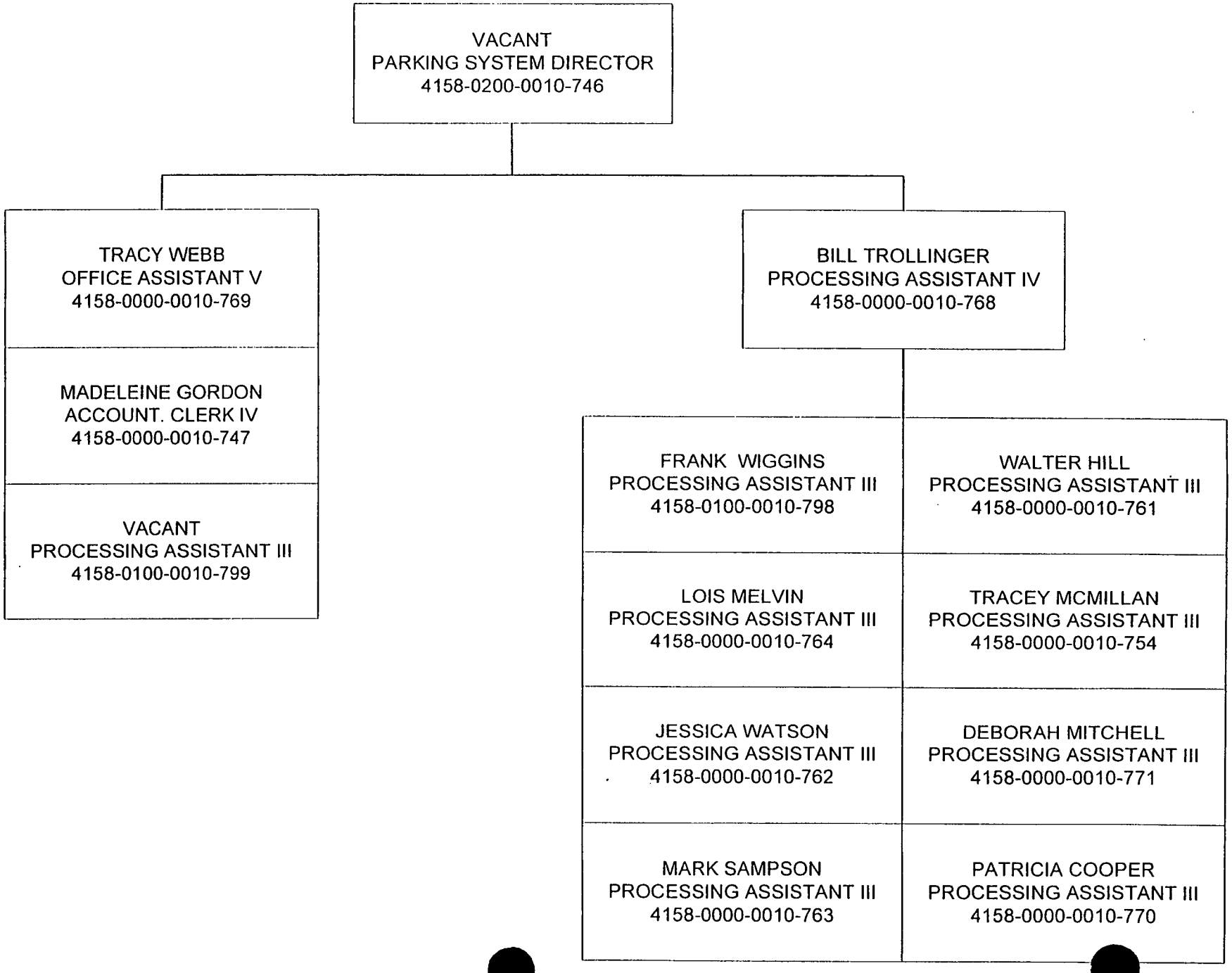
Safety and Security

The Division recognizes the importance of this issue. We have overseen the installment of high security in two underground parking decks. The Division maintains an attendant at one of these lots to monitor the vehicle and foot traffic. The attendant is there to

assist in the control of the access to this deck by insuring that everyone who enters has the proper credentials. The Division ensures that the parking areas are clear of hazards, well lighted, and safe for our employees and visitors. The attendants are encouraged to report an unusual or suspicious occurrences to the proper authorities

DEPARTMENT OF ADMINISTRATION
PARKING
REVISED 02/2005

DIV. HEAD: VACANT
DEPT. HEAD: GWYNN T. SWINSON



DOA - State Parking System
FUND 7251
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$1,375,181	$1,568,461	$1,568,461	$1,568,461
Total Estimated Receipts	$1,375,181	$1,568,461	$2,568,461	$1,568,461
Net Appropriations	$0	$0	$0	$0
Number of Positions	12.75	12.75	12.75	12.75

Notes:

31% of Budgeted Funds represents Personnel Cost

69% of Budgeted Funds represents Operating Expenses

NORTH CAROLINA COMMISSION OF INDIAN AFFAIRS

Program Overview

The North Carolina Commission of Indian Affairs was created in 1971 by the North Carolina General Assembly in response to American Indian citizens in North Carolina. The commission was established pursuant to North Carolina General Statutes 143B-404 through 143B-411. The Commission is the only state level agency charged with the responsibility of advocating for the needs of the state's American Indian population. The North Carolina Commission of Indian Affairs is among approximately 25 other states that have established a formal government-to-government relationship with Indian tribes through the creation of an Indian commission. The membership of the Commission consists of 19 Indian members who are elected by tribal or community consent from among Indian tribes and organizations recognized by the state of North Carolina. The Governor, from among the Indian members, appoints a Chairman who is charged with presiding over the Commission. Two members of the General Assembly serve on the Commission; they consist of one member appointed by the President Pro Tempore and one appointment by the Speaker of the North Carolina House of Representatives. Five state officials serve on the Commission by virtue of their position in state government.

The creation and success of the following organizations can be directly attributed to the work of the North Carolina Commission of Indian Affairs:

- North Carolina Indian Economic Development Initiative, Raleigh, NC
- North Carolina State Advisory Council on Indian Education, Raleigh, NC
- Indian Housing Authority, Fayetteville, North Carolina
- North Carolina Indian Cultural Center, Pembroke, North Carolina
- Dispute Settlement Center, Lumberton, North Carolina
- North Carolina Senior Citizens Coalition, Fayetteville, North Carolina
- North Carolina Native American Youth Organization, Raleigh, North Carolina
- North Carolina Indian Business Association, Raleigh, North Carolina
- United Tribes of North Carolina, Fayetteville, North Carolina
- Lumbee River Legal Services, Pembroke, North Carolina

The mission of the North Carolina Commission of Indian Affairs (CIA) is to instill a positive vision for American Indians through preserving cultural identity, and by promoting and advocating for the rights, beliefs and opportunities which impact the quality of life in Indian communities.

Commission Goals

- Increase and maximize educational opportunities.
- Increase the economic self-sufficiency and maximize Indian economic development initiatives.
- Achieve parity in employment.
- Improve health status.
- Increase public awareness of American Indians.
- Provide for state and/or federal recognition of North Carolina Indian tribes.
- Promote recognition of and the right of Indians to pursue cultural and religious traditions considered by them to be sacred and meaningful.
- Promote public understanding and appreciation of the American Indian culture in our state.

Programs And Services

In order to meet these goals the Commission administers programs and provides services that are designed to improve the educational and economic status of American Indians and their communities in North Carolina. They are:

Community Services Program

The Community Services Program provides outreach to the American Indian older adult population. The counties currently being serviced by this program are Bladen, Columbus, Halifax, Warren, Cumberland, Sampson and Harnett counties. Services provided by this program are based on eligibility criteria set by the NC DHHS Division of Aging. The services provided to this population are transportation, in-home aide services and hot meals delivered to the home as well as to the meal site. Some services are provided to the physical and mentally challenged residents residing in Sampson County area. Our community developers assist older residents with accessing other services that area available to them through the County Department of Social Services, Mental Health and the Division of Aging.

Economic Development Services Program

The Economic Development Program provides information and referral services such as, but not limited to:

- Providing information and referral assistance to the state's Indian tribes and organizations in the development of economic opportunities.
- Providing information and referral assistance to Indian citizens in the development, improvement and/or expansion of businesses.
- Assisting in the development of economic development enterprises for the state's Indian population such as the North Carolina Indian Economic Development Initiative.

This program provides information and referral services to individuals, Indian tribes, organizations and to the public in general.

Educational Talent Search Program

The Educational Talent Search (ETS) Program provides one-on-one educational and career counseling to 650 Indian youth ages 11 to 27 in Columbus, Cumberland, Guilford, Halifax, Hoke, Sampson and Warren counties. High dropout rates, low competency test scores and high unemployment rates are all characteristics of the Indian population in the program's target counties. Program guidelines require that two-thirds of the program's participants be first generation college and come from families with low incomes. ETS program alumni are now engineers, physicians, lawyers, teachers, etc.

This program is funded by the US Department of Education.

Workforce Investment Act (WIA) Program

The commission's employment and training program, funded under Title I, Section 166 of the Workforce Investment Act (WIA) provides job training and employment opportunities for unemployed, underemployed, and low-income American Indians in North Carolina. The program components are classroom training, job placement, adult work experience and employment counseling. The program provides direct services in the counties of Bertie, Columbus, Hertford, Sampson and Person. Indirect services are provided in what is called the balance of state or those counties not served by another local grantee.

This program is funded by the US Department of Labor.

Section 8 Housing Assistance Program

The U.S. Department of Housing and Urban Development (HUD) designated the North Carolina Commission of Indian Affairs as a public housing agency (PHA) in 1976. This designation gave the commission authority to provide rent assistance through the operation of a Section 8 Housing Assistance Program to eligible families through annual contributions contracts with HUD. The purpose of the program is to provide safe, decent, sanitary housing for eligible families regardless of race, religion or political affiliation.

The Commission's program provides rent assistance in the counties of Granville, Hoke, Person, Sampson and Warren Counties. The program also provides assistance on a limited basis in Columbus and Halifax counties through a cooperative agreement between the Commission and local public housing agencies.

This program is funded by the US Department of Housing and Urban Development.

Substance Abuse Prevention And Awareness Program

The objective of the Earn Your Feather Substance Abuse Prevention and Awareness Program is to develop a program in targeted Indian communities that will educate and

expose American Indian youth to model substance abuse prevention strategies and activities designed to increase the awareness and consequences of using illegal substances and drugs. The program will also encourage youth not to be involved in substance abuse activities associated with irresponsible or promiscuous activities. The expected goals of the project are to 1) educate American Indian youth about the dangers associated with alcohol and drug use, 2) increase youth involvement in community pilot programs, 3) educate American Indian youth about the dangers of Sexually Transmitted Diseases and the long-term effects of such exposure to their health.

The Pilot programs target American Indian children and their families in Guilford, Cumberland, Halifax, Robeson, Sampson, Scotland and Warren counties. The program objectives are accomplished through the coordination of prevention programs and activities with the five tribal communities participating in the pilot program.

The_Earn Youth Feather Substance Abuse Prevention and Awareness Program is funded by a contact with the North Carolina Department of Health and Human Services (DHHS), Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH DD SAS).

Legal Recognition of Previously Unrecognized American Indian Groups

The North Carolina Commission of Indian Affairs is authorized by the North Carolina General Assembly at G.S. 143B-406 to process petitions for state recognition of American Indian tribes. Since 1979, the commission has administered procedures for the official state recognition of previously unrecognized American Indian groups. Petitions for the legal recognition of American Indian groups are handled according to the state recognition procedures established under Title I, Chapter 15 of the North Carolina Administrative Code. Agency staff administers these procedures and a twelve-member "Special Committee of Recognition" (recognition committee) comprised of representatives of each American Indian tribe and urban American Indian center organization legislatively seated on the commission.

North Carolina Tribal Recognition Procedures Revisions

In 2002 a commission workgroup began work on draft language for suggested revisions to the state's official procedures for the legal recognition of American Indian tribes. The Recognition Committee continues to work on language revisions for these procedures. Staff and Recognition Committee representatives are continuing work with the NC Department of Administration attorneys in reviewing and discussing key issues in administrative rulemaking and the process of recognizing American Indian tribes in North Carolina. Upon approval of the full Commission of Indian Affairs, the revisions to the recognition procedures will proceed through the state's rulemaking process, which will include publishing in the North Carolina Register, public hearings, and extensive review and approval action by the NC Rules Review Commission. The rulemaking process is administered through the North Carolina Office of Administrative Hearings according to the Administrative Procedures Act.

Major Accomplishments

Department of Social Services (DSS)/Indian Affairs Collaboration Legislation

This legislation requires the state DSS to collaborate with the Commission during the course of placing American Indian children into permanent adoptive and foster care in North Carolina. This effort resulted in the amendment of the Adoption and Safe Families Act. DSS is now required to consider the federal Indian Child Welfare Act when placing Indian children into foster care or adoptive services.

NC Health Choice for Families

The Commission continues to have a collaborative partnership with the NC Health Choice program. We assist this program with capacity building and outreach in American Indian communities.

Another focus of this collaborative partnership is to assist in developing American Indian public relations materials relating to infant mortality and other health issues. Critical to spearheading and partnering with the Commission as the NC Healthy Start Foundation, the NC Infant Mortality Reduction Program, and the Office of Minority Health. The committee has developed a brochure on infant mortality that targets Indian families in North Carolina. The brochures are available at the Commission.

Strategic Planning Efforts

The Commission continues to implement its year 2000 Strategic Plan. Priorities set forth in that plan include economic development, Indian education, Indian health, leadership development, etc. The Commission received funding during the 2004 session of the NC General Assembly to start its planning for a 2005 - 2010 Strategic Plan.

Diabetes Awareness and Education Project

NC Department of Health and Human Services/Division of Public Health funded a Diabetes Education Project to increase the awareness of diabetes among American Indians in North Carolina. Diabetes and risk factors associated with this disease is the number one cause of death in the American Indian community in North Carolina. The Diabetes Awareness and Education Project is statewide and is carried out in American Indian churches via volunteer coalition members who have been trained by the Diabetes Today program staff. The Commission continues to support diabetes awareness and education through community training and health programs.

American Indian Public Awareness Health Initiative

The NC DHHS-Division of Public Health in partnership with the Commission of Indian Affairs began the American Indian Public Health Initiative in 2001. Since that time, this initiative has grown statewide and is now permanently instituted in American Indian communities and Indian churches. An American Indian Adhoc Health Committee was appointed by the Commission to help guide communities in carrying out the goals of this initiative in Indian communities. This committee also looks at ways to expand and build more capacity/infrastructure that will enable community health partners to build

sustainability in serving American Indian communities. The Chairman of the Commission appoints members of the Commission to the committee.

American Indian "N-O-T" Program

The Commission received a grant from the North Carolina Health & Wellness Trust Fund and the American Legacy Foundation through the Center for Disease Control totaling $850,632. The grant covers a three-year period and is designed to carry out a "Teen Tobacco Cessation" program initiative. Additionally, the program will serve as a research project in Indian communities and through the American Indian faith community. N-O-T (Not On Tobacco) is a "quit smoking" course that provides encouragement, support, and training to our youth ages 9 through 13 who want to quit or reduce smoking. The program is designed to educate others about the hazards of smoking and encourage them not to start smoking. This is a collaborative effort with University of North Carolina at Chapel Hill's Division of Health Promotion and Disease Prevention and the University of West Virginia's Prevention Center.

American Indian HIV/STD Initiative

The Commission is continuing to support HIV-STD education efforts in American Indian communities. This is part of our overall Indian Health Initiative which is required in our Strategic Plan of Year 2000. -

North Carolina Indian Economic Development Initiative (NCIEDI)

The NC Indian Economic Initiative (NCIEDI) is a 501 C-3 corporation established in 2001 by the Commission. The commission received $200,000 in non re-occurring funding from the NC General Assembly in 2004 to continue the work of the Initiative and to develop a 2005-2010 Strategic Plan.
The goals of the NCIEDI are:

Will be a financial intermediary providing loans and grants for economic development activities in Indian Communities

Will serve Indian communities throughout the state

Will advocate for Indian economic development within tribes and organizations and for Indians within the government, private, and non-profit sectors

Will collect data and educate others about Indian Economic Development

Will provide technical assistance and training to Indian groups to help build local capacity for economic development

Will have the capacity to partner with for-profit organizations or other non-profits in undertaking development projects.

The NC Indian Economic Development Initiative was funded through a grant from the Z. Smith Reynolds Foundation and the NC Rural Center.

North Carolina American Indian Fund Initiative

Established in December 2001, the North Carolina American Indian Fund Initiative is a collaborative effort between the Commission and Indian tribes and organizations in North Carolina. The fund was established because the resources for meeting the

human and economic needs of Indian communities are very limited. Additionally, the creation of the fund is in response to the need for dedicated funding for scholarships, funding for health, human services, education, and tribal organizational infrastructure programs.

The Triangle Community Foundation, located in Research Triangle Park, North Carolina, manages the American Indian Fund. The Warner Foundation provided funding for the development of the American Indian Fund.

American Indian Leadership Initiative

This project is an outgrowth of the Commission's Year 2000 Strategic Plan and was funded by Progress Energy, Raleigh, North Carolina.

The purpose of this project is to create a statewide Indian Leadership Initiative to address the current and future leadership needs of Indian communities, to develop leadership programs and design programs to prepare new and emerging leaders to manage tribal programs, develop sound policies and procedures, etc.

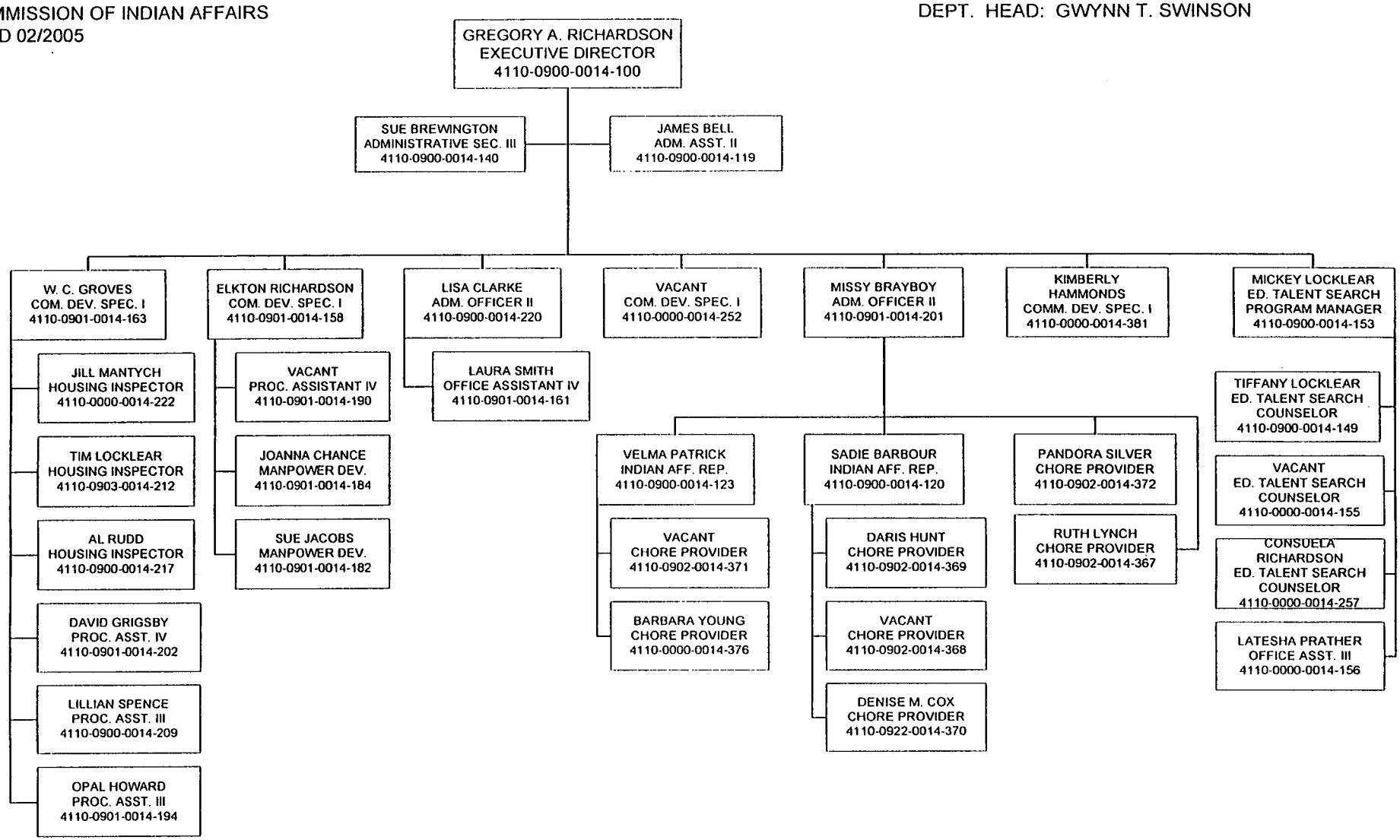
The commission has worked in collaboration with the University of North Carolina at Chapel Hill on this project.

2004 Indian Health Forums

The commission carried out two American Indian Health Forums one in the western part of the state and one in the eastern part of the state. - There were approximately 100 participants in attendance at each forum. The forums are a continuation of the Commission Indian Health Initiative. The purpose of these forums is to bring public health education into American Indian communities. This is an ongoing effort to partner with local health organizations and to institutionalize health education in American Indian communities. The Commission's Year 2000 Strategic Plan requires this initiative.

DEPARTMENT OF ADMINISTRATION
NC COMMISSION OF INDIAN AFFAIRS
REVISED 02/2005

DIV. HEAD: GREGORY A. RICHARDSON
DEPT. HEAD: GWYNN T. SWINSON



DOA - Commission of Indian Affairs
FUND 1861
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$362,363	$356,610	$356,910	$356,910
Total Estimated Receipts	$0	$2,000	$2,000	$2,000
Net Appropriations	$362,363	$ 354,610	$354,910	$354,910
Number of Positions	6.00	6.00	6.00	6.00

Notes:

85% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

15% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

COUNCIL FOR WOMEN & DOMESTIC VIOLENCE COMMISSION

Program Overview

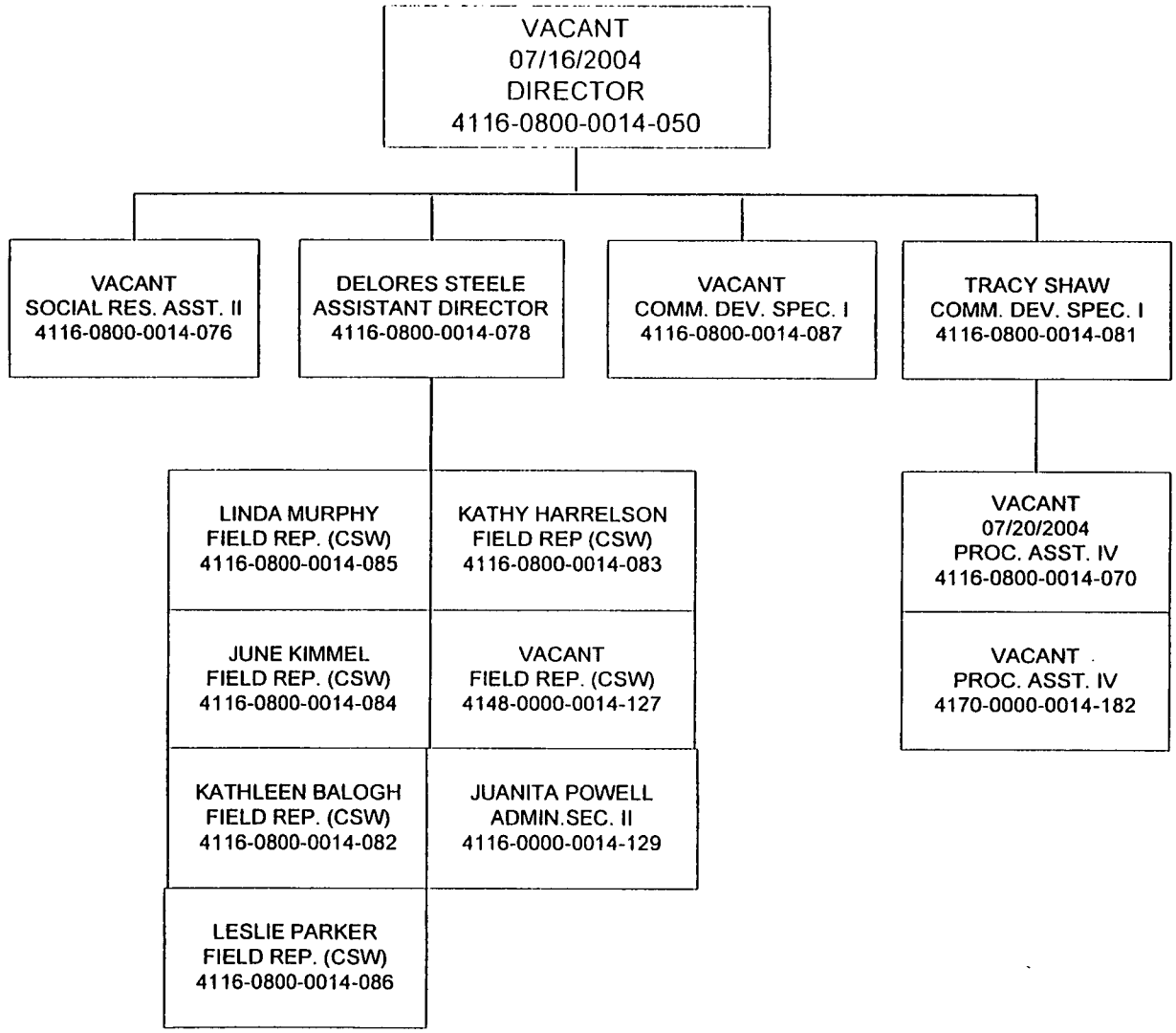
The North Carolina Council for Women was created in 1963 and has as its mission to advise the governor, legislature and principal state departments on the special needs of women in North Carolina. Over the years, the agency has been given the authority to also administer over $6 million in state funding to community based providers of domestic violence, sexual assault and displaced homemaker services. In addition, the agency administers federal funding and approves programs for courts to use as an alternative sentencing option for domestic violence offenders. In addition to the Raleigh office, there are five region offices based in Asheville, Charlotte, Greensboro, Greenville and New Bern.

The North Carolina Domestic Violence Commission is an outgrowth of Governor Hunt's Domestic Violence Task Force and became a permanent state agency in July 1999. The Commission is a 39-member appointed body charged with improving the state's response to domestic violence. The Commission has implemented many of the 44 recommendations made in the original report and focuses on administrative and legislative policy changes and the delivery of training to enable allied professionals to respond effectively to domestic violence.

Governor Easley and the legislature consolidated these advocacy agencies in 2001. Partly a cost savings measure, the consolidation reduced the staff complement by one agency director and an administrative support position. The agencies became physically housed together in December 2001 and has conducted a strategic planning process to determine a shared mission and strategic directions. The agency intends to focus on the economic self-sufficiency of women, and freedom from violence and discrimination.

DEPARTMENT OF ADMINISTRATION
N. C. COUNCIL FOR WOMEN -
DOMESTIC VIOLENCE COMMISSION
REVISED 02/2005

DIV. HEAD: VACANT
DEPT. HEAD: GWYNN T. SWINSON



DOA - Council for Women and Domestic Violence Commission
FUND 1731
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$498,138	$574,520	$574,939	$574,939
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$498,138	$ 574,520	$574,939	$574,939
Number of Positions	10.00	10.00	10.00	10.00

Notes:

85% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

15% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA - Displaced Homemakers Program
FUND 1732
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$1,089,351	$1,114,690	$1,114,690	$1,114,690
Total Estimated Receipts	$783,070	$800,000	$800,000	$800,000
Net Appropriations	$306,281	$ 314,490	$314,490	$314,490
Number of Positions	0.00	0.00	0.00	0.00

Notes:

0% of Budgeted Appropriations is Personnel Cost

100% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

0% of Budgeted Appropriations is Operating Expenses

10% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

0% of Budgeted Positions is Supported from Appropriation

100% of Budgeted Positions is Supported from Receipts

DOA - Rape Crisis Program
FUND 1734
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$1,138,961	$1,144,893	$1,144,893	$1,144,893
Total Estimated Receipts	$0	$200	$200	$200
Net Appropriations	$1,138,961	$ 1,144,693	$1,144,693	$1,144,693
Number of Positions	0.36	0.36	0.36	0.36

Notes:

1% of Budgeted Appropriations is Personnel Cost

98% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

1% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA - Domistic Violence Program
FUND1781
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$2,730,909	$2,788,208	$2,788,208	$2,788,208
Total Estimated Receipts	$4,313	$8,500	$8,500	$8,500
Net Appropriations	$2,726,596	$ 2,779,708	$2,779,708	$2,779,708
Number of Positions	1.64	1.64	1.64	1.64

Notes:

2% of Budgeted Appropriations is Personnel Cost

97% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

1% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA - Domestic Violence Center
FUND 1782
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$1,278,160	$2,250,000	$3,350,000	$3,350,000
Total Estimated Receipts	$1,278,160	$1,350,000	$1,350,000	$1,350,000
Net Appropriations	$0	$ 2,000,000	$2,000,000	$2,000,000
Number of Positions	0.00	0.00	0.00	0.00

Notes:

0% of Budgeted Appropriations is Personnel Cost

100% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

0% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

0% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

GOVERNOR'S ADVOCACY COUNCIL FOR PERSONS WITH DISABILITIES

Approximately 20 percent of North Carolinians have a disability. It is GACPD's mission to advocate for and assist as many of those approximately 1.6 million citizens as possible by using its available resources as effectively as possible.

Program Overview

The Governor's Advocacy Council for Persons with Disabilities (GACPD) is the Protection and Advocacy agency (P&A) for North Carolina. Each state is required to have a "P&A" to protect the civil rights of its citizens who have disabilities. GACPD is part of a nationwide system of P&A's and has a 21-member Council Board whose members are volunteers appointed by the Governor, President Pro Tem of the Senate and the Speaker of the House of Representatives. It also has a standing committee, the Protection and Advocacy for Individuals with Mental Illness (PAIMI) committee, whose chair is appointed by the Governor, as required by federal statute.

GACPD is responsible for providing a statewide advocacy program as required by the Developmental Disabilities Assistance and Bill of Rights Act, the Protection and Advocacy for Individuals with Mental Illness Act, the Protection and Advocacy for Individual Rights Act, the Assistive Technology Act of 1998 and the Ticket to Work Incentives Improvement Act 1999, the Protection and Advocacy for Individuals with Traumatic Brain Injury of 2000 and the Protection and Advocacy for Voting Access (PAVA) of 2002. Under these acts, a P & A is required to be independent of any agency which provides services to individuals with disabilities and free of outside influence.

In accordance with those federal statutes, GACPD investigates complaints of discrimination and violation of rights of persons with disabilities. It has the authority to pursue legal, administrative, and other appropriate remedies to ensure the protection of the rights of persons with disabilities. Particular emphasis is given to serving unserved or underserved persons, ethnic and racial minority groups, and rural populations. In addition, under its state statute, GS 143B-403.1, GACPD is required to review and recommend changes in all laws, rules, regulations, programs and policies of the state or any agency or subdivision which have an impact on the lives of citizens with disabilities.

GACPD is federally mandated to develop three-year priority plans, which are reviewed each year. Current priorities include enforcing the rights of persons with disabilities to 1) enforce the right of persons with disabilities to live in a safe environment, free from abuse/neglect/exploitation/death in public and private community settings and institutions; 2) enforce, monitor and promote the rights of persons with disabilities to live in an integrated community setting of their choice with appropriate supports, services and protection; 3) protect individuals with disabilities through age 21 who experience disability related exclusion from services and to ensure a free appropriate public education in the least restrictive environment; and 4) ensure access to programs, services and activities of public and private entities...

GACPD conducts regional forums each year to get input and feedback on the grassroots level from persons with disabilities, their families or advocates. GACPD then incorporates this information into its priorities and three-year plan, as well as the annual

updating of the plan. In this way, the work of GACPD is developed and guided "from the bottom up" in response to the real needs of citizens with disabilities, rather than "from the top down". Forums are frequently planned for small towns in isolated rural areas. Among the forums are at least one with Native American populations and others with a high African-American population. The forums enabled the agency to reach people with disabilities in their own communities, consumers who might not otherwise have contact with GACPD.

In fiscal year 2003, GACPD provided training to 1,180 persons and in FY 2004 to 1,685 persons with disabilities, family members and service providers on the rights of persons with disabilities including the Americans with Disabilities Act (ADA), the Individuals with Disabilities Education Act and the Rehabilitation Act, particularly Section 504 of the Rehabilitation Act (IDEA.) GACPD staff is frequently asked to conduct seminars at conferences or to teach workshops, such as classes taught by our attorneys that give CLE (Continuing Legal Education) credits to attorneys, and are frequently sought as speakers at meetings of parent groups or organizations of persons with disabilities.

GACPD is constantly working on outreach activities, in an effort reach to persons in even the remotest areas of North Carolina. Thousands of brochures on rights of persons with disabilities and on the GACPD are mailed and otherwise distributed. In FY 2003, 35,500 of GACPD's brochures and/or posters and other literature were distributed to persons in rural areas of the state, to group homes and other residential facilities, LME's (Local Management Entities), advocacy groups, health departments, and public libraries. Minority populations are particularly targeted. In FY 2004, approximately 25,000 pieces of literature were distributed. As part of outreach to the Hispanic community, posters and brochures are produced in Spanish and the website is available in Spanish; workshops are being held in Hispanic communities and a professional translator/interpreter is under contact with the agency.

Accomplishments

GACPD enforces the right of persons with disabilities to live in a safe environment, free from abuse/neglect/exploitation/death in public and private community settings and institutions. During FY 2003, GACPD investigated 36 cases of abuse and neglect in 24-hour residential facilities, including state facilities, and in communities across the state. During FY 2004, 180 cases of alleged abuse and/or neglect were investigated. In FY 2003 and 2004, significant improvements were made in substantiation of allegations.

In 1999, GACPD investigated the death of a nine-year-old due to improper use of physical restraints at Grandfather Academy in Avery County. After the investigation, we provided training to staff on client rights and how to set up a client rights committee, working closely with the Division of Social Services (DSS) and the Division of Facility Services (DFS). Grandfather Academy was granted a provisional license contingent upon the home not reinstating use of the "basket" hold as a physical restraint technique.

In the last few years, GACPD had investigated deaths in several high-profile cases. These include a scalding in the bath leading to the death of an elderly woman who had mental retardation and mental illness at a long-term care facility in Cleveland County and a death during physical restraint of a girl in a group home near Charlotte. Among

our ongoing investigations is the death of a girl at Cherry Hospital following being restrained and injected with medication and the case of a man who, ten days after discharge from psychiatric treatment at a state hospital, committed a triple homicide/ suicide.

GACPD has worked collaboratively with parents, legislators and other advocacy groups to put further safeguards in place. GACPD has been working with DHHS to persuade them to report deaths and injuries at PRTF's (Psychiatric Residential Treatment Facilities) directly to the P&A, as they are required by federal statute. We have found that the reporting has been problematic in most other states. Some states have worked out agreements directly with the PRTFs, so that incidents are reported to the protection and advocacy agency. A GACPD attorney is pursuing this issue with DHHS.

During fiscal 2003, GACPD began to prepare a case against the state on behalf of people who were on the waiting list for Medicaid funded services for developmental disabilities. At the time, North Carolina had frozen eligibility for such services and no new clients were moved from the waiting list for a period of two years. Potential plaintiffs were interviewed and a complaint to be filed in federal court was drafted. A meeting was held with Secretary of Human Resources Carmen Hooker Odom and top DHHS management. As a result of that meeting, the Division of Mental Health, Developmental Disabilities and Substance Abuse Services adopted policies and practices to move along the waiting list and provide services for the plaintiffs whose names we gave them.

Since that time, more than 450 people statewide who had been on the waiting list in January 2003 have been provided services. The history of litigation in other states indicates that this number meets and in some cases exceeds the number of waiting list clients ordered to be served in those cases. There are still GACPD clients on the waiting list, and we continue working on their cases individually to make sure that the state's system for serving people is fair and continues to increase.

GACPD is constantly working toward elimination of disability-based discrimination in education, and employment.

Parents seek the help of GACPD when they feel that their child is not receiving the services he or she needs and is entitled to from the local school system. In FY 2003, GACPD represented 209 clients in education cases to ensure that North Carolina's children with disabilities receive a free appropriate education in the least restrictive environment. In FY 2004, GACPD handled 129 education cases.

GACPD provided assistance during FY 2003 to 16 persons with disabilities in employment discrimination cases by negotiating and mediating with employers, referring the client to appropriate state and federal agencies and assisting the individual in advocating for himself with foundations of law and rights protections. In FY 2004, GACPD assisted 22 persons with employment issues.

GACPD supports the right of citizens with disabilities to choose where they live and work.

In response to a major decision by the US Supreme Court in *Olmstead et.al. v. L.C. and E.W.*, a case brought under the community integration standards of Title II of the Americans with Disabilities Act, GACPD established an agency-staffed team dedicated to the implementation of rights established by the decision. The team, called the Community Inclusion Team, has worked all over the state to involve individuals and organizations in a grassroots coalition. This coalition has been pro-active in involvement in the establishment and monitoring of the State's compliance plan. The agency team also is involved in the identifying people with disabilities currently residing in nursing homes or state institutions who want to live outside of institutions in their communities and who have the right to community services. The team assists institutionalized persons as well as persons at risk of institutionalization in order to help them live in the community where they will be happier and healthier and can live as much less cost to the state.

GACPD provides accurate and consistent intake, information and referral services and outreach services

GACPD is constantly modifying and improving its service delivery in order to provide North Carolinians with faster, more cost-effective advocacy. All intake, information and referral services were consolidated and centralized. Toll free numbers are provided so any client or potential client can call and receive prompt and consistent service.

In order to serve the many diverse communities across the state, there are four regional offices in addition to the central office in Raleigh. The regional offices are located in Morganton, Butner, Raleigh, and Goldsboro.

If GACPD is unable to help a caller by pursuing his issue, information, referral and /or technical assistance are given. GACPD provided information and referral services and technical assistance to 1,250 callers in FY 2003 and 1,044 callers in FY2004.

Current Issues

The Governor's Advocacy Council for Persons with Disabilities is constantly reacting to and addressing new issues that arise that compromise or violate the rights of persons with disabilities. An example of this is the inappropriate use of physical restraints or seclusion on children with disabilities in the public school system. This issue is the subject of currently proposed legislation.

GACPD has been working collaboratively with a large group of professionals to find ways to address problems with the guardianship statute. Work is completed on videos to be used to train Clerks of Court in each county regarding their duties concerning appointing guardians. Training is also being done to train prospective guardians about their duties and responsibilities and what might constitute misuse of their powers.

Another example of GACPD's work on major, pressing issues facing the state is its efforts to have the NC Department of Health and Human Services (DHHS) address the problems uncovered with mental health reform in NC. GACPD has been actively involved in and supportive of Mental Health Reform since it began several years ago. Its initiatives are monitored and comments are provided on proposals, as well as input into

new projects, Staff members and Council Board members have participated in the process by serving on work groups and committees.

We are concerned about inadequate monitoring of community-based residential care facilities and we have brought legal action against DHHS to require them to use temporary management when a facility is not able to treat and supervise its residents in a safe and effective manner. In addition, we were involved in legislation regarding national criminal background checks before persons can be hired to work in residential facilities.

We are also extremely concerned that individuals with mental illness are being discharged inappropriately from the state psychiatric hospitals without follow-up monitoring, with some being left out on the street. Others, with criminal background, are being placed in homes without appropriate supervision and are, in some cases, harming other residents.

The Budget Crisis had had an enormous, and negative, impact on the lives and well-being of persons with disabilities. Cuts have been made affecting those citizens who North Carolina who are most vulnerable, those who can least afford it. Badly need services and supports were already highly inadequate to meet North Carolina's needs. During the 2003-2004 biennium, numerous reductions were made in services, including institutions and in the communities across the state. These reductions come at a time when the services are most needed: hospitals and large institutions are being downsized or will be closed. Obviously, that creates a much greater need for support and services as former residents return to their home counties and must try to live outside institutions. However, services are not available in all communities and those that exist are not available to the extent needed.

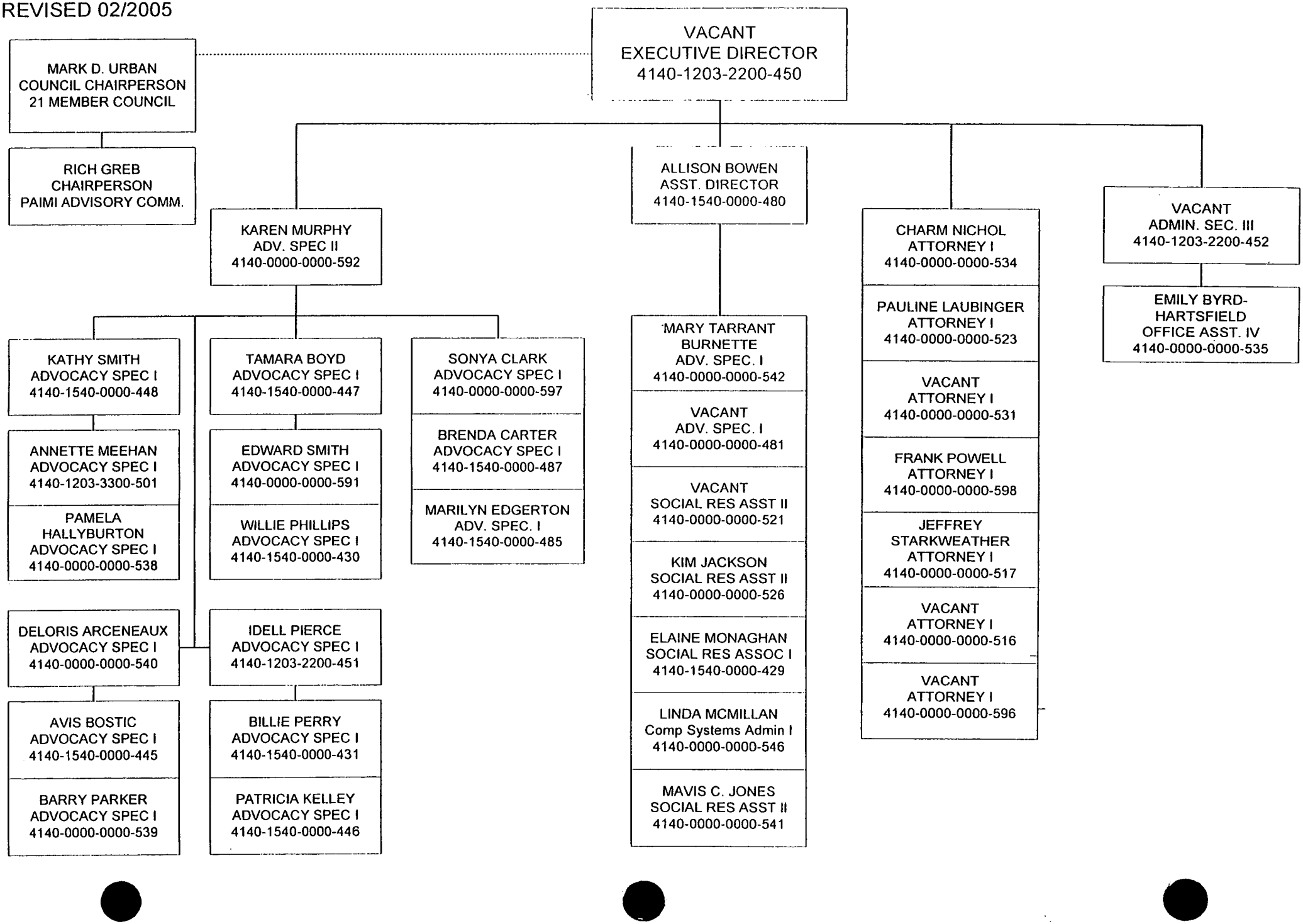
In addition, this population is affected detrimentally by the Medicaid cuts. Cuts to programs and services needed by persons with disabilities would have been reduced even more drastically, had it not been for the tireless advocacy by disability organizations and advocates, including GACPD. It is important to understand that these cuts are to programs and in services that were already greatly underfunded – there was no "fat" in these budgets to begin with. Just one small example of the pressing need to fund these services was cited above in discussion of the thousands of severely disabled persons waiting years for CAP/MR services.

Finally, it is most important to understand that the people who will be coming out of institutions are the most severely ill, the most severely disabled – the most vulnerable of our citizens. It is the fear of the disability community, including GACPD, that not only will additional reduction of funding and services result in great suffering among persons with disabilities and their families, but that lives will be lost. We have already seen this with some well publicized deaths in residential care facilities in the last year or so.

Please note: Figures cited in this report are based on federal fiscal years, which run from October 1 to September 30. "FY 2003" covers the period from October 1, 2002 – September 30, 2003. "FY 2004" covers the period from October 1, 2003 – September 30, 2004.

DEPARTMENT OF ADMINISTRATION
GACPD
REVISED 02/2005

DIV. HEAD: ALLISON BOWEN (INTERIM)
DEPARTMENT HEAD: GWYNN T. SWINSON



DOA - Governor's Advocacy Council for Persons with Disabilities
FUND 1811
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$366,792	$486,237	$486,237	$486,237
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$366,792	$ 486,237	$486,237	$486,237
Number of Positions	7.27	7.27	7.27	7.27

Notes:

85% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

15% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

NORTH CAROLINA HUMAN RELATIONS COMMISSION

Program Overview

The North Carolina Human Relations Commission, established on January 18, 1963, as the "North Carolina Good Neighbor Council," became a state agency in 1967. It advocates, enforces, and promotes equality of opportunity in the areas of housing, public accommodations, education, justice, government services and employment. The Commission is composed of the Fair Housing and the Community Relations Units, which work in concert to carry out its mission and purposes of promoting better human relations and ensuring equal rights and opportunities for all who live and work in or visit the State of North Carolina. Its vision is a State free of all unlawful discrimination. Both units conduct public education and training. In addition, the Fair Housing Unit enforces the State Fair Housing Act (N.C.G.S. Ch. 41A) while the Community Relations Unit works to promote an appreciation of the cultural and ethnic diversity of North Carolina's citizens through education, outreach and community support...

Accomplishments

Fair Housing Law Enforcement

The North Carolina Human Relations Commission administers and enforces the State Fair Housing Act (N.C.G.S. Ch. 41A) through the investigation, mediation and litigation of fair housing cases. It also provides fair housing education and training throughout the State. The Fair Housing Unit is comprised of five investigators, an intake specialist, their supervisor and two agency counsel. During the calendar years of 2002 and 2003, the Commission received approximately 525 housing inquiries. Since the State Fair Housing Law is substantially similar to the Federal Fair Housing Act, the Commission works closely with U.S. Department of Housing and Urban Development and many fair housing complaints are filed with both agencies. Since January 2003, one hundred forty-two cases alleging housing discrimination were dual-filed with the U.S. Department of Housing and Urban Development and the Commission. During this same time period, the Commission successfully closed 129 cases. Currently, the Commission has approximately 21 complaints under investigation and four cases in litigation.

Mediation Program

By Statute, the North Carolina Human Relations Commission must attempt to resolve fair housing complaints through conciliation. In 2002, the Commission established a mediation program with Carolina Dispute Settlement Services, an independent mediation service, through which the Commission attempts to resolve complaints in a more expeditious manner. During mediation, the Commission continues investigation of the fair housing complaint to ensure compliance with statutory timetables. Since establishment of the program, the Commission has successfully settled approximately 90 fair housing complaints through mediation or conciliation.

Hispanic/Latino Community

In order to be responsive to the changing racial/ethnic composition of the State of North Carolina, the Commission has increased its outreach, education and enforcement

efforts to the Hispanic/Latino community through bilingual fair housing educational materials, by promptly securing available translators in fair housing and community relations matters and through its commitment to secure a bilingual fair housing investigator and a bilingual community relations specialist. With the addition of these two staff members, the Commission will work towards its goal of establishing a network of Hispanic/Latino organizations across the State that in turn, will provide training and education to their individual service areas.

Enforcement of Civil Rights Statute (N.C.G.S. Ch. 99D)

Chapter 99D of the North Carolina General Statutes authorizes the North Carolina Human Relations Commission to bring a civil action on behalf of an individual whose civil rights have been violated. A violation of this civil hate crime statute occurs when two or more persons, motivated by race, religion, ethnicity or gender conspire to interfere with the exercise or enjoyment of a right secured by the U.S. or State Constitution or law and use force, repeated harassment, violence, physical harm or threats of such action to persons or property. Since January 2003, the Commission has received two requests that it commence such civil actions; however, in both cases, the alleged actions did not constitute a violation of the Statute.

Fair Housing Outreach

In an effort to affirmatively advance the State's interests in providing fair housing to all citizens, since January 2003, the Commission has conducted 124 fair housing seminars and has trained 2,054 individuals in fair housing law. Additionally, the Commission has distributed approximately 10,277 pieces of fair housing literature in English and Spanish. In order to improve its visibility and accessibility for the public, the Commission has also established and maintains a web page containing the State Fair Housing Act in English and Spanish and fair housing complaint forms The Commission has also printed State Fair Housing Act booklets, brochures, and posters in English and Spanish, which it distributes to individuals and groups throughout the State.

Cultural Diversity Training

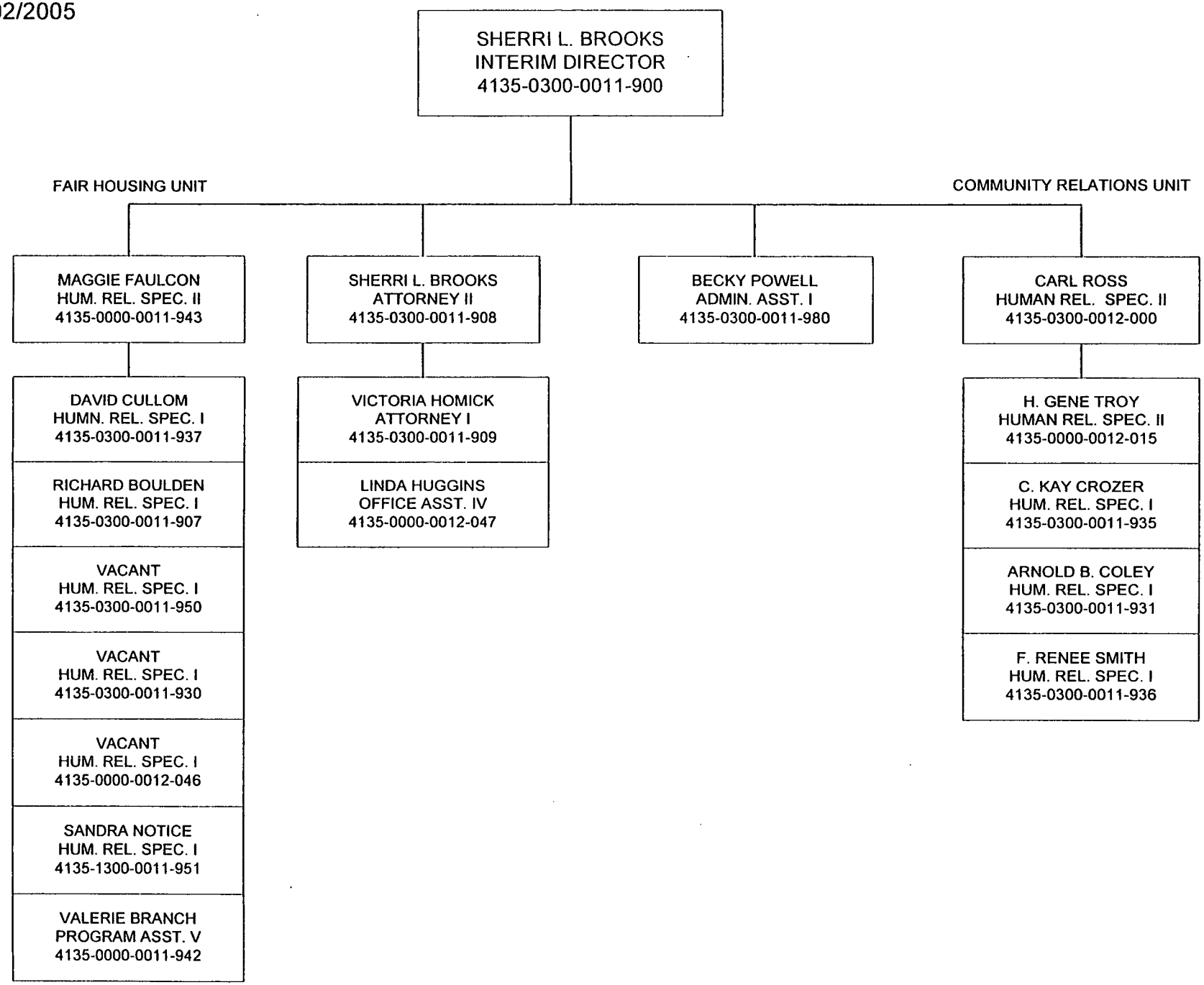
Since January 2003, the Commission has presented 59 cultural diversity training sessions in which it trained 1,517 law enforcement officers, local government staff and educators. The purpose of this program is to improve the participants' community relations skills by developing empathy and mutual respect when interacting with the public. With this training, these personnel also learn to develop an appreciation and acceptance of the cultural diversity of the residents of their communities. Through these sessions, the Commission strives to increase multicultural/ethnic understanding and appreciation, reduce prejudice and stereotyping, discuss cause/effect-stimulus/response and address problem-solving techniques.

Hate Violence Reporting/Investigation

"Hate incidents" refer to crimes, harassment or intimidation committed out of hatred for the victim because of his or her race, religion, ethnic, cultural background, or other basis. In order to make the State a safer and better environment and to gather this sensitive information centrally, the North Carolina Human Relations Commission

DEPARTMENT OF ADMINISTRATION
HUMAN RELATIONS COMMISSION
REVISED 02/2005

DIV. HEAD: SHERRI L. BROOKS (INTERIM)
DEPT. HEAD: GWYNN T. SWINSON



DOA - Human Relations Commission
FUND 1741
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$525,244	$634,508	$634,508	$634,508
Total Estimated Receipts	$3,465	$0	$0	$0
Net Appropriations	$521,779	$ 634,508	$634,508	$634,508
Number of Positions	10.67	10.67	10.67	10.67

Notes:

92% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

8% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA - Martin Luther King Commission
FUND 1742
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$47,545	$69,055	$69,055	$69,055
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$47,545	$ 69,055	$69,055	$69,055
Number of Positions	0.00	0.00	0.00	0.00

Notes:

0% of Budgeted Appropriations is Personnel Cost

71% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

0% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

0% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

YOUTH ADVOCACY AND INVOLVEMENT OFFICE

Program Overview

The Youth Advocacy and Involvement Office (YAIO), under the leadership of four advisory councils (NCGS 143B-385-388+143B-414-419) and in cooperation with public and private agencies, serves as an advocate for the 2 million people in the state under the age of 18. YAIO seeks to enhance the quality of lives of children and youth through individual and class advocacy intervention and by offering opportunities for leadership development and experiential education. There are 9.75 FTE positions funded.

Accomplishments

Advocacy

The advocacy staff handled 275 new cases including: child abuse and neglect, custody, foster care, adoptions, day care, education, child health, etc. These cases came from all over the state and from several different states, in those two years. We have also provided information and referrals to over 200 additional people. Staff has also been involved in working on and researching issues such as: abuse in day care centers, corporal punishment in schools, service to emotionally disturbed teens, foster care and adoption, child drowning, child fatality prevention, child mental health, and juvenile justice.

A funded resource library/database for youth programs and services has been developed to offer assistance to both public and private agencies and individuals seeking resources to operate their programs. This has been accomplished through our redesigned web site. Hundreds of state employees & private non-profit staff have been trained in several workshops entitled "How to Write Federal Grants for Children and Youth Programs."

Students Against Destructive Decisions

The SADD program was re-staffed and restarted in 2003 after a one-year period of inactivity. One hundred participants attended the 2003 Annual NC SADD Leadership Conference. At the November 2004 conference, that number had doubled to two hundred participants. Sponsorship grants totaling $30,000 were secured and used for scholarships for students. A North Carolina student from Perquimans County was selected to serve on the SADD National Student Leadership Council. A Winston-Salem student was selected as North Carolina Student of the Year based on the prevention work done in her school & community. The program recognized teachers from Forsyth, Perqiumans and Warren Counties for their support of the students. An online newsletter was published on the web. The SADD coordinator served on the NC Youth Suicide Prevention Coalition where a state suicide prevention plan was drawn up. The SADD coordinator was also appointed to the Governor's Task Force to Reduce Driving While Impaired.

Youth Legislative Assembly

The 33rd and 34th Youth Legislative Assemblies (YLA) convened in March, 2003 and April, 2004, with a total of 280 youth legislators from across the state. The weekend

mock assemblies, patterned after the NC General Assembly, debated numerous issues, including: Adding 144 hours for community service to the high school graduation requirements in NC and placing the 10 Commandments in the Supreme Court building. The sessions now use 643 LOB & banquet speakers have included Speaker Richard Morgan & Rep. Alma Adams. Corporate donations of $12,296 were used for scholarships for all participants

State Government Internship Program

YAIO administers the State Government Internship Program for college, graduate, & law students. Summer interns work 40-hour weeks for 10 weeks and were paid $6.75/hour until July 2004 when the General Assembly raised the wages to $8.25/hour (the first increase in 7 years). In 2003 & 2004, approximately 165 interns have been placed in 25 state government agencies across the state. [

State Youth Council

The State Youth Council (SYC) of North Carolina, whose intent it is to promote youth involvement in community affairs, conducted quarterly conference throughout the state in the recent program years. Local youth councils, which comprise SYC, reviewed grant applications, conducted and planned major community projects and served as an advisory group to Former State Superintendent Mike Ward. New councils were established & chartered in Garner, Wilson, New Bern, Mocksville, Hickory, Mooresville, and Concord. The council has also collaborated with: 4H; Gov. Commission on Volunteerism & Community Service; Communities in Schools; and Strong Able Youth Speak Out (SAYSO).

Mini-Grant Program for Youth Organizations

The Mini-Grant Program was initiated by the Youth Advisory Council in 1977. The mini-grants give youth an opportunity to develop program ideas, write grant proposals, screen grants submitted by youth groups, and implement defined program objectives.

With an annual appropriation from the N.C. General Assembly and the N.C. Youth Endowment Fund, the Youth Advisory Council is able to award grants averaging $500 for a wide range of youth-directed projects. In 2003, 22 grants were funded from the 40 proposals received. In 2004 19 grants were funded from the 32 proposals received. Examples of projects: youth tutoring; educational supplies; school supplies for homeless youth.

Grant applications are received in the fall of each year.

Publications

Thanks to two grants totaling $50,300 from the Governor's Crime Commission, Youth Rights and Responsibilities: A Handbook for North Carolina's Youth and You and the Juvenile Justice System: A Guide for Youths, Parents and Victims, were updated and 20,000 copies of each were printed in English. They were distributed to schools, training schools, juvenile court counselors, teen court programs and other youth programs across North Carolina. Both publications were translated into Spanish and 10,000 copies of Youth Rights and Responsibilities: A Handbook for North Carolina's Youth and 7,500 copies of You and the Juvenile Justice System: A Guide for Youths, Parents and Victims were printed & distributed. These publications have been distributed to juvenile

court counselors, ESL teachers, Hispanic/Latino organizations and conferences. The office has used creative methods for distribution of the publications such as asking Legislators to take them to their district offices, having people from other agencies and departments take them to conferences and have people come by our office when they are in Raleigh to pick up the books. All four of these publications are available in English & Spanish on the YAIO web site.

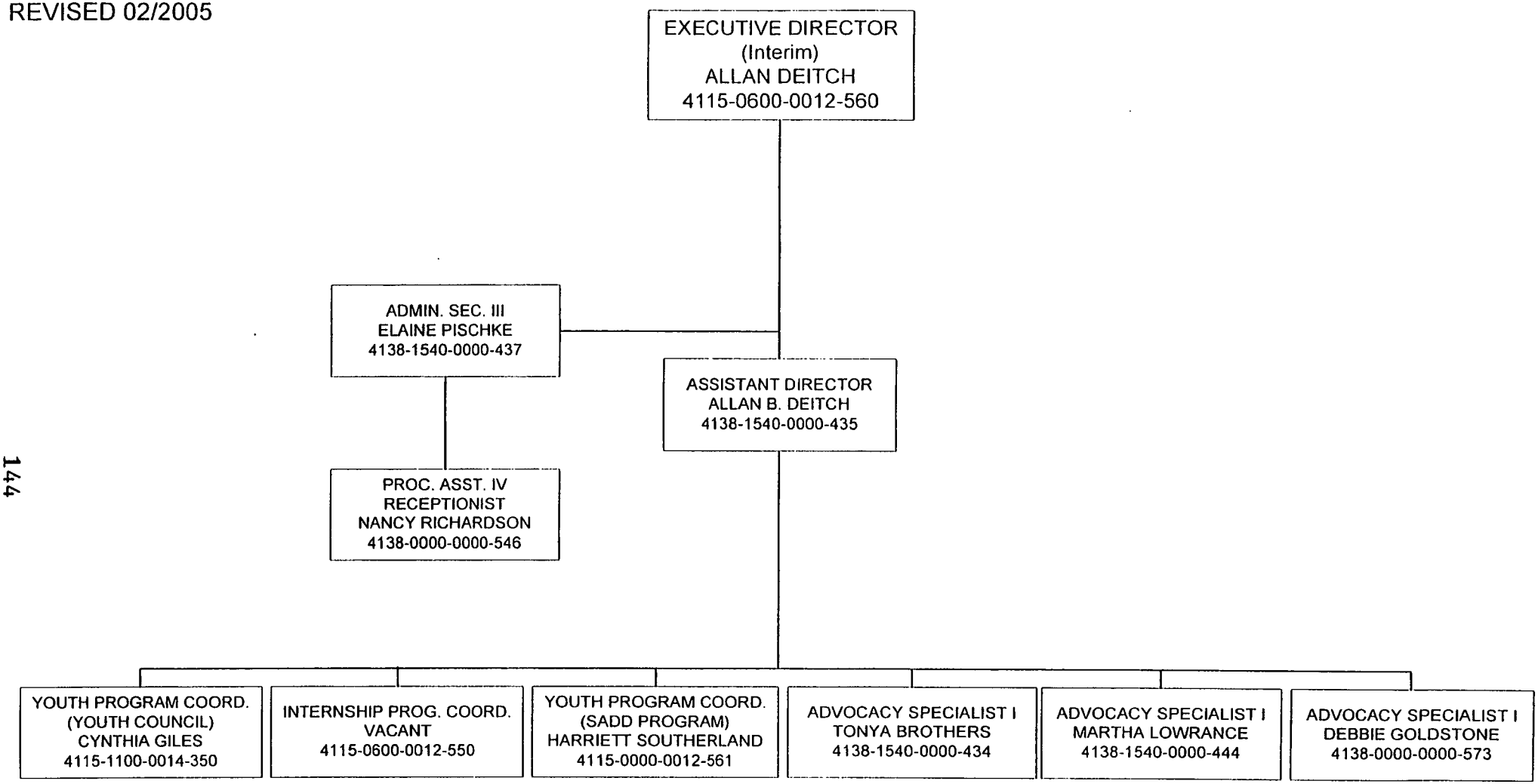
Other Youth Programs

The agency also worked with the Governor's, House & Senate Page programs to sponsor nine older foster youth as pages in June 2004. This model program which will continue & expand in 2005, was in cooperation with NC & several County Departments of Social Services. The youth met with the Governor.

Grants have been received from the Governor's Crime Commission to fund Our Children's Place, a prison mother's project that is chaired by Sen. Ellie Kinnaird. The project, in its planning stages, seeks to renovate a state building in Butner & house a small number of female inmates and their infants & toddlers together to encourage bonding, better parenting, and to reduce recidivism. It is modeled after similar programs in several other states.

DEPARTMENT OF ADMINISTRATION
YOUTH ADVOCACY & INVOLVEMENT OFFICE
REVISED 02/2005

DIV. HEAD: ALLAN DEITCH (Interim)
DEPT. HEAD: GWYNN T. SWINSON



DOA - Youth Involvement Office
FUND 1761
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$654,025	$825,818	$834,871	$834,871
Total Estimated Receipts	$18,170	$32,000	$32,000	$32,000
Net Appropriations	$635,855	$ 793,818	$802,871	$802,871
Number of Positions	10.00	10.00	10.00	10.00

Notes:

61% of Budgeted Appropriations is Personnel Cost

32% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

7% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

OSBM

STUDY OF STATE-FUNDED ADVERTISING

As Directed by Session Law 2004-124, Section 19.3

December 31, 2004

Prepared By:

Office of State Budget and Management

INTRODUCTION

Section 19.3 of Session Law 2004-124 (HB 1414) directed that the Office of State Budget and Management (OSBM) study the nature and costs of state agencies' requirements for advertisements and public service announcements. The full text of the section follows:

> **STUDY OF STATE-FUNDED ADVERTISING**
>
> **SECTION 19.3.(a)** The Office of State Budget and Management, in collaboration with the Department of Administration, shall conduct a study of the State agencies' requirements for advertisements and public service announcements. The study shall include a review of the nature and cost of the advertisements and public service announcements. The study shall consider (i) the extent to which the North Carolina Agency for Public Telecommunication (APT) can efficiently and effectively provide the services related to the development and placement of these advertisements and public service announcements at a savings to the State, and (ii) whether the services should be provided by APT, decentralized, or outsourced.
>
> **SECTION 19.3.(b)** The Office of State Budget and Management shall submit a report of its findings and recommendations to the Chairs of the Appropriations Subcommittees on General Government of the Senate and House of Representatives by December 1, 2004.

Scope and Methodology

The study addressed the specific questions outlined in Section 19.3(a) in detail for most state agencies and more generally for the University System. In order to conduct the study, the OSBM study team did, but was not limited to, the following tasks:

- Reviewed agency advertising expenditures
- Surveyed agencies for their specific requirements for advertisements and public service announcements
- Interviewed agency staff who deal with advertising including: chief financial officers, budget officers, public information officers, and/or division heads
- Reviewed agency practices related to the development and procurement of advertising and public service announcements
- Reviewed agency workflow related to the development and procurement of advertising and public service announcements
- Reviewed APT resources utilized to provide advertising-related services as well as their internal processes for managing these services
- Interviewed a private sector Advertising Director

BACKGROUND

Agency requirements for advertisements and public service announcements differ extensively from one state agency to another ranging from job announcements and legal notices in most agencies to sophisticated advertising programs in departments such as the Department of Commerce with its Division of Travel and Tourism. Advertisements and public service announcements are developed and procured in a variety of ways including: direct placement of internally developed advertisement with the desired media; purchase of the development and placement of the advertisement through a vendor; utilization of APT for the development and placement of the advertisements; partnering with other state agencies, non-profits, trade associations, etc. to leverage their advertising funds; and, receipt of the development and/or placement of the advertisements and public service announcements by a donor.

FINDINGS

The findings provide the basis for suggesting answers and/or alternatives to the major questions posed in the special provision: (1) To what extent can APT efficiently and effectively provide the services related to the development and placement of advertisements and public service announcements at a savings to the State, and, (2) whether those services should be provided by APT, decentralized, or outsourced.

Agency for Public Telecommunication (APT)

APT, a receipts-supported division of the Department of Administration, serves as a media production house for North Carolina State Government. Its services include:

- Production of public service announcements and video
- Media buying
- Teleconferences and media tours
- Technical advice on telecommunications engineering and operations
- A weekly call-in program (OPEN/Net) designed to link citizens with policy-makers

The first two services listed above, production and media buying, are the two services related to this study. In-house staff is utilized for the production of public service announcements and coordination with agencies while a contract employee, who averages working about 20 hours per week, handles the tasks involved with media buying. APT charges agencies for the actual cost of in-house production and a 5% fee for media placement in addition to the cost of the placement. APT services have proved especially beneficial to those smaller state agencies who do not routinely utilize such services. Currently APT has ongoing advertising projects with the departments of Administration, Agriculture, Environment and Natural Resources, Health and Human Services, Justice, Revenue, and Transportation. The *"Click It or Ticket It"* project is one of the recent and more noteworthy projects in which APT has been involved. Appendix A outlines the advertising projects in which APT has worked with state agencies since FY 2002.

State Agency Advertising Spend

During Fiscal Year 2004 state agencies spent about $28.8 Million out of the advertising expenditure account (532860). About two-thirds of that total, $19.2 Million, were General Fund expenditures. Table 1 to the right shows the distribution of the $28.8 Million across all funds. Purchases out of the advertising account include purchases for development and production of advertisements and PSA's, media buying cost, the media purchase itself, purchase of promotional supplies and materials for exhibits, conferences, and workshops, and miscellaneous purchases related to advertising. The media purchase itself can include classified advertisements, billboard advertisements, print advertisements in various media, television and cable spots, etc.

Table 1

Fund Type	FY 2004 Expenditure (Millions)
General Fund (1XXXX)	19.27
Institutional Funds (0XXXX)	4.75
Special Funds (2XXXX)	1.79
Highway Funds (8XXXX)	1.54
Enterprise Funds (5XXXX)	0.97
Trust Funds (6XXXX)	0.50
Internal Service Funds (7XXXX)	0.03
Total	**28.85**

Advertising spend by agency is shown in Table 2 on the next page. Almost one-half of the total spend occurs in the University System and consists mainly of job announcements, bid notices, and advertisements for Continuing Education and Professional Development. The Department of Commerce accounted for $6.5 Million or almost 23% of the total advertising spend. Over $4.5 Million of the total for Commerce was spent with the department's primary advertising agency utilized by the Division of Tourism and Travel. The departments of Administration, Agriculture, Transportation, and Justice also had FY 2004 advertising expenditures in excess of one million dollars. The rest of the state agencies collectively accounted for about 6% of the total spend.

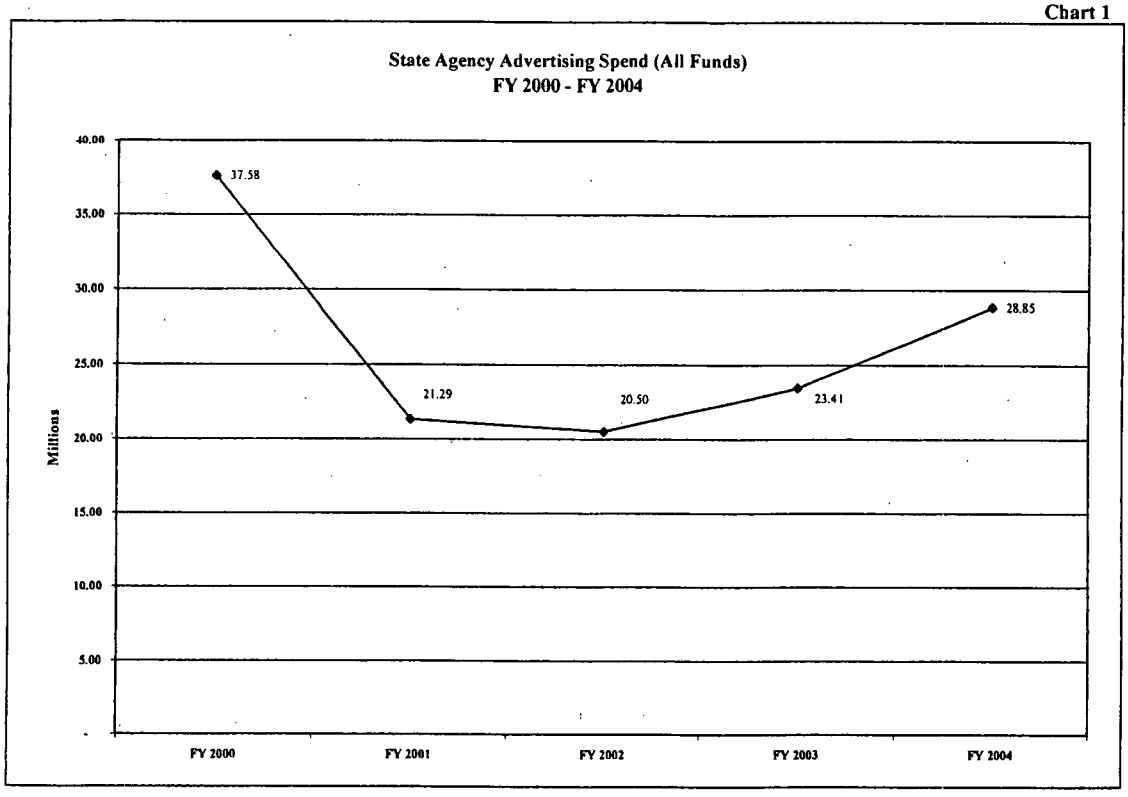
Chart 1 places the FY 2004 state agency advertising spend into perspective relative to previous years. Total agency spend in FY 2000 was $37.6 Million.

The OSBM analysts have been unable to determine what part of the advertising spend covers development and production, what part covers media buying, and what part covers the actual advertisement or PSA run in the media. However, after analyzing the spend by department and by vendor, it appears that no more than 1/4 of the total spend may fit the category of advertisements and PSA's where APT might provide an alternative in the production and media buy areas. Appendix B provides a brief summary of the varied uses of advertising within state agencies.

Table 2

State Agency		FY 2004 Spend	%
University System	$	13,905,765	48.2%
Commerce	$	6,522,728	22.6%
Administration	$	1,835,184	6.4%
Agriculture (including State Fair)	$	1,651,387	5.7%
Transportation	$	1,538,019	5.3%
Justice	$	1,478,466	5.1%
DHHS	$	513,205	1.8%
State Treasurer	$	505,448	1.8%
All Others	$	365,614	1.3%
Environment and Natural Resources	$	265,192	0.9%
Correction	$	155,312	0.5%
Cultural Resources	$	132,301	0.5%
Total	**$**	**28,868,623**	

Chart 1



Advertising Development/Production and Procurement Process

Simply stated, the advertising process has four basic steps: (1) Determine the need (2) Develop/produce the advertisement (3) Buy or place the spot, and (4) Run the advertisement (or PSA). Table 3 below identifies the participants that might be involved in each step of the process:

Table 3

Participant	Steps in the Process			
	Determine Need	Development/ Production	Media Buy	Advertisement or PSA Run
State Agency	√	√	√	
Partner	√	√	√	
Advertising Agency (Broker)		√	√	
APT		√	√	
Media Outlet (Print, Broadcast, Electronic, Billboard)		√		√

With straightforward advertisements, such as job announcements and legal notices, the process is quite simple, the agency develops the advertisements and forwards to the media outlet for placement. The media outlet charges the state agency based on their rate schedule. Media rate schedules include local, non-profit, and national rates. Discounts can be given for the number of times the advertisements run or for any number of different variables. Bottom-line, any state agency, including APT, receives the same basic rates for these simple, straightforward placements. For more complex or sophisticated advertisements or advertising campaigns, a partner and/or advertising agency may participate with the state agency in the process. Also, APT has worked with state agencies in the development/production and placement of advertisements and PSA's. As the table indicates, each participant in the process can be involved in one or more of the steps depending on the specific agency requirements. During the "media buy step" the state agency is obliged, just as with the purchase of any service, to abide by the rules and regulations of the Division of State Purchase and Contract.

Complexity of Advertising Rates

The underlying question in the special provision is that advertising agency or broker fees increase the cost of advertisements to a state agencies and whether APT can place the advertisement at significantly less cost. Also, there is a question whether there are significant discounts to be had by APT and state agencies from both the media outlets and the advertising agencies. The answers to the questions posed are yes and no. As previously mentioned, most of the media outlets have specific rate schedules. State agencies usually qualify for a lower non-profit rate. Additionally, rates vary depending on frequency of placement and whether or not there is a contract in place. Advertising agency rates also vary depending on the services provided. With straightforward advertisement placement, the cost can quickly be determined by the agency; conversely, for complex and sophisticated advertising campaigns, as required by the Division of Travel and Tourism, costs cannot be quickly determined by selecting a rate from a schedule.

Agency Concerns Related to APT Being the Sole Provider

Capacity of APT to Provide Services

State agencies, particularly agencies such as Commerce and Agriculture, are reluctant to relinquish their responsibility for ad production and media buy to APT. In Commerce, for instance, their Marketing Plan (of which the Advertising Program is a major component) is a core function of the Division of Travel and Tourism. The Advertising Program is an essential element to marketing North Carolina as a travel destination for in-state, national, and international travelers. Commerce's Advertising Program success is apparent as North Carolina continues to be ranked in the top six states nationally for being a travel destination. Commerce has been able to leverage its advertising expenditures through cooperative agreements with travel partners and through free advertising. It is easy to understand why Commerce would not want to relinquish part of its core function to another state agency. Although on a smaller scale, the Department of Agriculture also successfully leverages its advertising dollar through agreements with partners and the use of free advertising.

State agencies have successfully utilized the services of APT for quick turnaround services and to supplement their current advertising programs but see the need for maintaining internal control over what is directly related to their core functions.

Public-Private Partnerships

In addition to Commerce and Agriculture, other agencies partner with private groups, such as museum societies and foundations, commodity associations, federal partners, travel bureaus, private companies, media outlets themselves, etc. to either greatly reduce the cost of their advertising or to get it free. The agencies certainly do not want to jeopardize these partnerships.

Discounted Advertising Rates

State agencies and APT alike indicate that they receive discounted rates from the media outlets. Media rate schedules fluctuate based on frequency rate, profit or non-profit, national or international, contract or not that makes it difficult to determine an "off-the-shelf" answer that applies to most situations. OSBM is aware that advertising rates for the same spot, whether print or broadcast, might vary as much as 50% based on the factors listed. Consequently the agencies contend that there are no real savings to be obtained through the use of APT as an advertising broker. The data analyzed by the OSBM analysts can neither confirm nor deny this contention.

RECOMMENDATIONS

Decisions for the development and procurement of advertisements and public service announcements should be left in the hands of the state agencies (de-centralized).

The majority of the advertising and PSA transactions currently taking place in state agencies are simple and straightforward including the placement of job announcements, bid notices, and legal notices. These transactions would only be prolonged if a third party became involved. Conversely, the majority of the advertising dollars are consumed with extensive promotional campaigns having to do with the core functions of the state agency, i.e., promoting travel and tourism in North Carolina and promoting the use of North Carolina agricultural products. In these cases, decision-making should be the responsibility of the agency accountable for the function. In short, decision-making for advertising should remain "decentralized" at the department level.

Include APT in the competitive bidding process.

Video production of public service announcements and media buying are two of the services offered by APT. Numerous state agencies have utilized APT for these services and have been satisfied particularly on quick turnaround projects and small scale projects which supplement other services being purchased. In order to be fair to state agencies, to APT, to the private vendor community, and to the taxpayer, it is recommended that when a Request for Proposals (RFP) for Advertising Services is issued that APT be allowed to submit a bid for the project given there is not a conflict with G.S.§ 66-58. The RFP process is probably the only way to determine if APT's cost of providing services is actually lower than that of private sector providers and results in a service of equal or better value. The use of "Competitive Sourcing" has become increasingly popular at the local, state, and federal levels to insure that the Most Efficient Organization (MOE), whether public or private, receives the work. As always, vendor selection should be on the basis of "best value."

CONCLUSIONS

If APT did all the media buying for the state agencies, the potential maximum savings is only about $300,000 in appropriated General Fund monies. The greatest potential savings that can be realized by state agencies in the advertising and public service announcement processes through the use of APT may already be occurring in the area of public service announcement production. By issuing RFP's for the advertising services that are subject to competition and allowing APT to submit bids to provide those services, all the costs will be known. The "best value" bid wins.

The marketing and advertising industry has become quite sophisticated in its capacity to target and segment markets as well as to measure media campaign results. In many cases the tangible benefits of an advertising campaign are realized "down the line" in the form of increased spending on North Carolina travel and on North Carolina agricultural products rather than in a lower expenditure for the campaign itself. The State should not be short-sighted when evaluating "best value" because the benefit may be in the return on investment rather than in the low bid.

The OSBM analysts wish to acknowledge the cooperation and input of state agency and APT staff in the conduct of this study.

APPENDIX A

Summary of APT Project
FY 2002 – FY 2004

Summary of APT Projects (As reported by APT)
FY 2002-2004

APPENDIX A

Agency	Division	Campaign	APT Involvement	Dates	Media	Total Costs	Results
Admininstration	GAPCD	Disability Awareness	Writing, Producing,& Media Placement	6 months	Radio, TV, Cable	$ 175,500.00	Disability Awareness
Agriculture	Grape Council	wine campaign	Placed Billboards	3 months	Billboards	$ 25,200.00	NC Winery Awareness
Agriculture	Grape Council	wine campaign (roll-over)	Placed Billboards	1 year	Billboards	$ 154,000.00	NC Winery Awareness
Agriculture	State Fair	State Fair awareness	Writing, Producing,& Media Placement	1 year	Radio, TV, Cable, Billboards, Print	$ 310,000.00	Not complete
DENR	PollutionPrev/EnvironAssistance	Waste Recycling	Placed ads on movie screens	June 2004 - July 2005	Cinema and Cable	$ 200,000.00	Recycling Awareness and Education
DHHS	Deaf and Hard of Hearing	TEDP, Emerg. Warn, Relay 711	Writing, Producing,& Media Placement	1 year	Radio, TV, Cable (English&Spanish)	$2,407,000	Services for and Awareness of Deaf & Hard of Hearing
Justice	Attorney General	Project Safe Neighborhoods	Placed Billboards	April-December 2004	Billboards	$ 82,000.00	Awareness and Education gun laws in North Carolina
Revenue	Tax Compliance	Spanish Outreach & Awareness	Writing, Producing & Media Placement	6 weeks	Radio, TV, Cable	$150,000	Tax Compliance and Awareness among Hispanic Population
Transportation	Motor Vehicles	OBD Inspections and Fines	Writing, Producing,& Media Placement	1 year	Radio	$ 500,000.00	Inspection Requirements and Penalty Awareness
Transportation	Highways	Move It on Over	Writing, Producing,& Media Placement	4 weeks	Radio, TV, Cable	$ 70,000.00	Safety and Awareness on the roadways
Transportation	Highways	511 Travel Information	Writing, Producing,& Media Placement	4 weeks	Radio, TV, Cable	$ 215,000.00	Education and Awareness of Travel Info Available in NC
					Total	$ 4,288,700.00	
Other Projects							
Agriculture	Marketing	Mountain State Fair	Editing and Duplicating	Sep-04	TV	$500.00	Mountain State Fair Awareness
Agriculture	Marketing	Mountain State Fair	Editing and Duplicating	Sep-04	TV	$ 725.00	Mountain State Fair Awareness
Crime Control and Public Safety		Hurricane Guide	Printing and Media Placement	3 weeks	Newspapers	$ 163,600.00	Hurricane&Disaster Safety Awareness
DHHS	Public Health	Bio Terrorism Awareness	Printing and Media Placement	one week	Newspapers	$ 138,800.00	BioTerrorism Awareness
NCCU(produced-not yet placed)	Pubic Affairs	Trad & Non-Trad Students PSAs	Writing, Producing, Duplication	Nov-04	TV (production not placement)	$86,000	Image Creation
						$389,625	
2003-2004							
DHHS	Deaf and Hard of Hearing	711 Relay NC	Wrote, produced, media placement	March-April 2004	Radio, TV, Cable	$350,000	Education and Awareness of 711 Service and Use
DHHS	Public Health	Direct Care Workers	Local Tag and Media Placement	October-December 2003	TV, Cable	$ 120,000.00	Direct Care Worker Recruitment
DENR (Three year project)	NC Division of Air Quality	Inspection and Maintenance	Wrote, produced, media placement	0	Radio, TV, Cable, Print	$ 1,500,000.00	Air Quality and Health Issues Awareness and Education
Governor's Office	Hurricane	Hurricane Isabel	Editing	Sep-03	Radio, TV Cable	In-Kind $2105	Hurricane Disaster relief
Human Relations Council		Fair Housing	Local Tag Production Media Placement	4-Apr	Radio, TV Cable	$ 15,000.00	Fair Housing Initiatives and resources
Secretary of State		Securities Fraud	Wrote, produced, media placement	November-December2003	Radio, TV Cable	$ 750,000.00	Securities and Investment Fraud Education and Awareness
Secretary of State		End of Care Directives	Wrote, produced, media placement	Jan-04	Radio	$ 10,000.00	End of Life Directive Awareness and Education
UNC-TV	Festival	Bluegrass Campaign	Media Placement and distribution	Jun-04	Radio	$3,000.00	Fundraising for UNC-TV
Note: The DENR project is prorated at a third of the value in all cost figures since it is a three year project.					Total	$ 2,748,000.00	
Other Projects							
Agriculture	NC Grape Council	Marketing	Placed Billboards	March-June 2004	Billboards	$ 25,000.00	NC Winery Awareness
Agriculture	Marketing	Mayberry Deputy	Production and Distribution	Apr-04	TV, Cable	$ 6,200.00	NC Agriculture Product Awareness
Administration		Community Volunteerism	Local Tags (no media buys)	Dec-03	TV	$300	
GHSP	Transportation/El Pueblo	Spanish Spots	Produced and Distributed	Dec-03	Radio	$500	Safety and Awareness of NC Laws on Drinking and Driving
GHSP	Click it or Ticket	Clicki it Gsbo & Triad	Produced and Distributed	Mar-03	Radio and TV	$7,500	Awareness and Education on state's click it or ticket laws
Governor's Office		Volunteerism	Local Tags and Distribution	Nov-03	Radio	$ 347.00	Volunteer Recruitment
Note: Not all expenditures for FY 2004 are accounted for in FY 2004 expenditures if the project was not completed prior to June 2004.					Total	$ 39,847.00	
2002-2003							
DHHS	Public Health	West Nile Virus	Local Tag Production and Media Placement	April 2003-June 2003	Cable	$ 30,000.00	Education and Awareness of West Nile Virus problems
Other Projects					Total	$ 30,000.00	
Transportation	Construction	Work Zone Safety	Retag spots and dub	Jun-03	TV	$ 3,400.00	Education and Awareness of Safety in Construction Zones
Transportation	Governor's Highway Safety	Clicki it or Ticket	Wrote and Produced	May-03	Radio and TV	$7,500.00	Awareness and Education on state's click it or ticket laws
					Total	$ 10,900.00	

Note: OSBM analysts were unable to reconcile project costs with NCAS Reports

APPENDIX B

Use of Advertising in State Agencies

Use of Advertising in State Agencies *(unedited)*

Cultural Resources	Expenditures include some advertising mainly through newspapers for special exhibits, job announcements, and magazine advertising using multiple medias. Advertising is also provided by support groups and foundations associated with the department. Some projects may or may not be eligible for APT services. A production assistant for Historic Sites is housed in APT and makes video productions for Cultural Resources. The equipment is used by APT when needed.
Agriculture	Marketing Division receives the 15% media discount for all media coverage and applies the savings to additional media coverage for each project. Agriculture also partners with many companies and associations to purchase media coverage for NC products and services with the partner selecting the media vendor. Many in-kind services and value added media services are contributed to Agriculture. Agriculture has used the production, billboard; editing and distribution services offered by APT and find that acceptable for several projects especially those that require a quick turnaround. Projects needing wide coverage and other services are bid for competition, regardless of the costs involved. Agriculture also contracts for some projects with APT.
Commerce	Department of Commerce has a 4.5 million dollar contract with a private advertising agency that provides a full range of services including the 15 % discount and extensive national and international marketing in multiple medias. Like Agriculture, an article in a trade magazine or a TV show on a particular public topic will prompt other free media coverage which the agency does not purchase. Commerce also partners with other companies and associations that provide media coverage and offers. Some projects may or may not be eligible for APT production and placement.
State Treasurer	State Treasurer - PSA production work and materials donated and a placement company was used to place the PSA. The department received the 15% media discount which was applied to expand media coverage for the PSA. All other expenditures were for job announcements, legal notices, and supplies for exhibits, conferences, and displays.
Insurance	The department had a PSA paid for and placed by SHIPP. The department was not involved in the placement of the ad. All other expenditures were for job announcements, exhibit/conference supply, and legal notices.
Agriculture – State Fair	State Fair-Production of PSA and media placement will be a collaborative effort of State Fair and APT for the 2005 State Fair.
Revenue	Expenditures for job announcements and legal notices.
Secretary of State	The department has used the services of APT for media placement. Other expenditures are for job announcements and legal notices.
DHHS - Health Services	This was a promotional for Direct Care Workers prepared by APT.
Labor	Expenditures for job announcements, legal notices, supplies for conferences and exhibits. The department has used the services of APT.
Justice	Expenditures for job announcements, legal notices and advertising campaign utilizing broad range of media services and resources not available from APT.

Wildlife Resources	The division used an advertising agency to produce announcements requiring a broader range of services than could be provided by APT. APT had the opportunity to review the project before the project was bid. Other expenditures are for job announcements and legal notices.
Public Instruction	Public Instruction has not used the services of APT for media buying. It has issued other projects to APT. Expenditures are for job announcements, supplies, and legal notices.
Correction	Expenditures for job announcements and legal notices.
Environment and Natural Resources	The department is using the services of APT at present through contracts. The museums are advertising through local newspapers and may or may not be negotiating directly with a media buyer. All other expenditures are for job announcements, legal notices, supplies and other materials. Contracted funds used for Air Quality and Pollution Prevention Campaigns for approximately $700,000.
Crime Control and Public Safety	Expenditures for job announcement, legal notices, and vendor displays.
Juvenile Justice	Expenditures for job announcement, legal notices, and vendor displays.
Administrative Office of the Courts	Expenditures for job announcements and legal notices.
Governor's Office	The Governor's Office has used the services of APT for some public awareness projects.
DHHS - Vocational Rehabilitation	Expenditures were for bid notices or legal ads for public hearings.
Information Technology Services	Expenditures for job announcement and legal notices.
University System	Job announcements; bid notices; legal notices; advertisements for Continuing Education and Professional Development. Media outlets include ***The Chronicle of Higher Education***, monster.com, TV and Billboard spots, etc.

Status Report on January 1, 2005 Vacancies

SUMMARY

State Appropriated Vacancies:	**30**	**Non-State Funded Vacancies:**	**37**
State Appropriated Positions:	552	Non-State Funded Positions:	335
Filled Positions or Pending Offers:	21	Filled Positions or Pending Offers:	14
Balance:	9	Balance:	23
Vacant ***more than*** 180 days: Re-designation status Employees on LWOP, health Funding Sources Restructure/reorganization	**6**	Vacant ***more than*** 180 days: Restructure/reorganization Employees on LWOP, health Numerous ads, lack of qualified applicants	**15**
Vacant ***less than*** 180 days: Employee recently promoted Pending Offer Position reclassification pending	**3**	Vacant ***less than*** 180 days: Restructure/reorganization Position recently established Advertisement period recently closed	**8**
% Vacant of Total State Positions:	**1.6**	**% Vacant of Non-State Positions:**	**6.8**
% Vacant more than 180 days:	**0.6**	**% Vacant more than 180 days**	**4.4**

March 29, 2005

January 1, 2005 Vacancies
Status Report as of March 29, 2005

* Non-State Funded Positions

Division	Position Title	Position #	Explanation	Vacant 180 days or more
Council for Women	Administrative Secretary II	14129	Restructure/reorganization of Division. Advertised 2 times, Advertisement closed 2-22-05.	
4116 & 4148	Processing Assistant IV	14070	Restructure/reorganization of Division. Advertisement closed 2-22-05.	X
	Community Development Spec I	14087*	Restructure/reorganization of Division. Advertisement closed 2-22-05.	X
	Field Representative	14127	Pending Offer	X
Fiscal	Accounting Clerk V	00326*	Filled	
4118	Accounting Clerk V	00303	Filled	
	Dept. Purchasing Agent I	00342	Filled	X
Facility Management	Electrician II	08461	Employee on family medical leave	X
4151 & 4157	Electrician II	08412	Filled	
	Plumber II	13050	Filled	
	Boiler Operator II	13053	Closed 2-7-05, Pending Offer	X
	Electronics Technician I	08360	Employee on family medical leave	
	Electronics Technician I	08411	Pending Offer	
	Maintenance Mechanic II	08148	Filled	
	Waste Management Specialist	09280	Advertised 2 times. Closed 1-31-05	
	Grounds Supervisor II	10560*	Filled	
	Grounds Worker	08179	Employee promoted internally 6/04	X
GACPD 4140	Administrative Secretary III	00452	Pending Governor's decision regarding re-designation to non-profit status	X
	Advocacy Program Director	00450	See above	X
	Advocacy Specialist I	00481*	See above	
	Advocacy Specialist I	00540*	Long term disability approved 3/05	
	Attorney I	00516*	Pending Governor's decision regarding re-designation to non-profit status	X
	Attorney I	00531*	Filled	

Division	Position Title	Position #	Explanation	Vacant 180 days or more
GACPD 4140	Attorney I	00596*	Pending Governor's decision regarding re-designation to non-profit status	X
	Disability Determination Spec	00545*	See above	X
	Office Assistant IV	00519*	See above	X
	Office Assistant IV	00525*	See above	X
	Processing Assistant III	00537*	See above	X
	Social Research Assistant II	00521*	See above	X
HUB	HUB Compliance Specialist	01149	Filled	
4174	HUB Outreach Specialist	01147	Filled	
	HUB Outreach Specialist	01148	Pending Offer	X
	HUB Outreach Specialist	01151	Advertised. Interviews scheduled.	X
Human Relations	Director of Human Relations	11900	Pending Offer	X
4135	Human Relations Specialist I	12046*	Closed 2-14-05	X
	Human Relations Specialist I	11930	Employee transferred 12/04, Closed 12-20-04	
	Human Relations Specialist II	11950	Filled	
Indian Affairs	Chore Provider	14368*	Employee separated 5/04, health reasons	X
4110	Community Development Spec I	14252*	Funded 1999, never filled	X
	Processing Assistant III	14194*	Employee separated 1/05. Ad. Closed 1-31-05	
	Processing Assistant IV	14190*	Employee separated 6/00, Lack of funding	X
Mail Service Center	MSC Automatic Sorter Operator	10929*	Filled	
4130 & 4131	MSC Automatic Sorter Operator	10930*	Employee promoted 11/04	
	MSC Computer Sys Admin III	10903*	Employee died 10/04, restructure ITS role	
	MSC Courier Driver	10522*	Employee retired 12/04. Adv. closed 1-05-05	
	MSC Courier Driver	10516*	Filled	
	MSC Mail Clerk	11037*	Filled	
	MSC Mail Clerk	11023*	Employee on LWOP, health reasons	X
	MSC Mail Clerk	10951*	Filled	
	MSC Supervisor I	10513*	Employee on short term disability	X
	Processing Assistant III	10953*	Employee retired 9/04, restructure	

Division	Position Title	Position #	Explanation	Vacant 180 days or more
MIS	Applications Analyst Prog II	00473*	Established 10/04	
4119				
Motor Fleet	Mechanic I	10228*	Filled	
4128				
Parking	Parking System Director	10746*	Employee transferred 1/03, restructure	X
4158	Processing Assistant III	10799*	Employee retired 9/04, restructure	
Purchase & Contract	Processing Assistant IV	06810	Reclassification review completed 3/05	
4108	State Procurement Specialist II	06509	Filled	
Secretary's Office	Administrative Secretary III	00076	Filled	
4101				
State Capitol Police	Police Telecommunicator	10842	Filled	
4132				
State Construction	Building Systems Engineer II (lic)	06066	Pending Offer	
4149	Building Systems Engineer II	06048	Employee retired 12/04, Readvertised x times??	
State Energy Office	Building Systems Engineer I	00160*	Filled	
4173				
State Property	Real Property Agent II	06308*	Filled	
4150	Real Property Agent II	06295*	Filled	
State Surplus	Lead Worker III	07020*	Pending Reclassification	
4126	Vehicle Operator II	07067*	Employee separated 12/04. Adv. Closed 3-14-05	
Veterans Affairs	Processing Assistant IV	07636	Filled	
4127				

Department of Administration
Turnover Analysis
07/01/03 to 06/30/04

Used the Office of State Personnel's baseline of a 12.00% turnover rate to determine if rate is significant

Occupational Category	Position Title	Turnover rate	Analysis
Clerical & Office Services	Accounting Technician IV	33.33	1/3 – transfer to State agency
39/214, 18.22%	Stock Clerk II	42.86	3/7 – retirement, dismissal, personal
	Office Assistant III	20.00	1/5 – better employment
	Office Assistant IV	14.29	2/14 – transfer to State agency, personal
	Administrative Secretary III	30.00	3/10 – health, retirement, moved
	Accounting Clerk IV	16.67	1/6 – transfer to State agency
	Accounting Clerk V	57.14	4/7 – transfer to State agency, moved
	MSC Mail Clerk	22.22	8/36 – personal, dismissal
	MSC Automatic Mail Sorter	33.33	1/3 – better employment
Accounting, Auditing & Financial Management	State Procurement Spec II	12.50	1/8 – transfer to State agency
9/54, 16.67%			
Legal, Administrative Management and Related Classes	Administrative Asst II	12.50	1/8 – moved, retirement
15/120, 12.50%	Administrative Officer II	14.29	2/7 – moved, retirement
	Human Relations Spec I	37.50	3/8 – moved, better employment
	Energy Conservation Rep II	25.00	1/4 - moved
	MSC Supervisor I	66.67	2/3 – moved, retirement
Data Processing	Computing Consultant III	100	1/1 – transfer to State agency
3/22, 13.64%			
Informational and Educational	Community Develop Spec I	66.67	2/3 – better employment, retirement
2/19, 10.53%			

Occupational Category	Position Title	Turnover rate	Analysis
Human Services 2/19, 10.53%	Advocacy Specialist I	No significant turnover	Moved, retirement
Licensing, Inspection & Public Safety	Property Guard	20.00	1/5 - moved
13/61, 21.31%	Police Telecommunicator	50.00	2/4 – moved, dismissed
	Police Officer I	21.21	7/33 – better employment, lack competitive salaries
	Police Officer III	40.00	2/5 - Lack competitive salaries
Institutional Services	Laborer	100	1/1 - health
5/46, 10.87%	Chore Provider	33.33	1/3 - health
Skilled Trades & Allied	Mechanic I	14.29	1/7 – transfer to State agency
11/124, 8.87%	Maintenance Mechanic II	14.29	1/7 – long term disability
	Plumber II	16.67	1/6 – personal reasons
	Electrician II	28.57	2/7 – dismissed - performance
Engineering, Architectural and Allied 2/54, 3.70%	Purchasing Standards Engineer	No significant turnover	1/3 – transfer to State agency
Agricultural & Conservation 2/15, 13.33%	Grounds Superintendent II	100	1/1 – personal reasons
Flat-rate 0/2, 0.00%	Secretary, Administration; Executive Director, APT	0.00	
T-Grades		No significant turnover	

2003 – 2004 Total Turnover Rate for Department: 108 of 764 (14.14%)

Statewide Turnover Rate (excluding Judicial, UNC Hospitals and Universities): 8,058 of 66,367 (12.14%)

Department of Administration
Turnover Analysis
07/01/04 to 03/31/05

Used the Office of State Personnel's baseline of a 12.00% turnover rate to determine if rate is significant

Occupational Category	Position Title	Turnover rate	Analysis
Clerical & Office Services	Stock Clerk II	20.00	2/5 – personal reasons
13/145, 8.97%	Processing Assistant III	12.12	4/33 – transfer to State agency, retirement
	Processing Assistant IV	14.71	5/34 – transfer to State agency, retirement
	Administrative Secretary II	50.00	1/2 – personal reasons
Accounting, Auditing & Financial Management 5/56, 8.93%	Real Property Agent II	14.29	1/7 – better employment
	State Procurement Spec. II	14.29	1/7 - retirement
	State Procurement Spec. III	20.00	3/15 - retirement
Legal, Administrative Management and Related Classes 7/93, 7.53%	Human Relations Specialist I	25.00	2/8 – transfer to State agency, probationary appointment termination
	Energy Conservation Rep II	33.33	1/3 - moved
	Administrative Officer II	14.29	1/7 - retirement
	Human Relations Spec. II	100	1/1 - retirement
Data Processing 3/28, 10.71%	Computing Consultant II	25.00	1/4 – promotion within agency
	Statistician I	100	1/1 – transfer/promotion to State agency
Informational and Educational 0/17, 0.00%	Artist Illustrator, TV Producer Director, Community Development Specialist I	No significant turnover	

Occupational Category	Position Title	Turnover rate	Analysis
Human Services 4/18, 22.22%	Advocacy Specialist I	25.00	4/16 – transfer to State agency, better employment, long-term disability, dismissal
Licensing, Inspection & Public Safety 4/65, 6.15%	Police Telecommunicator	25.00	1/4 – better employment
	Police Officer II	16.67	1/6 – better employment, Lack competitive salaries
Institutional Services 0/44, 0.00%	Laborer, General Utility Worker, Food Service Asst.	No significant turnover	
Skilled Trades & Allied	Vehicle Operator II	100	1/1 – personal reasons
8/121, 6.61%	Mechanic I	25.00	2/8 – personal reasons
	Plumber II	50.00	2/4 – transfer to State agency, better employ
	Electrician II	28.57	2/7 – transfer to State agency
	Electronics Technician I	20.00	1/5 - retirement
Engineering, Architectural and Allied 3/32, 9.38%	Building Systems Engineer I	25.00	1/4 – personal reasons
Agricultural & Conservation 0/12, 0.00%	Greenhouse Worker, Grounds Supervisor II	No significant turnover	
Flat-rate	Transition Aides	No significant turnover	
T-Grades 15/132, 11.36%	Coordinator, Internship Prog	100	1/1 – personal reasons

2004 – March 2005 Total Turnover Rate for Department: 68 of 765 (8.89%)

Department of Administration (14100)

Recommended Budget and Positions

	2005-06	2006-07
Budget		
Worksheet I Continuation	$60,053,752	$61,483,537
Reductions	-	-
Expansion	$836,500	$491,435
RECOMMENDED BUDGET	$60,890,252	$61,974,972
Positions		
Worksheet I Continuation	696.630	696.630
Reductions	-	-
Expansion	7.000	7.000
RECOMMENDED POSITIONS	703.630	703.630

Appropriation Items -- Recommended Adjustments

Expansion

	2005-06	2006-07
E-Procurement		
1. Two New Compliance Officer Positions		
It is recommended that two Compliance Officer positions be established in order to provide E-procurement educational outreach, manage the E-procurement contract, and perform compliance reviews. The E-procurement contract requires a review of all direct payments for all NCAS agencies on a quarterly basis.		
Appropriation	**$105,000**	**$135,101**
Appropriation - Nonrecurring	**$3,800**	
Number of Positions	**2.000**	**2.000**

Secretary's Office - Historically Underutilized Businesses (HUB) Office

1. Construction Database Management System Enhancement (HUBSCO)

It is recommended that funds be provided to enhance the existing HUBSCO Construction Reporting System to meet the current State Technical Architecture standards and to establish one Application Analyst Programmer position.

Appropriation	**$60,000**	**$75,000**
Appropriation - Nonrecurring	**$250,000**	

Number of Positions	**1.000**	**1.000**

Division of Veterans Affairs

1. **Coastal Carolina State Veterans' Cemetery Equipment**

It is recommended that funds be provided to purchase additional equipment necessary to perform burial operations and grounds maintenance in the expanded cemetery. The cemetery is expanding from approximately 8+ acres to 18+ acres.

Appropriation - Nonrecurring	**$107,700**

Office of State Property

1. **State-Owned Real Property Disposal System Positions**

It is recommended that funds be provided to establish the following three positions to support the state-owned Real Property Disposal System: one Applications Programmer III position and two Real Property Analyst II positions.

Appropriation	**$150,000**	**$200,000**
Number of Positions	**3.000**	**3.000**

Management Information Systems

1. **IT Security Position**

It is recommended that funds be provided to establish an IT Security Associate Analyst position to address the department's IT security issues that have been identified in the IT Security Assessment conducted by the Office of Information Technology Services.

Appropriation	**$60,000**	**$81,334**
Number of Positions	**1.000**	**1.000**

Office of State Personnel

1. **Career Banding/Training Center Equipment Funds**

It is recommended that funds be provided to perform a career banding study and to purchase equipment and software for the OSP Training Center located on Peace Street in Raleigh.

Appropriation - Nonrecurring	**$100,000**

Total Recommended Expansion

	2005-06	2006-07
Recurring		
Requirements	$375,000	$491,435
Receipts	-	-
Appropriation	$375,000	$491,435
Number of Positions	7.000	7.000

NC Department of Administration
Use of Lapsed Salaries
Fiscal Year 2003-04

Fund No.	From Agency	To Agency	Lapsed Salaries Used	Justification for Use
1111	Secretary's Office	Secretary's Office	$706	In-Road's Intern from Minority Internship Program
1111	Secretary's Office	Secretary's Office	753	Longevity Pay for Employees - Not previously budgeted
1111	Secretary's Office	Secretary's Office	9,756	Worker Compensation Benefits - TPA Statewide Contract
1121	Fiscal Mgmt.	OSBM	40,000	Mandatory Reversion
1121	Human Resources	OSBM	40,000	Mandatory Reversion
1121	Fiscal Mgmt.	Fiscal Mgmt.	302	Longevity Pay for Employees - Not previously budgeted
1122	Human Resources	Human Resources	3,500	Temporary Personnel while recruiting for permanent employee
1122	Human Resources	Human Resources	500	In-Road's Intern from Minority Internship Program
1122	Human Resources	Human Resources	76	Longevity Pay for Employees - Not previously budgeted
1122	Human Resources	Human Resources	686	Longevity Pay for Employees - Not previously budgeted
1230	Non-Public Education	Non-Public Education	4,000	Temporary Personnel necessary to accomplish workload due to growth
1241	Management Information	Management Information	3,031	Longevity Pay for Employees - Not previously budgeted
1241	Management Information	Management Information	1,367	Longevity Pay for Employees - Not previously budgeted
1264	Agency for Public Telec	Agency for Public Telec	20,000	Contracted Employees to provide talent, voice-over, etc for productions
1264	Agency for Public Telec	Agency for Public Telec	17,000	Purchase Media Buy for clients
1264	Agency for Public Telec	Agency for Public Telec	3,180	Temporary Personnel while recruiting for permanent employee
1411	State Construction	State Construction	23,000	Temporary Personnel while recruiting for permanent employee
1411	State Construction Office	State Construction Office	1,957	Longevity Pay for Employees - Not previously budgeted
1421	Facility Management	Non-Public Education	10,000	Temporary Personnel necessary to accomplish workload due to growth
1421	Facility Management	Non-Public Education	10,000	Temporary Personnel necessary to accomplish workload due to growth
1421	Facility Management	Secretary's Office	130,000	Contracted Phase II of the Disparity Study
1511	Purchase and Contract	OSBM	50,000	Mandatory Reversion
1511	Purchase and Contract	Management Information	5,000	Payment of workers compensation claims for employee
1511	Purchase and Contract	Veteran Affairs	15,000	Support short-fall of Scholarship funds for Veteran Affairs
1511	Purchase and Contract	State Capitol Police	43,600	Overtime pay, shift premium pay and holiday pay
1511	Purchase and Contract	Veteran Affairs	23,500	State. Disability payments, Worker compensation payments
1511	Purchase and Contract	Purchase and Contract	4,573	Longevity Pay for Employees - Not previously budgeted
1623	State Capitol Police	State Capitol Police	15,400	Overtime pay for Officers working due to staff shortage
1623	State Capitol Police	State Capitol Police	7,440	Overtime pay for Officers working due to staff shortage
1623	State Capitol Police	State Capitol Police	19,400	Overtime pay for Officers working due to staff shortage
1623	State Capitol Police	State Capitol Police	6,700	Overtime pay for Officers working due to staff shortage
1623	State Capitol Police	State Capitol Police	9,134	Overtime pay for Officers working due to staff shortage
1731	Council for Women	Displaced Homemakers	9,002	Temporary Wages to assist Field Employees
1761	Youth Involvement	Youth Involvement	248	Overtime Pay for Employee
1771	Veteran Affairs	Veteran Affairs	105,000	Support short-fall of Scholarship funds for Veteran Affairs
1771	Veteran Affairs	Veteran Affairs	1,080	Workers Compensation - Medical and Temp. Disability for employee
1771	Veteran Affairs	Veteran Affairs	4,412	Worker Compensation for employee
1781	Domestic Violence	Domestic Violence	900	Longevity Pay for Employees - Not previously budgeted
1810	Board of Ethics	Board of Ethics	1,451	Longevity Pay for Employees - Not previously budgeted
	Approx. Total Lapsed Salaries Used		$641,654	
	Lapsed Salaries Reverted 6/30/04		$380,164	

NC Department of Administration
Use of Lapsed Salaries
Fiscal Year 2004-05

Fund No.	From Agency	To Agency	Lapsod Salaries Used	Justification for Use
1121	Fiscal Management	Fiscal Management	30	Over time pay not previously budgeted
1121	Fiscal Management	Fiscal Management	44	Longevity Pay for Employees - Not previously budgeted
1122	Human Resources	Human Resources	7,200	In-Roads Minority Student Program
1123	Hist. Underutilized Business	His. Underutilized Business	329	Longevity Pay for Employees - Not previously budgeted
1241	Management Information	Management Information	3,900	Longevity Pay for Employees - Not previously budgeted
1241	Management Information	Management Information	4,000	Worker's Compensation -Temporary Disability
1411	State Construction Office	Purchase and Contract	50,000	Reverse Auction Services as per GS 2002-107, Section 3
1411	State Construction Office	State Construction Office	17,000	Temporary Personnel while recruiting for permanent employee
1411	State Construction Office	Non-Public Education	10,000	Temporary Personnel necessary to accomplish workload due to growth
1421	Facility Management	Purchase and Contract	100,000	Reverse Auction Services as per GS 2002-107, Section 3
1421	Facility Management	Commission on St. Property	30,000	Start-up funds for Commission on State Property per 143-737,Section 6.4(b).
1421	Facility Management	Facility Management	45,700	Temporary Personnel while recruiting for permanent employee and Disability Pay.
1511	Purchase and Contract	Purchase and Contract	50,000	Reverse Auction Services as per GS 2002-107, Section 3
1623	State Capitol Police	Purchase and Contract	10,000	Reverse Auction Services as per GS 2002-107, Section 3
1623	State Capitol Police	Purchase and Contract	5,754	Rental Expense on Lease to house E-Procurement Office
1623	State Capitol Police	State Capitol Police	45,100	Overtime pay for Officers working due to staff shortages
1623	State Capitol Police	State Capitol Police	2,000	Unemployment Compensation Payments
1623	State Capitol Police	State Capitol Police	600	Overtime pay for Officers working due to staff shortages
1731	Council for Women	Purchase and Contract	40,000	Reverse Auction Services as per GS 2002-107, Section 3
1731	Council for Women	Council for Women	10,765	Contractual employees to develop Strategic Plan
1741	Human Relations	Purchase and Contract	50,000	Reverse Auction Services as per GS 2002-107, Section 3
1761	Youth Involvement Office	Purchase and Contract	50,000	Reverse Auction Services as per GS 2002-107, Section 3
1761	Youth Involvement Office	Youth Involvement Office	1,526	Overtime pay while recruiting for permanent position , Unemployment payments
1771	Veteran Affairs	Purchase and Contract	50,000	Reverse Auction Services as per GS 2002-107, Section 3
1771	Veteran Affairs	Veteran Affairs	3,200	Temporary Personnel while recruiting for permanent employee
1771	Veteran Affairs	Veteran Affairs	1,500	St. Worker's Compensation Payment and Disability Payment
1771	Veteran Affairs	Veteran Affairs	13,600	Worker's Compensation -Medical Payment
1771	Veteran Affairs	Veteran Affairs	800	State Disability Payments
1771	Veteran Affairs	Veteran Affairs	3,000	Worker's Compensation - Medical and Disability Payments
1810	Board of Ethics	Board of Ethics	1,500	Temporary Personnel while recruiting for permanent employee
1810	Board of Ethics	Board of Ethics	461	Longevity Pay for Employees - Not previously budgeted
1811	Persons with Disabilities	Persons with Disabilities	$24,335	Professional Services for Strategic Planning Consultant for GACPD Redesignation
Projected Use of Lapsed Salaries - Remained of Fiscal Year				
All Funds	All Agencies	Facility Management	200,000	Short fall in Utilities
All Funds	All Agencies	Veteran Affairs	100,000	Short fall in Veteran Affairs Scholarship Funds
All Funds	All Agencies	Commission on St Property	170,000	Start-up funds for Commission on State Property per 143-737,Section 6.4(b).

Use of Lapsed Salaries	$1,102,344
Lapsed Salaries Reverted 6/30/04	$0

NC Department of Administration
Reversions

Fiscal Year 2002-2003

Expenditure Account	Account Title	Amount Reverted
531111-531651	Personnel Services	1,434,489
532110-532942	Purchased Services	2,625,009
533110-533900	Supplies	730,389
534120-534714	Property, Plant & Equipment	300,423
535111-535900	Other Expenses and Adjust	81,358
536810-536981	Aid and Public Assistance	83,804
537128	Reserve	26,042
538010-538990	Intragovernmental Transfers	16,502
	Total Expend. Reversions	5,298,016
432XXX-438990	Revenue	2,133,275
	Net Appropriated Reversion	3,164,741 *

***Note: Mandatory Reversion established by OSBM $2,177,005**

Fiscal Year 2003-2004

Expenditure Account	Expenditure Accounts	Amount Reverted
531111-531651	Personnel Services	737,176
532110-532942	Purchased Services	3,644,407
533110-533900	Supplies	55,060
534120-534714	Property, Plant & Equipment	79,450
535111-535900	Other Expenses and Adjust	131,252
536810-536981	Aid and Public Assistance	183,406
537128	Reserve	10,803
538010-538990	Intragovernmental Transfers	72,475
	Total Expend. Reversions	4,914,029
432XXX-438990	Revenue	2,970,774
	Net Appropriated Reversion	1,943,255 *

***Note: Mandatory Reversion established by OSBM $1,054,764**

Joint Appropriations Subcommittee on General Government
Minutes
March 24, 2005
8:30 am

The Joint Appropriations Subcommittee on General Government met on March 24, 2005. Rep. Alma Adams chaired the meeting.

Rep. Adams called the meeting to order. She welcomed the staff, pages, clerk, agencies and Sgt. At Arms. In addition to Chairman Adams, also present were Reps McLawhorn, Pierce, Goforth, Daughtry, Wilson, and Tucker and Senators Dorsett, Hoyle, Smith and Jacumin. A visitor registration sheet is attached and made a part of the record. Staff present: Marilyn Chism and Kathie Young.

Rep. Adams announced that her office received hundreds of telephone calls and emails about the home schoolers; and she thought it was very unfortunate that misinformation was circulated to those individuals that created that surge of calls. She stated that she doesn't think it helped their situation, and she wanted to say publicly that she was quite annoyed that that was the process used. She asked several of the individuals that called what information they had received and they said that they were told that the committee would be voting on that issue this morning at 8:30am. I think citizens should lobby their members but that was extreme overkill and it just annoyed a lot of people and keeps legislators from doing their work.

She recognized Senator Hoyle. He stated that he was terribly upset by the whole process. He stated that he had people calling from places not even close to his district and if he got anymore phone calls he was going to do everything in his power to put that operation under the department of public instruction. These people have a right to be heard but he received about 8,000 emails. He directed his staff to delete them and now they are emailing back, angry because they are not being read and want to know why their emails are not being answered. This has got to stop.

Rep. Tucker: I'm ready to vote this morning on the issue.

Rep. Adams: I told them to call the Governor's office because the recommendation came from him.

Rep. McLawhorn: I agree with everything that has been said. It has been truly annoying. One suggestion, if someone wants to be affective, they need to call or contact their local representative or senator. Whoever sent that message out has done a real disservice to their cause.

Rep. Adams: I'm told it was the North Carolina Association of Home Schoolers. I understand that this came from the discussion of this committee yesterday (March 23.) I believe there was a question raised by Senator Smith about whether what he heard was

true and the Secretary responded and said that the Governor had made that recommendation. That recommendation did not necessarily come from the Department of Administration but it is in the Governors budget and so I tried to explain that to the people I talked to.

Rep. Adams introduced Mr. Mckinley Wooten from the Department of Administration. This is the conclusion of the presentation from the Department of Administration that deals with internal services and programs. He directed all to page 91 in the handouts. As a point of overview, over the last two sessions we have talked about the Department of Administration as the business manager for state government as well as a part of the core of the infrastructure of the state government.

Facility Management Division provides maintenance and repair services to 150 buildings, not all of which are within the state government complex. We also do maintenance for the Museum of Art on Blue Ridge road, as well as the State Highway Patrol training center on Garner road. Services include minor new construction, renovation, and carpentry, landscaping as well-being the contract administrator for all our janitorial contracts. Over the last nine years we've had a preventive maintenance program. Over the past four years the major cuts in the Department of Administration have been in the Department of Facility Management.

The primary purpose of the Management Information Systems (MIS) Division, page 99, is to provide automation support for all the agencies within the Department of Administration. This includes computer programming and PC/LAN technical support.

Sen. Smith: I have a question about facility management. I notice that your budget goes up about $2 million and you've got the same number of positions. Can you explain?

Answer: Higher utility costs accounts for the increase. We're going to struggle to finish out this fiscal year and have enough to pay for our utilities but I promise you we will keep the lights on.

Sen.Cowell: State Energy Office is working to reduce utilities within the energy savings program; does that flow through your department? Do you see those savings?

Answer: These two departments do work collaboratively in as much as the energy office deals with large programming.

State Capitol Police division provides law enforcement services and security for the 23,000 employees in the state government complex and the thousands of visitors who come every day. We have 56 sworn officers, 6 non-sworn property guards, 4 telecommunicators and then a couple of other civilian positions. This is the point agency for Home Land Security for the government complex. State Capitol Police is also responsible for investigating any crimes that take place within government buildings. Just last year we have recovered about $50,000 worth of stolen state property.

Question: Rep. Lucas: Are there any plans to provide scrutiny or surveillance to the front entrances of the Legislative building?

Answer: The legislature has its own law enforcement segment that takes care of that. State Capitol Police always assists at their request, but any security or surveillance of that building is taken care of by them.

Follow up: You have not intentions at this time to be involved in that function for the general assembly.

Answer: Unless requested, then we would be more than happy to.

Rep. Goforth: On page 107 you show you are increasing by about 70 police.

Answer: We had a security study done right after 911 and one of the things we found was that the surveyor suggested that law enforcement within the complex should be done in one central place as opposed to – at that time – the legislature had it own law enforcement, cultural resources had its own law enforcement, and what we did over the last 6-8 months was to consume the cultural resources law enforcement arm. So they now fall under State Capitol Police.

Follow up: Rep. Goforth: And you only increased the budget $13,000? I don't understand how you can get 7 employees for $13,000, if I read that off

Answer: I will refer to our Chief Fiscal Officer with regards to that.
Answer: Their dollars came with them. It was a transfer of the position so the budget office transferred the dollars that cultural resources was planned to paying their employees to the department of Administration. We are more than happy to provide you information specific to that transfer.

State Parking Systems, page 108; no appropriated funding is used to fund this division. All of these positions are supported through the receipts of employees who pay for monthly parking here in the government complex. They administer over 8200 parking spaces here.

Sen. Brock: Are there any more thought of consolidation with the general assembly security or any other division of the state?

Answer: Our move to bring the cultural resources security under the arm of the Department of Administration is a start. The security surveyor said that law enforcement is done best when centrally localized.

The advocacy programs of the department.

North Carolina Commission of Indian Affairs. North Carolina is the home to 99,951 Native Americans. North Carolina has the largest Native American population east of the

Mississippi and is the sixth in the nation as far as population size. We have eight state recognized tribes in North Carolina one federally recognized tribe, which is the eastern ban of Cherokee. He outlined several programs that are administered through the Commission on Indian Affairs including the Educational talent search program, Workforce investment program and their focus on health care.

Council for Women and Domestic Violence Commission. Displaced Homemakers programs originated with women who through divorce or death of spouse were left to provide for themselves and did not have adequate job training and so these programs were birthed. However, today these programs are not just for women. There are men that are served. The focus of these programs is basically job training and getting people on their feet. There are 4,609 clients that were served through displaced homemaker programs throughout the state and of those folks, 758 of them received full-time jobs, 468 received part-time jobs, and of those numbers 39 of those were disabled. These programs are making a real difference.

Also the Council for Women and Domestic Violence Commission administers programs that go directly to the domestic violence shelters throughout this state. 45,211 clients were served in domestic violence shelters in this state during the last fiscal year. There were 94,000 crisis calls that came through these programs. There were also 7, 265 clients who were served through sexual assault programs last year in this state. Rep. McLawhorn served as one of the co-chairs of the House Select Committee on Domestic Violence and last year we had an omnibus bill that passed that strengthened domestic violence laws.

Rep. Adams: We initially called it the "women's work fund". I am curious about the numbers. Do you have a gender breakdown of those numbers?

Answer: Of the 4,609 clients that were seen through displaced homemakers programs, 4,537 were female and 72 were male. There 2,002 that were white, 1,973 that were black, 184 that were Hispanic, 273 that were Native American, 30 that were Asian, and the other 69 were unknown.

He turned attention to page 129, the Governor's Advocacy Council for Persons with Disabilities (GACPD.) GACPD is the protection and advocacy agency for North Carolina. The federal government requires that each state has an agency dedicated to the rights of persons with disabilities. In this state there are about 1.6 million persons who live with disabilities, which is 21.5% of our population. The Governor's Advocacy Council does work in advocating for persons with disabilities even if it means filing legal action.

Question: Rep. Pierce: There is a case in my district where a child is having problems in school and this has happened repeatedly for this child. He has a case worker from the State but I don't understand why there's no progress on this case.

Answer: The challenge becomes one in which children that have a disability often act out and have behaviors that in the school can at times be disruptive. And what happens is that the school system has to be prepared to deal with these students within its own setting as opposed to saying that this is a disciplinary problem that we have to remove. Of course, we all agree that the education process of the other children can not be hindered, but at the same time, it is important for schools to be in position to deal with students who have disabilities because if we don't, we run the risk of having these children ostracized and put in a place that the real education value gets lost.

Question: Rep. Goforth. How long has the executive director position been vacant?

Answer: That position has been vacant for at least a year. We have an assistant director who has served as the interim director during that time. One of the issues taking place in the disability community right now is the issue of whether they should leave state government and go to a non profit organization. There is a move afoot; in certain segments of the disability community that say in order for this division to advocate freely they should not be housed within the Department of Administration. They have lobbied the Governor's office heavily and that is why there has been no real thrust to hire an executive director.

Question: Rep. Goforth: I notice that you have another 5 vacancies. Is that for the same reason?

Answer: It is hard to keep folks when this issue is lurking because in some folks mind, if the Governor decides to move this division to a non profit, the reality is that these positions have to be rifted.

North Carolina Human Relations Commission, page 136. The Human Relations Commission administers and enforces the State Fair Housing Act through the investigation, mediation and litigation of fair housing cases. There are hate crimes still happening in North Carolina and this Commission is equipped to go throughout the state to train local communities so when these hate crimes do take place, that there are folk in a local community who can come together to address them and not necessarily have all of the addressed here in Raleigh. This division also has provided diversity training and has investigated approximately 100 fair housing complaints during the last fiscal year.

Youth Advocacy and Involvement Office is a central point of coordination for several different youth organizations throughout the state and a part of this office, also is advocacy. Also a part of this office is a SADD program, Students Against Destructive Decisions. The Youth Legislative Assembly has students from around the state come together for three days and participates in a mock general assembly. The State Government Internship Program is administered for college, graduate and law students. There are 75 positions available. The general assembly voted to increase the stipend for these interns last year.

Rep. Adams: How are the internships advertised?

Answer: The internship coordinator not only sends information to each college. Because the number of African American applicants was low, the internship coordinator went specifically to the HBCUs in the state and gave information at different forums to make sure the students were aware of the opportunity.

Rep. Adams: I would like to say that I think we could learn a lot from these young people. They have made some good decisions and have some good debate. We need to form a group called LADD. Legislators Against Destructive Decisions.

The committee will meet on Monday at 4:00pm to begin review of the zero-based budgeting.

The meeting was adjourned at 10:00 a.m.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 24, 2005
Room 425
8:30 a.m.

Chairman: Representative Alma Adams

Department of Administration

Internal Services and Programs

- Facility Management
  (Notebook pp. 89-90; 2005-07 Recommended Cont. Budget pp. B 278 – B 280)

- Management Information System
  (Notebook pp. 91-98; 2005-07 Recommended Cont. Budget pp. B 266 – B 267)

- State Capitol Police
  (Notebook pp. 103-107; 2005-07 Recommended Cont. Budget pp. B 284 – B 286)

- State Parking Systems
  (Notebook pp. 108-112; 2005-07 Recommended Cont. Budget pp. B 381 – B 382)

- NC Commission of Indian Affairs
  (Notebook pp. 113-121; 2005-07 Recommended Cont. Budget pp. B 313 – B 314)

- Council for Women and Domestic Violence Commission
  (Notebook pp. 122-128; 2005-07 Recommended Cont. Budget pp. B 287 – B 292, B 304 – B 306)

- Governor's Advocacy Council for Persons with Disabilities
  (Notebook pp. 129-135; 2005-07 Recommended Cont. Budget pp. B 310 – B 311)

- NC Human Relations Commission
  (Notebook pp. 136-140; 2005-07 Recommended Cont. Budget pp. B 293 – B 296)

- Youth Advocacy and Involvement Office
  (Notebook pp. 141-145; 2005-07 Recommended Cont. Budget pp. B 297 – B 298)

McKinley Wooten, Jr.
Deputy Secretary for Internal Services and Programs

VISITOR REGISTRATION SHEET

APPROPRIATIONS Subcommittee on General Government Date: 3-24-05

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Mari Fitz-Wynn	NCHE
HAL YOUNG	NCHE
Wayne Lewis	NCHE
Elaine Barnes	DOA
George Millsaps	DOA
[illegible]	DOA
McKinley Wooten, Jr.	DOA
Steve Gloidis	None
David Brown	OSBM
Greg Piner	OSBM
Karl Burgess	OSBM
Rep Bumgardner	NC LEG.
Tom TAAFFE	NCAIS
Roxane Premont	Durham Home Schoolgroup
Julian Mann	OAH

House Pages

Name Of Committee: _____ Date: March 24

1. Name: Hallie Hulse
   County: Wayne
   Sponsor: Rep Pate
2. Name: Geoff Thompson
   County: Moore
   Sponsor: Rep. Morgan
3. Name: Brantly Braswell
   County: Wake
   Sponsor: Sen. Basnight
4. Name: Bethine Thornton
   County: Wake
   Sponsor: Sen. Malone
5. Name: Hunter Story
   County: Halifax
   Sponsor: Senator Basnight

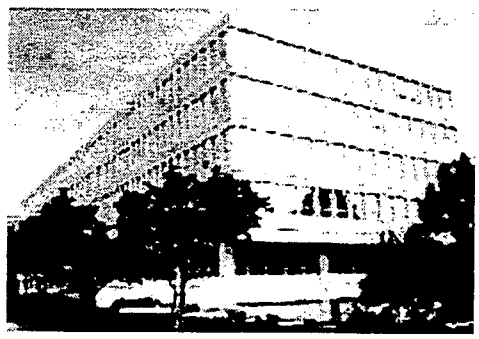
Name: Morgan Skilton
County: Halifax
sponsor: Senator Basnight

Sgt-At-Arms

1. Name: Richard Telphan
2. Name: Leslie Wright
3. Name: Martha Padrick
4. Name: _____
5. Name: _____

State of North Carolina
Department of Administration

Gwynn T. Swinson
Secretary



JOINT APPROPRIATIONS GENERAL GOVERNMENT SUBCOMMITTEE

A Departmental Review Presented to the
North Carolina General Assembly

February 2005

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DEPUTY SECRETARY FOR INTERNAL SERVICES AND PROGRAMS

McKinley Wooten

Commission of Indian Affairs

Council for Women

Domestic Violence Commission

Facility Management

Governor's Advocacy Council for Persons with Disabilities

Human Relations Commission

Management Information Systems

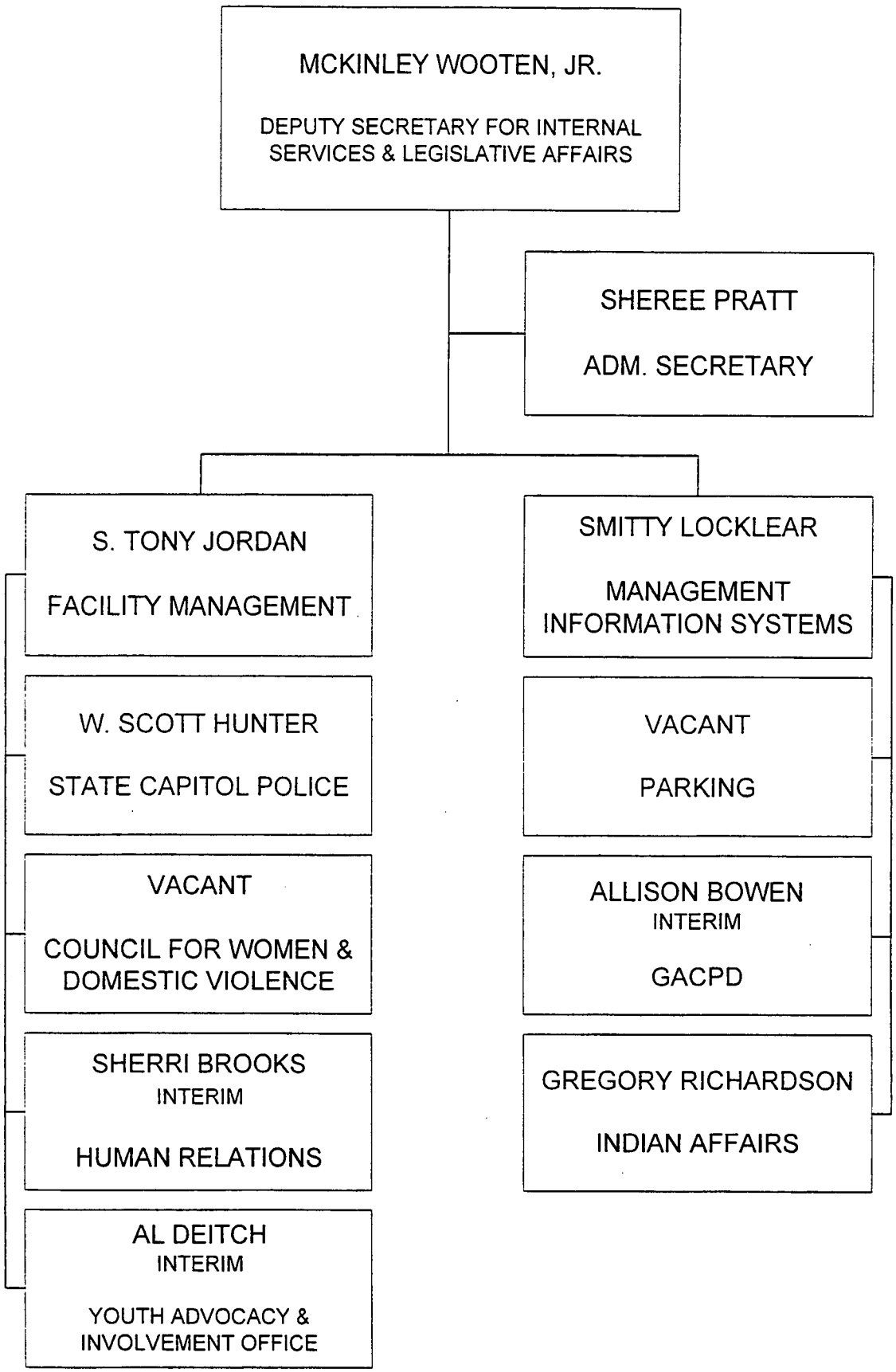
State Capitol Police

State Parking Office

Youth Advocacy and Involvement Office

DEPARTMENT OF ADMINISTRATION
DEPUTY SECRETARY FOR
SERVICES AND LEGISLATIVE AFFAIRS
REVISED 02/2005

DEPT. HEAD: GWYNN T. SWINSON



FACILITY MANAGEMENT DIVISION

Program Overview

Facility Management Division (FMD) provides maintenance and repair services to the state government complex and other facilities in outlying areas, such as the Highway Patrol and SBI complexes on Garner Road, the Museum of Art complex on Blue Ridge Road and, the James K. Polk Building in Charlotte. Services include minor new construction, renovation, carpentry, painting, housekeeping, steam plant operation, HVAC, electrical, plumbing, welding, elevator maintenance, card access systems, closed-circuit television systems, lock shop operations, fire and pest services. Maintenance to the Capitol complex parking facilities, which includes snow and ice removal in the winter, is included in the function of FMD.

Accomplishments

FMD is continuing its preventative maintenance program that has been in place since April 1, 1995. This program involves the maintenance and repair of 146 buildings and over 3064 pieces of equipment. Over the last five years there have been fewer breakdowns of equipment resulting in significant savings. In the Program Statistics report, maintenance costs have been sustained as follows:

1996-97	. 41 cents per square foot
1997-98	. 35 cents per square foot
1998-99	. 30 cents per square foot
1999-00	. 40 cents per square foot (attributed to replacing two chillers
2000-01	. 26 cents per square foot
2001-02	.23 cents per square foot
2002-03	.25 cents per square foot
2003-04	.26 cents per square foot

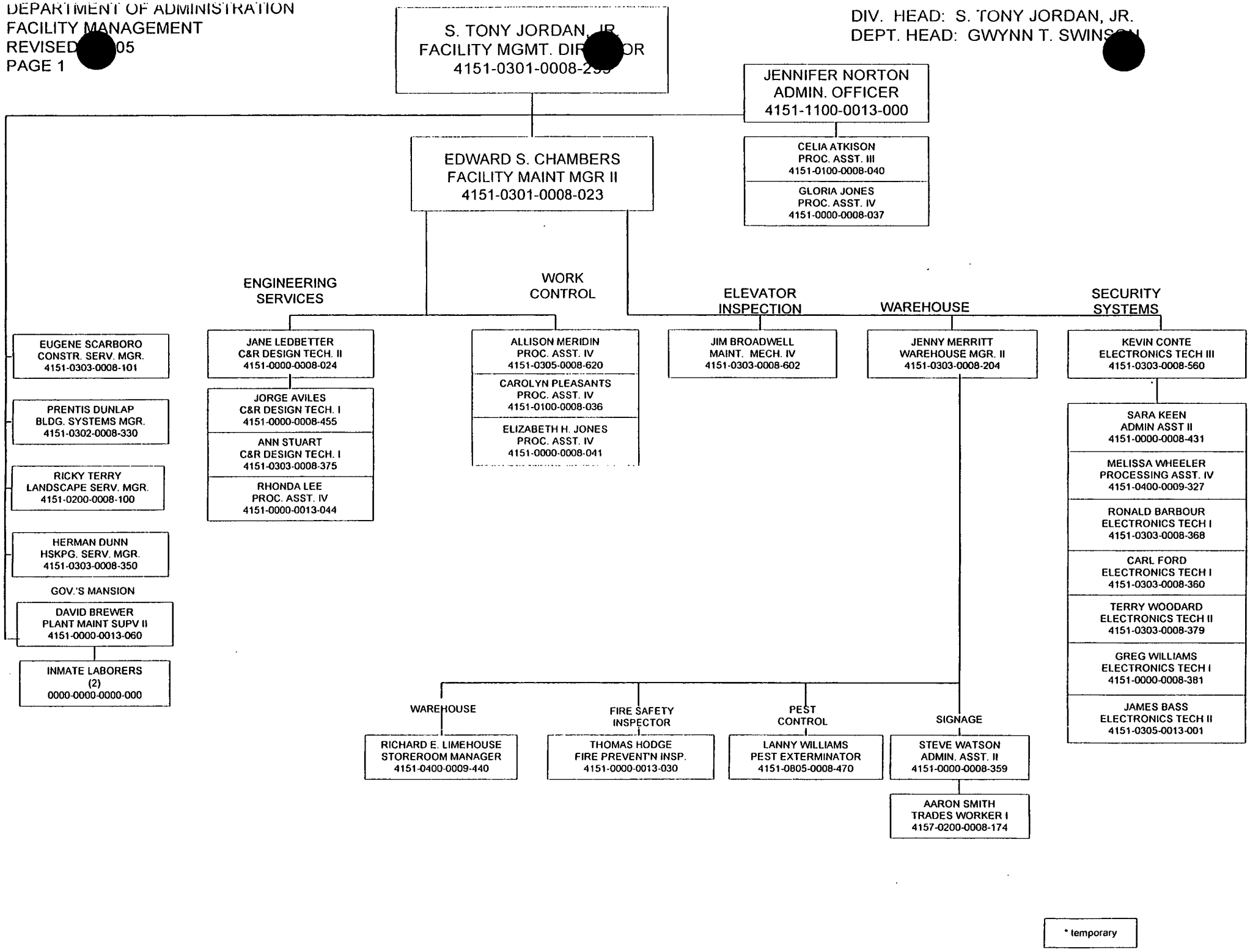
Energy cost increases have been kept to a minimum despite rising energy costs as follows:

1996-97	1.55 dollars per square foot
1997-98	1.68 dollars per square foot
1998-99	1.53 dollars per square foot
1999-00	1.41 dollars per square foot
2000-01	1.76 dollars per square foot (spike in natural gas prices)
2001-02	1.45 dollars per square foot
2002-03	1.59 dollars per square foot
2003-04	1.63 dollars per square foot

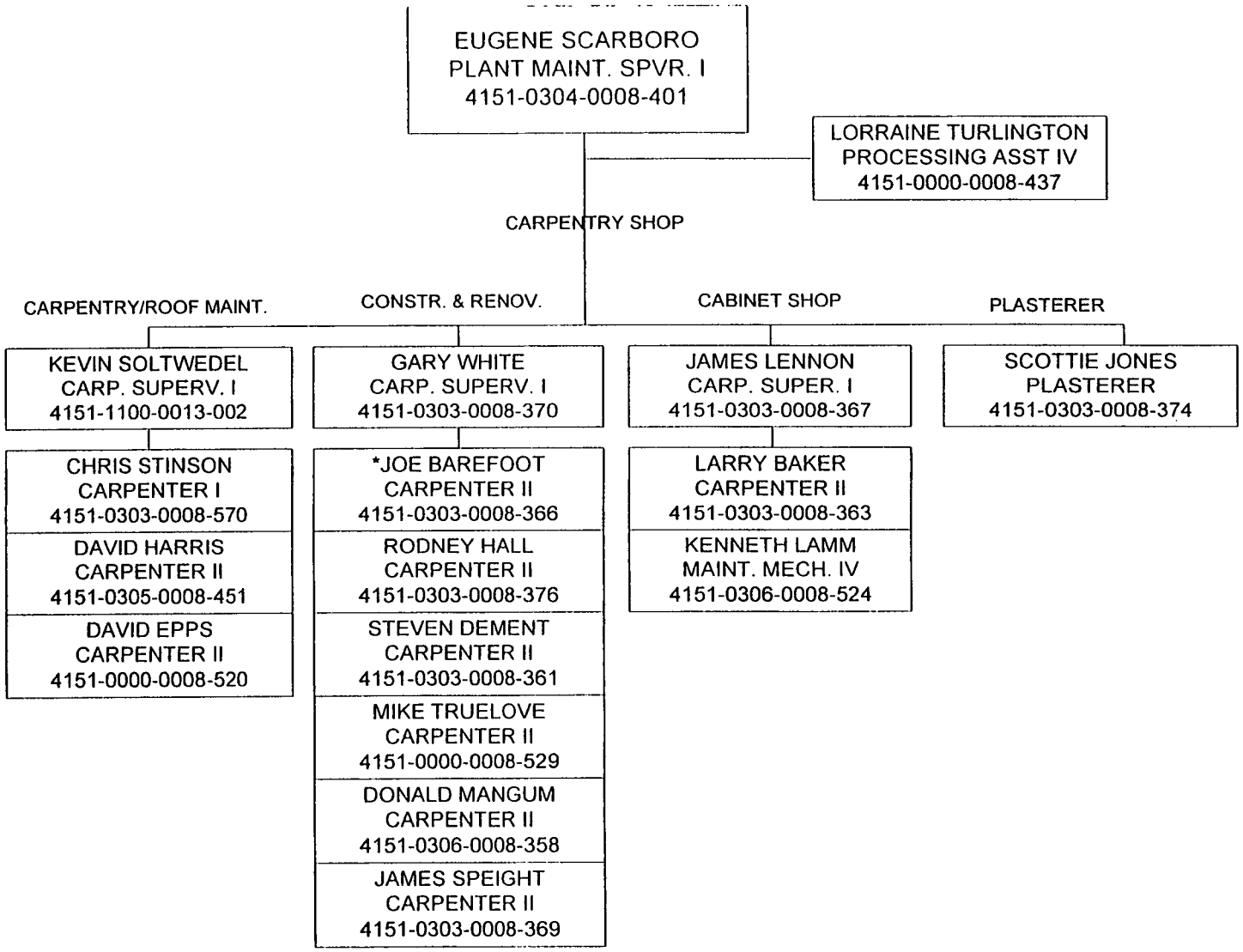
Energy costs can be further reduced through the reduction of lighting costs in buildings in the state government complex as well as through the installation of more energy efficient equipment.

DEPARTMENT OF ADMINISTRATION
FACILITY MANAGEMENT
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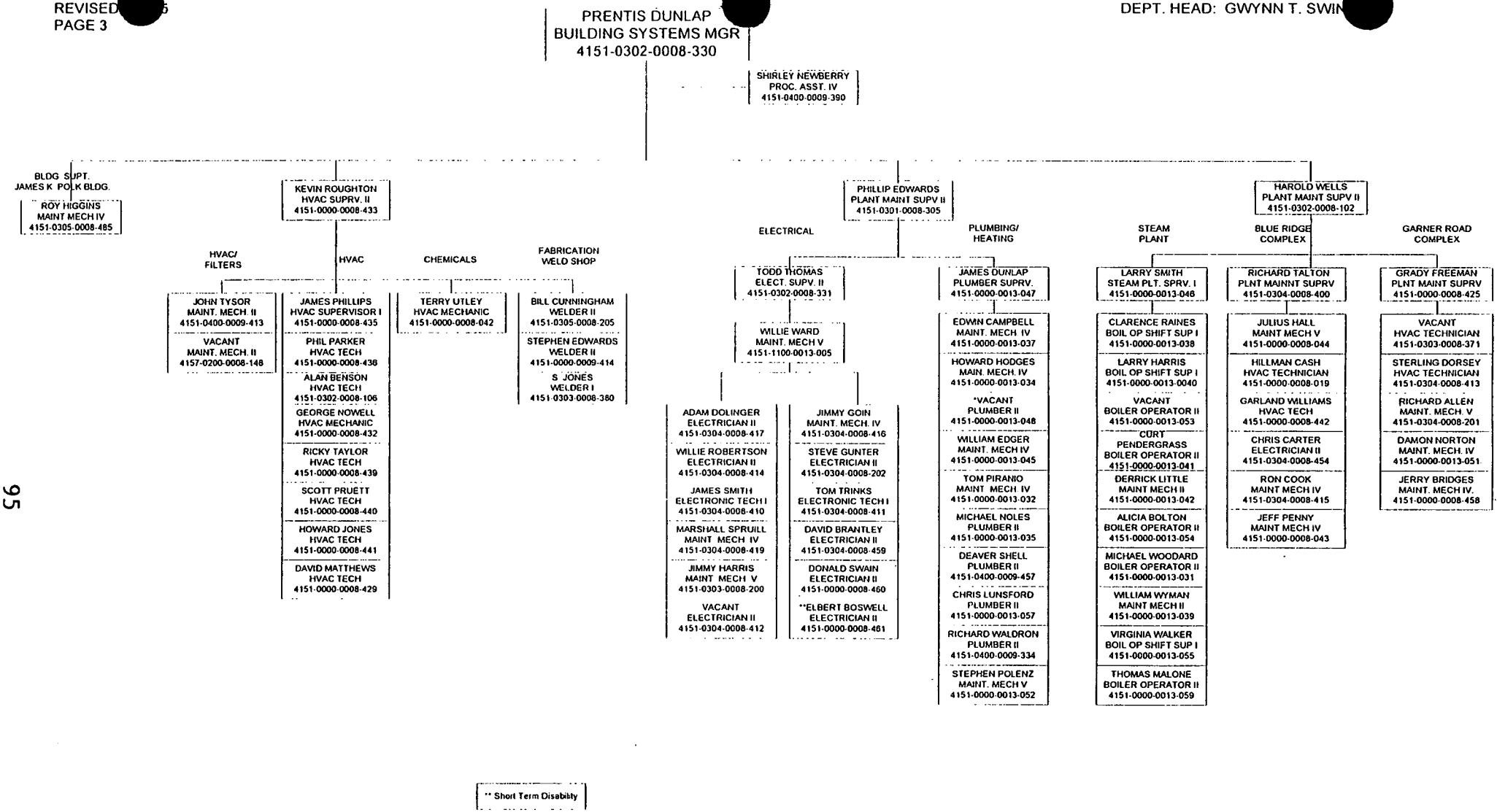
DIV. HEAD: S. TONY JORDAN, JR.
DEPT. HEAD: GWYNN T. SWINS[redacted]



DIV. HEAD: S. TONY JORDAN, JR.
DEPT. HEAD: GWYNN T. SWINSON

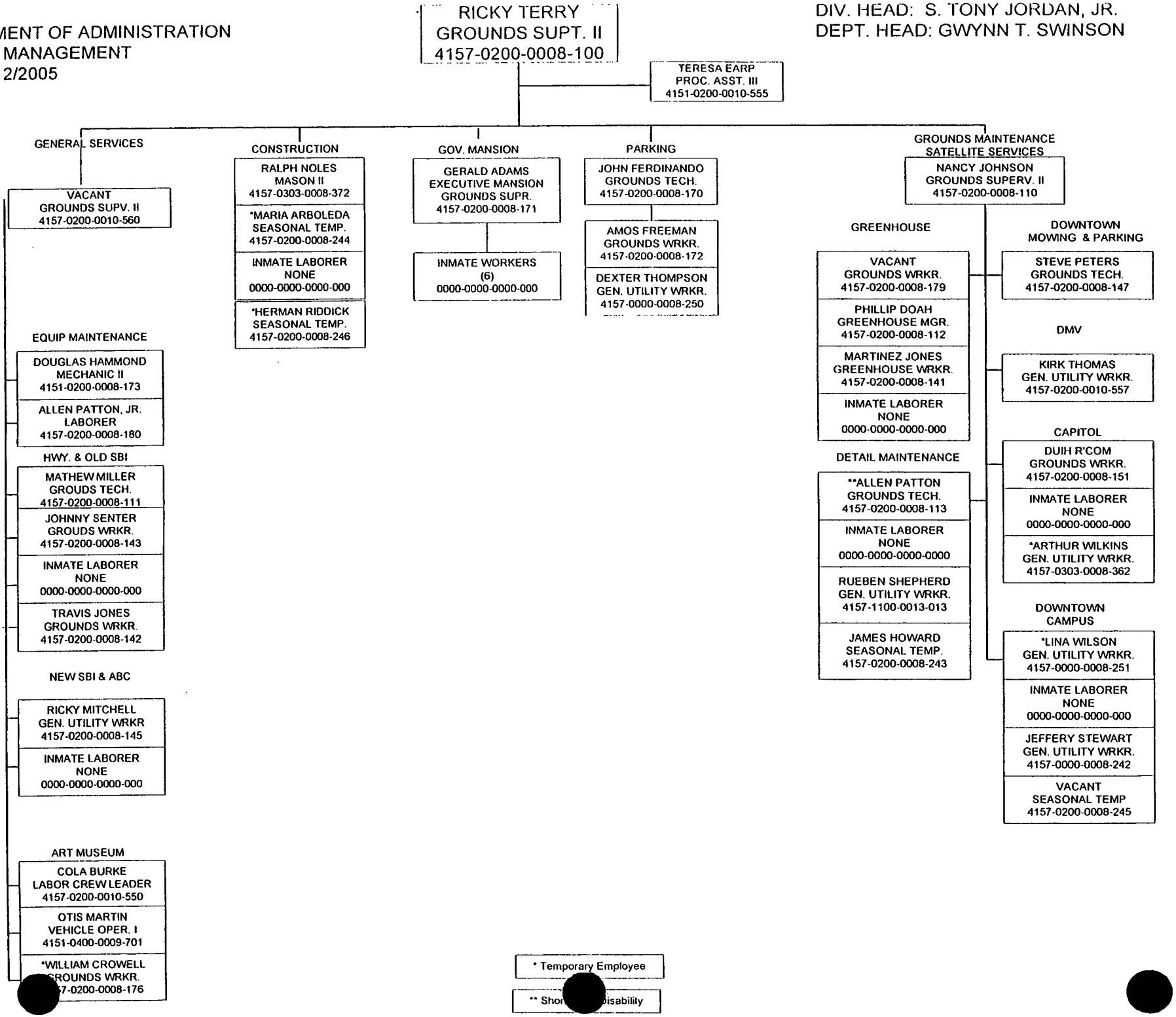


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DEPT. HEAD: GWYNN T. SWIN[redacted]



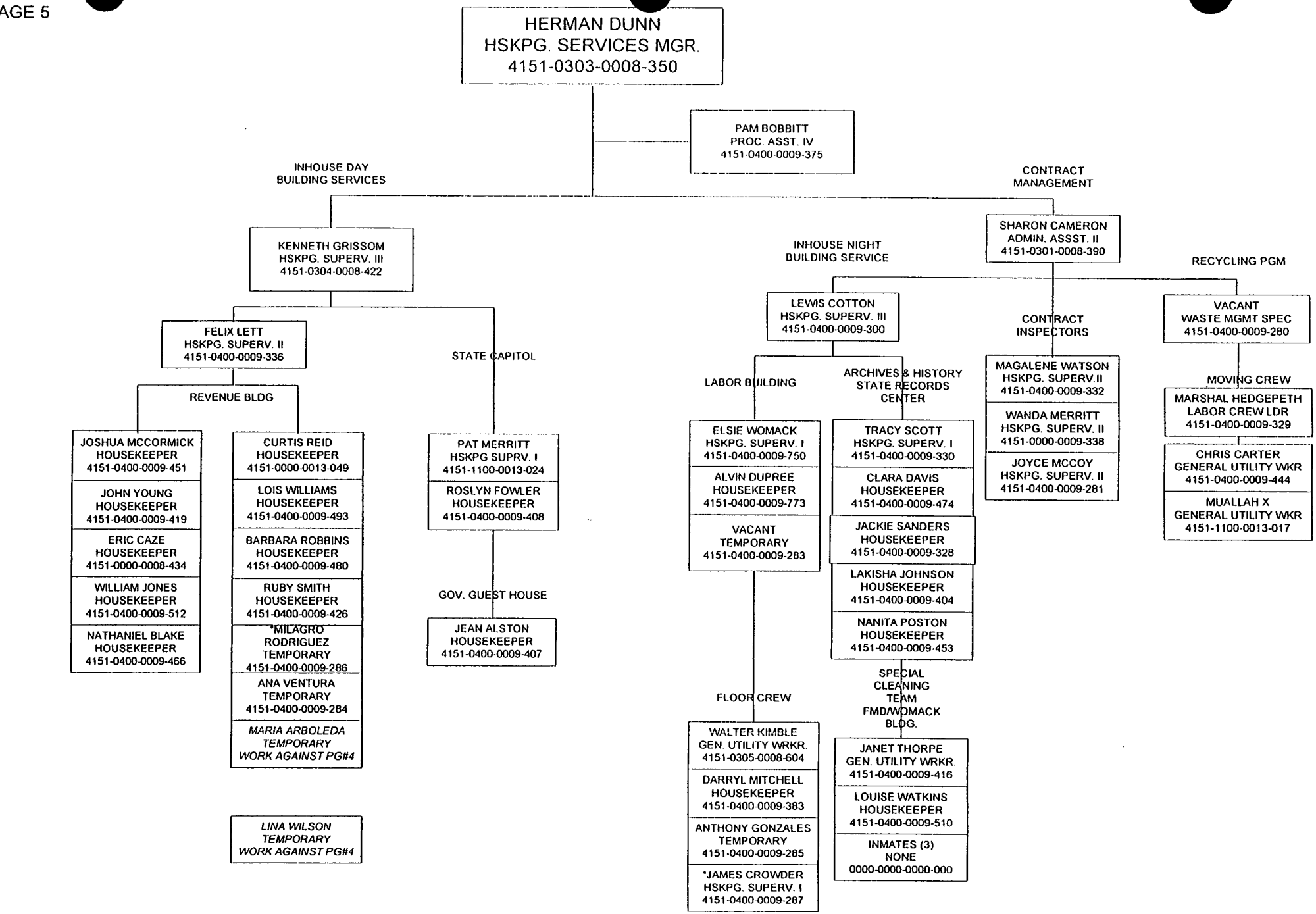
DEPARTMENT OF ADMINISTRATION
FACILITY MANAGEMENT
REVISED 2/2005
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DEPT. HEAD: GWYNN T. SWINSON



DIV. HEAD: S. TONY JORDAN, JR.
DEPT. HEAD: GWYNN T. SWINSON

BUILDING SERVICES



** = SHORT TERM
* = TEMPORARY

DOA - Facility Management
FUND 1421
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$20,884,690	$21,259,991	$23,419,615	$23,666,565
Total Estimated Receipts	$3,494,591	$3,275,691	$3,313,731	$3,313,731
Net Appropriations	$17,390,099	$ 17,984,100	$20,105,884	$20,352,834
Number of Positions	180.00	179.00	179.00	179.00

Notes:

38% of Budgeted Funds Appropriated is Personnel Cost

42% of Budgeted Appropriations is "Pass Through" Monies for Utilities (Electric, Gas, Fuel Oil and Water)

9% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

MANAGEMENT INFORMATION SYSTEMS

Program Overview

Division Mission

The primary purpose of the Management Information Systems (MIS) Division is to provide automation support for all the agencies within the Department of Administration. This includes computer programming and PC/LAN technical support. MIS has two sections that provide these services.

Systems Development Section

This section of MIS provides analysis and computer programming for the department. They provide analysis of an agency's business processes for the purpose of defining business requirements that will enable an agency to be more efficient or reduce administrative costs. Based on the business requirements, they will make recommendations for an off the shelf software solution or design and develop a customized computer system that meets their business needs. This section supports several automated systems that are core to the department such as accounts receivables, accounts payables, leave, inventory, case tracking, and bid advertisements.

Technical Services Section

This section of MIS provides technical support for computer hardware and software purchased within the department. They install and configure new computer hardware and software, relocate existing hardware, upgrade computer hardware and software, and troubleshoot and repair said equipment. Computer hardware includes PC's, laptops, printers, servers, switches, firewalls, and hubs. These various hardware components along with computer software and wiring constitute our Local Area Networks (LAN). They also have the responsibility of Internet connectivity via ITS for these LAN's. This section also has the responsibility of securing the department's LAN's from cyber attacks as well as recovering from disasters. They provide access to computer systems developed by the Systems Development Section as well as other crucial systems located outside of the department.

Accomplishments

State Surplus System

MIS has implemented a new statewide computer system for the State Surplus Agency. This is a customized web based computer system that was developed internally. The development of this system included re-engineering their business processes by the use of new computer programming technology. The new system made the state surplus process more efficient by allowing agencies to enter their own inventory and automating the internal review. This replaced the paper form process that took more time to deliver and decreased the length of time from surplus to sale as well as reduced the cost of printing bids. Additional time saving measures were state surplus staff not having to manually post bids to the Internet as well as agencies being able to run their own reports and track the status of their surplus in real time. Many internal processes were automated such as integrated accounts payable and account receivable systems as well as an inventory tracking system.

Senate Bill 914

MIS was assigned the task of automating many of the tracking requirements of Senate Bill 914. A new web based system was designed, developed, and implemented named HUBSCO. The system allows entities receiving state funds for construction projects to report HUB participation in each project. The data entered from the entities are used by the State HUB Office to produce compliance reports for various purposes.

Another web-based system within the department (IPS/Vendor Link) was modified to advertise Construction Projects. This will give HUB Construction Contractors the ability to be notified of bid opportunities.

Infrastructure

MIS has made several infrastructure upgrades as it relates to computer hardware, software, and standards. Over the past two years, MIS has replaced or upgraded servers, PC's, printers, switches, and installed new standardized software versions. This has been required in order to keep with State standards as well as provide better security protection. Some of our business requirements have changed that required updates to computer hardware and software. The manufacturer of some software had stopped supporting certain versions, making it a security risk for cyber terrorism.

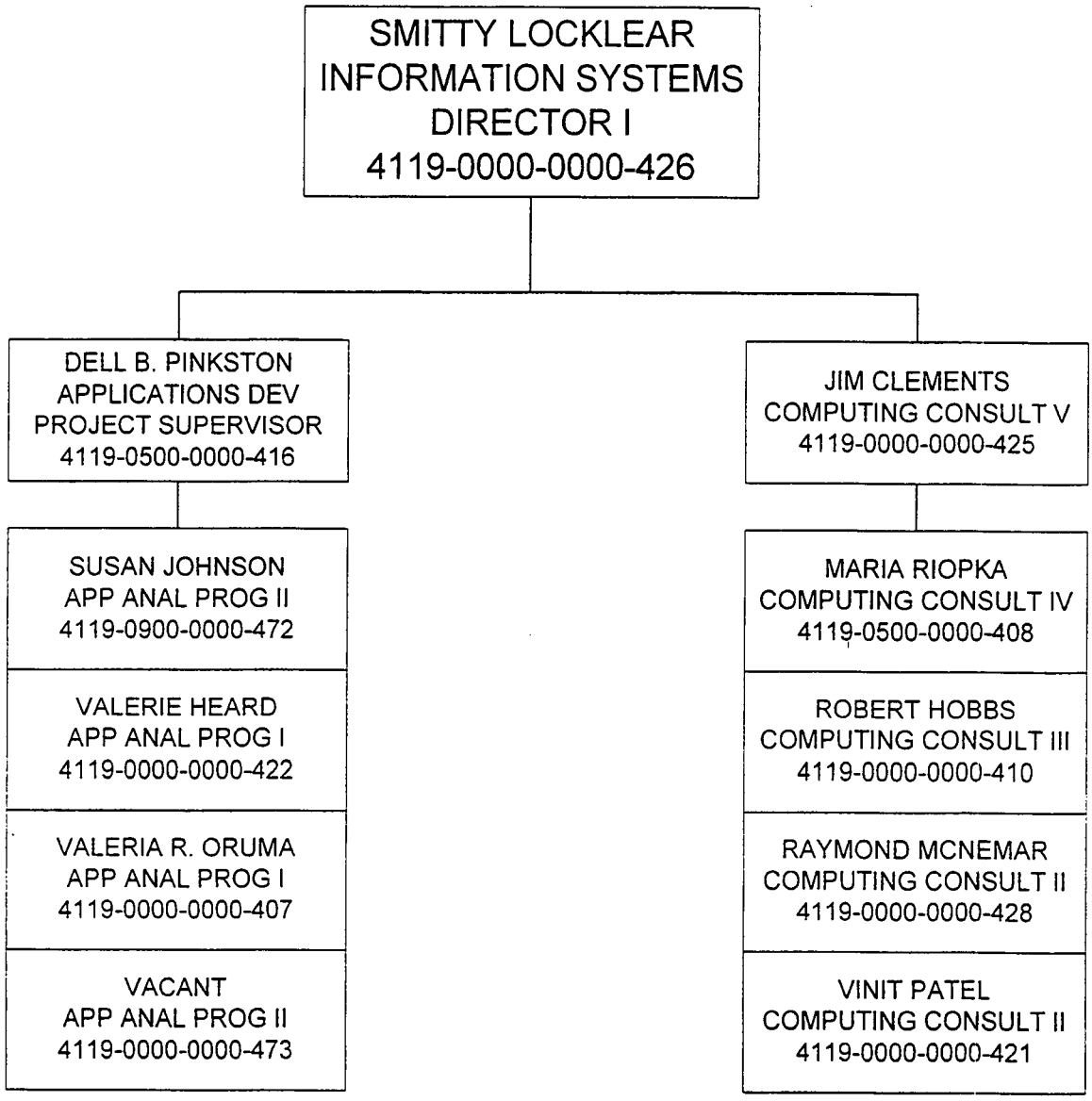
New Initiatives

The MIS division is currently designing a new web based computer system to replace a 27-year-old Motor Fleet Management mainframe system. The new system will reduce operational costs, increase efficiencies, and provide better management tools and reports to help forecast the timely sale and purchase of Motor Fleet vehicles.

In conjunction with Senate Bill 991, MIS is looking at what efficiencies and cost savings can be made by proposing Information Technology changes within the department. Consolidation of departmental IT resources is being considered in order to implement technology in a more consistent, efficient, and cost effective manner.

DEPARTMENT OF ADMINISTRATION
MANAGEMENT INFORMATION SYSTEMS
REVISED 02/2005

DIV. HEAD: SMITTY LOCKLEAR
DEPT. HEAD: GWYNN T. SWINSON



DOA - Management Information Systems
FUND 1241
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$784,018	$782,477	$820,410	$790,410
Total Estimated Receipts	$133,855	$166,844	$168,065	$168,065
Net Appropriations	$650,163	$ 615,633	$652,345	$622,345
Number of Positions	10.00	11.00	11.00	11.00

Notes:

92% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

8% of Budgeted Appropriations is Operating Expenses

100% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

73% of Budgeted Positions is Supported from Appropriation

27% of Budgeted Positions is Supported from Receipts

STATE CAPITOL POLICE

Program Overview

The State Capitol Police Division (SCP), a law enforcement agency with police powers throughout Raleigh and state property in Wake County, provides security and property protection for state government facilities in Raleigh and other areas of Wake County. The division serves as the operations unit during the implementation of the Homeland Security Critical Infrastructure Security Plan, protects state employees and visitors; secures state-owned property; conducts video surveillance throughout the governmental complex, provides security for demonstrations, inaugurations, prison executions, personnel hearings; conducts targeted enforcement, education and awareness campaigns, assists visitors to state facilities; investigates crimes committed on state property; and monitors burglar and fire alarm systems statewide.

The mission statement and core values of the State Capitol Police are stated below.

> "We the members of the North Carolina State Capitol Police shall ensure that public officials, state employees and visitors in the Capitol and other state owned buildings and facilities are provided a reasonably safe and secure environment. This will be accomplished by upholding the laws of North Carolina, the United States Constitution and through a staff of highly professional law enforcement officers, security officers and support staff. We adhere to the principles of integrity, professionalism, respect and fairness."

The General Statute that governs our jurisdiction is G.S. 143-340(21). "To serve as a special police officer and in that capacity to have the same power of arrest as the police officers of the City of Raleigh. Such authority may be exercised within the same territorial jurisdiction as exercised by the police officers of the City of Raleigh, and in addition thereto the authority of a deputy sheriff may be exercised on property owned, leased or maintained by the State located in the County of Wake."

Accomplishments

The State Capitol Police Division, since July 2003, has been under new leadership. The Division has experienced a renewed vision and expanded its scope of services, professionalism and interagency cooperation. The Division's reorganization and new direction clearly reflects the needs of State government and the State Capitol Police Division. The Division is now fully staffed and many accomplishments have been realized 2004.

In calendar year 2004 the State Capitol Police increased its diligence and efforts to prevent crime in the governmental complex. As reported by the NC State Bureau of Investigations, the State Capitol Police investigated the following crimes:

- Aggravated Assault (2)
- Burglary (10)
- Larceny (56)
- Motor Vehicle Theft (1)
- Simple Assault (2)

2004 State Capitol Police Division Crime Analysis Statistics reflect the following criminal activity investigated agency personnel:

- Bomb Threat (2)
- Breaking & Entering – Building (13)
- Breaking & Entering – Vehicle (16)
- Communicating Threats (19)
- Trespassing (24)
- Embezzlement (6)
- Larceny (69)
- Motor Vehicle Collision (151)
- DWI Arrest (46)
- Drug Violation (14)
- Citations Issued (599)

During the post 9/11 era, the State Capitol Police Division has increased preventive patrols, increased officer anti-terrorism awareness training, implemented the frequent use of law enforcement conference calls for information sharing, established an explosives detection canine unit, and provided bomb and other explosives sweeps of government facilities and venues used by state employees, elected officials and local, state, federal and international dignitaries. As the front line of defense against acts of terror within the governmental complex, the State Capitol Police Division has established an effective and open line of communications with the NC Office of Homeland Security and its Director, Secretary Bryan E. Beatty. Likewise, the division has established itself as a leader in homeland security efforts in the governmental complex and in doing so has partnered with NC Emergency Management Division in strategic planning and response to critical incidents occurring in and around the complex. All sworn law enforcement personnel of the division have been trained in Rapid Deployment to equip them to handle active shooters and terrorist situations. The State Capitol Police remains the only State law enforcement agency providing service and assistance for the State Government Complex, 24 hours a day, and seven days a week. Additionally, the agency's Communication Center handled more than 12, 000 calls for service for fire, mechanical, and burglar alarms for a variety of State government facilities throughout North Carolina. In addition to the numerous tasks performed by communications personnel, more than 900 security alarm accounts are monitored 24 hours per day via a comprehensive Phoenix Alarm System managed by the Division of Facility Management.

The State Capitol Police Division has three sections, which operate with a variety of programs.

The Patrol Section provides routine patrol and response to emergencies and calls for police services, requests for assistance, conducts building security checks, and investigates suspected unauthorized entries, personal protection during personnel hearings; protection of State monies in transit (such as DMV fee collection); to executive protection for dignitaries visiting the State government complex.

The Executive Protection Section provides law enforcement services and security in critical State buildings. These are stationary assignments in which on-site law enforcement services, police protection and security are provided to our State Capitol, state dignitaries, employees, and site visitors.

The Investigations Section is dedicated to services, which encompass crime prevention programs to State government employees, Divisions and Departments. The section also provides security assessments for State offices and is responsible for investigating crimes such as breaking and entering, larcenies, or other criminal offenses involving state property or state employees. Interviews are conducted with victims and witnesses, to obtain information pertaining to crimes and arrests are made in connection with violations of the law.

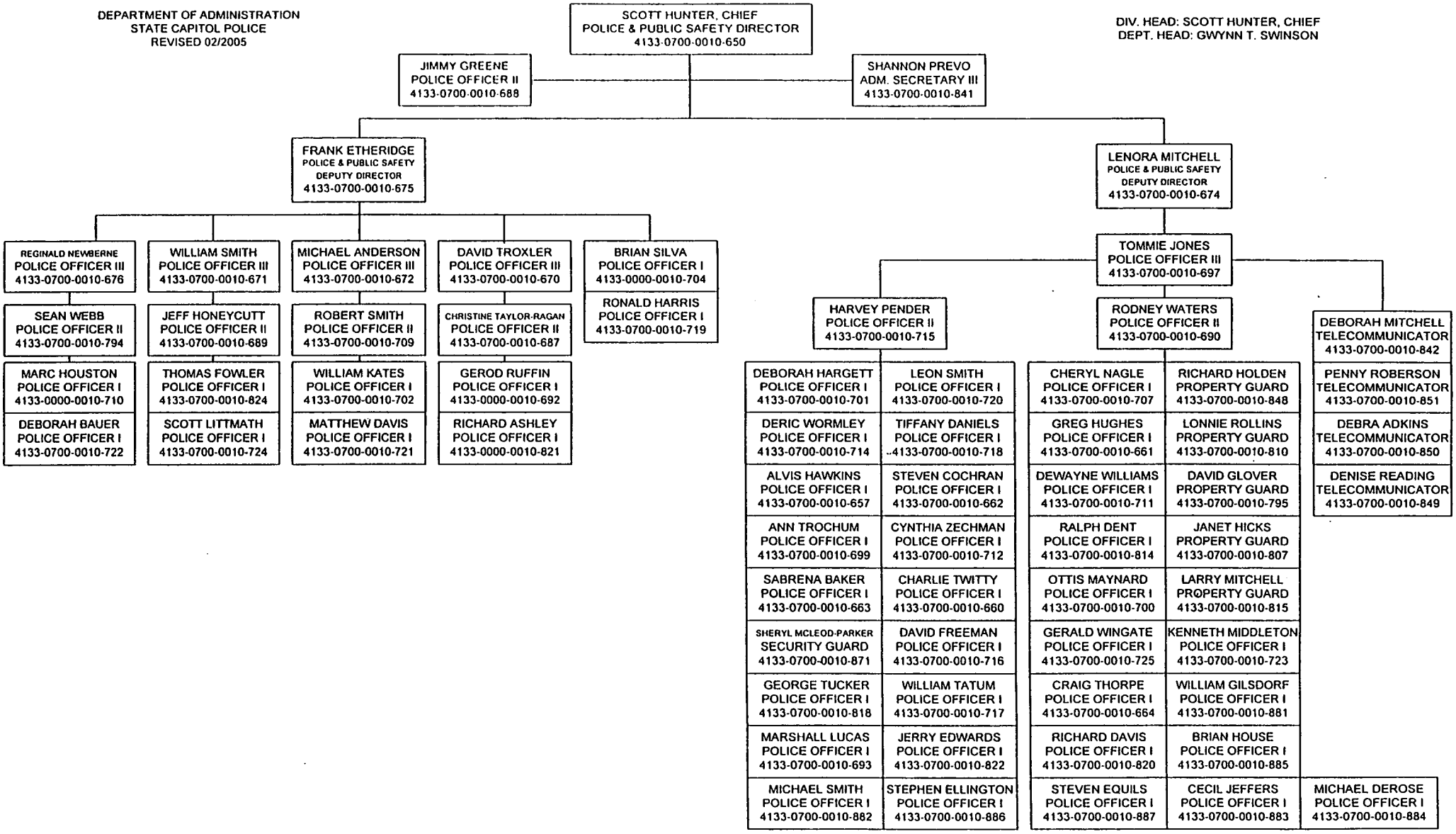
State Capitol Police is the Division of Criminal Information servicing agency for the following State agencies:

- Dorothea Dix Hospital Police
- NC Division of Parks and Recreation (Falls Lake & Umstead Park)
- NC Department of Revenue Police
- NC Department of Insurance Police
- NC General Assembly Police
- NC State Fairgrounds Police.

The State Capitol Police Division continues to experience a reduction in crime rates and has noted an appreciable increase in efficiency as a result of the establishment of specific patrol zones and the assignment of police personnel to each zone. The State Capitol Police Division is committed to providing a safe and secure environment for all state employees and visitors through excellent service and the establishment of effective multi-agency partnerships with local, state and federal law enforcement agencies.

DEPARTMENT OF ADMINISTRATION
STATE CAPITOL POLICE
REVISED 02/2005

DIV. HEAD: SCOTT HUNTER, CHIEF
DEPT. HEAD: GWYNN T. SWINSON



DOA - State Capitol Police
FUND 1623
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$2,716,540	$2,740,768	$2,740,917	$2,740,917
Total Estimated Receipts	$505,744	$517,421	$517,570	$517,570
Net Appropriations	$2,210,796	$ 2,223,347	$2,223,347	$2,223,347
Number of Positions	60.00	67.00	67.00	67.00

Notes:

93% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

7% of Budgeted Appropriations is Operating Expenses

90% of Budgeted Receipts is Personnel Cost

10% of Budgeted Receipts is Operating Expenses

83% of Budgeted Positions is Supported from Appropriation

17% of Budgeted Positions is Supported from Receipts

STATE PARKING SYSTEMS

Program Overview

Since March 1999 when State Parking Systems was created we have established a professional office to standardize, administer and improve parking operations and facilities throughout the State Capital Complex. The division is self-supported by the collection of monthly parking fee for spaces leased to State Employees and collections of hourly parking fees from visitors.

The Division is responsible for directing and administrating the State governmental parking systems, approximately 8200 spaces and coordinating the state employees transportation and commuting programs in the downtown state government complex. The division is active in researching and planning for expansion and/or modification to the operating systems; developing and implementing improvements to processes; and developing, establishing and administering policies and procedures, fees assessment, collections and facility maintenance and enhancement. State Parking Systems manages three pay visitor lot facilities located within the State Complex.

Accomplishments

Accessible Parking

The Division continues to address, clarify and/or resolve handicap accessibility parking issues within the complex. The accessibility issues involve employee assigned to spaces within a reasonable distance to their workstation in accordance the ADA requirements. Signage is continually reviewed and clarified wherever needed. Visitors parking lots are monitored on a daily bases to ensure proper usage and access to those who require the accommodations.

Visitor Parking Facilities

The Division is working on improving parking spaces allotted to visitors. The limited number of spaces that are available to the public constantly taxes this challenging effort. Balancing space availability for daily visitors and spaces needed for special meetings sponsored by the many State Agencies is an ongoing effort to accommodate everyone. Visitor spaces are provided free of charge or at a reduced rate for the volunteers at state complex museums. For the calendar year of 2004 the Division had 167,959 tickets pulled in the visitor parking lots, collected $277,000 in fees, validated free parking valued at $66,710, and reserved 1800 spaces for special events. The Division also operates a bus parking lot for chartered tours and school bus visitors.

Alternative Transportation Subsidy Programs

The Division as worked with local mass transit programs, Capital Area Transit (CAT) and Triangle Transit Authority (TTA) to attempt to reduce the amount of parking needed for state employees by encouraging at a discount monthly ridership. The Division sells monthly bus passes to employees who work in the downtown Raleigh complex at half price. We also encourage the use of TTA's Van Pool Program by providing contact numbers for employees to contact TTA.

Computerized Parking Database System

The Division maintains a current inventory of State owned/leased parking spaces. This also insures that the proper fees for spaces leased to employees are collected on monthly basis. This system also helps locate an employee and allows the Department to be able to contact the employee in case of an emergency involving their vehicle. This Division coordinates, appointed, and trains "Parking Coordinators" for each Department in the downtown State complex, allowing each Department to assign spaces according to their policy and procedures. This helps to disseminate information to employees about parking issues. They also assist in the collection of monthly fees.

Space Management

The Division constantly reviews space utilization to insure that no space is vacant for a period of longer than two months unless that space is allocated for managerial level position or higher and documented in writing. If the spaces are not being used they are reallocated to departments that have the most immediate need.

Sign Study

The Division is constantly reviewing the signage throughout the State Capital Complex to insure of proper placement, legibility, and directional simplicity. The Division constantly reviews wording to insure understanding by all complex visitors, as of this time, signs are not bilingual, but in the near future this issue will have to be addressed.

Facility Maintenance/Enhancement

The Division is constantly working to insure perpetual maintenance and enhancement of parking facilities to insure the safety of those using them, i.e., resurfacing, re-striping, signage, and monthly landscape maintenance. The Division has increased security and restricted access to several lots. These additional measures have increased the maintenance workload with needed repairs and preventative measures.

Collaboration

The Division is in year round communication with several outside organizations, such as Downtown Raleigh Alliance, Carolina Parking Association, the newly formed City/County/State Parking Council, and privately owned and operated organizations to insure we work together as a team for coordination of special events. The Department has regular meetings with Departmental parking coordinators to address issues and concerns and provide a forum to ongoing dialogue and problem resolutions. With the coordinators input a constant review of the comprehensive parking system procedures manual is ongoing.

Strategic Planning

The Division is dedicated to our vision and mission statements to identify broad divisional goals and developed a long-term strategic plan for improving parking policies and operations. We use an integrated team approach to managing the day-to-day affairs of the Division.

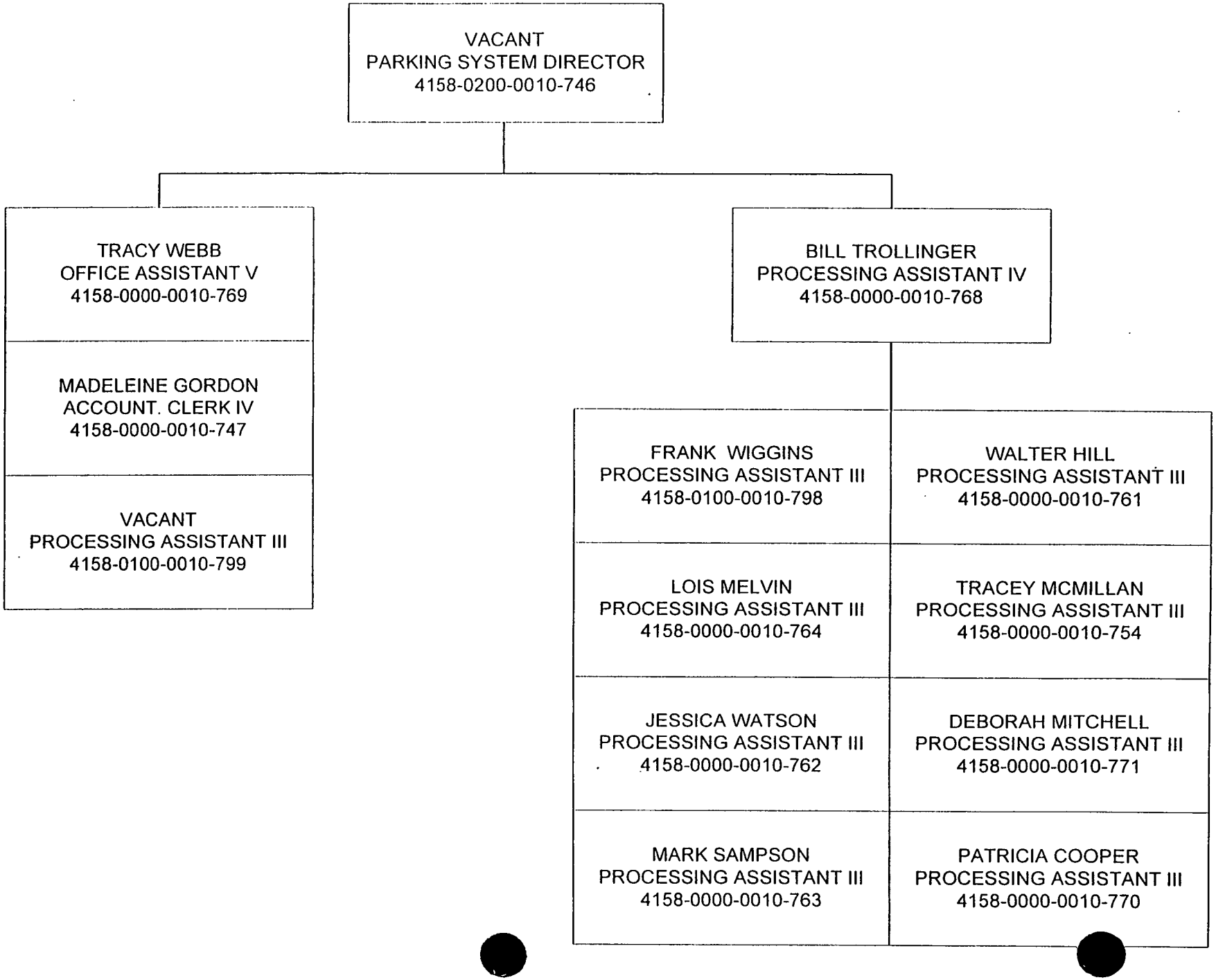
Safety and Security

The Division recognizes the importance of this issue. We have overseen the installment of high security in two underground parking decks. The Division maintains an attendant at one of these lots to monitor the vehicle and foot traffic. The attendant is there to

assist in the control of the access to this deck by insuring that everyone who enters has the proper credentials. The Division ensures that the parking areas are clear of hazards, well lighted, and safe for our employees and visitors. The attendants are encouraged to report an unusual or suspicious occurrences to the proper authorities

DEPARTMENT OF ADMINISTRATION
PARKING
REVISED 02/2005

DIV. HEAD: VACANT
DEPT. HEAD: GWYNN T. SWINSON



DOA - State Parking System
FUND 7251
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$1,375,181	$1,568,461	$1,568,461	$1,568,461
Total Estimated Receipts	$1,375,181	$1,568,461	$2,568,461	$1,568,461
Net Appropriations	$0	$0	$0	$0
Number of Positions	12.75	12.75	12.75	12.75

Notes:

31% of Budgeted Funds represents Personnel Cost

69% of Budgeted Funds represents Operating Expenses

NORTH CAROLINA COMMISSION OF INDIAN AFFAIRS

Program Overview

The North Carolina Commission of Indian Affairs was created in 1971 by the North Carolina General Assembly in response to American Indian citizens in North Carolina. The commission was established pursuant to North Carolina General Statutes 143B-404 through 143B-411. The Commission is the only state level agency charged with the responsibility of advocating for the needs of the state's American Indian population. The North Carolina Commission of Indian Affairs is among approximately 25 other states that have established a formal government-to-government relationship with Indian tribes through the creation of an Indian commission. The membership of the Commission consists of 19 Indian members who are elected by tribal or community consent from among Indian tribes and organizations recognized by the state of North Carolina. The Governor, from among the Indian members, appoints a Chairman who is charged with presiding over the Commission. Two members of the General Assembly serve on the Commission; they consist of one member appointed by the President Pro Tempore and one appointment by the Speaker of the North Carolina House of Representatives. Five state officials serve on the Commission by virtue of their position in state government.

The creation and success of the following organizations can be directly attributed to the work of the North Carolina Commission of Indian Affairs:

- North Carolina Indian Economic Development Initiative, Raleigh, NC
- North Carolina State Advisory Council on Indian Education, Raleigh, NC
- Indian Housing Authority, Fayetteville, North Carolina
- North Carolina Indian Cultural Center, Pembroke, North Carolina
- Dispute Settlement Center, Lumberton, North Carolina
- North Carolina Senior Citizens Coalition, Fayetteville, North Carolina
- North Carolina Native American Youth Organization, Raleigh, North Carolina
- North Carolina Indian Business Association, Raleigh, North Carolina
- United Tribes of North Carolina, Fayetteville, North Carolina
- Lumbee River Legal Services, Pembroke, North Carolina

The mission of the North Carolina Commission of Indian Affairs (CIA) is to instill a positive vision for American Indians through preserving cultural identity, and by promoting and advocating for the rights, beliefs and opportunities which impact the quality of life in Indian communities.

Commission Goals

- Increase and maximize educational opportunities.
- Increase the economic self-sufficiency and maximize Indian economic development initiatives.
- Achieve parity in employment.
- Improve health status.
- Increase public awareness of American Indians.
- Provide for state and/or federal recognition of North Carolina Indian tribes.
- Promote recognition of and the right of Indians to pursue cultural and religious traditions considered by them to be sacred and meaningful.
- Promote public understanding and appreciation of the American Indian culture in our state.

Programs And Services

In order to meet these goals the Commission administers programs and provides services that are designed to improve the educational and economic status of American Indians and their communities in North Carolina. They are:

Community Services Program

The Community Services Program provides outreach to the American Indian older adult population. The counties currently being serviced by this program are Bladen, Columbus, Halifax, Warren, Cumberland, Sampson and Harnett counties. Services provided by this program are based on eligibility criteria set by the NC DHHS Division of Aging. The services provided to this population are transportation, in-home aide services and hot meals delivered to the home as well as to the meal site. Some services are provided to the physical and mentally challenged residents residing in Sampson County area. Our community developers assist older residents with accessing other services that area available to them through the County Department of Social Services, Mental Health and the Division of Aging.

Economic Development Services Program

The Economic Development Program provides information and referral services such as, but not limited to:

- Providing information and referral assistance to the state's Indian tribes and organizations in the development of economic opportunities.
- Providing information and referral assistance to Indian citizens in the development, improvement and/or expansion of businesses.
- Assisting in the development of economic development enterprises for the state's Indian population such as the North Carolina Indian Economic Development Initiative.

This program provides information and referral services to individuals, Indian tribes, organizations and to the public in general.

Educational Talent Search Program

The Educational Talent Search (ETS) Program provides one-on-one educational and career counseling to 650 Indian youth ages 11 to 27 in Columbus, Cumberland, Guilford, Halifax, Hoke, Sampson and Warren counties. High dropout rates, low competency test scores and high unemployment rates are all characteristics of the Indian population in the program's target counties. Program guidelines require that two-thirds of the program's participants be first generation college and come from families with low incomes. ETS program alumni are now engineers, physicians, lawyers, teachers, etc.

This program is funded by the US Department of Education.

Workforce Investment Act (WIA) Program

The commission's employment and training program, funded under Title I, Section 166 of the Workforce Investment Act (WIA) provides job training and employment opportunities for unemployed, underemployed, and low-income American Indians in North Carolina. The program components are classroom training, job placement, adult work experience and employment counseling. The program provides direct services in the counties of Bertie, Columbus, Hertford, Sampson and Person. Indirect services are provided in what is called the balance of state or those counties not served by another local grantee.

This program is funded by the US Department of Labor.

Section 8 Housing Assistance Program

The U.S. Department of Housing and Urban Development (HUD) designated the North Carolina Commission of Indian Affairs as a public housing agency (PHA) in 1976. This designation gave the commission authority to provide rent assistance through the operation of a Section 8 Housing Assistance Program to eligible families through annual contributions contracts with HUD. The purpose of the program is to provide safe, decent, sanitary housing for eligible families regardless of race, religion or political affiliation.

The Commission's program provides rent assistance in the counties of Granville, Hoke, Person, Sampson and Warren Counties. The program also provides assistance on a limited basis in Columbus and Halifax counties through a cooperative agreement between the Commission and local public housing agencies.

This program is funded by the US Department of Housing and Urban Development.

Substance Abuse Prevention And Awareness Program

The objective of the Earn Your Feather Substance Abuse Prevention and Awareness Program is to develop a program in targeted Indian communities that will educate and

expose American Indian youth to model substance abuse prevention strategies and activities designed to increase the awareness and consequences of using illegal substances and drugs. The program will also encourage youth not to be involved in substance abuse activities associated with irresponsible or promiscuous activities. The expected goals of the project are to 1) educate American Indian youth about the dangers associated with alcohol and drug use, 2) increase youth involvement in community pilot programs, 3) educate American Indian youth about the dangers of Sexually Transmitted Diseases and the long-term effects of such exposure to their health.

The Pilot programs target American Indian children and their families in Guilford, Cumberland, Halifax, Robeson, Sampson, Scotland and Warren counties. The program objectives are accomplished through the coordination of prevention programs and activities with the five tribal communities participating in the pilot program.

The_Earn Youth Feather Substance Abuse Prevention and Awareness Program is funded by a contact with the North Carolina Department of Health and Human Services (DHHS), Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH DD SAS).

Legal Recognition of Previously Unrecognized American Indian Groups

The North Carolina Commission of Indian Affairs is authorized by the North Carolina General Assembly at G.S. 143B-406 to process petitions for state recognition of American Indian tribes. Since 1979, the commission has administered procedures for the official state recognition of previously unrecognized American Indian groups. Petitions for the legal recognition of American Indian groups are handled according to the state recognition procedures established under Title I, Chapter 15 of the North Carolina Administrative Code. Agency staff administers these procedures and a twelve-member "Special Committee of Recognition" (recognition committee) comprised of representatives of each American Indian tribe and urban American Indian center organization legislatively seated on the commission.

North Carolina Tribal Recognition Procedures Revisions

In 2002 a commission workgroup began work on draft language for suggested revisions to the state's official procedures for the legal recognition of American Indian tribes. The Recognition Committee continues to work on language revisions for these procedures. Staff and Recognition Committee representatives are continuing work with the NC Department of Administration attorneys in reviewing and discussing key issues in administrative rulemaking and the process of recognizing American Indian tribes in North Carolina. Upon approval of the full Commission of Indian Affairs, the revisions to the recognition procedures will proceed through the state's rulemaking process, which will include publishing in the North Carolina Register, public hearings, and extensive review and approval action by the NC Rules Review Commission. The rulemaking process is administered through the North Carolina Office of Administrative Hearings according to the Administrative Procedures Act.

Major Accomplishments

Department of Social Services (DSS)/Indian Affairs Collaboration Legislation

This legislation requires the state DSS to collaborate with the Commission during the course of placing American Indian children into permanent adoptive and foster care in North Carolina. This effort resulted in the amendment of the Adoption and Safe Families Act. DSS is now required to consider the federal Indian Child Welfare Act when placing Indian children into foster care or adoptive services.

NC Health Choice for Families

The Commission continues to have a collaborative partnership with the NC Health Choice program. We assist this program with capacity building and outreach in American Indian communities.

Another focus of this collaborative partnership is to assist in developing American Indian public relations materials relating to infant mortality and other health issues. Critical to spearheading and partnering with the Commission as the NC Healthy Start Foundation, the NC Infant Mortality Reduction Program, and the Office of Minority Health. The committee has developed a brochure on infant mortality that targets Indian families in North Carolina. The brochures are available at the Commission.

Strategic Planning Efforts

The Commission continues to implement its year 2000 Strategic Plan. Priorities set forth in that plan include economic development, Indian education, Indian health, leadership development, etc. The Commission received funding during the 2004 session of the NC General Assembly to start its planning for a 2005 - 2010 Strategic Plan.

Diabetes Awareness and Education Project

NC Department of Health and Human Services/Division of Public Health funded a Diabetes Education Project to increase the awareness of diabetes among American Indians in North Carolina. Diabetes and risk factors associated with this disease is the number one cause of death in the American Indian community in North Carolina. The Diabetes Awareness and Education Project is statewide and is carried out in American Indian churches via volunteer coalition members who have been trained by the Diabetes Today program staff. The Commission continues to support diabetes awareness and education through community training and health programs.

American Indian Public Awareness Health Initiative

The NC DHHS-Division of Public Health in partnership with the Commission of Indian Affairs began the American Indian Public Health Initiative in 2001. Since that time, this initiative has grown statewide and is now permanently instituted in American Indian communities and Indian churches. An American Indian Adhoc Health Committee was appointed by the Commission to help guide communities in carrying out the goals of this initiative in Indian communities. This committee also looks at ways to expand and build more capacity/infrastructure that will enable community health partners to build

sustainability in serving American Indian communities. The Chairman of the Commission appoints members of the Commission to the committee.

American Indian "N-O-T" Program

The Commission received a grant from the North Carolina Health & Wellness Trust Fund and the American Legacy Foundation through the Center for Disease Control totaling $850,632. The grant covers a three-year period and is designed to carry out a "Teen Tobacco Cessation" program initiative. Additionally, the program will serve as a research project in Indian communities and through the American Indian faith community. N-O-T (Not On Tobacco) is a "quit smoking" course that provides encouragement, support, and training to our youth ages 9 through 13 who want to quit or reduce smoking. The program is designed to educate others about the hazards of smoking and encourage them not to start smoking. This is a collaborative effort with University of North Carolina at Chapel Hill's Division of Health Promotion and Disease Prevention and the University of West Virginia's Prevention Center.

American Indian HIV/STD Initiative

The Commission is continuing to support HIV-STD education efforts in American Indian communities. This is part of our overall Indian Health Initiative which is required in our Strategic Plan of Year 2000. -

North Carolina Indian Economic Development Initiative (NCIEDI)

The NC Indian Economic Initiative (NCIEDI) is a 501 C-3 corporation established in 2001 by the Commission. The commission received $200,000 in non re-occurring funding from the NC General Assembly in 2004 to continue the work of the Initiative and to develop a 2005-2010 Strategic Plan.
The goals of the NCIEDI are:

Will be a financial intermediary providing loans and grants for economic development activities in Indian Communities

Will serve Indian communities throughout the state

Will advocate for Indian economic development within tribes and organizations and for Indians within the government, private, and non-profit sectors

Will collect data and educate others about Indian Economic Development

Will provide technical assistance and training to Indian groups to help build local capacity for economic development

Will have the capacity to partner with for-profit organizations or other non-profits in undertaking development projects.

The NC Indian Economic Development Initiative was funded through a grant from the Z. Smith Reynolds Foundation and the NC Rural Center.

North Carolina American Indian Fund Initiative

Established in December 2001, the North Carolina American Indian Fund Initiative is a collaborative effort between the Commission and Indian tribes and organizations in North Carolina. The fund was established because the resources for meeting the

human and economic needs of Indian communities are very limited. Additionally, the creation of the fund is in response to the need for dedicated funding for scholarships, funding for health, human services, education, and tribal organizational infrastructure programs.

The Triangle Community Foundation, located in Research Triangle Park, North Carolina, manages the American Indian Fund. The Warner Foundation provided funding for the development of the American Indian Fund.

American Indian Leadership Initiative

This project is an outgrowth of the Commission's Year 2000 Strategic Plan and was funded by Progress Energy, Raleigh, North Carolina.

The purpose of this project is to create a statewide Indian Leadership Initiative to address the current and future leadership needs of Indian communities, to develop leadership programs and design programs to prepare new and emerging leaders to manage tribal programs, develop sound policies and procedures, etc.

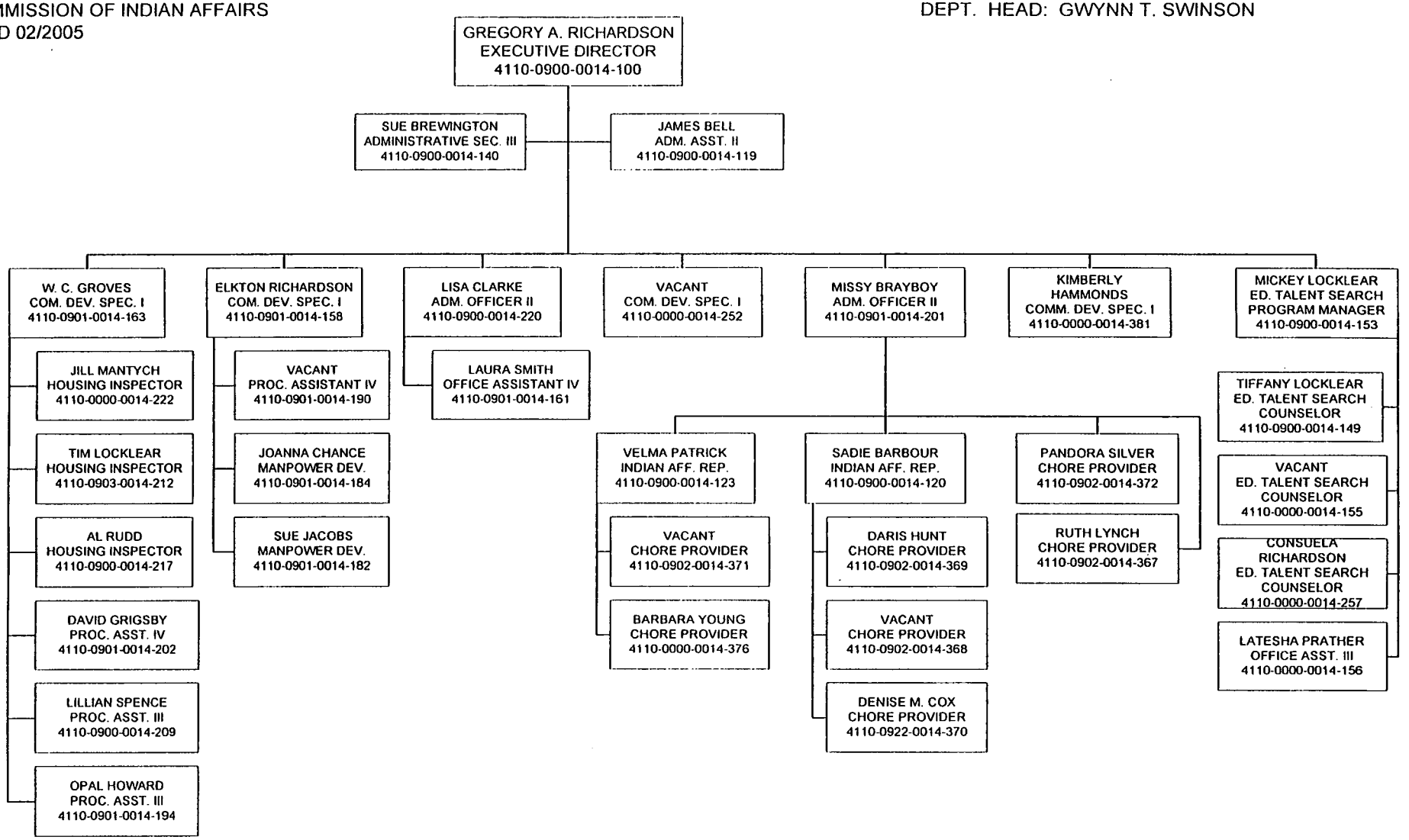
The commission has worked in collaboration with the University of North Carolina at Chapel Hill on this project.

2004 Indian Health Forums

The commission carried out two American Indian Health Forums one in the western part of the state and one in the eastern part of the state. - There were approximately 100 participants in attendance at each forum. The forums are a continuation of the Commission Indian Health Initiative. The purpose of these forums is to bring public health education into American Indian communities. This is an ongoing effort to partner with local health organizations and to institutionalize health education in American Indian communities. The Commission's Year 2000 Strategic Plan requires this initiative.

DEPARTMENT OF ADMINISTRATION
NC COMMISSION OF INDIAN AFFAIRS
REVISED 02/2005

DIV. HEAD: GREGORY A. RICHARDSON
DEPT. HEAD: GWYNN T. SWINSON



DOA - Commission of Indian Affairs
FUND 1861
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$362,363	$356,610	$356,910	$356,910
Total Estimated Receipts	$0	$2,000	$2,000	$2,000
Net Appropriations	$362,363	$ 354,610	$354,910	$354,910
Number of Positions	6.00	6.00	6.00	6.00

Notes:

85% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

15% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

COUNCIL FOR WOMEN & DOMESTIC VIOLENCE COMMISSION

Program Overview

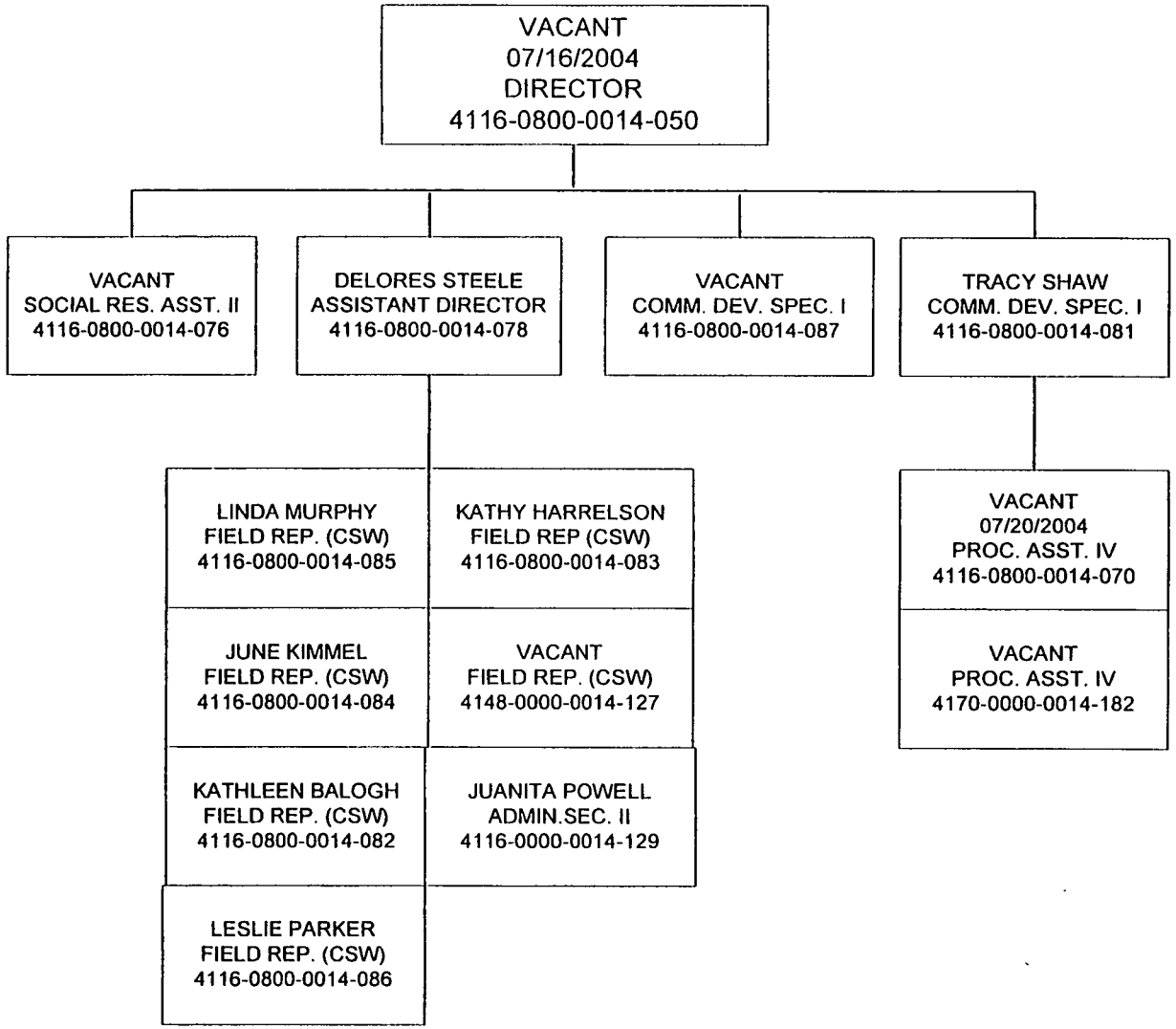
The North Carolina Council for Women was created in 1963 and has as its mission to advise the governor, legislature and principal state departments on the special needs of women in North Carolina. Over the years, the agency has been given the authority to also administer over $6 million in state funding to community based providers of domestic violence, sexual assault and displaced homemaker services. In addition, the agency administers federal funding and approves programs for courts to use as an alternative sentencing option for domestic violence offenders. In addition to the Raleigh office, there are five region offices based in Asheville, Charlotte, Greensboro, Greenville and New Bern.

The North Carolina Domestic Violence Commission is an outgrowth of Governor Hunt's Domestic Violence Task Force and became a permanent state agency in July 1999. The Commission is a 39-member appointed body charged with improving the state's response to domestic violence. The Commission has implemented many of the 44 recommendations made in the original report and focuses on administrative and legislative policy changes and the delivery of training to enable allied professionals to respond effectively to domestic violence.

Governor Easley and the legislature consolidated these advocacy agencies in 2001. Partly a cost savings measure, the consolidation reduced the staff complement by one agency director and an administrative support position. The agencies became physically housed together in December 2001 and has conducted a strategic planning process to determine a shared mission and strategic directions. The agency intends to focus on the economic self-sufficiency of women, and freedom from violence and discrimination.

DEPARTMENT OF ADMINISTRATION
N. C. COUNCIL FOR WOMEN -
DOMESTIC VIOLENCE COMMISSION
REVISED 02/2005

DIV. HEAD: VACANT
DEPT. HEAD: GWYNN T. SWINSON



DOA - Council for Women and Domestic Violence Commission
FUND 1731
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$498,138	$574,520	$574,939	$574,939
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$498,138	$ 574,520	$574,939	$574,939
Number of Positions	10.00	10.00	10.00	10.00

Notes:

85% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

15% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA - Displaced Homemakers Program
FUND 1732
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$1,089,351	$1,114,690	$1,114,690	$1,114,690
Total Estimated Receipts	$783,070	$800,000	$800,000	$800,000
Net Appropriations	$306,281	$ 314,490	$314,490	$314,490
Number of Positions	0.00	0.00	0.00	0.00

Notes:

0% of Budgeted Appropriations is Personnel Cost

100% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

0% of Budgeted Appropriations is Operating Expenses

10% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

0% of Budgeted Positions is Supported from Appropriation

100% of Budgeted Positions is Supported from Receipts

DOA - Rape Crisis Program
FUND 1734
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$1,138,961	$1,144,893	$1,144,893	$1,144,893
Total Estimated Receipts	$0	$200	$200	$200
Net Appropriations	$1,138,961	$ 1,144,693	$1,144,693	$1,144,693
Number of Positions	0.36	0.36	0.36	0.36

Notes:

1% of Budgeted Appropriations is Personnel Cost

98% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

1% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA - Domistic Violence Program
FUND1781
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$2,730,909	$2,788,208	$2,788,208	$2,788,208
Total Estimated Receipts	$4,313	$8,500	$8,500	$8,500
Net Appropriations	$2,726,596	$ 2,779,708	$2,779,708	$2,779,708
Number of Positions	1.64	1.64	1.64	1.64

Notes:

2% of Budgeted Appropriations is Personnel Cost

97% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

1% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA - Domestic Violence Center
FUND 1782
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$1,278,160	$2,250,000	$3,350,000	$3,350,000
Total Estimated Receipts	$1,278,160	$1,350,000	$1,350,000	$1,350,000
Net Appropriations	$0	$ 2,000,000	$2,000,000	$2,000,000
Number of Positions	0.00	0.00	0.00	0.00

Notes:

0% of Budgeted Appropriations is Personnel Cost

100% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

0% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

0% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

GOVERNOR'S ADVOCACY COUNCIL FOR PERSONS WITH DISABILITIES

Approximately 20 percent of North Carolinians have a disability. It is GACPD's mission to advocate for and assist as many of those approximately 1.6 million citizens as possible by using its available resources as effectively as possible.

Program Overview

The Governor's Advocacy Council for Persons with Disabilities (GACPD) is the Protection and Advocacy agency (P&A) for North Carolina. Each state is required to have a "P&A" to protect the civil rights of its citizens who have disabilities. GACPD is part of a nationwide system of P&A's and has a 21-member Council Board whose members are volunteers appointed by the Governor, President Pro Tem of the Senate and the Speaker of the House of Representatives. It also has a standing committee, the Protection and Advocacy for Individuals with Mental Illness (PAIMI) committee, whose chair is appointed by the Governor, as required by federal statute.

GACPD is responsible for providing a statewide advocacy program as required by the Developmental Disabilities Assistance and Bill of Rights Act, the Protection and Advocacy for Individuals with Mental Illness Act, the Protection and Advocacy for Individual Rights Act, the Assistive Technology Act of 1998 and the Ticket to Work Incentives Improvement Act 1999, the Protection and Advocacy for Individuals with Traumatic Brain Injury of 2000 and the Protection and Advocacy for Voting Access (PAVA) of 2002. Under these acts, a P & A is required to be independent of any agency which provides services to individuals with disabilities and free of outside influence.

In accordance with those federal statutes, GACPD investigates complaints of discrimination and violation of rights of persons with disabilities. It has the authority to pursue legal, administrative, and other appropriate remedies to ensure the protection of the rights of persons with disabilities. Particular emphasis is given to serving unserved or underserved persons, ethnic and racial minority groups, and rural populations. In addition, under its state statute, GS 143B-403.1, GACPD is required to review and recommend changes in all laws, rules, regulations, programs and policies of the state or any agency or subdivision which have an impact on the lives of citizens with disabilities.

GACPD is federally mandated to develop three-year priority plans, which are reviewed each year. Current priorities include enforcing the rights of persons with disabilities to 1) enforce the right of persons with disabilities to live in a safe environment, free from abuse/neglect/exploitation/death in public and private community settings and institutions; 2) enforce, monitor and promote the rights of persons with disabilities to live in an integrated community setting of their choice with appropriate supports, services and protection; 3) protect individuals with disabilities through age 21 who experience disability related exclusion from services and to ensure a free appropriate public education in the least restrictive environment; and 4) ensure access to programs, services and activities of public and private entities...

GACPD conducts regional forums each year to get input and feedback on the grassroots level from persons with disabilities, their families or advocates. GACPD then incorporates this information into its priorities and three-year plan, as well as the annual

updating of the plan. In this way, the work of GACPD is developed and guided "from the bottom up" in response to the real needs of citizens with disabilities, rather than "from the top down". Forums are frequently planned for small towns in isolated rural areas. Among the forums are at least one with Native American populations and others with a high African-American population. The forums enabled the agency to reach people with disabilities in their own communities, consumers who might not otherwise have contact with GACPD.

In fiscal year 2003, GACPD provided training to 1,180 persons and in FY 2004 to 1,685 persons with disabilities, family members and service providers on the rights of persons with disabilities including the Americans with Disabilities Act (ADA), the Individuals with Disabilities Education Act and the Rehabilitation Act, particularly Section 504 of the Rehabilitation Act (IDEA.) GACPD staff is frequently asked to conduct seminars at conferences or to teach workshops, such as classes taught by our attorneys that give CLE (Continuing Legal Education) credits to attorneys, and are frequently sought as speakers at meetings of parent groups or organizations of persons with disabilities.

GACPD is constantly working on outreach activities, in an effort reach to persons in even the remotest areas of North Carolina. Thousands of brochures on rights of persons with disabilities and on the GACPD are mailed and otherwise distributed. In FY 2003, 35,500 of GACPD's brochures and/or posters and other literature were distributed to persons in rural areas of the state, to group homes and other residential facilities, LME's (Local Management Entities), advocacy groups, health departments, and public libraries. Minority populations are particularly targeted. In FY 2004, approximately 25,000 pieces of literature were distributed. As part of outreach to the Hispanic community, posters and brochures are produced in Spanish and the website is available in Spanish; workshops are being held in Hispanic communities and a professional translator/interpreter is under contact with the agency.

Accomplishments

GACPD enforces the right of persons with disabilities to live in a safe environment, free from abuse/neglect/exploitation/death in public and private community settings and institutions. During FY 2003, GACPD investigated 36 cases of abuse and neglect in 24-hour residential facilities, including state facilities, and in communities across the state. During FY 2004, 180 cases of alleged abuse and/or neglect were investigated. In FY 2003 and 2004, significant improvements were made in substantiation of allegations.

In 1999, GACPD investigated the death of a nine-year-old due to improper use of physical restraints at Grandfather Academy in Avery County. After the investigation, we provided training to staff on client rights and how to set up a client rights committee, working closely with the Division of Social Services (DSS) and the Division of Facility Services (DFS). Grandfather Academy was granted a provisional license contingent upon the home not reinstating use of the "basket" hold as a physical restraint technique.

In the last few years, GACPD had investigated deaths in several high-profile cases. These include a scalding in the bath leading to the death of an elderly woman who had mental retardation and mental illness at a long-term care facility in Cleveland County and a death during physical restraint of a girl in a group home near Charlotte. Among

our ongoing investigations is the death of a girl at Cherry Hospital following being restrained and injected with medication and the case of a man who, ten days after discharge from psychiatric treatment at a state hospital, committed a triple homicide/ suicide.

GACPD has worked collaboratively with parents, legislators and other advocacy groups to put further safeguards in place. GACPD has been working with DHHS to persuade them to report deaths and injuries at PRTF's (Psychiatric Residential Treatment Facilities) directly to the P&A, as they are required by federal statute. We have found that the reporting has been problematic in most other states. Some states have worked out agreements directly with the PRTFs, so that incidents are reported to the protection and advocacy agency. A GACPD attorney is pursuing this issue with DHHS.

During fiscal 2003, GACPD began to prepare a case against the state on behalf of people who were on the waiting list for Medicaid funded services for developmental disabilities. At the time, North Carolina had frozen eligibility for such services and no new clients were moved from the waiting list for a period of two years. Potential plaintiffs were interviewed and a complaint to be filed in federal court was drafted. A meeting was held with Secretary of Human Resources Carmen Hooker Odom and top DHHS management. As a result of that meeting, the Division of Mental Health, Developmental Disabilities and Substance Abuse Services adopted policies and practices to move along the waiting list and provide services for the plaintiffs whose names we gave them.

Since that time, more than 450 people statewide who had been on the waiting list in January 2003 have been provided services. The history of litigation in other states indicates that this number meets and in some cases exceeds the number of waiting list clients ordered to be served in those cases. There are still GACPD clients on the waiting list, and we continue working on their cases individually to make sure that the state's system for serving people is fair and continues to increase.

GACPD is constantly working toward elimination of disability-based discrimination in education, and employment.

Parents seek the help of GACPD when they feel that their child is not receiving the services he or she needs and is entitled to from the local school system. In FY 2003, GACPD represented 209 clients in education cases to ensure that North Carolina's children with disabilities receive a free appropriate education in the least restrictive environment. In FY 2004, GACPD handled 129 education cases.

GACPD provided assistance during FY 2003 to 16 persons with disabilities in employment discrimination cases by negotiating and mediating with employers, referring the client to appropriate state and federal agencies and assisting the individual in advocating for himself with foundations of law and rights protections. In FY 2004, GACPD assisted 22 persons with employment issues.

GACPD supports the right of citizens with disabilities to choose where they live and work.

In response to a major decision by the US Supreme Court in *Olmstead et.al. v. L.C. and E.W.*, a case brought under the community integration standards of Title II of the Americans with Disabilities Act, GACPD established an agency-staffed team dedicated to the implementation of rights established by the decision. The team, called the Community Inclusion Team, has worked all over the state to involve individuals and organizations in a grassroots coalition. This coalition has been pro-active in involvement in the establishment and monitoring of the State's compliance plan. The agency team also is involved in the identifying people with disabilities currently residing in nursing homes or state institutions who want to live outside of institutions in their communities and who have the right to community services. The team assists institutionalized persons as well as persons at risk of institutionalization in order to help them live in the community where they will be happier and healthier and can live as much less cost to the state.

GACPD provides accurate and consistent intake, information and referral services and outreach services

GACPD is constantly modifying and improving its service delivery in order to provide North Carolinians with faster, more cost-effective advocacy. All intake, information and referral services were consolidated and centralized. Toll free numbers are provided so any client or potential client can call and receive prompt and consistent service.

In order to serve the many diverse communities across the state, there are four regional offices in addition to the central office in Raleigh. The regional offices are located in Morganton, Butner, Raleigh, and Goldsboro.

If GACPD is unable to help a caller by pursuing his issue, information, referral and /or technical assistance are given. GACPD provided information and referral services and technical assistance to 1,250 callers in FY 2003 and 1,044 callers in FY2004.

Current Issues

The Governor's Advocacy Council for Persons with Disabilities is constantly reacting to and addressing new issues that arise that compromise or violate the rights of persons with disabilities. An example of this is the inappropriate use of physical restraints or seclusion on children with disabilities in the public school system. This issue is the subject of currently proposed legislation.

GACPD has been working collaboratively with a large group of professionals to find ways to address problems with the guardianship statute. Work is completed on videos to be used to train Clerks of Court in each county regarding their duties concerning appointing guardians. Training is also being done to train prospective guardians about their duties and responsibilities and what might constitute misuse of their powers.

Another example of GACPD's work on major, pressing issues facing the state is its efforts to have the NC Department of Health and Human Services (DHHS) address the problems uncovered with mental health reform in NC. GACPD has been actively involved in and supportive of Mental Health Reform since it began several years ago. Its initiatives are monitored and comments are provided on proposals, as well as input into

new projects, Staff members and Council Board members have participated in the process by serving on work groups and committees.

We are concerned about inadequate monitoring of community-based residential care facilities and we have brought legal action against DHHS to require them to use temporary management when a facility is not able to treat and supervise its residents in a safe and effective manner. In addition, we were involved in legislation regarding national criminal background checks before persons can be hired to work in residential facilities.

We are also extremely concerned that individuals with mental illness are being discharged inappropriately from the state psychiatric hospitals without follow-up monitoring, with some being left out on the street. Others, with criminal background, are being placed in homes without appropriate supervision and are, in some cases, harming other residents.

The Budget Crisis had had an enormous, and negative, impact on the lives and well-being of persons with disabilities. Cuts have been made affecting those citizens who North Carolina who are most vulnerable, those who can least afford it. Badly need services and supports were already highly inadequate to meet North Carolina's needs. During the 2003-2004 biennium, numerous reductions were made in services, including institutions and in the communities across the state. These reductions come at a time when the services are most needed: hospitals and large institutions are being downsized or will be closed. Obviously, that creates a much greater need for support and services as former residents return to their home counties and must try to live outside institutions. However, services are not available in all communities and those that exist are not available to the extent needed.

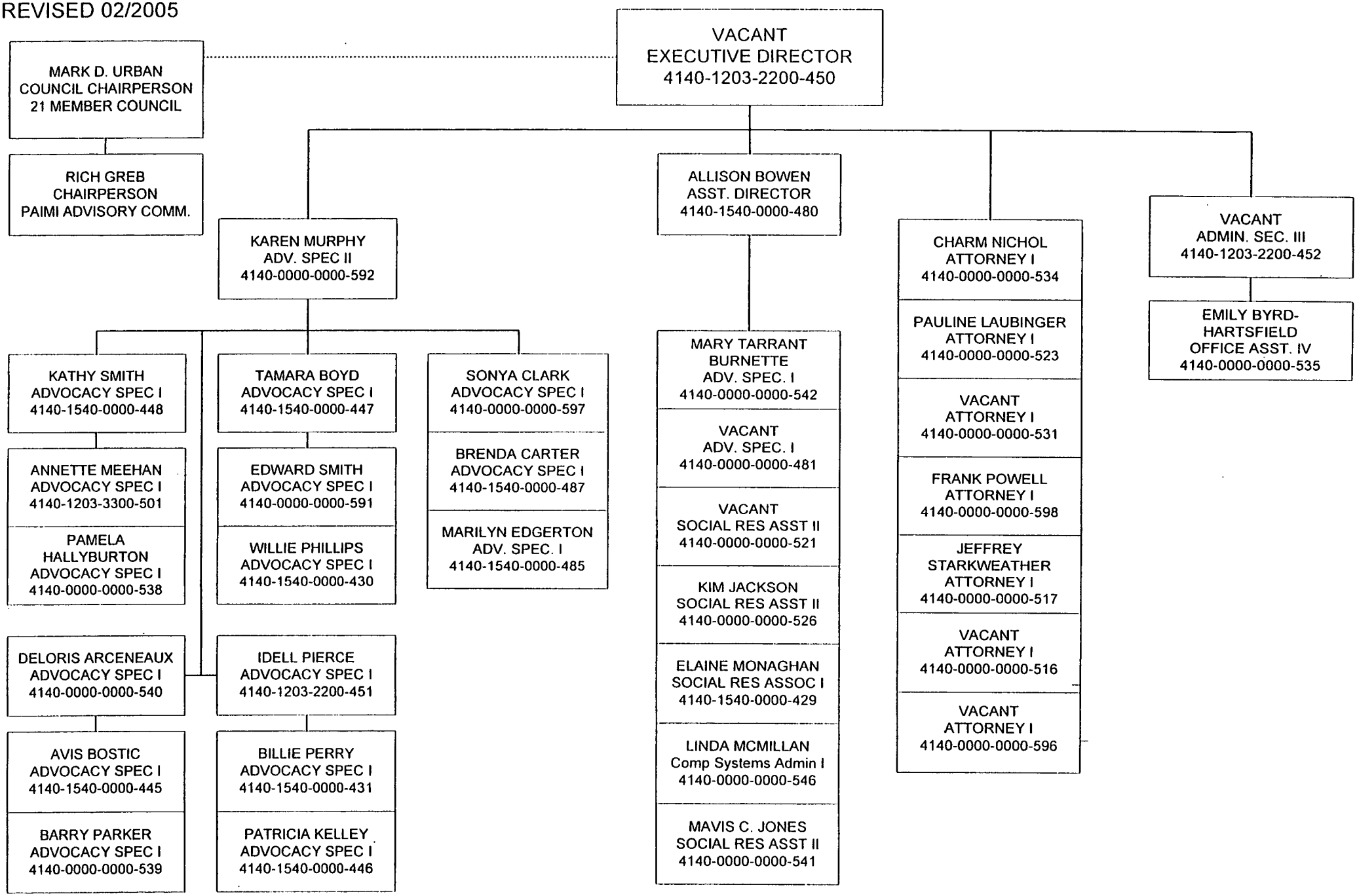
In addition, this population is affected detrimentally by the Medicaid cuts. Cuts to programs and services needed by persons with disabilities would have been reduced even more drastically, had it not been for the tireless advocacy by disability organizations and advocates, including GACPD. It is important to understand that these cuts are to programs and in services that were already greatly underfunded – there was no "fat" in these budgets to begin with. Just one small example of the pressing need to fund these services was cited above in discussion of the thousands of severely disabled persons waiting years for CAP/MR services.

Finally, it is most important to understand that the people who will be coming out of institutions are the most severely ill, the most severely disabled – the most vulnerable of our citizens. It is the fear of the disability community, including GACPD, that not only will additional reduction of funding and services result in great suffering among persons with disabilities and their families, but that lives will be lost. We have already seen this with some well publicized deaths in residential care facilities in the last year or so.

Please note: Figures cited in this report are based on federal fiscal years, which run from October 1 to September 30. "FY 2003" covers the period from October 1, 2002 – September 30, 2003. "FY 2004" covers the period from October 1, 2003 – September 30, 2004.

DEPARTMENT OF ADMINISTRATION
GACPD
REVISED 02/2005

DIV. HEAD: ALLISON BOWEN (INTERIM)
DEPARTMENT HEAD: GWYNN T. SWINSON



DOA - Governor's Advocacy Council for Persons with Disabilities
FUND 1811
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$366,792	$486,237	$486,237	$486,237
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$366,792	$ 486,237	$486,237	$486,237
Number of Positions	7.27	7.27	7.27	7.27

Notes:

85% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

15% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

NORTH CAROLINA HUMAN RELATIONS COMMISSION

Program Overview

The North Carolina Human Relations Commission, established on January 18, 1963, as the "North Carolina Good Neighbor Council," became a state agency in 1967. It advocates, enforces, and promotes equality of opportunity in the areas of housing, public accommodations, education, justice, government services and employment. The Commission is composed of the Fair Housing and the Community Relations Units, which work in concert to carry out its mission and purposes of promoting better human relations and ensuring equal rights and opportunities for all who live and work in or visit the State of North Carolina. Its vision is a State free of all unlawful discrimination. Both units conduct public education and training. In addition, the Fair Housing Unit enforces the State Fair Housing Act (N.C.G.S. Ch. 41A) while the Community Relations Unit works to promote an appreciation of the cultural and ethnic diversity of North Carolina's citizens through education, outreach and community support...

Accomplishments

Fair Housing Law Enforcement

The North Carolina Human Relations Commission administers and enforces the State Fair Housing Act (N.C.G.S. Ch. 41A) through the investigation, mediation and litigation of fair housing cases. It also provides fair housing education and training throughout the State. The Fair Housing Unit is comprised of five investigators, an intake specialist, their supervisor and two agency counsel. During the calendar years of 2002 and 2003, the Commission received approximately 525 housing inquiries. Since the State Fair Housing Law is substantially similar to the Federal Fair Housing Act, the Commission works closely with U.S. Department of Housing and Urban Development and many fair housing complaints are filed with both agencies. Since January 2003, one hundred forty-two cases alleging housing discrimination were dual-filed with the U.S. Department of Housing and Urban Development and the Commission. During this same time period, the Commission successfully closed 129 cases. Currently, the Commission has approximately 21 complaints under investigation and four cases in litigation.

Mediation Program

By Statute, the North Carolina Human Relations Commission must attempt to resolve fair housing complaints through conciliation. In 2002, the Commission established a mediation program with Carolina Dispute Settlement Services, an independent mediation service, through which the Commission attempts to resolve complaints in a more expeditious manner. During mediation, the Commission continues investigation of the fair housing complaint to ensure compliance with statutory timetables. Since establishment of the program, the Commission has successfully settled approximately 90 fair housing complaints through mediation or conciliation.

Hispanic/Latino Community

In order to be responsive to the changing racial/ethnic composition of the State of North Carolina, the Commission has increased its outreach, education and enforcement

efforts to the Hispanic/Latino community through bilingual fair housing educational materials, by promptly securing available translators in fair housing and community relations matters and through its commitment to secure a bilingual fair housing investigator and a bilingual community relations specialist. With the addition of these two staff members, the Commission will work towards its goal of establishing a network of Hispanic/Latino organizations across the State that in turn, will provide training and education to their individual service areas.

Enforcement of Civil Rights Statute (N.C.G.S. Ch. 99D)

Chapter 99D of the North Carolina General Statutes authorizes the North Carolina Human Relations Commission to bring a civil action on behalf of an individual whose civil rights have been violated. A violation of this civil hate crime statute occurs when two or more persons, motivated by race, religion, ethnicity or gender conspire to interfere with the exercise or enjoyment of a right secured by the U.S. or State Constitution or law and use force, repeated harassment, violence, physical harm or threats of such action to persons or property. Since January 2003, the Commission has received two requests that it commence such civil actions; however, in both cases, the alleged actions did not constitute a violation of the Statute.

Fair Housing Outreach

In an effort to affirmatively advance the State's interests in providing fair housing to all citizens, since January 2003, the Commission has conducted 124 fair housing seminars and has trained 2,054 individuals in fair housing law. Additionally, the Commission has distributed approximately 10,277 pieces of fair housing literature in English and Spanish. In order to improve its visibility and accessibility for the public, the Commission has also established and maintains a web page containing the State Fair Housing Act in English and Spanish and fair housing complaint forms The Commission has also printed State Fair Housing Act booklets, brochures, and posters in English and Spanish, which it distributes to individuals and groups throughout the State.

Cultural Diversity Training

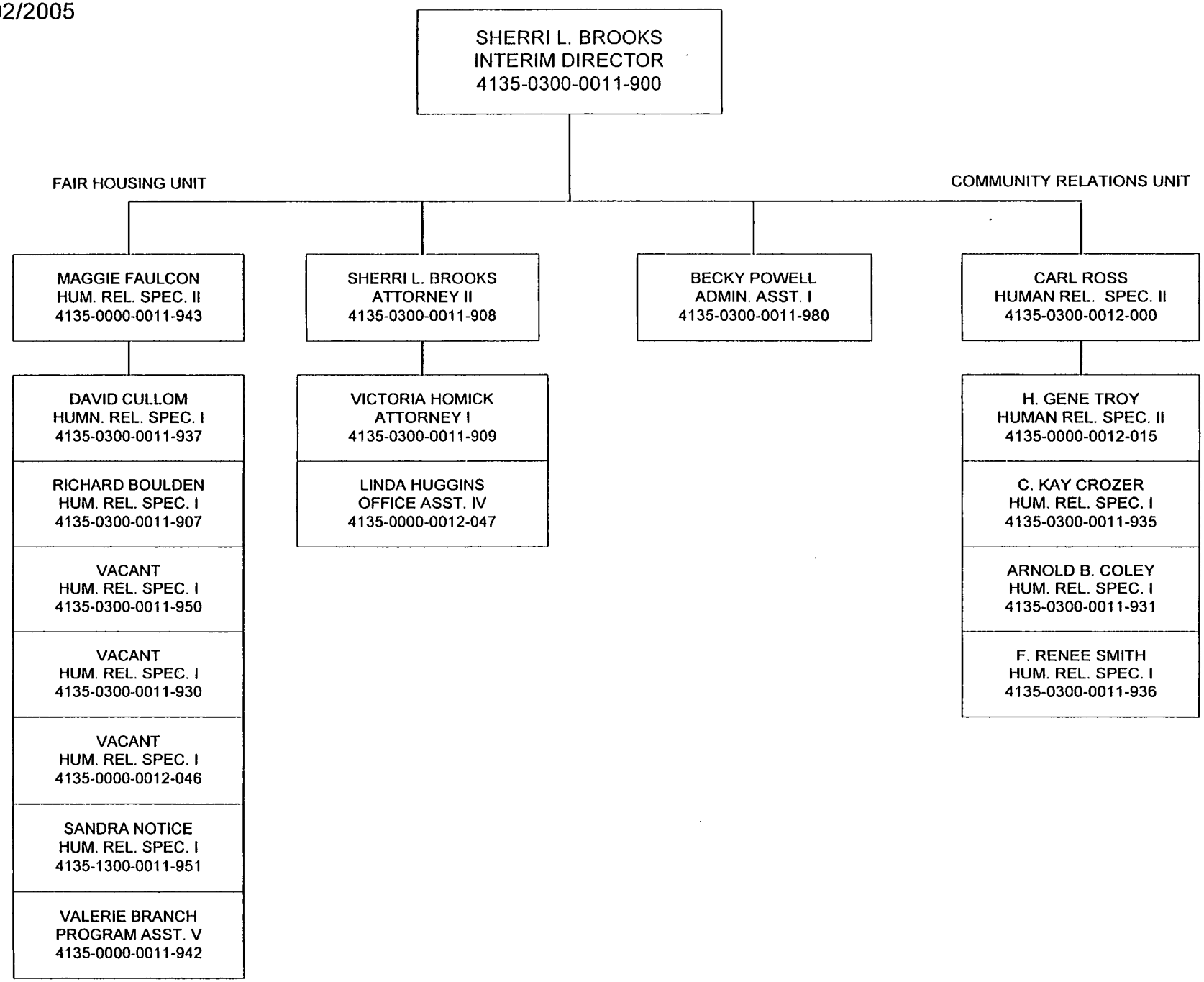
Since January 2003, the Commission has presented 59 cultural diversity training sessions in which it trained 1,517 law enforcement officers, local government staff and educators. The purpose of this program is to improve the participants' community relations skills by developing empathy and mutual respect when interacting with the public. With this training, these personnel also learn to develop an appreciation and acceptance of the cultural diversity of the residents of their communities. Through these sessions, the Commission strives to increase multicultural/ethnic understanding and appreciation, reduce prejudice and stereotyping, discuss cause/effect-stimulus/response and address problem-solving techniques.

Hate Violence Reporting/Investigation

"Hate incidents" refer to crimes, harassment or intimidation committed out of hatred for the victim because of his or her race, religion, ethnic, cultural background, or other basis. In order to make the State a safer and better environment and to gather this sensitive information centrally, the North Carolina Human Relations Commission

DEPARTMENT OF ADMINISTRATION
HUMAN RELATIONS COMMISSION
REVISED 02/2005

DIV. HEAD: SHERRI L. BROOKS (INTERIM)
DEPT. HEAD: GWYNN T. SWINSON



DOA - Human Relations Commission
FUND 1741
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$525,244	$634,508	$634,508	$634,508
Total Estimated Receipts	$3,465	$0	$0	$0
Net Appropriations	$521,779	$ 634,508	$634,508	$634,508
Number of Positions	10.67	10.67	10.67	10.67

Notes:

92% of Budgeted Appropriations is Personnel Cost

0% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

8% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

DOA - Martin Luther King Commission
FUND 1742
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$47,545	$69,055	$69,055	$69,055
Total Estimated Receipts	$0	$0	$0	$0
Net Appropriations	$47,545	$ 69,055	$69,055	$69,055
Number of Positions	0.00	0.00	0.00	0.00

Notes:

0% of Budgeted Appropriations is Personnel Cost

71% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

0% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

0% of Budgeted Receipts is Operating Expenses

0% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

YOUTH ADVOCACY AND INVOLVEMENT OFFICE

Program Overview

The Youth Advocacy and Involvement Office (YAIO), under the leadership of four advisory councils (NCGS 143B-385-388+143B-414-419) and in cooperation with public and private agencies, serves as an advocate for the 2 million people in the state under the age of 18. YAIO seeks to enhance the quality of lives of children and youth through individual and class advocacy intervention and by offering opportunities for leadership development and experiential education. There are 9.75 FTE positions funded.

Accomplishments

Advocacy

The advocacy staff handled 275 new cases including: child abuse and neglect, custody, foster care, adoptions, day care, education, child health, etc. These cases came from all over the state and from several different states, in those two years. We have also provided information and referrals to over 200 additional people. Staff has also been involved in working on and researching issues such as: abuse in day care centers, corporal punishment in schools, service to emotionally disturbed teens, foster care and adoption, child drowning, child fatality prevention, child mental health, and juvenile justice.

A funded resource library/database for youth programs and services has been developed to offer assistance to both public and private agencies and individuals seeking resources to operate their programs. This has been accomplished through our redesigned web site. Hundreds of state employees & private non-profit staff have been trained in several workshops entitled "How to Write Federal Grants for Children and Youth Programs."

Students Against Destructive Decisions

The SADD program was re-staffed and restarted in 2003 after a one-year period of inactivity. One hundred participants attended the 2003 Annual NC SADD Leadership Conference. At the November 2004 conference, that number had doubled to two hundred participants. Sponsorship grants totaling $30,000 were secured and used for scholarships for students. A North Carolina student from Perquimans County was selected to serve on the SADD National Student Leadership Council. A Winston-Salem student was selected as North Carolina Student of the Year based on the prevention work done in her school & community. The program recognized teachers from Forsyth, Perqiumans and Warren Counties for their support of the students. An online newsletter was published on the web. The SADD coordinator served on the NC Youth Suicide Prevention Coalition where a state suicide prevention plan was drawn up. The SADD coordinator was also appointed to the Governor's Task Force to Reduce Driving While Impaired.

Youth Legislative Assembly

The 33rd and 34th Youth Legislative Assemblies (YLA) convened in March, 2003 and April, 2004, with a total of 280 youth legislators from across the state. The weekend

mock assemblies, patterned after the NC General Assembly, debated numerous issues, including: Adding 144 hours for community service to the high school graduation requirements in NC and placing the 10 Commandments in the Supreme Court building. The sessions now use 643 LOB & banquet speakers have included Speaker Richard Morgan & Rep. Alma Adams. Corporate donations of $12,296 were used for scholarships for all participants

State Government Internship Program

YAIO administers the State Government Internship Program for college, graduate, & law students. Summer interns work 40-hour weeks for 10 weeks and were paid $6.75/hour until July 2004 when the General Assembly raised the wages to $8.25/hour (the first increase in 7 years). In 2003 & 2004, approximately 165 interns have been placed in 25 state government agencies across the state. [

State Youth Council

The State Youth Council (SYC) of North Carolina, whose intent it is to promote youth involvement in community affairs, conducted quarterly conference throughout the state in the recent program years. Local youth councils, which comprise SYC, reviewed grant applications, conducted and planned major community projects and served as an advisory group to Former State Superintendent Mike Ward. New councils were established & chartered in Garner, Wilson, New Bern, Mocksville, Hickory, Mooresville, and Concord. The council has also collaborated with: 4H; Gov. Commission on Volunteerism & Community Service; Communities in Schools; and Strong Able Youth Speak Out (SAYSO).

Mini-Grant Program for Youth Organizations

The Mini-Grant Program was initiated by the Youth Advisory Council in 1977. The mini-grants give youth an opportunity to develop program ideas, write grant proposals, screen grants submitted by youth groups, and implement defined program objectives.

With an annual appropriation from the N.C. General Assembly and the N.C. Youth Endowment Fund, the Youth Advisory Council is able to award grants averaging $500 for a wide range of youth-directed projects. In 2003, 22 grants were funded from the 40 proposals received. In 2004 19 grants were funded from the 32 proposals received. Examples of projects: youth tutoring; educational supplies; school supplies for homeless youth.

Grant applications are received in the fall of each year.

Publications

Thanks to two grants totaling $50,300 from the Governor's Crime Commission, Youth Rights and Responsibilities: A Handbook for North Carolina's Youth and You and the Juvenile Justice System: A Guide for Youths, Parents and Victims, were updated and 20,000 copies of each were printed in English. They were distributed to schools, training schools, juvenile court counselors, teen court programs and other youth programs across North Carolina. Both publications were translated into Spanish and 10,000 copies of Youth Rights and Responsibilities: A Handbook for North Carolina's Youth and 7,500 copies of You and the Juvenile Justice System: A Guide for Youths, Parents and Victims were printed & distributed. These publications have been distributed to juvenile

court counselors, ESL teachers, Hispanic/Latino organizations and conferences. The office has used creative methods for distribution of the publications such as asking Legislators to take them to their district offices, having people from other agencies and departments take them to conferences and have people come by our office when they are in Raleigh to pick up the books. All four of these publications are available in English & Spanish on the YAIO web site.

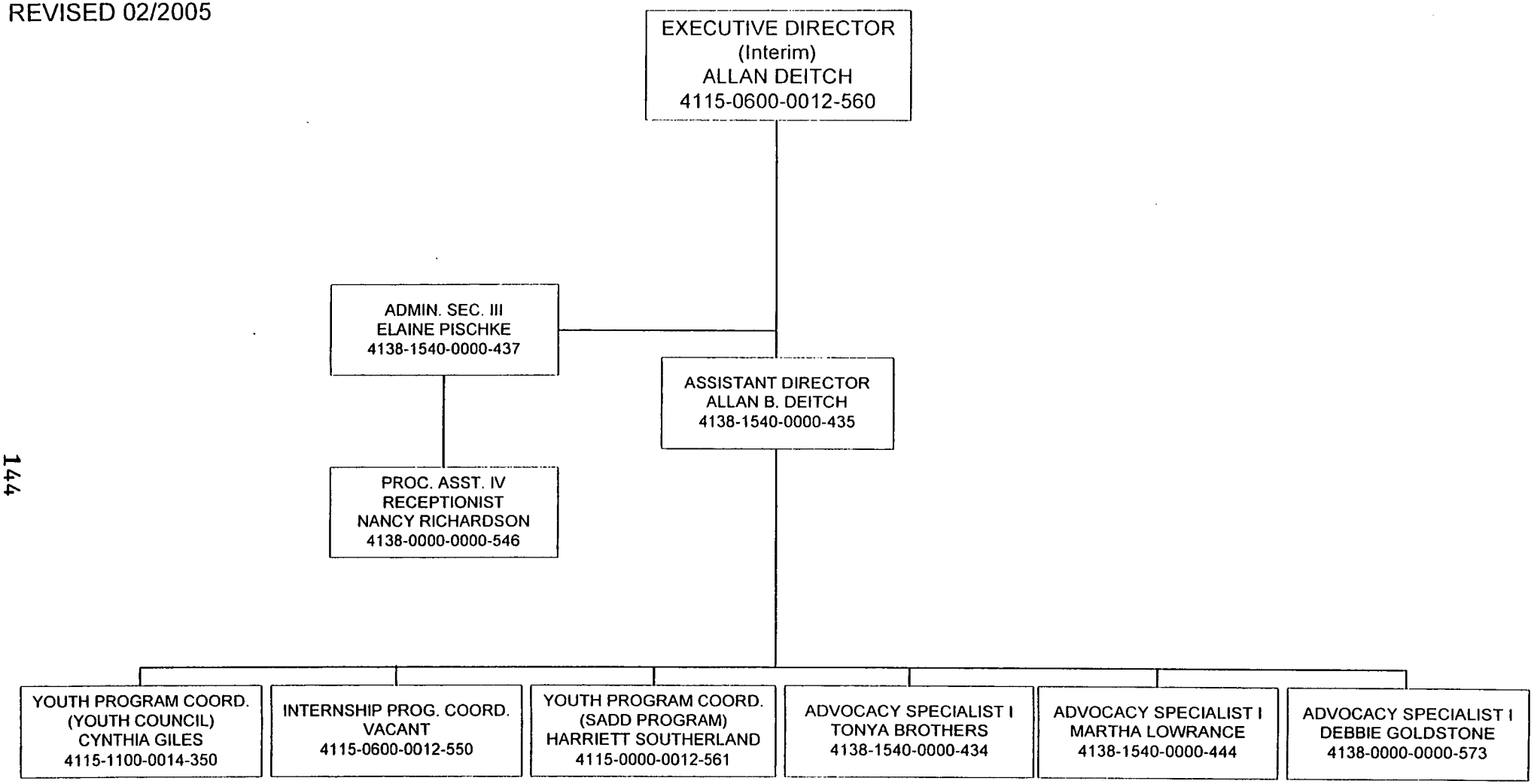
Other Youth Programs

The agency also worked with the Governor's, House & Senate Page programs to sponsor nine older foster youth as pages in June 2004. This model program which will continue & expand in 2005, was in cooperation with NC & several County Departments of Social Services. The youth met with the Governor.

Grants have been received from the Governor's Crime Commission to fund Our Children's Place, a prison mother's project that is chaired by Sen. Ellie Kinnaird. The project, in its planning stages, seeks to renovate a state building in Butner & house a small number of female inmates and their infants & toddlers together to encourage bonding, better parenting, and to reduce recidivism. It is modeled after similar programs in several other states.

DEPARTMENT OF ADMINISTRATION
YOUTH ADVOCACY & INVOLVEMENT OFFICE
REVISED 02/2005

DIV. HEAD: ALLAN DEITCH (Interim)
DEPT. HEAD: GWYNN T. SWINSON



DOA - Youth Involvement Office
FUND 1761
Summary of Budget

	2003-04 Actual	2004-05 Authorized Base Line	2005-06 Recommended	2006-07 Recommended
Total Requirements	$654,025	$825,818	$834,871	$834,871
Total Estimated Receipts	$18,170	$32,000	$32,000	$32,000
Net Appropriations	$635,855	$ 793,818	$802,871	$802,871
Number of Positions	10.00	10.00	10.00	10.00

Notes:

61% of Budgeted Appropriations is Personnel Cost

32% of Budgeted Appropriations is "Pass Through" Monies for Grants, Scholarships, Aid to Local Governments, etc.

7% of Budgeted Appropriations is Operating Expenses

0% of Budgeted Receipts is Personnel Cost

100% of Budgeted Receipts is Operating Expenses

100% of Budgeted Positions is Supported from Appropriation

0% of Budgeted Positions is Supported from Receipts

OSBM

STUDY OF STATE-FUNDED ADVERTISING

As Directed by Session Law 2004-124, Section 19.3

December 31, 2004

Prepared By:

Office of State Budget and Management

INTRODUCTION

Section 19.3 of Session Law 2004-124 (HB 1414) directed that the Office of State Budget and Management (OSBM) study the nature and costs of state agencies' requirements for advertisements and public service announcements. The full text of the section follows:

> **STUDY OF STATE-FUNDED ADVERTISING**
>
> **SECTION 19.3.(a)** The Office of State Budget and Management, in collaboration with the Department of Administration, shall conduct a study of the State agencies' requirements for advertisements and public service announcements. The study shall include a review of the nature and cost of the advertisements and public service announcements. The study shall consider (i) the extent to which the North Carolina Agency for Public Telecommunication (APT) can efficiently and effectively provide the services related to the development and placement of these advertisements and public service announcements at a savings to the State, and (ii) whether the services should be provided by APT, decentralized, or outsourced.
>
> **SECTION 19.3.(b)** The Office of State Budget and Management shall submit a report of its findings and recommendations to the Chairs of the Appropriations Subcommittees on General Government of the Senate and House of Representatives by December 1, 2004.

Scope and Methodology

The study addressed the specific questions outlined in Section 19.3(a) in detail for most state agencies and more generally for the University System. In order to conduct the study, the OSBM study team did, but was not limited to, the following tasks:

- Reviewed agency advertising expenditures
- Surveyed agencies for their specific requirements for advertisements and public service announcements
- Interviewed agency staff who deal with advertising including: chief financial officers, budget officers, public information officers, and/or division heads
- Reviewed agency practices related to the development and procurement of advertising and public service announcements
- Reviewed agency workflow related to the development and procurement of advertising and public service announcements
- Reviewed APT resources utilized to provide advertising-related services as well as their internal processes for managing these services
- Interviewed a private sector Advertising Director

BACKGROUND

Agency requirements for advertisements and public service announcements differ extensively from one state agency to another ranging from job announcements and legal notices in most agencies to sophisticated advertising programs in departments such as the Department of Commerce with its Division of Travel and Tourism. Advertisements and public service announcements are developed and procured in a variety of ways including: direct placement of internally developed advertisement with the desired media; purchase of the development and placement of the advertisement through a vendor; utilization of APT for the development and placement of the advertisements; partnering with other state agencies, non-profits, trade associations, etc. to leverage their advertising funds; and, receipt of the development and/or placement of the advertisements and public service announcements by a donor.

FINDINGS

The findings provide the basis for suggesting answers and/or alternatives to the major questions posed in the special provision: (1) To what extent can APT efficiently and effectively provide the services related to the development and placement of advertisements and public service announcements at a savings to the State, and, (2) whether those services should be provided by APT, decentralized, or outsourced.

Agency for Public Telecommunication (APT)

APT, a receipts-supported division of the Department of Administration, serves as a media production house for North Carolina State Government. Its services include:

- Production of public service announcements and video
- Media buying
- Teleconferences and media tours
- Technical advice on telecommunications engineering and operations
- A weekly call-in program (OPEN/Net) designed to link citizens with policy-makers

The first two services listed above, production and media buying, are the two services related to this study. In-house staff is utilized for the production of public service announcements and coordination with agencies while a contract employee, who averages working about 20 hours per week, handles the tasks involved with media buying. APT charges agencies for the actual cost of in-house production and a 5% fee for media placement in addition to the cost of the placement. APT services have proved especially beneficial to those smaller state agencies who do not routinely utilize such services. Currently APT has ongoing advertising projects with the departments of Administration, Agriculture, Environment and Natural Resources, Health and Human Services, Justice, Revenue, and Transportation. The *"Click It or Ticket It"* project is one of the recent and more noteworthy projects in which APT has been involved. Appendix A outlines the advertising projects in which APT has worked with state agencies since FY 2002.

State Agency Advertising Spend

During Fiscal Year 2004 state agencies spent about $28.8 Million out of the advertising expenditure account (532860). About two-thirds of that total, $19.2 Million, were General Fund expenditures. Table 1 to the right shows the distribution of the $28.8 Million across all funds. Purchases out of the advertising account include purchases for development and production of advertisements and PSA's, media buying cost, the media purchase itself, purchase of promotional supplies and materials for exhibits, conferences, and workshops, and miscellaneous purchases related to advertising. The media purchase itself can include classified advertisements, billboard advertisements, print advertisements in various media, television and cable spots, etc.

Table 1

Fund Type	FY 2004 Expenditure (Millions)
General Fund (1XXXX)	19.27
Institutional Funds (0XXXX)	4.75
Special Funds (2XXXX)	1.79
Highway Funds (8XXXX)	1.54
Enterprise Funds (5XXXX)	0.97
Trust Funds (6XXXX)	0.50
Internal Service Funds (7XXXX)	0.03
Total	**28.85**

Advertising spend by agency is shown in Table 2 on the next page. Almost one-half of the total spend occurs in the University System and consists mainly of job announcements, bid notices, and advertisements for Continuing Education and Professional Development. The Department of Commerce accounted for $6.5 Million or almost 23% of the total advertising spend. Over $4.5 Million of the total for Commerce was spent with the department's primary advertising agency utilized by the Division of Tourism and Travel. The departments of Administration, Agriculture, Transportation, and Justice also had FY 2004 advertising expenditures in excess of one million dollars. The rest of the state agencies collectively accounted for about 6% of the total spend.

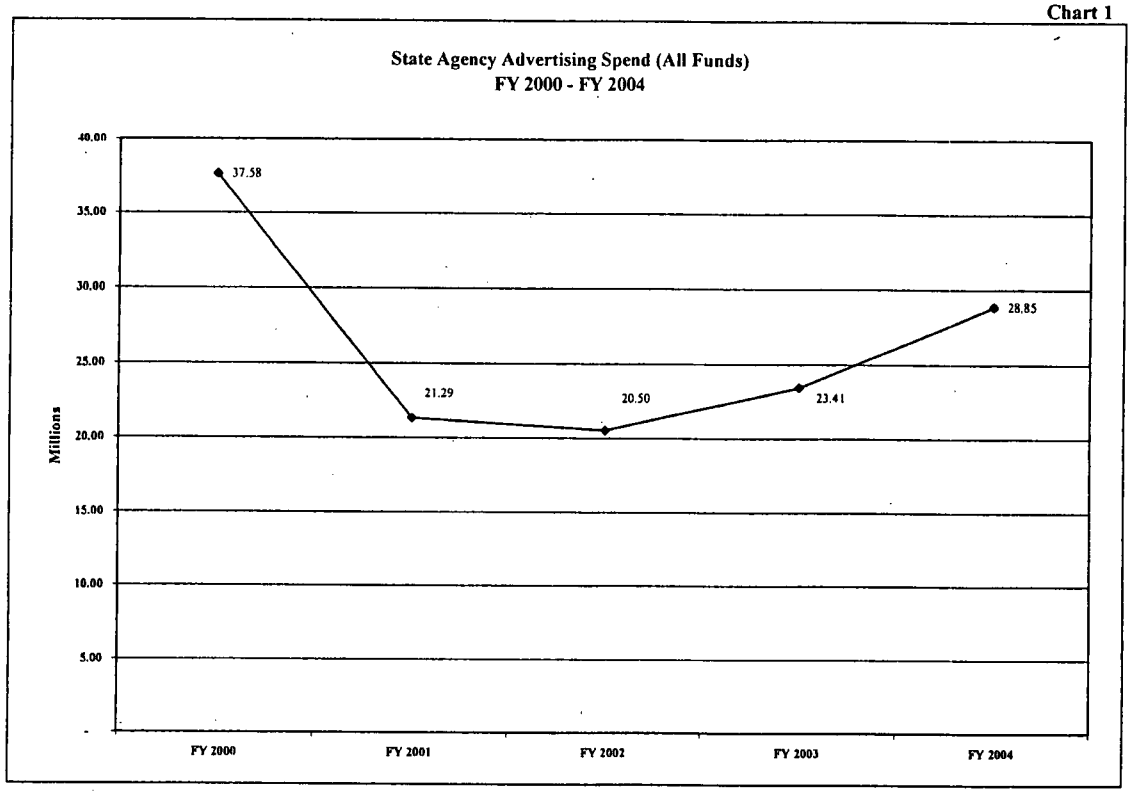
Chart 1 places the FY 2004 state agency advertising spend into perspective relative to previous years. Total agency spend in FY 2000 was $37.6 Million.

Table 2

State Agency		FY 2004 Spend	%
University System	$	13,905,765	48.2%
Commerce	$	6,522,728	22.6%
Administration	$	1,835,184	6.4%
Agriculture (including State Fair)	$	1,651,387	5.7%
Transportation	$	1,538,019	5.3%
Justice	$	1,478,466	5.1%
DHHS	$	513,205	1.8%
State Treasurer	$	505,448	1.8%
All Others	$	365,614	1.3%
Environment and Natural Resources	$	265,192	0.9%
Correction	$	155,312	0.5%
Cultural Resources	$	132,301	0.5%
Total	**$**	**28,868,623**	

The OSBM analysts have been unable to determine what part of the advertising spend covers development and production, what part covers media buying, and what part covers the actual advertisement or PSA run in the media. However, after analyzing the spend by department and by vendor, it appears that no more than 1/4 of the total spend may fit the category of advertisements and PSA's where APT might provide an alternative in the production and media buy areas. Appendix B provides a brief summary of the varied uses of advertising within state agencies.

Chart 1



Advertising Development/Production and Procurement Process

Simply stated, the advertising process has four basic steps: (1) Determine the need (2) Develop/produce the advertisement (3) Buy or place the spot, and (4) Run the advertisement (or PSA). Table 3 below identifies the participants that might be involved in each step of the process:

Table 3

Participant	Steps in the Process			
	Determine Need	Development/ Production	Media Buy	Advertisement or PSA Run
State Agency	√	√	√	
Partner	√	√	√	
Advertising Agency (Broker)		√	√	
APT		√	√	
Media Outlet (Print, Broadcast, Electronic, Billboard)		√		√

With straightforward advertisements, such as job announcements and legal notices, the process is quite simple, the agency develops the advertisements and forwards to the media outlet for placement. The media outlet charges the state agency based on their rate schedule. Media rate schedules include local, non-profit, and national rates. Discounts can be given for the number of times the advertisements run or for any number of different variables. Bottom-line, any state agency, including APT, receives the same basic rates for these simple, straightforward placements. For more complex or sophisticated advertisements or advertising campaigns, a partner and/or advertising agency may participate with the state agency in the process. Also, APT has worked with state agencies in the development/production and placement of advertisements and PSA's. As the table indicates, each participant in the process can be involved in one or more of the steps depending on the specific agency requirements. During the "media buy step" the state agency is obliged, just as with the purchase of any service, to abide by the rules and regulations of the Division of State Purchase and Contract.

Complexity of Advertising Rates

The underlying question in the special provision is that advertising agency or broker fees increase the cost of advertisements to a state agencies and whether APT can place the advertisement at significantly less cost. Also, there is a question whether there are significant discounts to be had by APT and state agencies from both the media outlets and the advertising agencies. The answers to the questions posed are yes and no. As previously mentioned, most of the media outlets have specific rate schedules. State agencies usually qualify for a lower non-profit rate. Additionally, rates vary depending on frequency of placement and whether or not there is a contract in place. Advertising agency rates also vary depending on the services provided. With straightforward advertisement placement, the cost can quickly be determined by the agency; conversely, for complex and sophisticated advertising campaigns, as required by the Division of Travel and Tourism, costs cannot be quickly determined by selecting a rate from a schedule.

Agency Concerns Related to APT Being the Sole Provider

Capacity of APT to Provide Services

State agencies, particularly agencies such as Commerce and Agriculture, are reluctant to relinquish their responsibility for ad production and media buy to APT. In Commerce, for instance, their Marketing Plan (of which the Advertising Program is a major component) is a core function of the Division of Travel and Tourism. The Advertising Program is an essential element to marketing North Carolina as a travel destination for in-state, national, and international travelers. Commerce's Advertising Program success is apparent as North Carolina continues to be ranked in the top six states nationally for being a travel destination. Commerce has been able to leverage its advertising expenditures through cooperative agreements with travel partners and through free advertising. It is easy to understand why Commerce would not want to relinquish part of its core function to another state agency. Although on a smaller scale, the Department of Agriculture also successfully leverages its advertising dollar through agreements with partners and the use of free advertising.

State agencies have successfully utilized the services of APT for quick turnaround services and to supplement their current advertising programs but see the need for maintaining internal control over what is directly related to their core functions.

Public-Private Partnerships

In addition to Commerce and Agriculture, other agencies partner with private groups, such as museum societies and foundations, commodity associations, federal partners, travel bureaus, private companies, media outlets themselves, etc. to either greatly reduce the cost of their advertising or to get it free. The agencies certainly do not want to jeopardize these partnerships.

Discounted Advertising Rates

State agencies and APT alike indicate that they receive discounted rates from the media outlets. Media rate schedules fluctuate based on frequency rate, profit or non-profit, national or international, contract or not that makes it difficult to determine an "off-the-shelf" answer that applies to most situations. OSBM is aware that advertising rates for the same spot, whether print or broadcast, might vary as much as 50% based on the factors listed. Consequently the agencies contend that there are no real savings to be obtained through the use of APT as an advertising broker. The data analyzed by the OSBM analysts can neither confirm nor deny this contention.

RECOMMENDATIONS

Decisions for the development and procurement of advertisements and public service announcements should be left in the hands of the state agencies (de-centralized).

The majority of the advertising and PSA transactions currently taking place in state agencies are simple and straightforward including the placement of job announcements, bid notices, and legal notices. These transactions would only be prolonged if a third party became involved. Conversely, the majority of the advertising dollars are consumed with extensive promotional campaigns having to do with the core functions of the state agency, i.e., promoting travel and tourism in North Carolina and promoting the use of North Carolina agricultural products. In these cases, decision-making should be the responsibility of the agency accountable for the function. In short, decision-making for advertising should remain "decentralized" at the department level.

Include APT in the competitive bidding process.

Video production of public service announcements and media buying are two of the services offered by APT. Numerous state agencies have utilized APT for these services and have been satisfied particularly on quick turnaround projects and small scale projects which supplement other services being purchased. In order to be fair to state agencies, to APT, to the private vendor community, and to the taxpayer, it is recommended that when a Request for Proposals (RFP) for Advertising Services is issued that APT be allowed to submit a bid for the project given there is not a conflict with G.S.§ 66-58. The RFP process is probably the only way to determine if APT's cost of providing services is actually lower than that of private sector providers and results in a service of equal or better value. The use of "Competitive Sourcing" has become increasingly popular at the local, state, and federal levels to insure that the Most Efficient Organization (MOE), whether public or private, receives the work. As always, vendor selection should be on the basis of "best value."

CONCLUSIONS

If APT did all the media buying for the state agencies, the potential maximum savings is only about $300,000 in appropriated General Fund monies. The greatest potential savings that can be realized by state agencies in the advertising and public service announcement processes through the use of APT may already be occurring in the area of public service announcement production. By issuing RFP's for the advertising services that are subject to competition and allowing APT to submit bids to provide those services, all the costs will be known. The "best value" bid wins.

The marketing and advertising industry has become quite sophisticated in its capacity to target and segment markets as well as to measure media campaign results. In many cases the tangible benefits of an advertising campaign are realized "down the line" in the form of increased spending on North Carolina travel and on North Carolina agricultural products rather than in a lower expenditure for the campaign itself. The State should not be short-sighted when evaluating "best value" because the benefit may be in the return on investment rather than in the low bid.

The OSBM analysts wish to acknowledge the cooperation and input of state agency and APT staff in the conduct of this study.

APPENDIX A

Summary of APT Project
FY 2002 – FY 2004

Summary of APT Projects (As reported by APT)
FY 2002-2004

APPENDIX A

Agency	Division	Campaign	APT Involvement	Dates	Media	Total Costs	Results
Admininstration	GAPCD	Disability Awareness	Writing, Producing,& Media Placement	6 months	Radio, TV, Cable	$ 175,500.00	Disability Awareness
Agriculture	Grape Council	wine campaign	Placed Billboards	3 months	Billboards	$ 25,200.00	NC Winery Awareness
Agriculture	Grape Council	wine campaign (roll-over)	Placed Billboards	1 year	Billboards	$ 154,000.00	NC Winery Awareness
Agriculture	State Fair	State Fair awareness	Writing, Producing,& Media Placement	1 year	Radio, TV, Cable, Billboards, Print	$ 310,000.00	Not complete
DENR	PollutionPrev/EnvironAssistance	Waste Recycling	Placed ads on movie screens	June 2004 - July 2005	Cinema and Cable	$ 200,000.00	Recycling Awareness and Education
DHHS	Deaf and Hard of Hearing	TEDP, Emerg. Warn, Relay 711	Writing, Producing,& Media Placement	1 year	Radio, TV, Cable (English&Spanish)	$2,407,000	Services for and Awareness of Deaf & Hard of Hearing
Justice	Attorney General	Project Safe Neighborhoods	Placed Billboards	April-December 2004	Billboards	$ 82,000.00	Awareness and Education gun laws in North Carolina
Revenue	Tax Compliance	Spanish Outreach & Awareness	Writing, Producing & Media Placement	6 weeks	Radio, TV, Cable	$150,000	Tax Compliance and Awareness among Hispanic Population
Transportation	Motor Vehicles	OBD Inspections and Fines	Writing, Producing,& Media Placement	1 year	Radio	$ 500,000.00	Inspection Requirements and Penalty Awareness
Transportation	Highways	Move It on Over	Writing, Producing,& Media Placement	4 weeks	Radio, TV, Cable	$ 70,000.00	Safety and Awareness on the roadways
Transportation	Highways	511 Travel Information	Writing, Producing,& Media Placement	4 weeks	Radio, TV, Cable	$ 215,000.00	Education and Awareness of Travel Info Available in NC
					Total	$ 4,288,700.00	
Other Projects							
Agriculture	Marketing	Mountain State Fair	Editing and Duplicating	Sep-04	TV	$500.00	Mountain State Fair Awareness
Agriculture	Marketing	Mountain State Fair	Editing and Duplicating	Sep-04	TV	$ 725.00	Mountain State Fair Awareness
Crime Control and Public Safety		Hurricane Guide	Printing and Media Placement	3 weeks	Newspapers	$ 163,600.00	Hurricane&Disaster Safety Awareness
DHHS	Public Health	Bio Terrorism Awareness	Printing and Media Placement	one week	Newspapers	$ 138,800.00	BioTerrorism Awareness
NCCU(produced-not yet placed)	Pubic Affairs	Trad & Non-Trad Students PSAs	Writing, Producing, Duplication	Nov-04	TV (production not placement)	$86,000	Image Creation
						$389,625	
2003-2004							
DHHS	Deaf and Hard of Hearing	711 Relay NC	Wrote, produced, media placement	March-April 2004	Radio, TV, Cable	$350,000	Education and Awareness of 711 Service and Use
DHHS	Public Health	Direct Care Workers	Local Tag and Media Placement	October-December 2003	TV, Cable	$ 120,000.00	Direct Care Worker Recruitment
DENR (Three year project)	NC Division of Air Quality	Inspection and Maintenance	Wrote, produced, media placement	0	Radio, TV, Cable, Print	$ 1,500,000.00	Air Quality and Health Issues Awareness and Education
Governor's Office	Hurricane	Hurricane Isabel	Editing	Sep-03	Radio, TV Cable	In-Kind $2105	Hurricane Disaster relief
Human Relations Council		Fair Housing	Local Tag Production Media Placement	4-Apr	Radio, TV Cable	$ 15,000.00	Fair Housing Initiatives and resources
Secretary of State		Securities Fraud	Wrote, produced, media placement	November-December2003	Radio, TV Cable	$ 750,000.00	Securities and Investment Fraud Education and Awareness
Secretary of State		End of Care Directives	Wrote, produced, media placement	Jan-04	Radio	$ 10,000.00	End of Life Directive Awareness and Education
UNC-TV	Festival	Bluegrass Campaign	Media Placement and distribution	Jun-04	Radio	$3,000.00	Fundraising for UNC-TV
Note: The DENR project is prorated at a third of the value in all cost figures since it is a three year project.					Total	$ 2,748,000.00	
Other Projects							
Agriculture	NC Grape Council	Marketing	Placed Billboards	March-June 2004	Billboards	$ 25,000.00	NC Winery Awareness
Agriculture	Marketing	Mayberry Deputy	Production and Distribution	Apr-04	TV, Cable	$ 6,200.00	NC Agriculture Product Awareness
Administration		Community Volunteerism	Local Tags (no media buys)	Dec-03	TV	$300	
GHSP	Transportation/El Pueblo	Spanish Spots	Produced and Distributed	Dec-03	Radio	$500	Safety and Awareness of NC Laws on Drinking and Driving
GHSP	Click it or Ticket	Clicki it Gsbo & Triad	Produced and Distributed	Mar-03	Radio and TV	$7,500	Awareness and Education on state's click it or ticket laws
Governor's Office		Volunteerism	Local Tags and Distribution	Nov-03	Radio	$ 347.00	Volunteer Recruitment
Note: Not all expenditures for FY 2004 are accounted for in FY 2004 expenditures if the project was not completed prior to June 2004.					Total	$ 39,847.00	
2002-2003							
DHHS	Public Health	West Nile Virus	Local Tag Production and Media Placement	April 2003-June 2003	Cable	$ 30,000.00	Education and Awareness of West Nile Virus problems
Other Projects					Total	$ 30,000.00	
Transportation	Construction	Work Zone Safety	Retag spots and dub	Jun-03	TV	$ 3,400.00	Education and Awareness of Safety in Construction Zones
Transportation	Governor's Highway Safety	Clicki it or Ticket	Wrote and Produced	May-03	Radio and TV	$7,500.00	Awareness and Education on state's click it or ticket laws
					Total	$ 10,900.00	

Note: OSBM analysts were unable to reconcile project costs with NCAS Reports

APPENDIX B

Use of Advertising in State Agencies

Use of Advertising in State Agencies *(unedited)*

Cultural Resources	Expenditures include some advertising mainly through newspapers for special exhibits, job announcements, and magazine advertising using multiple medias. Advertising is also provided by support groups and foundations associated with the department. Some projects may or may not be eligible for APT services. A production assistant for Historic Sites is housed in APT and makes video productions for Cultural Resources. The equipment is used by APT when needed.
Agriculture	Marketing Division receives the 15% media discount for all media coverage and applies the savings to additional media coverage for each project. Agriculture also partners with many companies and associations to purchase media coverage for NC products and services with the partner selecting the media vendor. Many in-kind services and value added media services are contributed to Agriculture. Agriculture has used the production, billboard; editing and distribution services offered by APT and find that acceptable for several projects especially those that require a quick turnaround. Projects needing wide coverage and other services are bid for competition, regardless of the costs involved. Agriculture also contracts for some projects with APT.
Commerce	Department of Commerce has a 4.5 million dollar contract with a private advertising agency that provides a full range of services including the 15 % discount and extensive national and international marketing in multiple medias. Like Agriculture, an article in a trade magazine or a TV show on a particular public topic will prompt other free media coverage which the agency does not purchase. Commerce also partners with other companies and associations that provide media coverage and offers. Some projects may or may not be eligible for APT production and placement.
State Treasurer	State Treasurer - PSA production work and materials donated and a placement company was used to place the PSA. The department received the 15% media discount which was applied to expand media coverage for the PSA. All other expenditures were for job announcements, legal notices, and supplies for exhibits, conferences, and displays.
Insurance	The department had a PSA paid for and placed by SHIPP. The department was not involved in the placement of the ad. All other expenditures were for job announcements, exhibit/conference supply, and legal notices.
Agriculture – State Fair	State Fair-Production of PSA and media placement will be a collaborative effort of State Fair and APT for the 2005 State Fair.
Revenue	Expenditures for job announcements and legal notices.
Secretary of State	The department has used the services of APT for media placement. Other expenditures are for job announcements and legal notices.
DHHS - Health Services	This was a promotional for Direct Care Workers prepared by APT.
Labor	Expenditures for job announcements, legal notices, supplies for conferences and exhibits. The department has used the services of APT.
Justice	Expenditures for job announcements, legal notices and advertising campaign utilizing broad range of media services and resources not available from APT.

Wildlife Resources	The division used an advertising agency to produce announcements requiring a broader range of services than could be provided by APT. APT had the opportunity to review the project before the project was bid. Other expenditures are for job announcements and legal notices.
Public Instruction	Public Instruction has not used the services of APT for media buying. It has issued other projects to APT. Expenditures are for job announcements, supplies, and legal notices.
Correction	Expenditures for job announcements and legal notices.
Environment and Natural Resources	The department is using the services of APT at present through contracts. The museums are advertising through local newspapers and may or may not be negotiating directly with a media buyer. All other expenditures are for job announcements, legal notices, supplies and other materials. Contracted funds used for Air Quality and Pollution Prevention Campaigns for approximately $700,000.
Crime Control and Public Safety	Expenditures for job announcement, legal notices, and vendor displays.
Juvenile Justice	Expenditures for job announcement, legal notices, and vendor displays.
Administrative Office of the Courts	Expenditures for job announcements and legal notices.
Governor's Office	The Governor's Office has used the services of APT for some public awareness projects.
DHHS - Vocational Rehabilitation	Expenditures were for bid notices or legal ads for public hearings.
Information Technology Services	Expenditures for job announcement and legal notices.
University System	Job announcements; bid notices; legal notices; advertisements for Continuing Education and Professional Development. Media outlets include ***The Chronicle of Higher Education***, monster.com, TV and Billboard spots, etc.

Joint Appropriations Subcommittee on General Government
Minutes
March 29, 2005
8:30 am

The Joint Appropriations Subcommittee on General Government met on March 29, 2005 at 8:30am in room 425 of the Legislative Office Building.

Representative Alma Adams called the meeting to order. She welcomed the staff, pages, clerk, agencies and Sgt. At Arms. In addition to Chairman Adams, also present were Reps. West, Pierce, Goforth, Lucas, Wilson, and Tucker and Senators Dorsett, Hoyle, Graham, Brock, Smith and Jacumin. A visitor registration sheet is attached and made a part of the record. Staff present: Marilyn Chism and Kathie Young.

She introduced State Treasurer Richard Moore. He gave an overview of his department. The Department of the State Treasurer is an unusual animal in state government. The one of two big profit sources for the state of North Carolina. They invest the state's money and they are the state's banker and are most involved when the state is borrowing money. They try to borrow money as cheaply as they can and invest money at a reasonable risk to make the highest amount of money we can. If you are looking for their department to find cuts to help with general fund spending, they cannot help. They spend no general fund dollars. Though they do get general fund appropriations, they are the only department in state government that supplies their own appropriations. Their department is entirely paid out of retirement funds. The constitution of the state of North Carolina says that retirement funds can only be used for the benefit of the retirees. The State gets a pretty good deal, they do 10-15% of banking activities on behalf of the general fund and the people of North Carolina that the retirees city, county and state, subsidize the banking operation for the rest of the state.

He gave a broad overview of the Department. We are the only state in the union that has only one retirement program for its employees. Because we have only one back office we are huge. We are the 9th largest public retirement system in the country, the 14th largest public or private and we are one of the top 20 in the world in terms of size. We meet the largest payroll of the state of North Carolina. We pay 180,000 retirees every month, more than $250 million in benefits every month.

We still have 1970 systems running the largest payroll in North Carolina. But you have helped us by appropriating money for our orbit system. The state of North Carolina gives the person who sits in my chair the sole authority to invest the state's money with broad parameters that are set by you. The current parameters state that you can invest up to 65% of the assets in publicly traded equities, invest as much as you want in bonds but they must be investment grade, triple b or better, you can invest up to 10% of the state's funds in real estate, invest up to 5% in kind of a kitchen sink (private equity, non investment grade bonds.)

In 2003 our 7.6% return was the second highest in the country. Last we did just over 12%, this year we are looking at 12%. My philosophy as your Treasurer is that when times are bad the state of North Carolina's retirement pension fund will be among the

best performers in the country because we are going to keep a conservative to bonds. When times are good we are going to be in the middle of the pack.

The other major division of our department is paid for entirely by the cities and counties, the State and Local governments finance division. We are a triple rated state by Fitch, a triple rated state by Standard and Poors. Moodies a couple of years ago took us down one grade and put us on stable outlook. This past year, they left us there but they put us on positive outlook, with the belief that this year we can get the triple A back from Moodies so we will have the highest ratings. The market disagreed with Moodies. The market said North Carolina is still a triple, triple A state. Maryland, Virginia and North Carolina set the standard for the last 30 years in borrowing money as cheaply as possible.

North Carolina has 25% of the triple A rate cities and counties in the country. The local government commission is unique in the United States. North Carolina is the only state in the union that has a centralized debt issuing authority. It came as a result in the 1930s. North Carolina was second to Florida in terms of municipal defaults after the depression in the 30s and this body said we are going to put serious teeth into and institution that we will have no defaults. And North Carolina has had no defaults The local government commission has three times over the last 7 years, had to step in to take over political subdivisions to make sure the taxes were being collected and the bills were being paid.

Over the last three years, we've have given back in terms of interest savings to spend on other things, $250.6 million. Of that total $129 million was saved by exchanging lease payments with certificates of participation. We've doubled the size of the unclaimed property fund from $300 million to $600 million dollars.

The pension funds must be spent on the pensioners, and the escheats and unclaimed property the state constitution requires that the money can be used for one purpose only and that is to help needy and worthy students. Traditionally we've taken the interest earnings on that and given it to the college foundation.

Question: Sen. Dorsett: How much obligation do we have with certificates of participation and then explain that to us.

Answer: We will have $6.5 billion of all general fund debt. As of January 31st we had outstanding debt of $5.5 billion, all debt, and of that $566 million were certificates of participation. By our projections if the Governor issues all of the certificates of participation that you all have authorized and we issue the general obligation debt, just under 22% of all the outstanding debt will be certificates of participation and I hope you play specific attention to the use of certificates of participation. I think they are an appropriate means particularly when this body has a traditional capital budget. There is no money left over at the end of the year.

Follow up: Sen. Dorsett: How much can we have in certificates of participation? Is there a percentage of our total debt that we cannot exceed?

Answer: No, by our view, using very conservative numbers, we are approaching the point were we probably shouldn't look to debt for tremendous amount within the next couple of years. Now we pay it of very aggressively, and we'll have the capacity again, but we've reached the point for two reasons. One, all of the outstanding debt, whether it's certificates of participation or general obligation. It's not so much whether we do or do

not have debt capacity, where are you all going to service the debt from? Where do you have recurring dollars to pay the obligation off? And a good rule of thumb for you to put in your head is – for every $100 million of debt, it's $10 million of annual recurring money for the next 20 years to pay that off. If you want to issue $100 million of debt you better find on you balance sheet $10 million to pay that off.

Question: Sen. Hoyle: What percentage of your budget is general fund appropriated?

Answer: Zero. Billy Watkins got mad at the previous Treasurer and to the investment section off of receipts and put on appropriations, but made them bring the money to the table. You can't spend the money because it's pension fund money but you bring it through this process.

Follow up: Sen. Hoyle: You mentioned the need for upgrading your data processing. Can you not just do that through your receipts or your fees that you generate? If you need that why don't you just go ahead and do it?

Answer: Anything we need, we bring our own money to the table. You have signed off on the orbit system to help us with all of that.

Follow up: Sen. Hoyle: Is your staff exempt from the state personnel act.

Answer: No. The banking commission is seeking an exemption. I would love the flexibility of you putting me on a performance fee, telling me what you need to do and as a governmental manager I would love to be held accountable but please give me some flexibility on what I'm allowed to pay people. We have no exemptions.

Rep. Adams: Do you have plans to correct the problem?

Answer: Yes. Please don't ask us for ceremonial cuts.

Question: Rep. Goforth: You mentioned the investment in real property. Is that real property that we have that you could improve and get it where we could lease it?

Answer: I don't have anything to do with the State Department. The pension funds may invest globally to up to 10% of their assets in real estate. The Treasurer of North Carolina does not have the authority to take title to an individual piece of land. What I'm allowed to do is to place my money with real estate funds and let them do the investing.

Question: Sen. Hoyle: If the Dow Jones Industrial Average moves up or down 50 points a day about how much do we gain or lose?

Answer: Several hundred million dollars.

Follow up: Which is a half of one percent. I think we need to keep that in perspective.

Sen. Dorsett: I have a question on the escheat funds. How do we define needy and worthy students?

Answer: The attorney general's office has developed a specific definition.

Stacey Phipps introduced Senior Staff of the office of the Treasurer. Kenneth Wilkins, unclaimed property and Bill Golden, IT. Debra Bryan is from the retirement system, Brett Joyal, policy director of retirement systems, Janice Burke, heads local government commission, Amy Boyen from fiscal, Steve Eubanks from the investment section and Pam Deardorf, legislative liaison.

Pam Wortham, CPA outlined budget details. Page 9, administrative services better said as executive function for the Treasurer's office. Organizational chart is on page 15 of the package. This office is organized to provide support services to the Treasurer and to the program division within the department. This division is receipt supported. The total budget (in big budget book page 162 and 163) 2005-2006 recommended budget is $1,161,883 and is a little bit more for 2006-2007.

Retirement Systems Division section, page 2-4 is overview. Page 13 contains the budget and mission statement. The retirement section administers the statutory requirements and fringe benefit plans which cover the state's public employees. Payroll is over $250 million. This program is receipt supported. The budget for 2005-2006 is $12,528,447 and a bit higher for the next year. The number of employees in the retirement division is 152.
In the big budget book pages 193-199 is the Fireman's Pension Fund. This section also administers that and that is an appropriation to them, in a separate budget code.

Investment Management Division, page 11. The budget for the investment management division is $2,842,819 for 2005-2006. The number of employees within that division is 19. They charge a management fee on all investments monthly that equates to approximately a half a basis point per year. She explained the diagram on Page 8 in hand out which shows that the appropriations offset the state budget availability.

Questions: Sen. Dorsett: What is the reason for the drastic drop of the Departmental receipts in 2003-2004 from $4,083 to $100 in 2004-2005, and 2005-2006?

Answer: In April of 2004, the general operations allowed us to establish some receipt supported positions. We started recruiting for those positions and in June we filled one of those positions and therefore we had $4,000 of receipts that came in that were deposited. In July last year, those positions were converted to appropriated, support positions and therefore we no longer have any receipts coming in. The $100 actually is in the budget for surplus property sales.

Rep. Adams: Of the 19 employees are there any vacant positions in there?

Answer: Yes. Treasurer Moore stated that he is recruiting for the positions. He can only pay the $80,000 and it is taking a lot of time to find qualified people that will work for that small amount of money. Four of the 19 positions are vacant.

Question: Sen. Jacumin: What cause the increase in the 2003-2004 actual and the 2004-2005 authorized numbers? How did we go from a $1.8 million, to $2.8 million in 24 months?

Treasurer Moore: The biggest reason is the total investment portfolio value. We had things tied to the size of the money. As the money gets bigger, that dollar figure gets

bigger. In addition this increase was caused by the six positions you gave us. We thank you for them and I believe we have provided value for them.

Marilyn Chism: I'd like to address this variance. In last year's budget bill you authorized the Treasurer, granted expansion items of approximately $600,000. $173,000 for the Chief Investment Officer position and almost $484,000 for the five positions that the Treasurer spoke about a minute ago. So that would account for a substantial portion of the increase.

State and Local Government Finance Division, (pages 5-6 for overview and page 12 for budget, organizational chart pages 18-20) monitors the financial health and debt levels of state and local government entities in North Carolina and serves as staff to the state's Local Government Commission. At the end of each fiscal year they give the department of revenue the information to know how much the program costs and they redeposit that money into the general fund. In addition to the appropriation they have budgeted receipts of $711,562. Their budgeted expenditures are $3,505,828 for a total appropriation of $2,794,266. They have 35 employees.

Financial Operations Division, (page 6 overview, page 14 for budget, organizational chart pages 26-30.) There are three parts to this division: banking services, statewide accounting, departmental accounting. The division serves as the banking hub for all State departments, agencies, institutions and universities. There are a total of 45 employees in the department. Total expenditures for next year are $3,981,406; departmental receipts are $1,396,374; for a total appropriation of $2,585,032.

Question: Why does the amount go down? What caused the decrease?

Answer: We realized that our IT division was out of whack as far as who was getting charged back. We now use a formula based on the number of servers that we have got the department. A combination of that with the number of PCs in the department. Some divisions the cost went down, some went up. That's what caused the variance.

Unclaimed Property Program, (page 7 overview, page 10 budget) administers the State's escheats fund, which holds more than $570 million in unclaimed property collected from holders across the state. The realized income on the fund goes to needy and worthy university and community college students. Last year we sent the SGA proceeds of $33.6 million. The fund is receipt supported. The budget is $2,342,885 and they have 27 employees in that division.

Information Technology. The decision was made to move the IT section into a general fund code. Therefore you've got two sets of budgets in your big budget book. The old budget is on pages 177-192 – that gives you the historical prospective. Then that that is being transferred to general fund is on pages 166 and 167 where you can see what is being requested for the current biennium. This section provides computer application development, project management, and infrastructure support. It is a receipt supported program. Their budget stands at $5,402,334. The number of employees is 36.

Question: Sen. Dorsett: What is the total number of employees in the department?

Answer: There are 319 positions.

Follow up: Sen. Dorsett: You are in the Governor's budget for two things. One is a debt service accounting position. It states that a portion of this is funding through the general fund. Is this the same kind of in and out that you've spoke of before? I'm not sure I understand the general fund portion.

Answer: The reason for that is the debt service account we are requesting because it is so closely tied to the state and local government finance division, those funds will come from the state and local government finance the same way their funded; and that is from sales and use taxes. So their budget will be increased by the amount of this debt services account in benefits, and then they will transfer the money to us in the charge back that we do. That debt service account will be paid for out of our financial operations division and that part of it gets charged back to the divisions based on the usage by each division. In this case that position will be charged directly to the state and local government finance division, and then they will get their funds from the sales and use tax.

Follow up: Sen. Dorsett: You are in the budget for $105,230 recurring monies and $8 million non recurring amount in the Governor's budget. Is that going to meet your IT needs?

Answer: Yes, ma'am. We will go into more detail on Monday when we discuss our expansion budget items.

Meeting was adjourned at 10:00 a.m.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 29, 2005
Room 425
8:30 a.m.

Chairman: Representative Alma Adams

Department of State Treasurer

Department Overview/Introduction of Key Staff
(Notebook pp. 1-8, 15)

Richard H. Moore
State Treasurer

Administrative Services Division
(Notebook pp. 9, 15; 2005-07 Recommended Cont. Budget pp. B 162- – B 163)

Retirement Systems Division
(Notebook pp. 2-4, 13, 21-25; 2005-07 Recommended Cont. Budget pp. B 173 - B 174, B 193 – B 199)

Investment Management Division
(Notebook pp. 4-5, 11, 17; 2005-07 Recommended Cont. Budget pp. B 168 – B 169)

State and Local Government Finance Division
(Notebook pp. 5-6, 12, 18-20; 2005-07 Recommended Cont. Budget pp. B 170 – B 172)

Financial Operations Division
(Notebook pp. 6, 14, 26-30; 2005-07 Recommended Cont. Budget pp. B 175 – B 176)

Unclaimed Property Program
(Notebook pp. 7, 10, 16; 2005-07 Recommended Cont. Budget pp. B 164- – B 165)

Division of Information Technology Services
(Notebook p. 32; 2005-07 Recommended Cont. Budget pp. B 166- – B 167, B 177 – B 192)

Pam Wortham
Deputy State Treasurer, Financial Operations

VISITOR REGISTRATION SHEET

General Govt. 3-29-05

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Richard Moore	DST
Stacey Phipps	DST
Pam Wortham	DST
Sandi Crosmeen	NCHE
Coles Goodman	NCHE
Brett Joyal	DST
Debra Bogan	DST
Bill Golden	DST
Kenneth Wilkins	DST
Janice Burke	DST
Amy Bowman	DST
Steve Edwards	DST
Don McConnaughey	SAS

House Pages

Name Of Committee: _____ Date: March 29, 2005

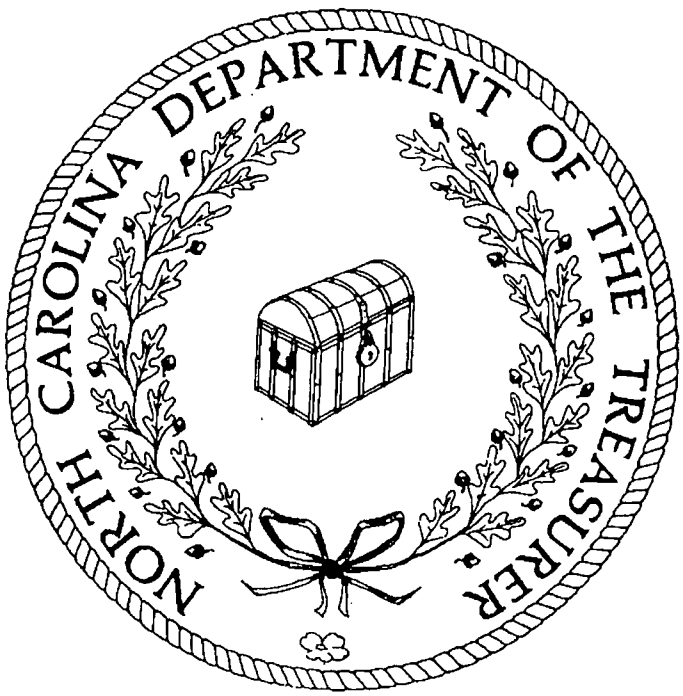
1. Name: Acy Watson ✓
   County: Johnston
   Sponsor: J. H. Langdon
2. Name: Harris Walker
   County: Nash
   Sponsor: Bill Daughtridge
3. Name: Joanna Carmel
   County: Kinnaird
   Sponsor: _____
4. Name: Page Jeffries
   County: Executive
   Sponsor: Clark Jenkins
5. Name: Scott Boone
   County: Alamance
   Sponsor: Rand

Sgt-At-Arms

1. Name: Leslie Wright
2. Name: Richard Terrell
3. Name: Martha Parrish
4. Name: _____
5. Name: _____

Information Requested for the Joint Appropriations Subcommittee on General Government

FY 2005-2007 Budget



State of North Carolina Department of State Treasurer

Richard H. Moore, State Treasurer

March 29, 2005

Department of State Treasurer

History

The origins of the Department of State Treasurer can be traced to 1669, when a Treasurer's Court was established to handle the public money of the Carolina Colony. During this period, the office was created by the legislature and appointments were filled by the lower house of the Colonial Assembly.

It was not until 1868, when a new Constitution directed the Treasurer be elected by the people of North Carolina for a four-year term, that the office began to look much like it does today.

State Treasurer Richard Moore became the State's 13th popularly elected Treasurer to serve as the keeper of North Carolina's public purse in 2000. Moore is in his second four-year term.

Currently, the major roles and functions of the Department of State Treasurer are:

- To serve as the state's banker and chief investment officer, and
- To administer the public employee retirement systems and other employee benefit plans which are assigned to the department, and
- To assist units of local government in the state in maintaining strong fiscal health, and
- To administer the escheats and unclaimed property program.

Approximately 300 employees in six Departmental Divisions assist the State Treasurer in carrying out these duties. The duties of each Division are provided below, with the exception of those for the Information Technology Division. This Division provides critical technology support for all Departmental functions.

Retirement Systems Division

The Retirement Systems Division administers the retirement, death and disability benefits offered to North Carolina's nearly 700,000 working and retired public employees:

- One in eight working North Carolinians is a member of the retirement systems;

- Combined, the systems comprise the 9th largest public pension plan in the country and the 15th largest of all public and private pension plans;
- The Systems have $65 billion in assets, up from $44.6 billion in 1997;
- The Retirement Systems Division pays approximately 180,000 retirees more than $250 million in benefits each month.

The Retirement Systems were created to recruit and retain skilled teachers, law enforcement officers, fire fighters and other state and local government employees for a career in public service. The Systems are funded by contributions from employees and employers, as well as investment earnings generated by the State Treasurer.

North Carolina's retirement systems are considered among the most actuarially sound in the country and continue to provide a stable benefit for public employees and a solid recruitment tool for public entities. The Teachers' and State Employees' Retirement System, the largest administered by the Division, is one of a handful of fully-funded state plans in the country. With a funding ratio (ratio of assets to liabilities) of 108 percent, TSERS ranks well above the average funding ratio of 81 percent for 109 peer retirement systems measured in the recently released Wilshire Report.

The Division administers 12 benefit plans in addition to TSERS:
Local Governmental Employees' Retirement System
Legislative Retirement System
Consolidated Judicial Retirement System
Firemen's and Rescue Squad Workers' Pension Fund
Public Employees' Social Security Agency
Disability Income Plan
Legislative Retirement Fund
National Guard Pension Plan
Teachers' and State Employees' Benefit Trust
Supplemental Retirement Income Plan (NC 401(k) Plan)
Registers of Deeds' Supplemental Pension Fund
Contributory Death Benefit for Retired Members

At the direction of Treasurer Moore, the Division has made improving efficiency and customer service levels top priorities. Significant progress has been made on several fronts. For example, hold times in the

Division's call center have decreased from an average of 17 minutes in July 2002 to an average of approximately 2.5 minutes in February 2005.

The Division is currently rebuilding its 1970s-era technology infrastructure to provide online self-service options to all public employees and retirees by 2007. The technology project, called Online Retirement Benefits through Integrated Technology (ORBIT), is entering the second year of its four-year development.

By 2007, ORBIT will enable retirement systems members to go online to perform many functions for which they must now write or call the Division. For example, new public employees will be able to enroll in the Retirement System online – something that must be done on paper today. Those nearing retirement will be able to fill out retirement forms and estimate benefits online. ORBIT will revolutionize the way business is conducted in the Retirement System and dramatically improve the efficiency of retirement-related operations across state government.

Investment Management Division

The Investment Management Division is the investment operations arm of the Department:

- The Division manages more than $75 billion in public monies.
- Of the funds invested, $65 billion belong to the retirement trust funds; the remaining $10 billion are a combination of unclaimed property funds, operating funds for the State and various other state investments.
- North Carolina's retirement funds have maintained strong investment performance, reaching an all-time asset high of $65 billion in 2005.
- Investment returns of 7.6 percent in FY 2003 were the second highest in the country; investment returns for FY 2004 were 12 percent.

Members of North Carolina's General Assembly have worked with Treasurer Moore on several initiatives critical to the Division's ongoing success. Legislation passed in 2001 allowed greater flexibility in pension fund management, leading to more diversity in pension fund assets. Legislators also enabled the Division to create a new Investment Advisory Committee composed of experts that meet quarterly to provide guidance to Division staff.

Under Moore's leadership, North Carolina has developed a more detailed and diverse investment policy that has yielded impressive returns. Moore and his staff have received numerous national awards for navigating difficult market downturns early in the decade and for insisting on higher corporate governance standards for companies in which the State invests.

As a major institutional investor, Moore has been a national leader in the fight to protect shareholder rights in the wake of Wall Street corporate abuses. He is the author of both the investment protection principles and the mutual fund protection principles that have been adopted by fund managers across the country. His efforts have been featured in the Wall Street Journal, New York Times, and Business Week and led to his appointment to the executive board of the New York Stock Exchange in 2003.

State and Local Government Finance Division

The State and Local Government Finance Division monitors the financial health and debt levels of state and local government entities in North Carolina and serves as staff to the state's Local Government Commission.

- North Carolina has an AAA bond rating from Fitch and Standard and Poor's, with Moody's Investors Services rating North Carolina an Aa1 credit with a positive outlook.
- North Carolina has a larger number of AAA rated local government units than any other state.
- Since 2000, the State and Local Government Finance Division has saved taxpayers millions of dollars by aggressively refinancing existing state debt.

Issuance of financing (for example: bonds, loans or installment purchases) for public projects must be approved by the Local Government Commission, which is chaired by the State Treasurer. This Division counsels local governments considering borrowing for a new public project in determining its financial feasibility and the most appropriate

form of financing. Once the financing is approved, the Division handles the sale and delivery of the debt, and monitors its repayment.

All state debt is issued and monitored by this Division, which assists the State Treasurer in maintaining North Carolina's stellar credit rating. At the legislature's direction, the Division produces an annual Debt Affordability Study to provide a guideline for lawmakers on the State's debt levels and the capacity for future borrowing. The 2005 study indicates that North Carolina's debt levels compare favorably to other states, but future borrowing should be limited to maintain the State's current level of superior financial health.

The Division also monitors and analyzes the fiscal and accounting practices of local government entities in North Carolina. Results of annual audits are compiled and presented for use by local governments in determining the effectiveness of their financial management. The Division provides technical assistance to local governments and certified public accountants who request assistance in improving fiscal practices.

Financial Operations Division

The Financial Operations Division serves as the banking hub for all State departments, agencies, institutions and universities. The Division also handles the accounting functions for the State Treasurer's banking and investments programs, the retirement trust funds and the Escheats trust fund.

- Monies from the General Fund, the Highway Fund and various pension and trust funds flow through the Division. Other cash management duties include determining, on a daily basis, the amount of cash available for investment.
- The Division processes $24 billion in checks and $24 billion in electronic transfers per year.

In 2003, a new, state-of-the-art Core Banking System was implemented, which allows the Division to provide services to state enterprises similar to that provided by commercial banks. The new system, which won the coveted *Government Computer News* "Award for Excellence" in October 2003, has been particularly helpful in identifying fraudulent checks. Using the Positive Pay program, part of the new System, the Division detects and dishonors an average of 500 fraudulent checks per year, stopping them before state funds are lost or state resources must be used to reverse the transaction.

Unclaimed Property Program

The Unclaimed Property Program administers the State's escheats fund, which holds more than $570 million in unclaimed property collected from holders across North Carolina:

- Funds become unclaimed when the holder loses track of the owner, perhaps due to an incorrect address or misinformation.
- Unclaimed property consists of bank accounts, wages, utility deposits, insurance policy proceeds, stocks, bonds, and contents of safe deposit boxes that typically have been abandoned for one to five years.
- The program operates a call center and a public Internet database that aid in the return of approximately $2 million per month to current or former North Carolina residents.

Under Moore's leadership, the program has more than doubled the amount of property collected and nearly tripled the funds returned. Collection efforts have grown the fund from approximately $200 million in 2000 to $570 million in 2004. In 2000, $9.7 million was returned to the rightful owners compared to $25.3 million in 2004.

The State Constitution mandates that interest earnings on the fund go to needy and worthy North Carolina public university and community college students. The amount of scholarships paid to North Carolina students has increased from $14.4 million in 2000 to $36.3 million in 2004. Scholarship funds are distributed across North Carolina's 16 public university and 59 community college campuses.

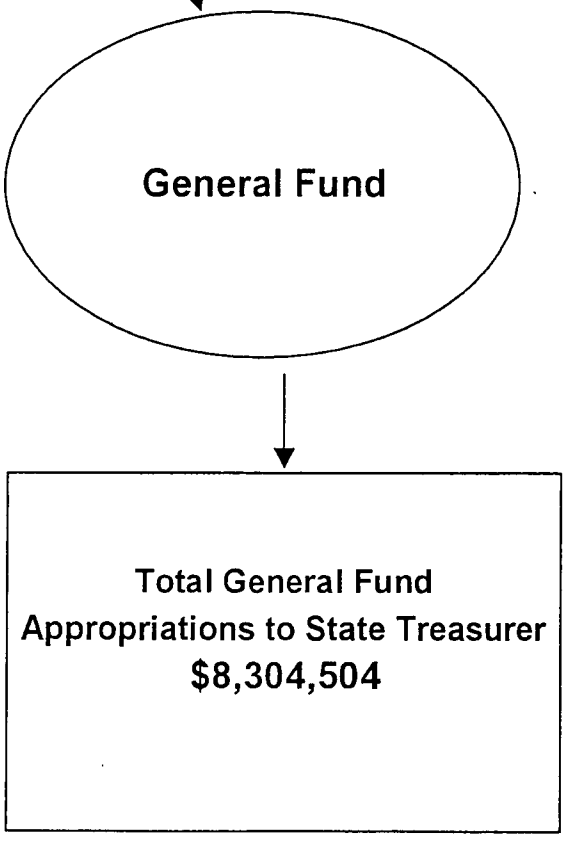
For more detailed information on the Department of State Treasurer, please visit www.nctreasurer.com to view the Department's annual report.

North Carolina
Department of State Treasurer

Analysis of General Fund Impact - Zero

Budgeted for FY 2005

Amount Paid to General Fund by State Treasurer (Non-Tax Revenue)	
From Investment Fees	$5,684,743
From Sales Tax Collections	2,619,761
Total Non-Tax Revenue	**$8,304,504**



Department of State Treasurer

2005-2007 Proposed Continuation Budget

Fund 1110 State Treasurer's Office/Administrative Services Division

Mission: Provide support services to the State Treasurer and the program divisions within the department

Operation: --Provide executive management over the activities of the department
--Serve on boards and commissions of which the State Treasurer is a member ex-officio
--Provide executive management over the Escheat Fund
--Provide personnel, supply room, mail and courier services on a department-wide basis

Program Requirements

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Recurring Costs	$ 1,017,653	$ 1,110,855	$ 1,161,883	$ 1,166,196
Non-recurring Costs				
Total Costs	1,017,653	1,110,855	1,161,883	1,166,196
Departmental Receipts	1,017,653	1,110,855	1,161,883	1,166,196
Appropriation	$ -	$ -	$ -	$ -

Background notes:

All costs of this division are allocated out to every other division based on the number of employees in each division. The functions of this division are administrative, and are not directly attributable to any one program in the department. An allocation is made at the end of each month charging all divisions their pro rata share, and an expenditure is recorded in the individual funds to reflect that charge.

# of positions 15

2005-2007 Proposed Continuation Budget

Fund 1130 **Escheat Fund Administration**

Mission: Collect escheated and abandoned property, refund property collected to the true and rightful owners, and provide net income for student loans

Operation: --Obtain reporting compliance and payment of escheated and abandoned property belonging to North Carolina citizens

--Return escheated and abandoned property to the rightful owners; search for the rightful owners

--Remit the net income of the Fund to the State Educational Assistance Authority for use in the student loan program

Program Requirements

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Recurring Costs	$ 1,943,064	$ 2,336,474	$ 2,342,885	$ 2,343,601
Non-recurring Costs		1,009,750		
Total Costs	1,943,064	3,346,224	2,342,885	2,343,601
Departmental Receipts	1,943,064	3,346,224	2,342,885	2,343,601
Appropriation	$ -	$ -	$ -	$ -
Interest earnings remitted to SEAA	$ 36,390,575	$36,356,125	$ 33,266,550	$ 30,979,050
Ratio of recurring costs to interest earned by the Fund	5.34%	6.43%	7.04%	7.57%

Background notes:

G.S. 116B-6(h) provides the basis for charging administrative costs to the Escheats Fund. This statute requires all costs necessary to carry out the duties of the Treasurer for the purposes of the Escheat Fund to be appropriated from the funds of the Escheat Fund. Interest earnings on the Fund provides the source from which to appropriate the expenditures in the General Fund. The necessary amount of interest earnings are transferred from the Escheat Fund to the General Fund to cover all operating expenditures. The excess of interest earnings over and above the administrative expenses are transferred to the State Education Assistance Authority for student loans, pursuant to G.S. 116B-7.

# of positions 27

2005-2007 Proposed Continuation Budget

Fund 1210 Investment Management

Mission: Serve as the State's Investment Officer

Operation: --Concentrate short-term cash and enhance investment income thereof
--Invest the assets of pension and other trust funds which are available for investment

Program Requirements

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Recurring Costs	$ 1,811,527	$ 2,625,051	$ 2,842,919	$ 2,844,315
Non-recurring Costs				
Total Costs	1,811,527	2,625,051	2,842,919	2,844,315
Departmental Receipts	4,083	100	100	100
Appropriation	$ 1,807,444	$ 2,624,951	$ 2,842,819	$ 2,844,215
Total Investment Portfolio Value	$70.2 Billion	$74 Billion	$79.9 Billion	$86.3 Billion
Ratio of recurring costs to Total Investment Portfolio	0.00257%	0.00355%	0.00356%	0.00330%

Background notes:

Management fees are charged to the investment funds each month. The rate is established each fiscal year based on the net asset values in the investment funds and the amount of expenditures budgeted for the year. Each month, the amount necessary to reimburse the General Fund for expenditure in this program are transferred to Budget Code 19997 and deposited as a non-tax revenue. G.S. 147-69.3(f) provides the authority for the use of these funds.

# of positions 19

2005-2007 Proposed Continuation Budget

Fund 1310 State and Local Government Finance Division

Mission: Provide fiscal management assistance to local governments, and manage state and local debt

Operation: --Debt Management--assist local governments and the Local Government Commission in preparing, approving, selling, delivering, and accounting for all of the bonds and notes issued by local units of governments in North Carolina
--Handles debt issuance and provides debt management and accountability for all state debt
--Fiscal Management--establish and monitor adherence to fiscal and accounting standards for local governmental units; furnish on-site and other assistance to local governments concerning current financial issues and accounting systems

Program Requirements

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Recurring Costs	$ 3,158,889	$ 3,329,932	$ 3,505,828	$ 3,506,971
Non-recurring Costs				
Total Costs	3,158,889	3,329,932	3,505,828	3,509,819
Departmental Receipts	972,036	710,171	711,562	712,121
Appropriation	$ 2,186,853	$ 2,619,761	$ 2,794,266	$ 2,797,698
Amount (in millions) of all state and local debt financed during the year	$ 6,768.7	$ 6,600	$ 5,500	$ 4,500
Ratio of recurring costs to debt financed	0.0323%	0.0397%	0.0508%	0.0622%

Background notes:

This program is funded from the sales and use taxes collected on behalf of the counties. These collections are deposited into Budget Code 19907. At the end of each fiscal year, the Department of Revenue transfers the amount of expenditures for the year into budget code 19977 as a non-tax revenue to support the functions of the State and Local Government Finance Division. This is authorized by G.S. 105-501.

# of positions 35

2005-2007 Proposed Continuation Budget

Fund 1410 Retirement Operations

Mission: Administer the statutory retirement and fringe benefit plans, as authorized by the General Assembly of North Carolina, which cover the State's public employees

Operation: --Determine eligibility of applicants for benefits from a retirement system or other employee benefit plan; provide the benefit
--Receive and process payroll contribution reports and payments
--Provide assistance to members and retirees; respond to telephone, written and in-person communications for information
--Maintain member records

Program Requirements

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Recurring Costs	$ 11,124,566	$ 12,394,600	$ 12,528,447	$ 12,541,050
Non-recurring Costs	3,505,265	11,594,546		
Total Costs	14,629,831	23,989,146	12,528,447	12,541,050
Departmental Receipts	14,629,831	23,989,146	12,528,447	12,541,050
Appropriation	$ 0	$ -	$ -	$ -
Number of members in the retirement systems	684,491	699,491	714,491	729,491
Cost per member	$ 16.25	$ 17.72	$ 17.53	$ 17.19

Background notes:

All administrative costs for the State's pension trust funds are expended through the General Fund. These costs are then allocated out to the various retirement programs based on the number of participants in each program. The allocation percentage is determined at the beginning of the fiscal year, and is used for the entire year. The expenditures are allocated at the end of each month, and transferred from the different trust funds into the General Fund. Actuarially assumed expenses are currently $15.5 million, compared to our actual budget of $10.8 million.

# of positions 152

2005-2007 Proposed Continuation Budget

Fund 1510 Financial Operations Division

Mission: Provides financial oversight and accounting control over all State funds for which the State Treasurer serves as banker and investment officer

Operation:
--Provides banking services to State departments, agencies, institutions, local school units, community colleges, and universities
--Accounting and reporting for statewide assets under the stewardship of the State Treasurer as well as the related trust accounting and reporting responsibilities
--Provides fiscal support to the department, such as budgeting, accounting, payroll, accounts payable, and purchasing

Program Requirements

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Recurring Costs	$ 4,103,351	$ 4,455,837	$ 3,981,406	$ 3,986,010
Non-recurring Costs	1,069,176			
Total Costs	5,172,527	4,455,837	3,981,406	3,986,010
Departmental Receipts	2,225,891	1,396,045	1,396,374	1,399,558
Appropriation	$ 2,946,636	$ 3,059,792	$ 2,585,032	$ 2,586,452
Total Investment Portfolio Value	$70.2 Billion	$74 Billion	$79.9 Billion	$86.3 Billion
# of positions	35			

Background notes:

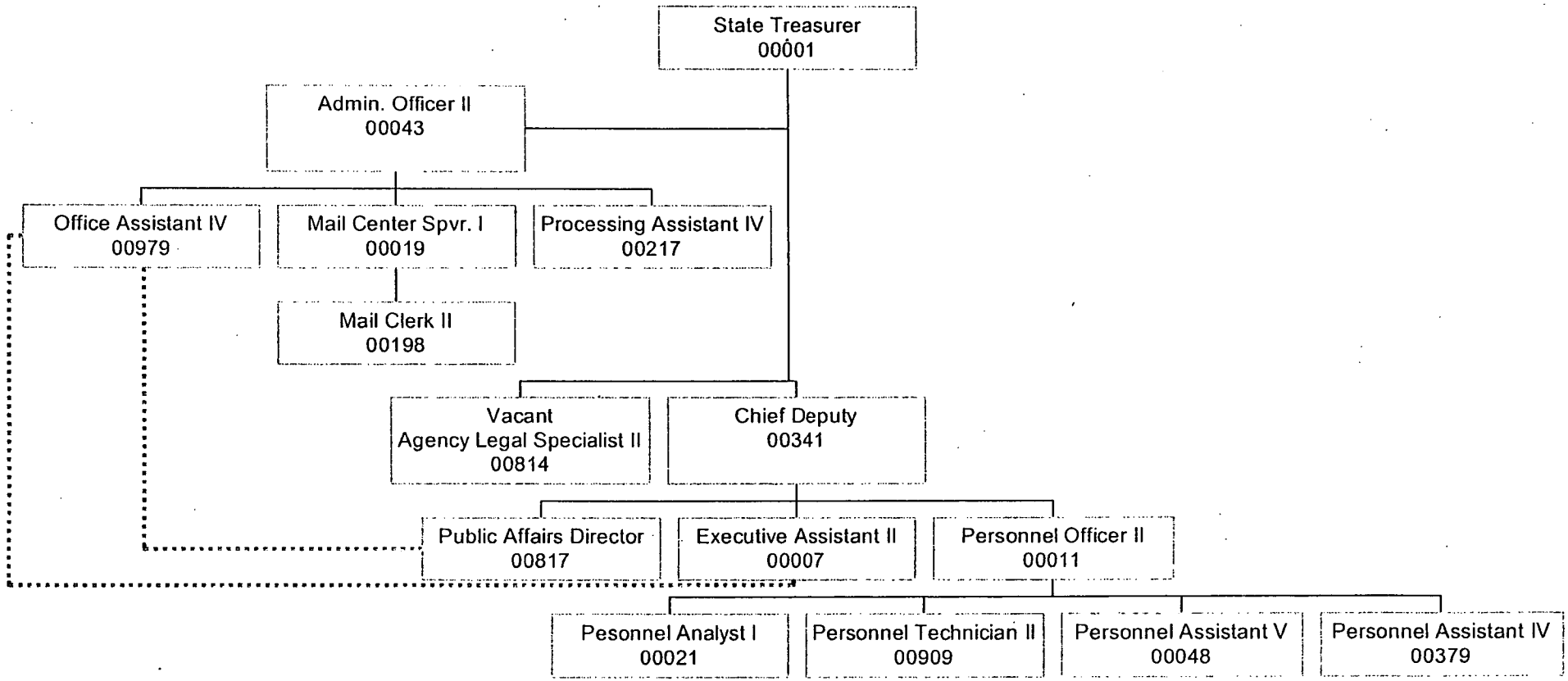
Accounting:

The costs of the accounting functions of the Financial Operations Division are allocated back to all other divisions of the department. Statewide Accounting performs all investment accounting and retirement accounting. The cost of the positions involved in the investment accounting areas are charged to Fund 1210-Investment Management, along with a pro rata share of the other expenditures in this fund. The retirement accounting function is charged to the Fund 1410-Retirement Systems Division. The Departmental Operations section performs all accounting functions for the operating activity of the department, such as budgeting, payroll, and accounts payable. Since none of these functions are attributable to a particular division, these costs are allocated to the other divisions based on the number of positions in each division.

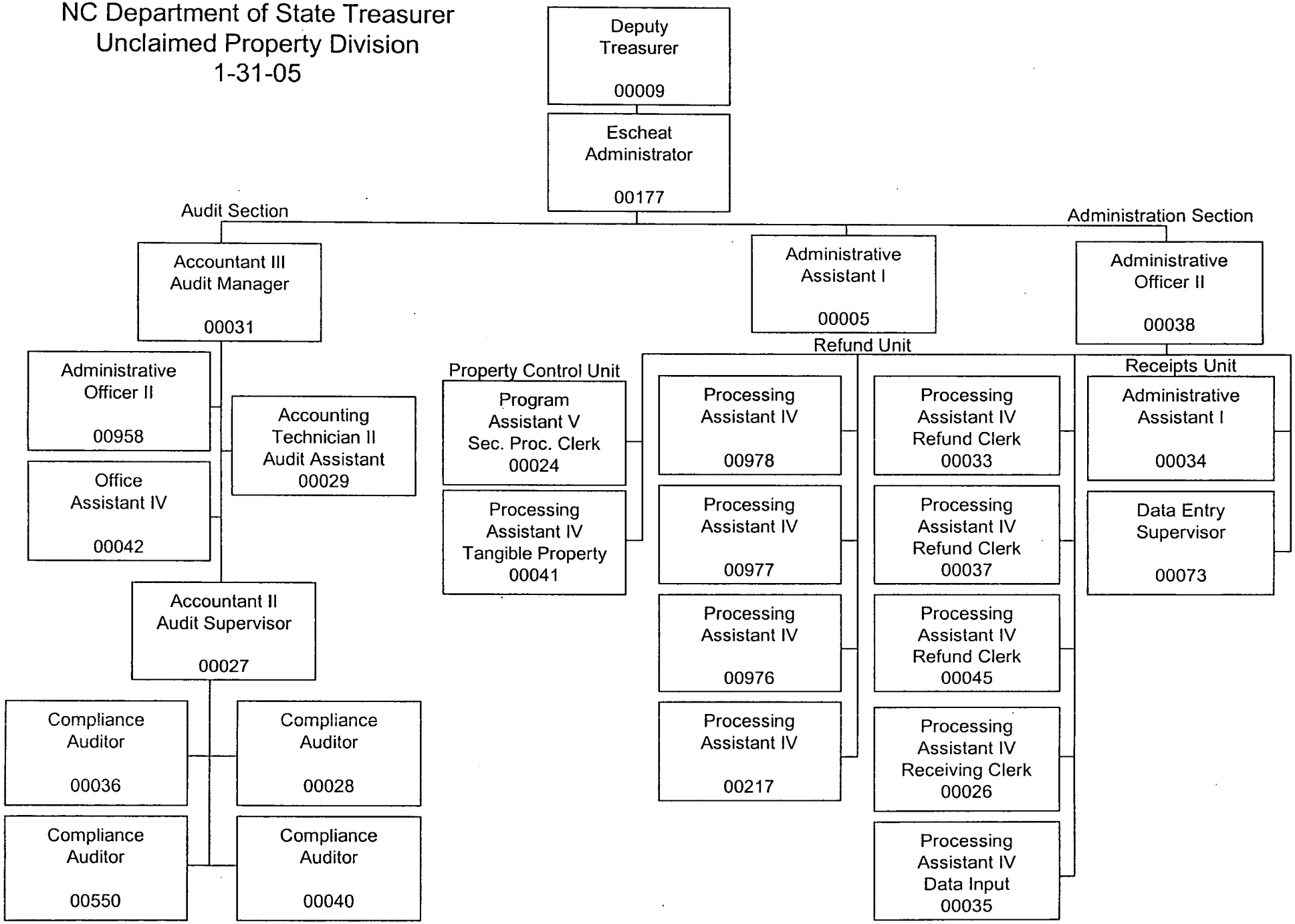
Banking:

Fund 1210-Investment Management and Fund 1510-Banking Operations are charged in the same manner, although there are different Statutes governing each. Management fees are charged to the investment funds each month. The rate is established each fiscal year based on the balances in the investment funds and the amount of expenditures budgeted for the year. Each month, the amount necessary to reimburse the General Fund for expenditure in this program are transferred to Budget Code 19997 and deposited as a non-tax revenue. G.S. 147-68.1 provides the authority for the use of these funds.

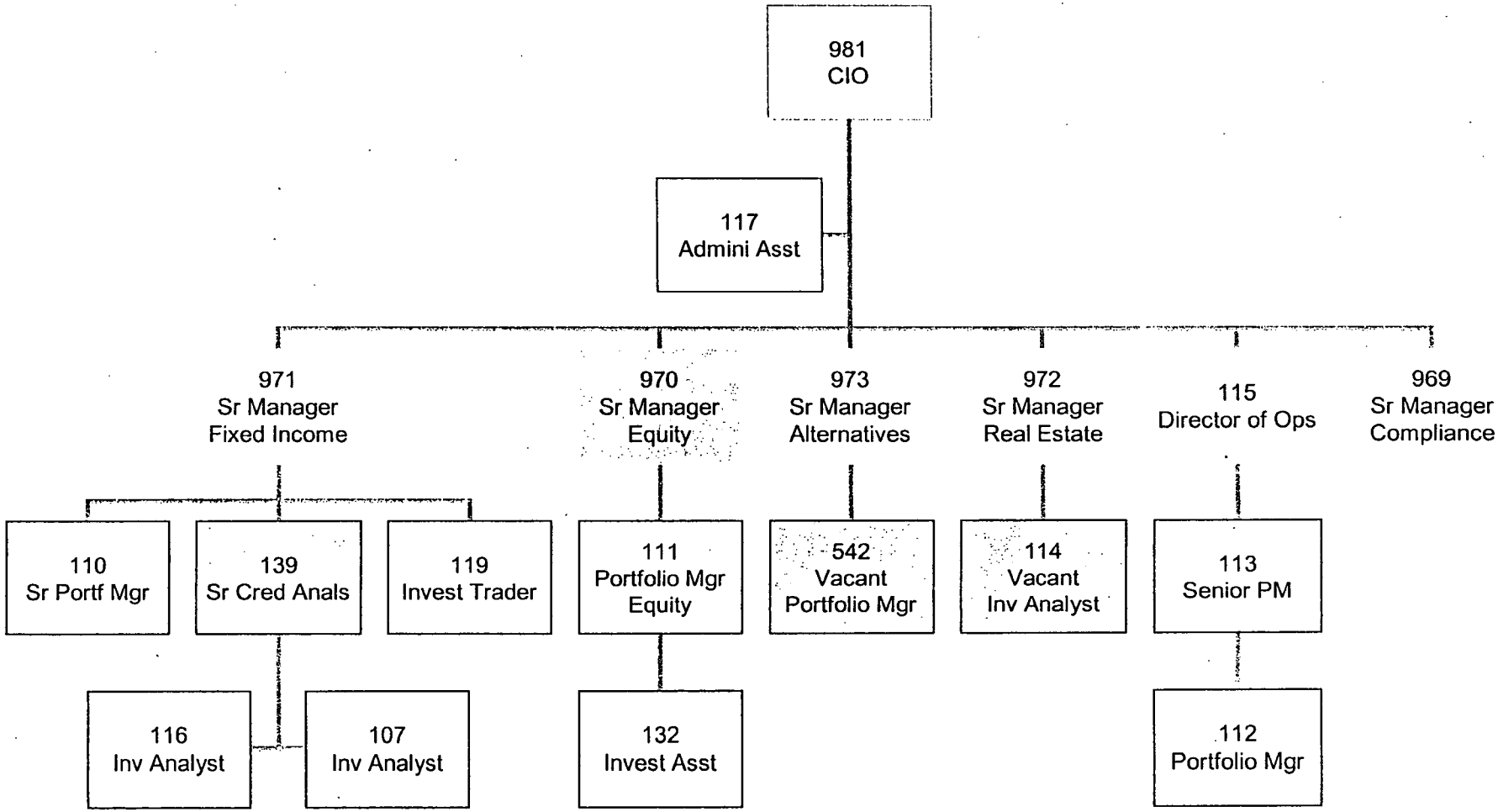
Office of the Treasurer



NC Department of State Treasurer
Unclaimed Property Division
1-31-05



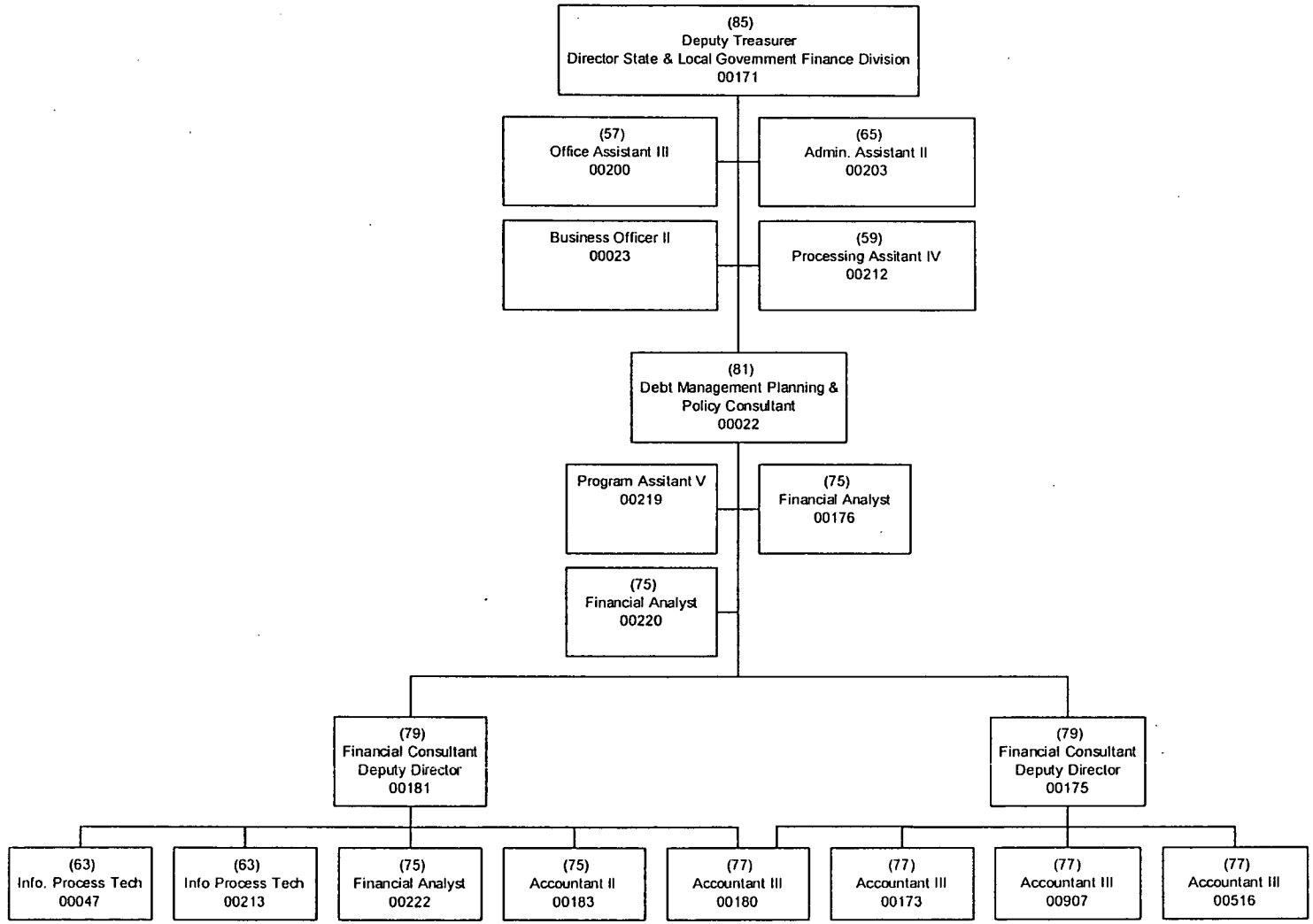
Investment Division



DEPARTMENT OF STATE TREASURER

State & Local Government Finance Division

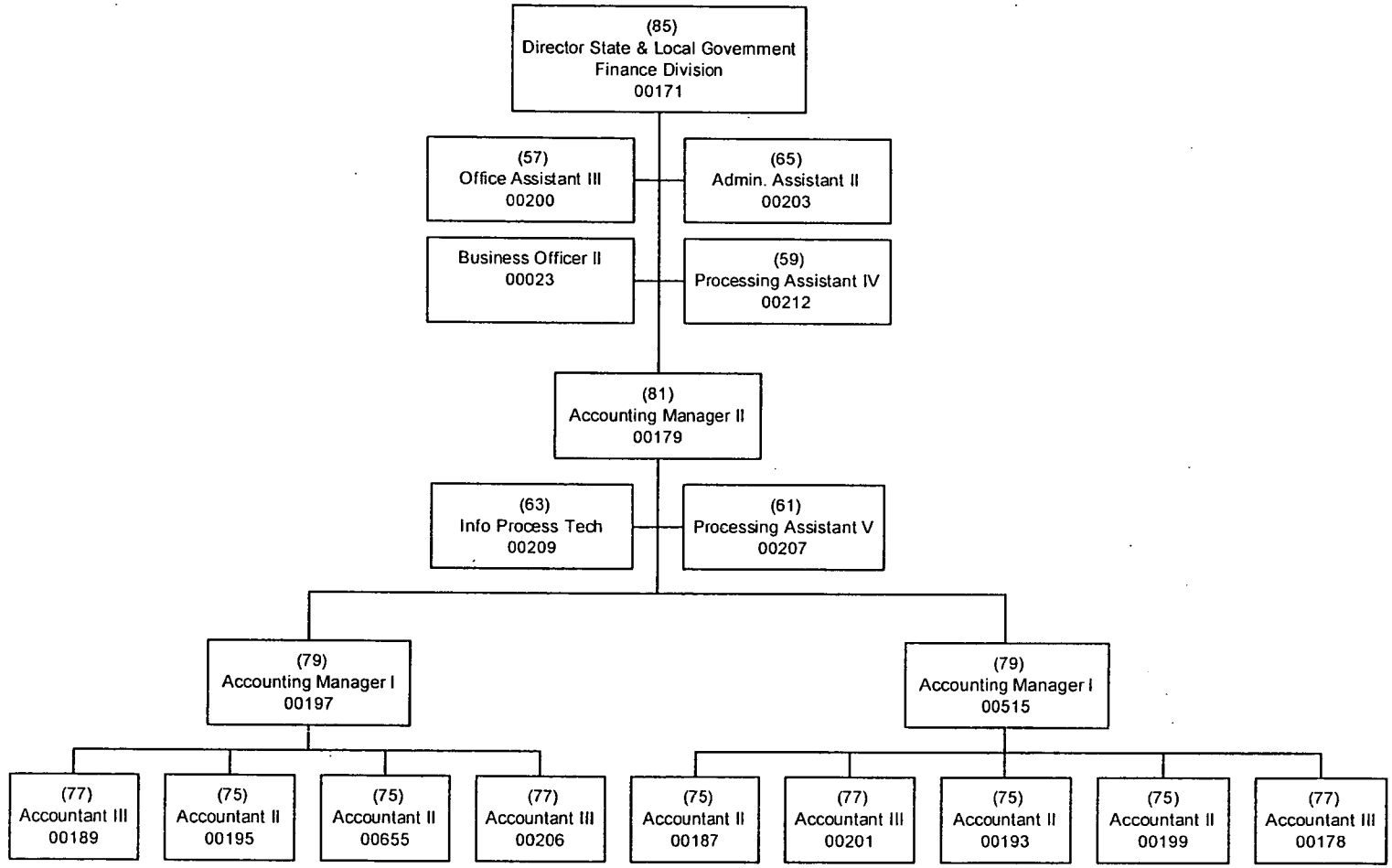
Debt Management Section



DEPARTMENT OF STATE TREASURER

State & Local Government Finance Division

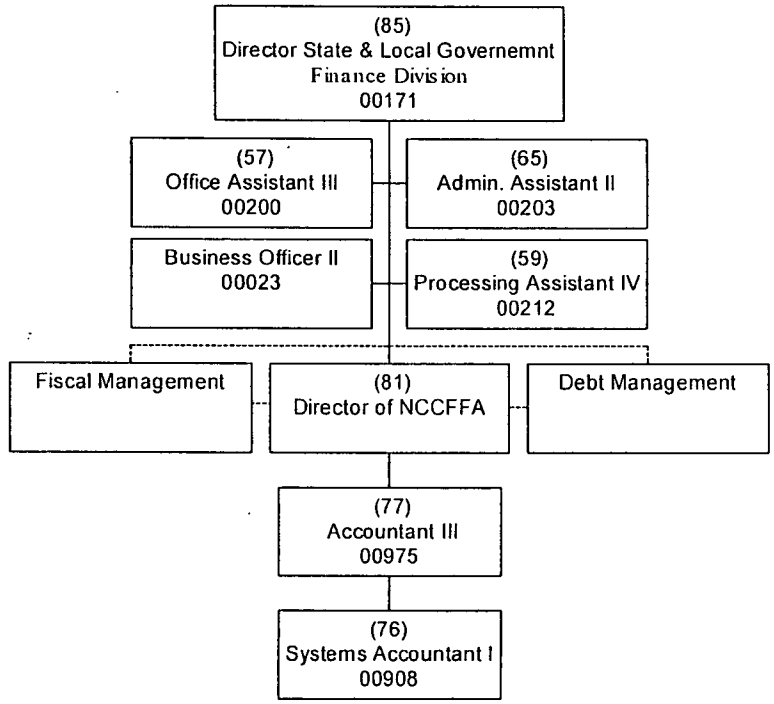
Fiscal Management Section

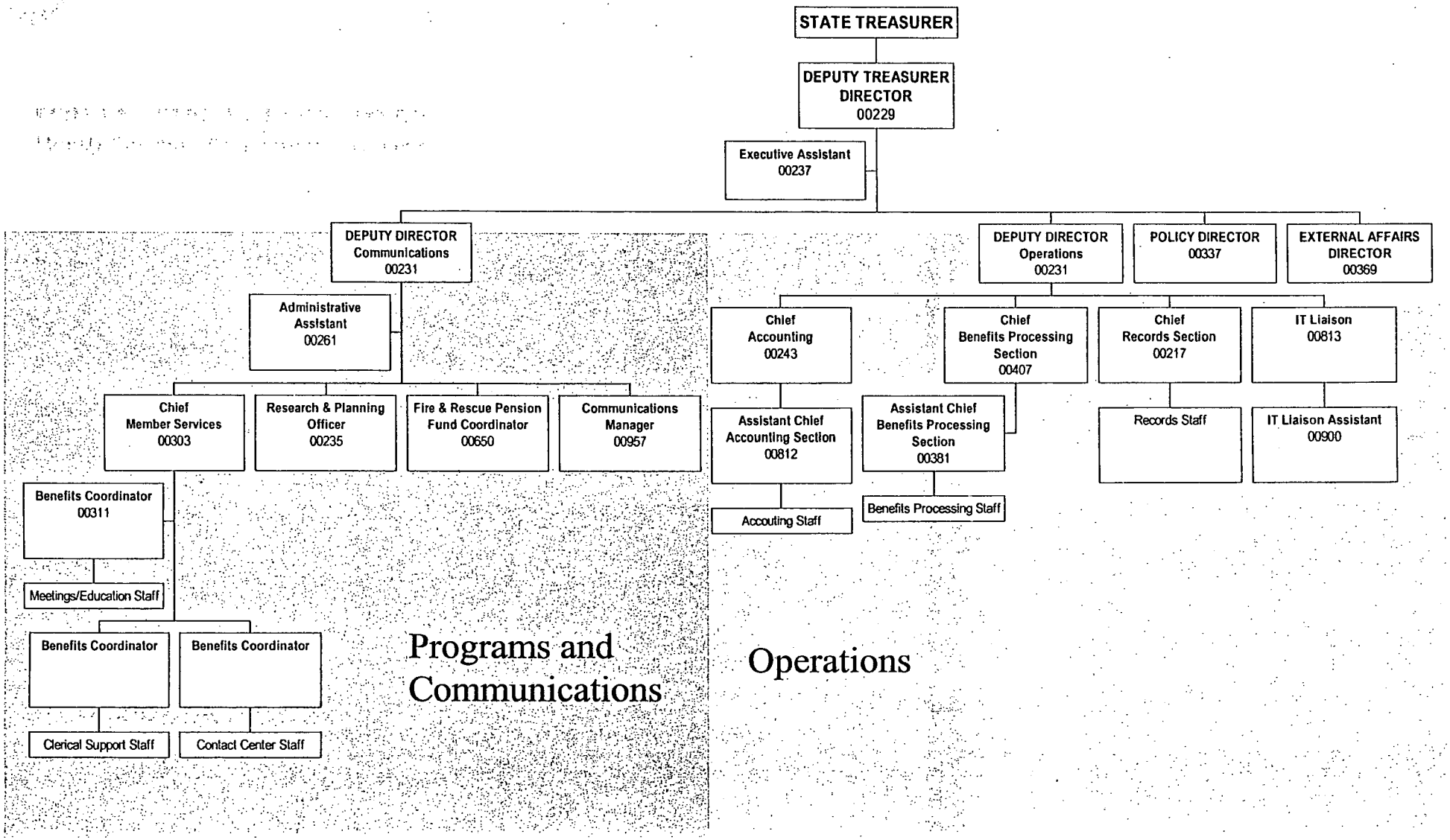


DEPARTMENT OF STATE TREASURER

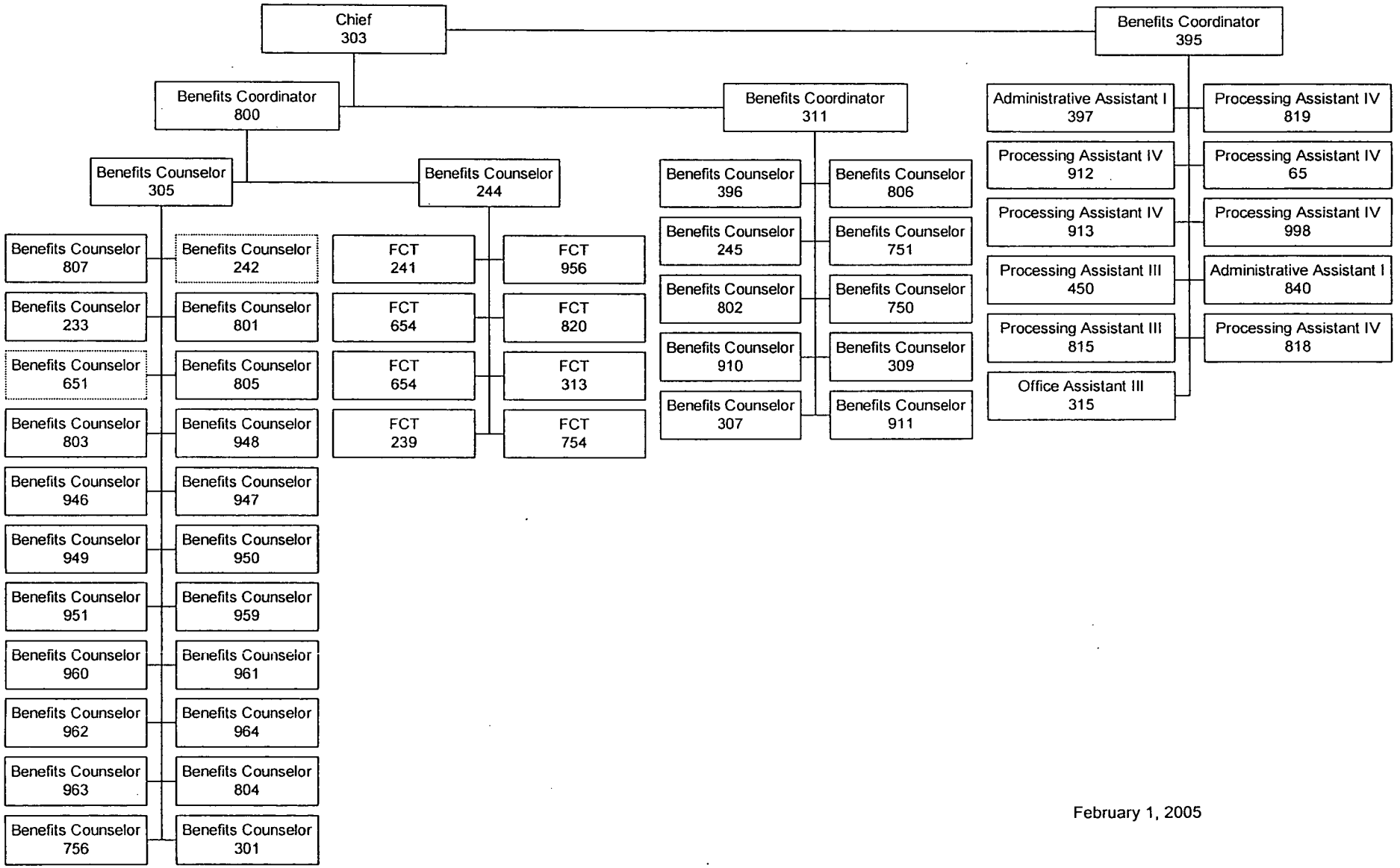
State & Local Government Finance Division

NCCFFA Section



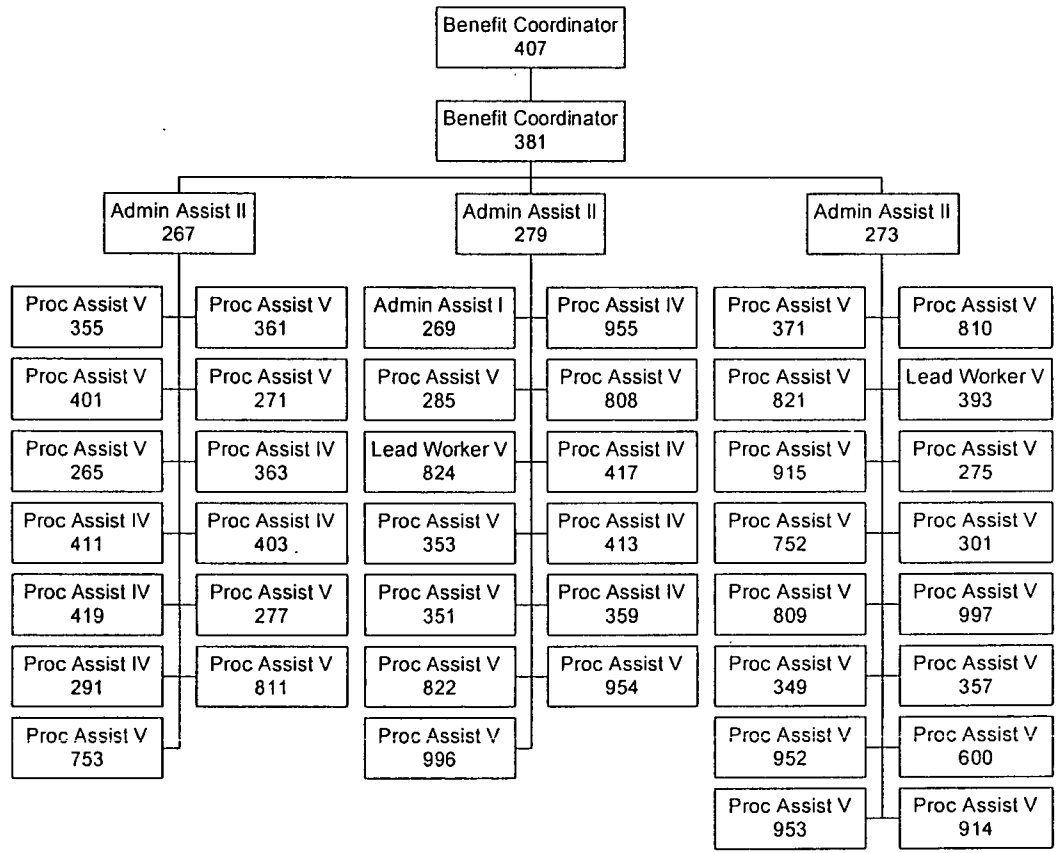

STATE TREASURER
DEPUTY TREASURER DIRECTOR 00229
Executive Assistant 00237
DEPUTY DIRECTOR Communications 00231
Administrative Assistant 00261
Chief Member Services 00303
Research & Planning Officer 00235
Fire & Rescue Pension Fund Coordinator 00650
Communications Manager 00957
Benefits Coordinator 00311
Meetings/Education Staff
Benefits Coordinator
Benefits Coordinator
Clerical Support Staff
Contact Center Staff
Programs and Communications
DEPUTY DIRECTOR Operations 00231
POLICY DIRECTOR 00337
EXTERNAL AFFAIRS DIRECTOR 00369
Chief Accounting 00243
Chief Benefits Processing Section 00407
Chief Records Section 00217
IT Liaison 00813
Assistant Chief Accounting Section 00812
Assistant Chief Benefits Processing Section 00381
Records Staff
IT Liaison Assistant 00900
Accouting Staff
Benefits Processing Staff
Operations

N.C. Department of State Treasurer
Retirement Member Services

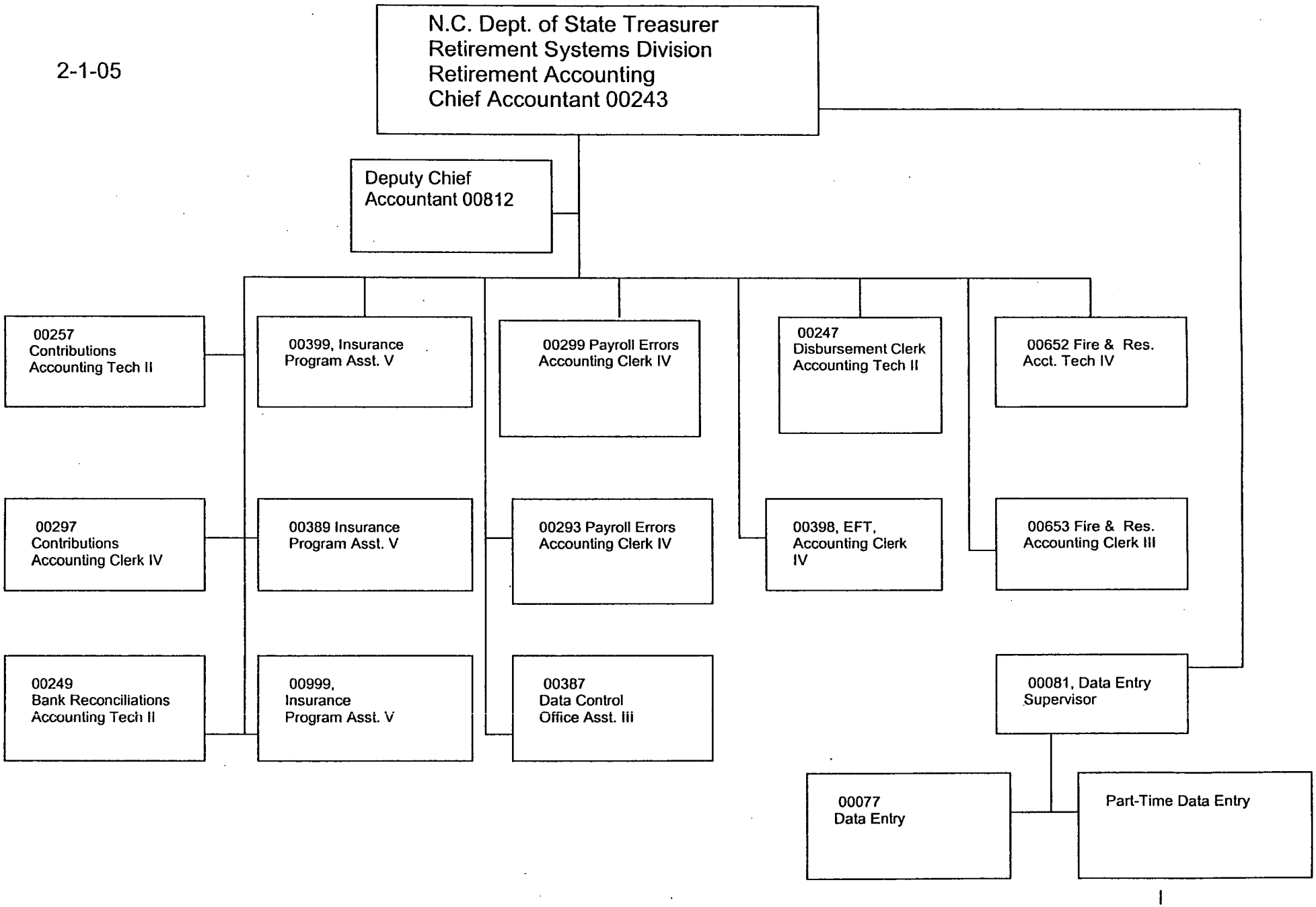


February 1, 2005

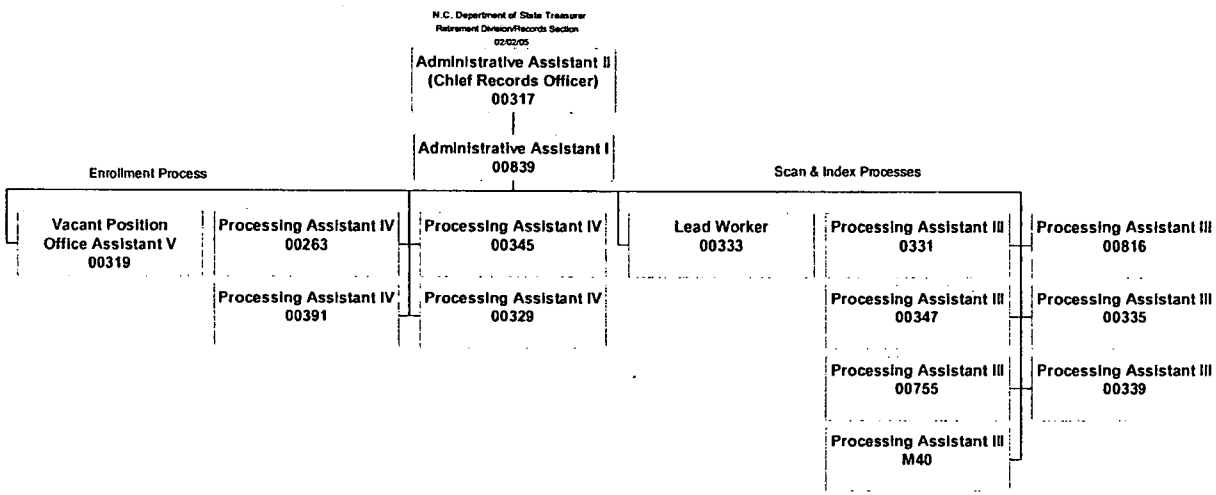
Benefits Processing Section



2-1-05

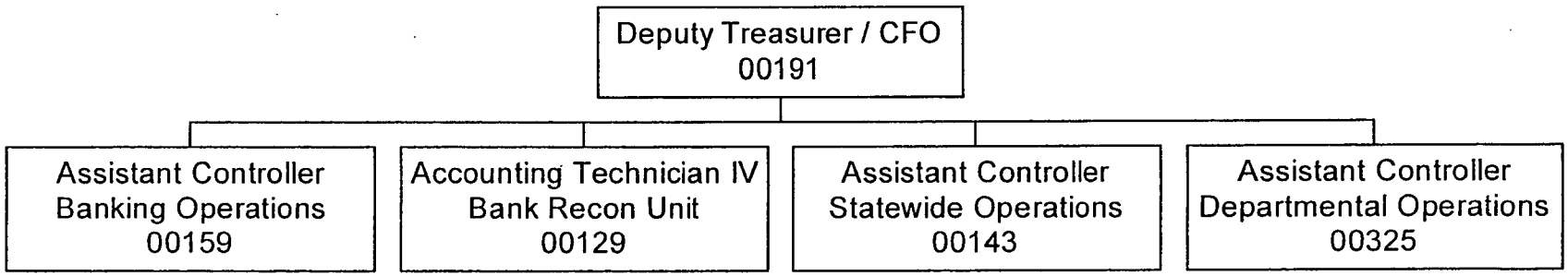

N.C. Dept. of State Treasurer
Retirement Systems Division
Retirement Accounting
Chief Accountant 00243
Deputy Chief
Accountant 00812
00257
Contributions
Accounting Tech II
00399, Insurance
Program Asst. V
00299 Payroll Errors
Accounting Clerk IV
00247
Disbursement Clerk
Accounting Tech II
00652 Fire & Res.
Acct. Tech IV
00297
Contributions
Accounting Clerk IV
00389 Insurance
Program Asst. V
00293 Payroll Errors
Accounting Clerk IV
00398, EFT,
Accounting Clerk
IV
00653 Fire & Res.
Accounting Clerk III
00249
Bank Reconciliations
Accounting Tech II
00999,
Insurance
Program Asst. V
00387
Data Control
Office Asst. Iii
00081, Data Entry
Supervisor
00077
Data Entry
Part-Time Data Entry

Retirement Division
Retirement Records
October 2004



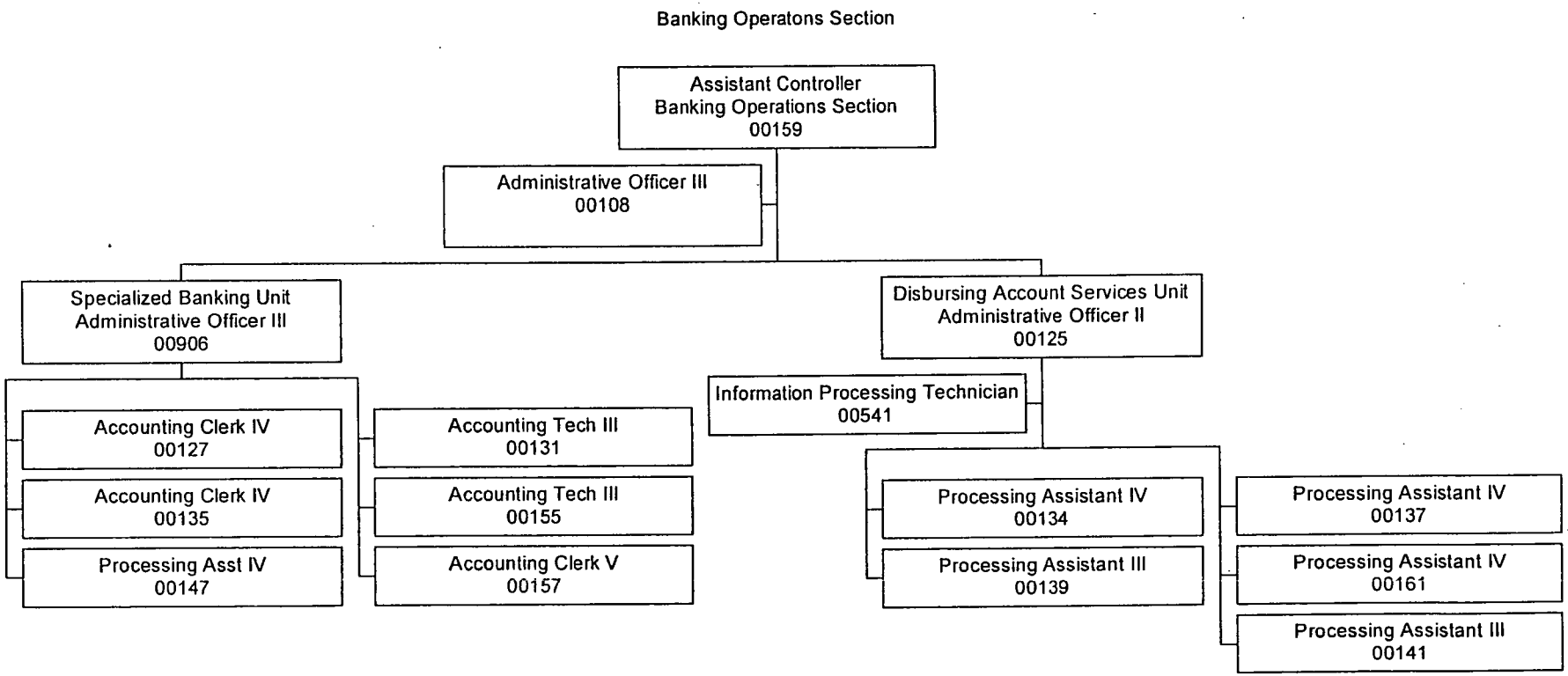
Financial Operations Division

Financial Operations Division



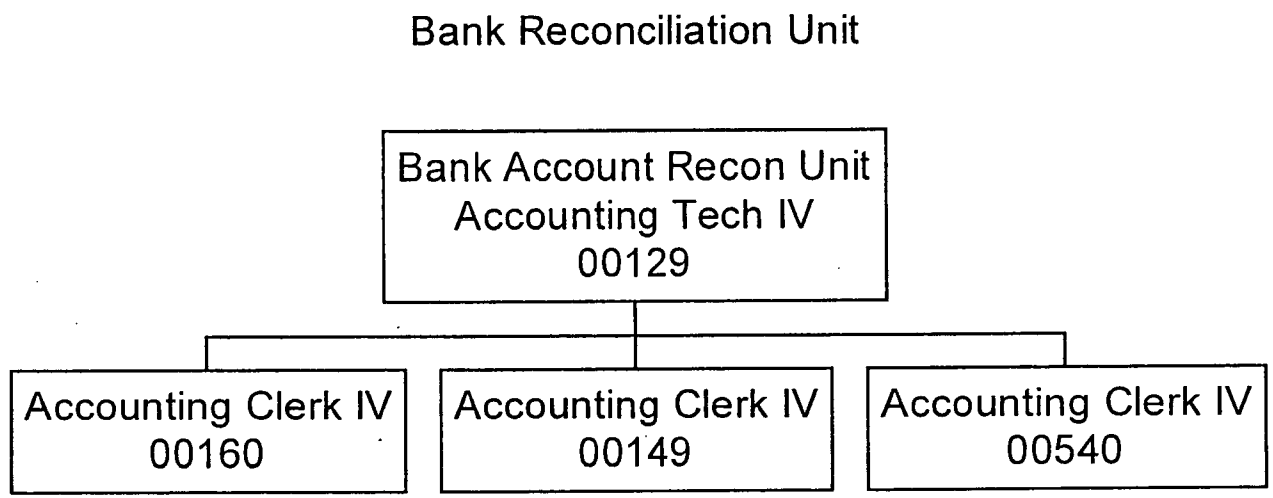
February 1, 2005

Financial Operations Division



February 1, 2005

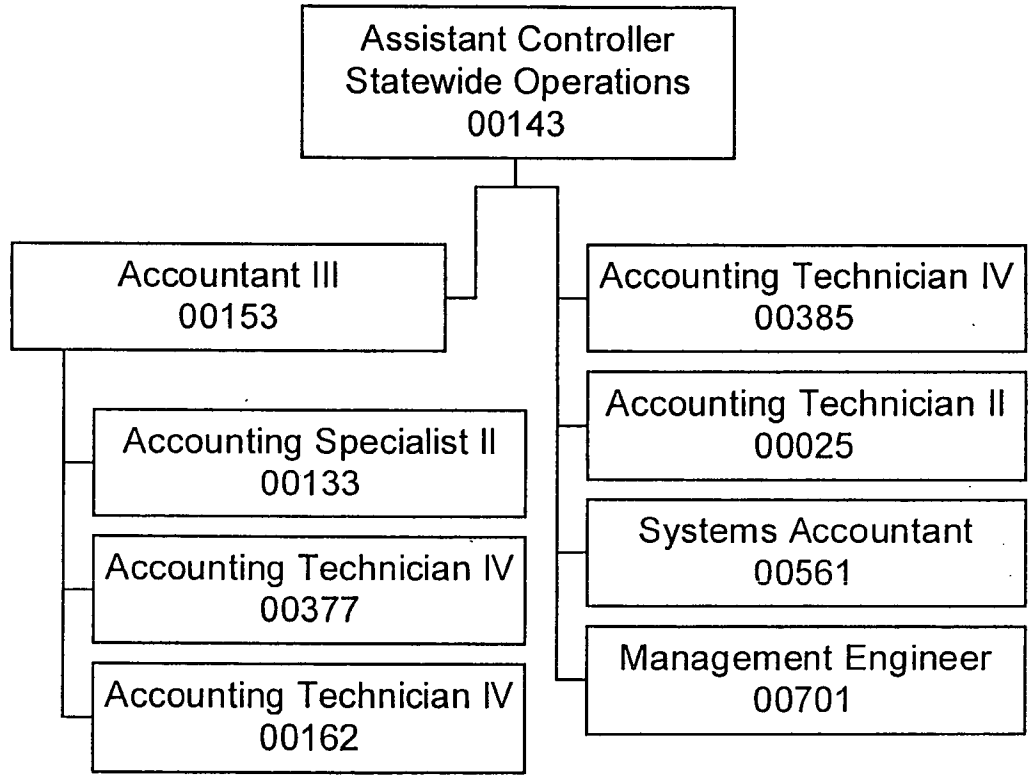
Financial Operations Division



February 1, 2005

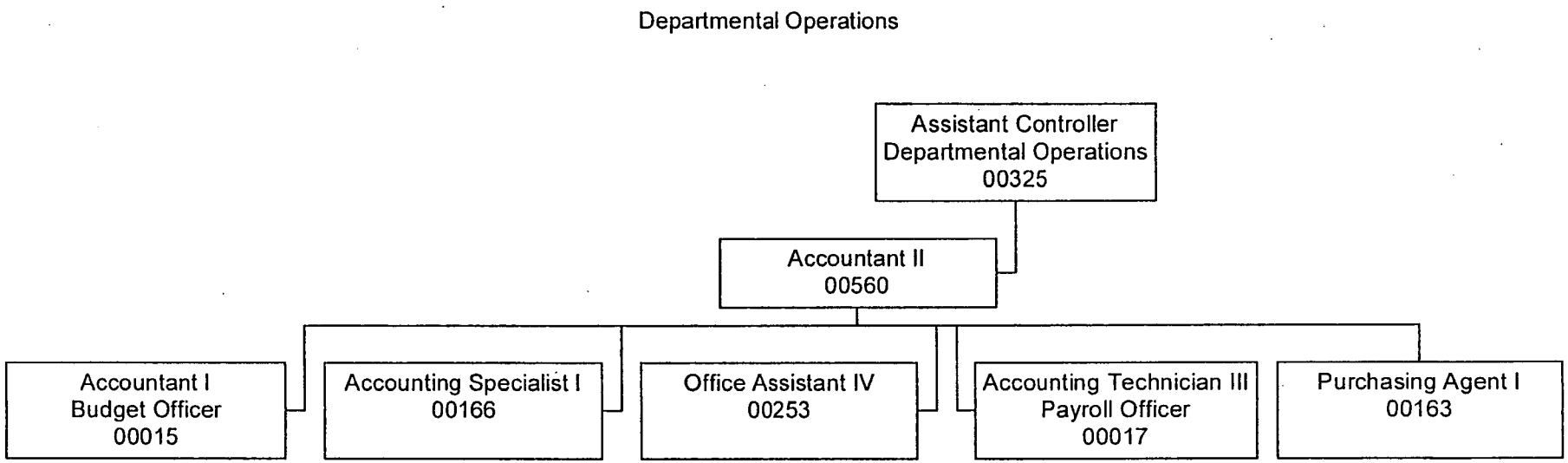
Financial Operations Division

Statewide Operations



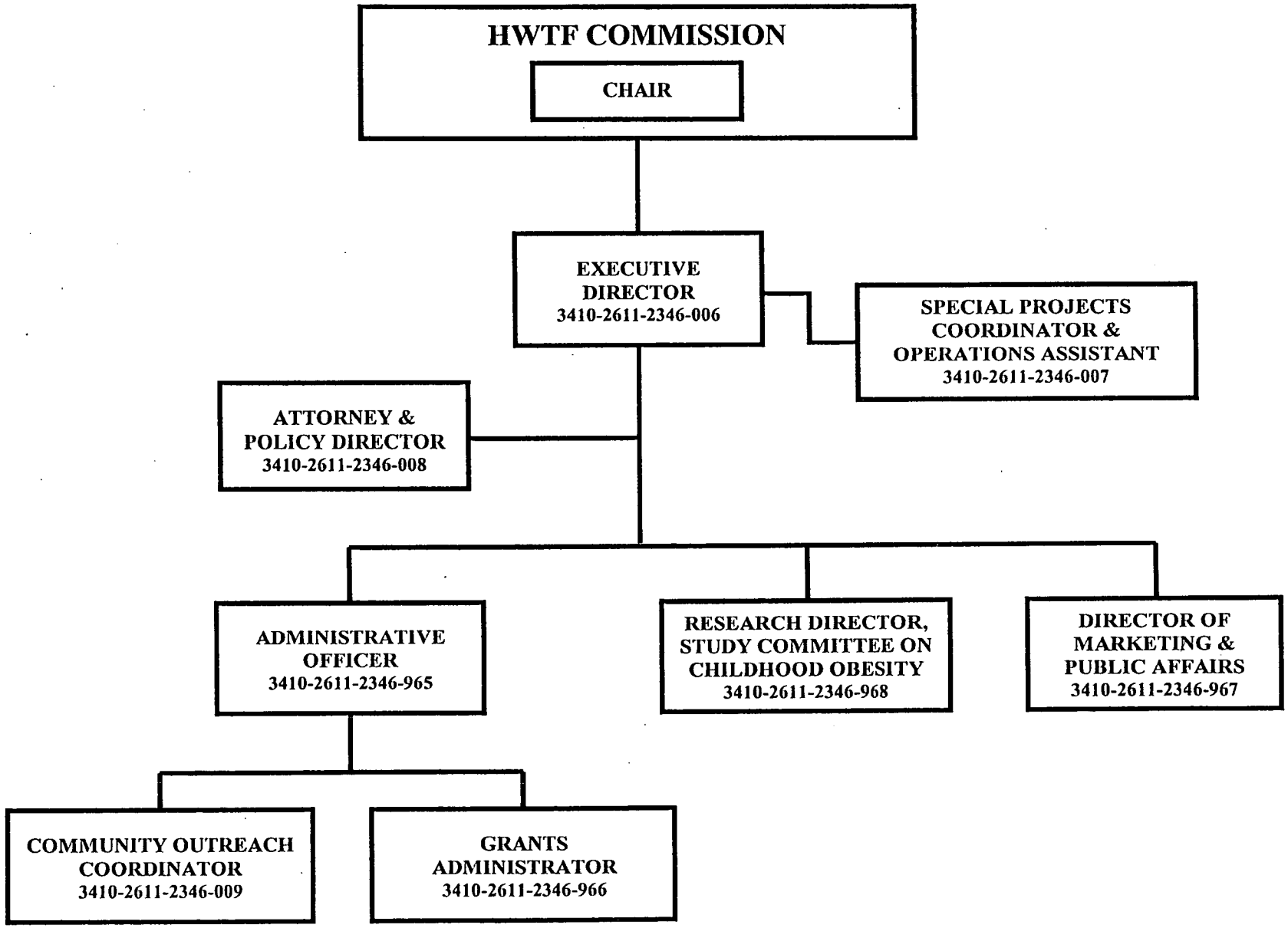
February 1, 2005

Financial Operations Division



February 1, 2005

N.C. Dept. of State Treasurer
NC HEALTH AND WELLNESS TRUST FUND COMMISSION
02/01/05

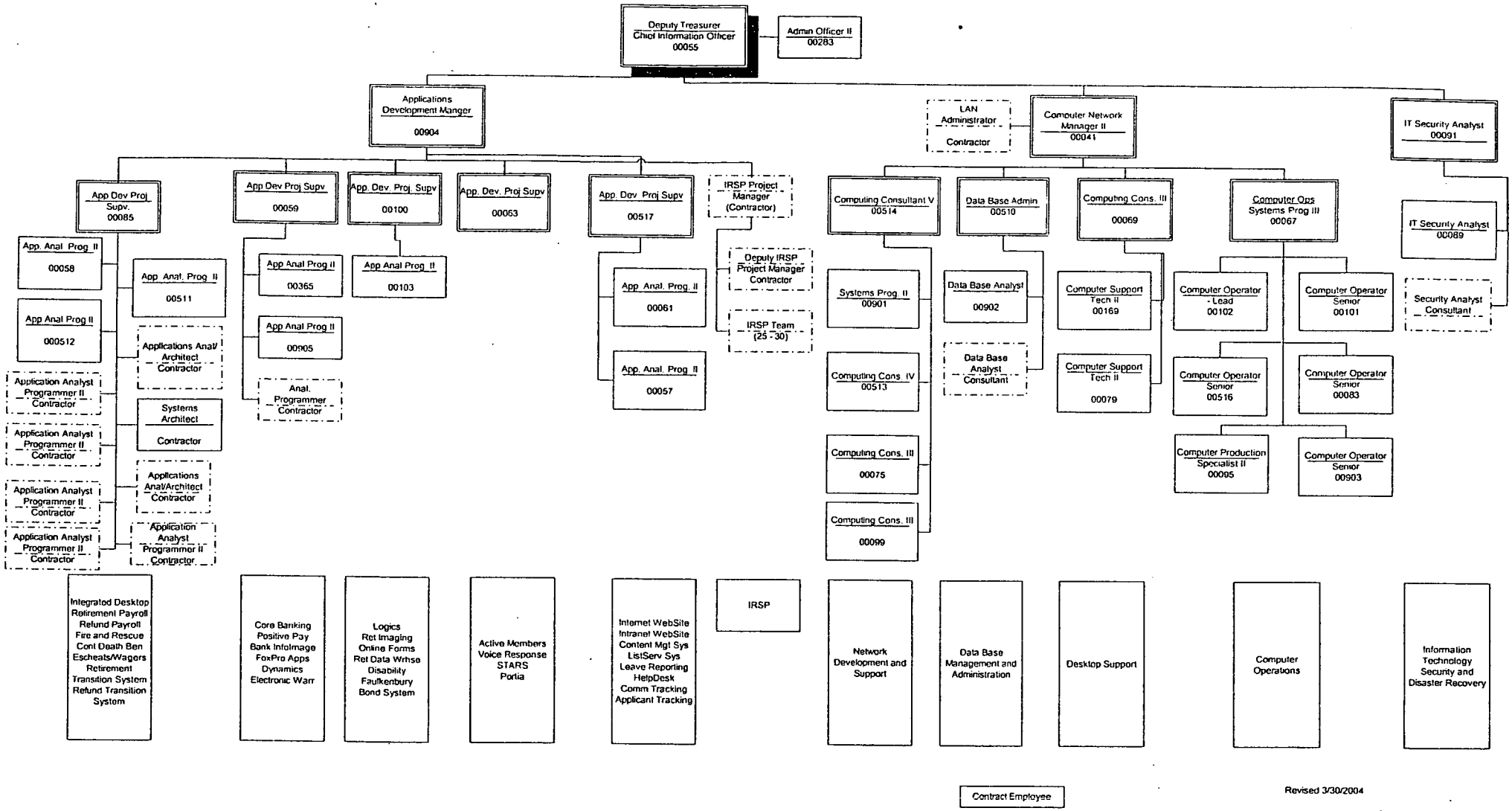


Updated: 02/05

North Carolina Department [redacted] State Treasurer

Division of Information T[redacted]ology Services

01/31/2005



Revised 3/30/2004

Department of State Treasurer

2005-2007 Proposed Continuation Budget

Fund 1150 **Information Services**

Mission: The Information Technology Division provides computer application development, project management and infrastructure support to the other divisions with the Department of State Treasurer.

Operation: --Provide computer application and network support

--Keep up-to-date with the latest technology developments in order to serve the Department of State Treasurer and the beneficiaries of the department.

Program Requirements

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Recurring Costs	$ -	$ -	$ 5,402,334	$ 5,404,870
Non-recurring Costs	-	-		
Total Costs	-	-	5,402,334	5,404,870
Departmental Receipts	-	-	5,402,334	5,404,870
Appropriation	$ -	$ -	$ -	$ -

Background notes:

The costs of the IT functions of the Information Services Division are allocated back to all other divisions of the department. The functions of this division are not directly attributable to any one program in the department. An allocation is made at the end of each month charging all divisions their pro rata share, and an expenditure is recorded in the individual funds to reflect that charge.

# of positions 36

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 29, 2005
Room 425
2:00 p.m.

Chairman: Representative Alma Adams

Review of Suggested Reduction Options

Summary of Vacant Positions

Joint Appropriations Subcommittee on General Government
Minutes
March 29, 2005
2:00 pm

The Joint Appropriations Subcommittee on General Government met on March 29, 2005 at 2:00pm in room 425 of the Legislative Office Building.

Representative Alma Adams called the meeting to order. She welcomed the staff, pages, clerk, agencies and Sgt. At Arms. In addition to Chairman Adams, also present were Reps. West, McLawhorn, Pierce, Lucas, and Wilson, and Senators Dorsett and Jacumin. A visitor registration sheet is attached and made a part of the record. Staff present: Michele Nelson, Marilyn Chism and Kathie Young.

Sen. Dorsett, Sen. Jacumin, Rep. West, Rep. Daughtridge.

Rep. Adams that there are two things on the agenda. To review the suggested reduction options and Vacant Positions Supported by the General Fund. Staff distributed documents.

Michelle Nelson: When the Governor sent over his continuation budget, as staff, we were asked to determine whether or not the non recurring items that had been reduced from the 2004-2005 fiscal year budget had been restored. What we've determined throughout among the other subcommittee areas not just general government that it was not always the case that the amounts had been restored or restored in total. So that at the budget development level (fiscal staff for staff to the full chairs) they went in and made some adjustments to the continuation budgets and in so doing that adjusted the continuation budget amount for general government as a whole to $354.5 million.

One of the things that they realized in making that adjustment was that in the Department of Revenue there had been a transfer from general fund to receipt the cost for 70 positions that are involved in debt collection. When they built the budget for the coming biennium, they inserted/included that in their budget at $3.6 million on a recurring basis. When the adjustment was made however in this year's budget it was non recurring. We could not essentially express to them that they didn't need to tamper with it. It was a bookkeeping adjustment they wanted to make. So that's what they did. Since you already have in your budget; you are not going to have it twice. So we are backing that out that $3.6 million. So that gives you a revised continuation budget for general government of $350.8 million. Your spending target, shared with you on the 15th of March, is $350.811million. So that means that you've got an overage. You've got to off the top find $22,352 in order to bring you within your assigned spending target. That spending target only takes care of your continuation budget. That gives you no money to do anything else. So if you find your $22,000 and you take that to the full chairs, that's fine but you have not spent any money for expansion. You have not spent expansion money for anything in the Governors recommended budget and you haven't heard any expansion from those agencies for which the Governor did not put anything in his budget; and there are about four or five of those in our group of agencies. So in order to help the subcommittee chairs at least identify some areas in which they could find money to have for expansion,

we did as staff was to provide potential reductions with these four agencies that you see here.

Marilyn Chism: In Administration there is a recommendation to reduce that budget. What these reductions would do would be to shift a portion of the veteran's scholarship program from appropriations support to receipt support which would come from the escheats fund. With this reduction approximately 76% of those scholarships would be funded with receipts and the remaining portion would be funded from appropriations.

Michelle Nelson: For the General Assembly when they went back to do their continuation budget, there was a non recurring reduction. There was a reduction on a non recurring basis of $921,000 plus. $41,318 of that amount was restored. That meant that $880,000 of that reduction was not accrued in the Governor's recommended budget so that at the full chair budget development level, they restored that. The recommendation to the subcommittee chairs though was since that was not included in the recommended budget is to back it out and not restore it and then use it for non recurring expansion.

Marilyn Chism: The Department of Insurance; this is a non recurring deduction to the volunteer Safety Workers Comp Plan. For the past 3 to 4 years there has been a non recurring reduction to that fund. When the Department of Insurance comes on April 6, they will provide a report on the status of that Volunteer Safety Workers Comp Plan. This is a non recurring reduction to the fund and it should not affect the fund's ability to meet its requirements.

Michelle Nelson: Re the Department of Revenue, over the past couple of sessions there has been a transfer of those positions and the operation related to debt collection that complies with law to move that from general fund to receipt support. In terms of the cost center that operating in Rocky Mount, a part of that is federal funds, a part of that is receipts. This will put all of it on receipt supported and that will bring up what you see here in general fund dollars each year of the biennium. So that you have a total with an adjustment for the overage of $3.5 million in recurring in 2005-2006, and $2.8 in non recurring to spend. You won't have a spending target for 2006-2007 until the short session; however you will see that in 2006-2007 we've carried forward the recurring reduction relative to the adjustment in Administration and Revenue.

Question: Rep. Dauhtridge: In the prior budget, in Cultural Resources, there was some bid money of about $10 million that was hidden. I assume there is no hidden money as the budget is developing?

Answer: It was over $10 million. The wording was that it was placed in a reserve and that was non recurring money so that was backed out of Cultural Resources budget. That was not the recommended continuation budget that came over from the Governor and it is not in the adjusted continuation budget amount or in your spending target at point.

Daughtridge: If for some mysterious reason some money gets put in there will you tell us. We didn't know that last time and I served on general government. It's embarrassing to find out later on that there was money that we didn't know about nor did we have an opportunity to vote on how it would be spent.

Michelle: Some of that money that folks are calling hidden that's in the reserve actually appeared in the Senate's version of the budget.

Daughtridge: But that budget was taken to conference. And that was taken out.

Michelle: It's not that it was taken out, but when they resolved the budget, and cultural resources budget, the decision was to have the money identified on a non recurring basis; because it was non recurring in both budgets, it just wasn't identified in the conference report in the same way it had been in the Senate's version of the budget. So you could go back to the Senate's version of the budget and actually see it, but in the final budget it was just a lump sum amount and it was not identified.

Question: Sen. Dorsett: Re the Veteran Scholarship fund, the $1.5 million. In 2006-2007 it has increased to $2.7 million. Does that mean we're taking a greater percentage from the escheat fund?

Answer: No, it doesn't the $2.7 million still represents approx. 76% when you add it to the continuation budget that's already there. What happened was, in the continuation budget for 05-06 and 06-07, the Governor's office has added appropriation that would restore the program at a phase-in basis back to being a fully appropriation support. And this in effect reducing that restoration.

Rep. Adams: I want everyone to understand that the $350 million target does not include any expansion. Not even the Governor's expansion. It is just continuation.

You also have as a separate sheet the summary of vacant positions supported by the General Fund. On the left hand side it shows the total number of positions vacant by agency and the total budgeted salary for that group of positions. The total number of positions is approx 234 positions, with total budgeted salaries of $8,904,877. On the right hand side of the sheet, of the total, these positions have been vacant for 180 days or more.

Rep. Adams: The committee will meet on Thursday after session.

Meeting was adjourned at 3:00 p.m.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

House Pages

Name Of Committee: _____ Date: 3-29-04 2:00pm

1. Name: Dawning McDade
   County: Iredell
   Sponsor: Karen Ray
2. Name: William McLeod
   County: Henderson
   Sponsor: Carolyn Justus
3. Name: Scott Boone
   County: Alamance
   Sponsor: Rand
4. Name: Nicole Organ
   County: Pikeville
   Sponsor: Kerr
5. Name: Shelly Lawrence
   County: Stantonsburg
   Sponsor: Kerr

Tyler Parrish
Johnston
Basnight

Sgt-At-Arms

1. Name: Willie Dixon
2. Name: Martha Parrish
3. Name: Leslie Wright
4. Name: Richard Telfair
5. Name: _____

VISITOR REGISTRATION SHEET

General Government — Name of Committee

3/29/05 — Date

2:00 PM

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
David Crosman	OSBM
Greg Pinto	OSBM
Kari Barsness	OSBM
Sandi Crosman	NCHE
Caleb crosman	NCHE
Vincent STEPHENS	CMS
JILL Buhler	NCHE
John Motley	Governor

Joint Appropriations Subcommittee on General Government
2005 Session
Summary of Vacant Positions Supported by the General Fund
(As of 3/11/05)

Department	Total		(Of the Total) >180 Days	
	No. of Positions	Budgeted Salary	No. of Positions	Budgeted Salary
Administration	39.97	$1,502,929	10.97	$398,887
Auditor	15.00	$770,225	0.00	$0
Cultural Resources	44.30	$1,420,811	15.20	$482,848
Roanoke Island Comm	1.00	$40,789	0.00	$0
General Assembly	0.00	$0	0.00	$0
Governor	2.00	$74,234	0.00	$0
Housing Finance Agency	0.00	$0	0.00	$0
Insurance	12.63	$634,720	4.63	$203,883
Lt. Governor	0.00	$0	0.00	$0
Administrative Hearings	4.00	$135,997	0.00	$0
Revenue	82.00	$2,929,525	12.00	$427,382
Secretary of State	13.00	$430,352	3.00	$112,283
Elections	3.00	$110,136	0.00	$0
OSBM	2.00	$127,726	0.00	$0
State Controller	1.00	$42,608	0.00	$0
State Personnel	4.00	$261,788	1.00	$30,000
Treasurer	10.00	$423,037	4.00	$161,983
TOTAL	**233.90**	**$8,904,877**	**50.80**	**$1,817,266**
Percentage of Total			22%	20%

FRD
General Govt. Team
March 29, 2005

Joint Appropriations Subcommittee on General Government					
2005 Session					
Adjusted Continuation Budget			$354,498,470		
Revenue - Reduction of Duplicate Position Cost			($3,664,145)		
Revised Continuation Budget			$350,834,325		
FY 2005-06 SPENDING TARGET			$350,811,973		
Adjustment for Overage			($22,352)		
ADJUSTED FY 2005-06 SPENDING TARGET			$350,789,621		
	FY 05-06			FY 06-07	
	Recurring	Non-recurring		Recurring	Non-recurring
Potential Reductions					
Administration	($1,491,106)	$0		($2,679,379)	$0
General Assembly	$0	($880,000)		$0	$0
Insurance (Governor's Budget)	$0	($2,000,000)		$0	$0
Revenue	($2,007,624)	$0		($2,008,039)	$0
Adjustment for Overage	$22,352				
Total	($3,476,378)	($2,880,000)		($4,687,418)	$0
Availability			($6,356,378)		

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 30, 2005
Room 425
8:30 a.m.

Chairman: Senator Katie Dorsett

Office of the Lieutenant Governor

Introduction/Overview of the Office
(Notebook pp. 1-5)

Continuation Budget
(Notebook p. 6 and 2005-07 Recommended Cont. Budget pp. B-114-120)

Additional Requested Budget Information:

Targeted Zero-Based Budgeting
(Notebook p. 8)

Lapse Salary Funds, Turnover Rates, Vacant Positions, and Reversions
(Notebook p. 7)

Expansion
(Notebook p. 7 and Summary of Recommendations pp. 58-59)

Beverly E. Perdue
Lieutenant Governor

Office of Administrative Hearings

Introduction of Staff/Executive Overview/Mission/Organization
(Notebook pp. 2-4)

Continuation Budget
(Notebook pp. 5-6; 2005-07 Recommended Cont. Budget pp. B-563-576)

Administrative Division
(Notebook pp. 7-8)

Civil Rights Division
(Notebook pp. 9-11c)

Hearings Division
(Notebook pp. 12-14e)

Rules Division
(Notebook pp. 15-17c)

Additional Requested Budget Information:

Targeted Zero-Based Budgeting
(Notebook p. OAH-18)

Lapse Salary Funds
(Notebook p. OAH-19)

Turnover Rates
(Notebook p. OAH-20)

Vacant Positions
(Notebook p. OAH-21)

Reversions
(Notebook pp. OAH-22 - 25)

Expansion
(Summary of Recommendations pp. 84-86)

Judge Julian Mann, III
Chief Judge/Director

JOINT APPROPRIATIONS GENERAL GOVERNMENT
MINUTES

Wednesday, March 30, 2005
8:30 am

The Joint Appropriations Subcommittee on General Government met March 30, 2005 in Room 425 of the Legislative Office Building. Senator Dorsett called the meeting to order. She welcomed the staff, Michele Nelson, Marilyn Chism and Kathie Austin, pages, clerk, agencies and Sgt. At Arms. In addition to the Chairman Katie Dorsett, four Senate Members were present and Representatives Alma Adams, Roger West, Marvin Lucas, Marian McLawhorn, Gene Wilson, Bruce Goforth, Garland Pierce, and Russell Tucker.

After extending the welcome and making introduction, Senator Dorsett introduced Lieutenant Governor Beverly E. Perdue. Lieutenant Governor Perdue gave an overview on items that the subcommittee had expressed interest in knowing.

Responsibilities of the Lieutenant Governor

- Council of State
- NC Senate, President
- Military Affairs (BRAC)
- Health and Wellness Trust Fund Commission, Chair
- NC Economic Development Board
- State Board of Education
- NC Rural Economic Development Center
- NC Teaching Fellows Program
- Domestic Violence Commission
- State Board of Community Colleges
- Business and Education Technology Alliance (BETA)

Total Personnel

Total personnel consist of 8 FTE positions and 3 positions that equate to 1.65 FTE. The position include: The Lieutenant Governor, Chief of Staff, Administrative Assistant, Scheduler, Director of Public Liaison, Policy Director, Communications Director, Office Manager, General Assembly Legislative Assistant, Constituent Relations Assistant and Military Affairs (BRAC) assistant.

Special Assignments of the Lieutenant Governor

- **Council of State** oversees the expenditure of tax dollars and transacts business on behalf of all state government and the state's people
- **North Carolina Senate** presides over the Senate
- **Military Affairs (BRAC)** coordinate and articulate North Carolina's preparation for and response to the Department of Defense's Base Realignment and Closure process in 2005.
- **Health and Wellness Trust Fund Commission** uses to address the health need of vulnerable and underserved populations in North Carolina.
- **NC Economic Development Board** (serve as the state's top economic development policy advisory body and is responsible for recommending economic development policy to the Governor)
- **State Board of Education** (plays the ex-officio member of the Board)
- **NC Rural Economic Development Center** (helps develop, promote, and implement sound economic strategies to improve the quality of life of rural North Carolinians)
- **NC Teaching Fellows Program** (help recruit talented high school graduates into the teaching profession and help them develop leadership qualities such as visionary thinking and risk-taking; qualities that have not, in past been valued in teachers)
- **Domestic Violence Commission** (coordinate strategy, policy, programs and services to combat domestic violence)
- **State Board of Community Colleges** (helps adopt all the policies and regulations for North Carolina Community Colleges)
- **Business and Education Technology Alliance (BETA)** (serves as chair)

The Lieutenant Governor opened the floor for questions. The Subcommittee questioned the Lieutenant Governor.

After extending the welcome to the Office of Administrative Hearings, Senator Dorsett introduced Judge Julian Mann, III Chief Judge/Director. He introduced the members present with him. He then gave an overview of his department.

Mission

The Office of Administrative Hearings provides a forum for prompt and impartial resolution of administrative law contested cases involving citizens and state agencies, to investigate alleged acts of certain unlawful employment practices in state government and to function as the state's codifier, administrator and publisher of all temporary, proposed and permanent administrative rules and to provide staff support to the Rules Review Commission.

Goals

- Increase fairness and protect due process
- Reduce the incidence of discrimination
- Increase citizen awareness
- Provide legal opinions and staff support to the Rules Review Commission

Office of Administrative Hearings Civil Rights Division

This division is under the operation of Edward Smith. It works most of the time as independent agencies catering to individual that make have received mistreatment as a result of race.

Charges Filed

167 in 1995	123 in 1996	112 in 1997	123 in 1998
66 in 1999	105 in 2000	90 in 2001	126 in 2002
88 in 2003	55 in 2004		

Rules Division Filed for Publication in the Register

3167 in 1996	1462 in 1999	1484 in 2002
2345 in 1997	3226 in 2000	1286 in 2003
2264 in 1998	897 in 2001	1372 in 2004

Julian Mann opened the floor up for questions. The subcommittee questioned Julian Mann and many of his staff members on the charts presented.

The meeting adjourned at 9:40 a.m.

Senator Katie Dorsett, Presiding

Phyllis Cameron Committee Clerk

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT

March 30, 2005
8:30 am

ATTACHMENT
G

North Carolina

Lieutenant Governor's Office

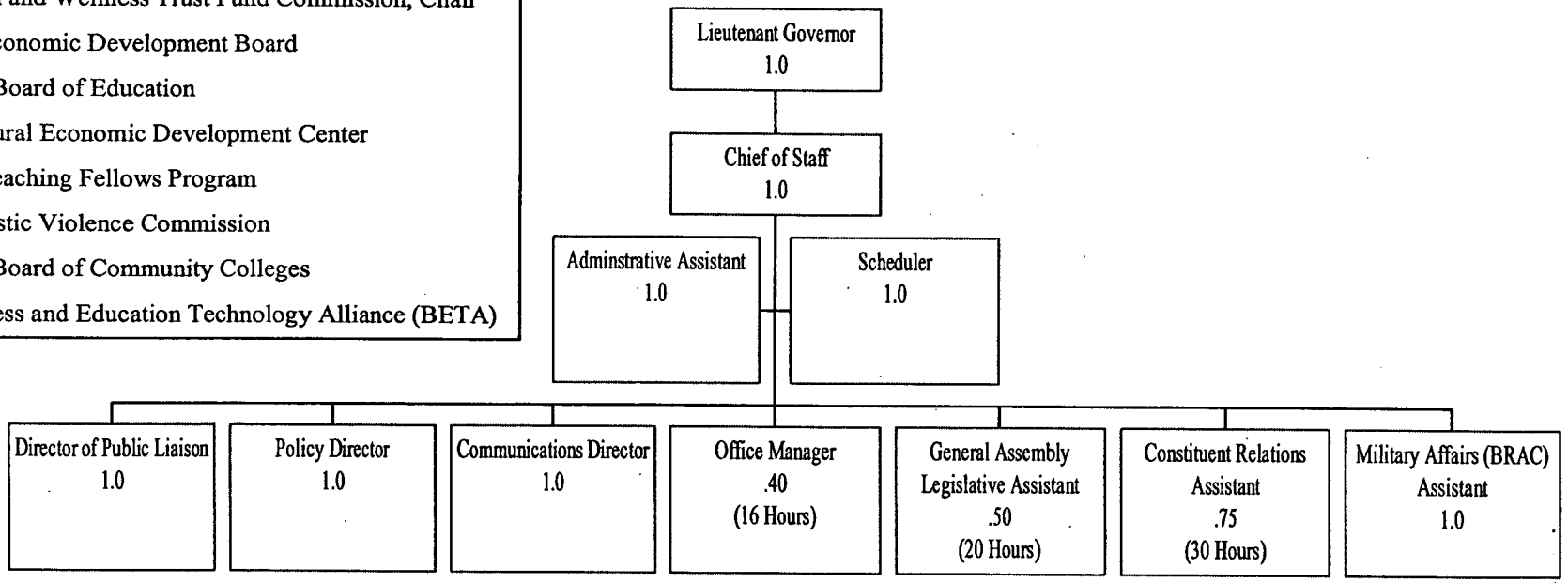
Joint Appropriations Subcommittee on
General Government

Beverly E. Perdue, Lieutenant Governor
February 4, 2005

Office of the Lieutenant Governor
Organization Chart
2004 - 2005

Responsibilities of the Lieutenant Governor

- Council of State
- NC Senate, President
- Military Affairs (BRAC)
- Health and Wellness Trust Fund Commission, Chair
- NC Economic Development Board
- State Board of Education
- NC Rural Economic Development Center
- NC Teaching Fellows Program
- Domestic Violence Commission
- State Board of Community Colleges
- Business and Education Technology Alliance (BETA)



Executive Summary
Office of the Lieutenant Governor

Mission
To perform the many duties required by the state Constitution, and additional duties and responsibilities assigned by the Governor and the General Assembly.

Operations
The state Constitution provides for the Lieutenant Governor to be the President of the Senate and a member of the Council of State. Additionally, the Lieutenant Governor is a member of several commissions and boards. In order that the Lieutenant Governor may carry out her/his duties and responsibilities, the Office of the Lieutenant Governor staff assists the Lieutenant Governor with responding to citizen inquiries and problems, developing policy initiatives, and working with other state agencies.

Total Personnel
Total personnel consist of 8 FTE positions and 3 positions that equate to 1.65 FTE. The positions include: the Lieutenant Governor, Chief of Staff, Administrative Assistant, Scheduler, Director of Public Liaison, Policy Director, Communications Director, Office Manager, General Assembly Legislative Assistant, Constituent Relations Assistant and Military Affairs (BRAC) assistant.

OFFICE OF THE LIEUTENANT GOVERNOR
SPECIAL ASSIGNMENTS

COUNCIL OF STATE

The Council of State oversees the expenditure of tax dollars and transacts business on behalf of all state government and the state's people. The Lieutenant Governor is one of eight members of the Council of State.

NORTH CAROLINA SENATE

The Lieutenant Governor presides over the Senate. The Senate is responsible for authoring and enacting legislation in conjunction with the House of Representatives. There are 50 senators who serve 2-year terms. The Regular Session is every other January after election years and the Extra Session occurs when three-fifths of the Senate and three-fifths of the House of Representatives sign for it.

MILITARY AFFAIRS (BRAC)

The Governor has named the Lieutenant Governor to coordinate and articulate North Carolina's preparation for and response to the Department of Defense's Base Realignment and Closure process in 2005. The military has an economic impact of $18.1 billion in North Carolina, impacting 77 of 100 counties.

HEALTH AND WELLNESS TRUST FUND COMMISSION

The Health and Wellness Trust Fund Commission was established by the General Assembly to take in and allocate 25% of North Carolina's share of the multi-billion dollar national tobacco settlement agreement reached in 1999. Funds from the Commission may be used to address the health needs of vulnerable and underserved populations in North Carolina; to fund programs and initiatives that include research, education, prevention and treatment of health problems in North Carolina and to increase the capacity of communities to respond to the public's health needs; and to develop a comprehensive community-based plan with goals and objectives to improve the health and wellness of the people of North Carolina with a priority on preventing, reducing and remedying the health effects of tobacco use and with an emphasis on reducing youth tobacco use. The Commission has identified four funding priorities: prescription drug, teen

tobacco use prevention and cessation, medication assistance program, and obesity. The Lieutenant Governor serves as Chair of the Commission.

NC Economic Development Board

The Economic Development Board, comprised of some of the state's premier leaders from the business, education, tourism and workforce communities around the state, serves as the state's top economic development policy advisory body and is responsible for recommending economic development policy to the Governor.

State Board of Education

The State Board of Education is charged with supervising and administering "the free public school system and the educational funds provided for its support." Regular meetings of the State Board of Education are held monthly in the Education Building in Raleigh. The Lieutenant Governor is an ex-officio member of the Board.

NC Rural Economic Development Center

The mission of the North Carolina Rural Economic Development Center is to develop, promote, and implement sound economic strategies to improve the quality of life of rural North Carolinians. The Rural Center is governed by a 50-member board of directors representing state and local leadership in business, agriculture, education, government, and numerous other areas of public service. The Lieutenant Governor is a member of Board and appoints three members.

NC Teaching Fellows Program

The North Carolina Teaching Fellows Program was enacted by the General Assembly in 1986. The mission of the program was, and continues to be, to recruit talented high school graduates into the teaching profession and to help them develop leadership qualities such as visionary thinking and risk-taking; qualities that have not, in the past, been valued in teachers. The Teaching Fellows Program challenges students to see beyond the classroom and to think about the connections of education to the quality of life and the economic survival of our state.

DOMESTIC VIOLENCE COMMISSION

Domestic Violence Commission is the state's first permanent commission to coordinate strategy, policy, programs and services to combat domestic violence. The Commission was created by executive order to improve the state's response to domestic violence. The commission uses as its blueprint the findings of the Governor's Task Force on Domestic Violence. The Lieutenant Governor serves on the Commission's Board.

STATE BOARD OF COMMUNITY COLLEGES

State Board of Community Colleges was established by the 1979 General Assembly and assumed governance of the 58 community colleges and one technology center on January 1, 1981. The State Board of Community Colleges has full authority to adopt all the policies, regulations and standards it deems necessary to operate the System and the Department of Community Colleges. The Lieutenant Governor is an ex officio member.

BUSINESS AND EDUCATION TECHNOLOGY ALLIANCE (BETA)

The Business and Education Technology Alliance (BETA) is a collaborative effort, composed of 27 members who have knowledge and interest in ensuring that the effective use of technology is built into the North Carolina School System for the purpose of preparing a globally competitive workforce and citizenry for the 21st Century. The Lieutenant Governor serves as Chair.

Summary of Budget

	2003-2004 Actual	2004-2005 Authorized	2005-2006 Recommended	2006-2007 Recommended
Total Requirements	$660,280	$666,294	$690,697	$690,697
Total Estimated Receipts	$45,905	-0-	-0-	-0-
Net Appropriations	$614,375	$666,294	$690,697	$690,697
Number of Positions	8.5	9.65	9.65	9.65

Targeted Zero-Based Budgeting Expenditure Accounts
FY 2003-04 to FY 2006-07

Budget Code	Fund	Account	Account Title	2003-04 Act	2004-05 Auth	2004-05 YTD 2/28/05	2005-06 Rec	2006-07 Rec	Explanation of Expenditure
Lt. Governor									
13100	1099	53 2199	MISC CONTRACTUAL SERVICES	$0	$10,000	$7,818	$0	$0	Only needed in inauguration/transition year.
13100	1110	53 2711	TRANSP AIR - IN STATE	$600	$100	$0	$100	$100	Travel expense money and meals allocation money needed to
13100	1110	53 2712	TRANS AIR-OUT STATE,IN U	$212	$277	$0	$277	$277	allow staff to travel with or for the Lieutenant Governor
13100	1110	53 2714	TRANSP-GRND - IN STATE	$324	$405	$186	$405	$405	to prepare for meetings with the press or for policy related issues.
13100	1110	53 2717	TRANSP OTHER - IN STATE	$0	$50	$0	$50	$50	The majority of travel expenses has been defrayed from the
13100	1110	53 2718	TRANS OTH-OUT STATE,IN U	$0	$50	$0	$50	$50	Lieutenant Governor's personal monies.
13100	1110	53 2721	LODGING - IN STATE	$430	$0	$203	$450	$450	same as above
13100	1110	53 2722	LODGING-OUT STATE, IN US	$150	$200	$0	$200	$200	same as above
13100	1110	53 2724	MEALS - IN STATE	$39	$0	$16	$41	$41	same as above
13100	1110	53 2725	MEALS-OUT STATE, IN US	$0	$200	$0	$200	$200	same as above
13100	1110	53 2814	CELLULAR PHONE SERVICES	$3,265	$900	$1,246	$900	$900	Service needed for troopers assigned to LG for security purposes.
13100	1110	53 4511	FURN-OFFICE	$0	$600	$0	$600	$600	Needed for replacement of existing older office chairs.
13100	1110	53 4521	OFFICE EQUIPMENT	$0	$500	$0	$500	$500	Maintenace/supplies for current older eqpt. Need new fax mach.
13100	1110	53 4528	EQUIP - COMMUNICATIONS	$750	$0	$557	$0	$0	None.
13100	1110	53 4530	NON-WAN DP EQUIPMENT	$0	$337	$0	$337	$337	Current color pinter is inoperable and needs replacing.
13100	1110	53 4534	PC/PRINTER EQUIPMENT	$822	$1,200	$146	$1,200	$1,200	Needed to purchase pc printers to replace older obsolete printers.

Lapse Salary Funds

FY-03-04 (actual) - $1,042.00 reverted.
FY-04-05 (YTD and projected to June 30, 2005) - None

Turnover Rates

FY-03-04:
- Communications Director – one time turnover
- Office Manager – one time turnover

FY-04-05 (YTD and projected to June 30, 2005);
- Chief of Staff – one time turnover

Vacant Positions

As of March 11, 2005, there are NO positions vacant more than six (6) months.

Reversions

FY-02-03 – Fund 1110 Administration - $52.00
$38.00 Lapse salary, Other accounts $14.00
FY-03-04 – Fund 1110 Administration - $5128.00
$1042.00 - Lapse salary
$2026.00 - Longevity lapse
$1850.00 - Medical insurance
$86.00 - Office supplies
$60.00 - Telephone
$64.00 - Other accounts

Expansion Requests

Increased hours from 30 hours (part time) to 40 hours (full time) for the Constituent Relations Position - $8,404.00.
Increase Operating Expenses $4,400.00.
Total: $12,804.00

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 30, 2005
Room 425
2:00 p.m.

Chairman: Senator Katie Dorsett

Office of Administrative Hearings

Expansion
(Notebook - Governor's Summary of Recommendations pp 84-86)

Julian Mann
Chief Judge/Director

North Carolina General Assembly

Structure of Budget and Positions
(Notebook pp 1 - 7)
(Budget Book pp B1 - B27)

Organizational Charts
(Notebook pp 8 - 20)

Turnover Ratios
(Notebook p 21)

Vacant Positions
(Notebook p 22)

Targeted Zero-Based Budgeting
(Notebook pp 23 - 25)

George Hall
Legislative Services Officer

Tony Goldman
Director
Administrative Division

JOINT APPROPRIATIONS GENERAL GOVERNMENT
MINUTES

Wednesday, March 30, 2005
2:00 pm

The Joint Appropriations Subcommittee on General Government met March 30, 2005 2:00 p.m. in Room 425 of the Legislative Office Building. Senator Dorsett called the meeting to order. She welcomed the staff, Michele Nelson, Marilyn Chism and Kathie Austin, pages, clerk, agencies and Sgt. At Arms. In addition to the Chairman Katie Dorsett, three Senate Members were present and Representatives Alma Adams, Roger West, Marvin Lucas, Marian McLawhorn, Gene Wilson, Bruce Goforth, Garland Pierce, and Russell Tucker.

After extending the welcome and making introduction, Senator Dorsett introduced Judge Julian Mann, III Chief Judge/Director. Chief Judge Julian Mann continued his overview alone with Legislative Services Officer George Hall and Administration Division Tony Goldman.

Structure of Budget and Positions p1-7

Office of Administrative Hearings Budget Summary 1998-2005

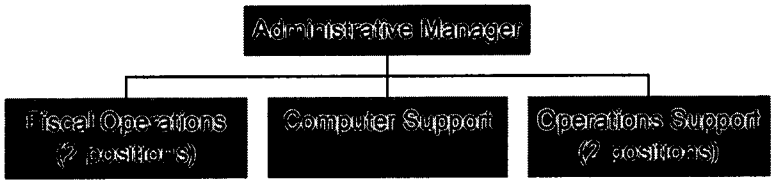
Year	Total Requirement	Receipts	Net Appropriation	Total Positions
1998-99	$ 2,560,468.00	$133,816.00	$ 2,426,652.00	44
1999-00	$ 2,792,875.00	$138,169.00	$ 2,654,706.00	45
2000-01	$ 2,570,554.00	$112,049.00	$ 2,458,505.00	44
2001-02	$ 2,591,914.00	$127,784.00	$ 2,464,130.00	42
2002-03	$ 2,221,556.00	$ 91,190.00	$ 2,130,367.00	39
2003-04	$ 2,406,779.00	$146,158.00	$ 2,260,621.00	37
2004-05*	$ 3,001,604.00	$120,014.00	$ 2,881,590.00	43**

*Budgeted

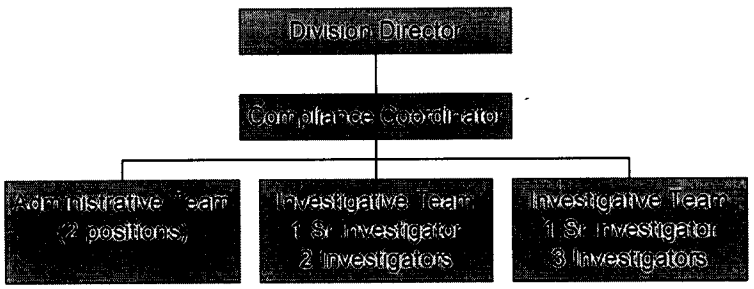
** Included 4 positions transferred from RRC

Organizational Charts p 8-20

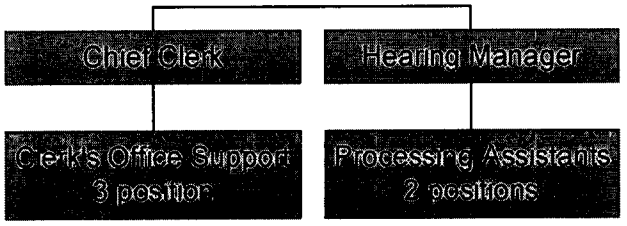
Office of Administrative Hearing



Office of Administrative Hearing Civil Rights Division



Office of Administrative Hearing Support Division



Turnover Ratios

Classifications, which fall within pay grade 59x, have experienced the highest turnover rates. Typically reason provided by departing employees has been low salaries paid by OAH. (Refer to Attachment page 20)

Vacant Positions p 22
Refer to Attachment page 22

Targeted Zero-Based Budgeting p 23-25
Refer to Attachment page 23-25

The meeting adjourned at 3:05 p.m.

Senator Katie Dorsett, Presiding

Phyllis Cameron, Committee Clerk

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT

March 30, 2005
2:00 pm

ATTACHMENT
H

VISITOR REGISTRATION SHEET

Name of Committee _____ Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Kari Barkness	OSBM
Greg Piner	"
Reggie Hinton	Revenue
Randy Barnes	Revenue
Keith McCoccle	✓
Alan Felton	Revenue
Ken McHan	B.O.E.
James Crow	DCR
Scott Stroh	DCR, Roanoke Island Commission
Jeanne Crisp	State Library
Grant Pair	DCR
Charline Sutton	DCR
Heywood McKinney	DCR
Alex [illegible]	DCR - Art Museum
Denise Sigmon	DCR
Anne Marie Elkins	DCR
Joan Reagan	DCR
Robert Schiller	DCR / NC Symphony
DAVID WORTERS	DCR / NC Symphony

Pages

Rep.

Alecia Murphy — New Hanover — Thomas Wright

Amanda Fugate — Henderson — Carolyn Justus

Jessica Evans — Wake — Linda Coleman

Julie Bounous — Valdese — Jimmy Jacumin — Senate

Sergeant at Arms:

Leslie Wright

Richard Telfair

Martha Parrish

Willie Dixon

VISITOR REGISTRATION SHEET

Name of Committee _____ Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY

Pages

Ashlee Hilton
rep. Larry Womble

Ashley Vaughn
rep. Gibson

Austin S. Bloom
Senator Linda Garrou

Janet Rust
Senator Janet Cowell

Scott Gunn
Senator Hugh Webster

VISITOR REGISTRATION SHEET

Name of Committee _____ Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY

VISITOR REGISTRATION SHEET

APPROPRIATIONS Subcommittee on General Government Date:

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Tom Beam	NC Sustainable Energy Assoc.
Carolyn Myrick	DOT
[illegible]	DOA
Larry Shirley	DOA
McKinley Wooten	DOA
Geoge Millsap	DOA
Brooks Skinner	DOA
Elaine Barnes	DOA
Charlie Smith	NCDVA
David Brown	OSBM
Greg Piner	OSBM
Karl Barsness	OSBM
Erin Kinney	NCCN
Mari Fitz-Wynn	NC HE
Ivan Urlaub	NC SEA
Hal Young	NCHE
Camille Davidson	[illegible]
John Goodwin	Ashley Associates

VISITOR REGISTRATION SHEET

~~APPROPRIATIONS-JUSTICE AND PUBLIC SAFETY~~

Name of Committee

Date

Gen. Govt.

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Courtney Crowder	NC DOI
James L. Forte	OSA
Barbara Morales Burke	NC DOI
Frank W. Folger	NCDOT
Marlowe Foster	NCAHP
	NCAHP
John Mackey	OOU Office
Jim Long	NCDOT
Robert Wilson	SOS
Jon McCorquodale	SAS

House Pages

Name Of Committee:_____ Date: _____

1. Name: Mary Lynn Edwards
   County: Rowan
   Sponsor: Fred Steen
2. Name: Elizabeth Edwards
   County: Rowan
   Sponsor: Rep. Fred Steen
3. Name: _____
   County: _____
   Sponsor: _____
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: _____
2. Name: _____
3. Name: _____
4. Name: _____
5. Name: _____

N. C. Office of Administrative Hearings
Overview of Operations

Prepared for

General Government Appropriations Subcommittee

March 2005

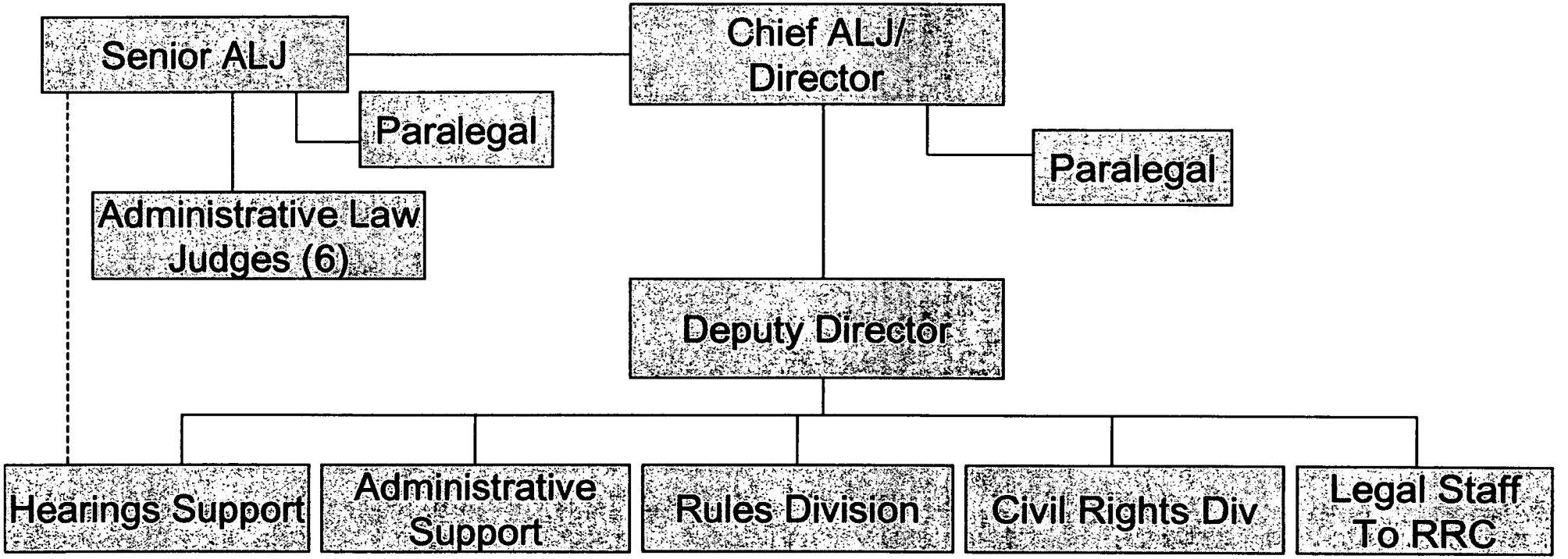
Office of Administrative Hearings
Mission Statement

To provide a forum for prompt and impartial resolution of administrative law contested cases involving citizens and state agencies, to investigate alleged acts of certain unlawful employment practices in state government and to function as the state's codifier, administrator and publisher of all temporary, proposed and permanent administrative rules and to provide staff support to the Rules Review Commission

Office of Administrative Hearings Goals

- Increase fairness and protect due process rights in the application of administrative law in contested case hearings.
- Reduce the incidence of discrimination in employment practices.
- Increase citizen awareness of the existence, accuracy and value of administrative rules.
- To provide legal opinions and staff support to the Rules Review Commission in their review of proposed rules.

Office of Administrative Hearings Organization Chart



Office of Administrative Hearings
Budget Summary
1998-2005

	Total Requirements	Receipts	Net Appropriation	Total Positions
1998-99	$2,560,468	$133,816	$2,426,652	44
1999-00	$2,792,875	$138,169	$2,654,706	45
2000-01	$2,570,554	$112,049	$2,458,505	44
2001-02	$2,591,914	$127,784	$2,464,130	42
2002-03	$2,221,556	$ 91,190	$2,130,367	39
2003-04	$2,406,779	$146,158	$2,260,621	37
2004-05*	$3,001,604	$120,014	$2,881,590	43**

Budgeted

**** Includes 4 positions transferred from RRC***

Office of Administrative Hearings
Continuation Budget View
2003-04 through 2006-07

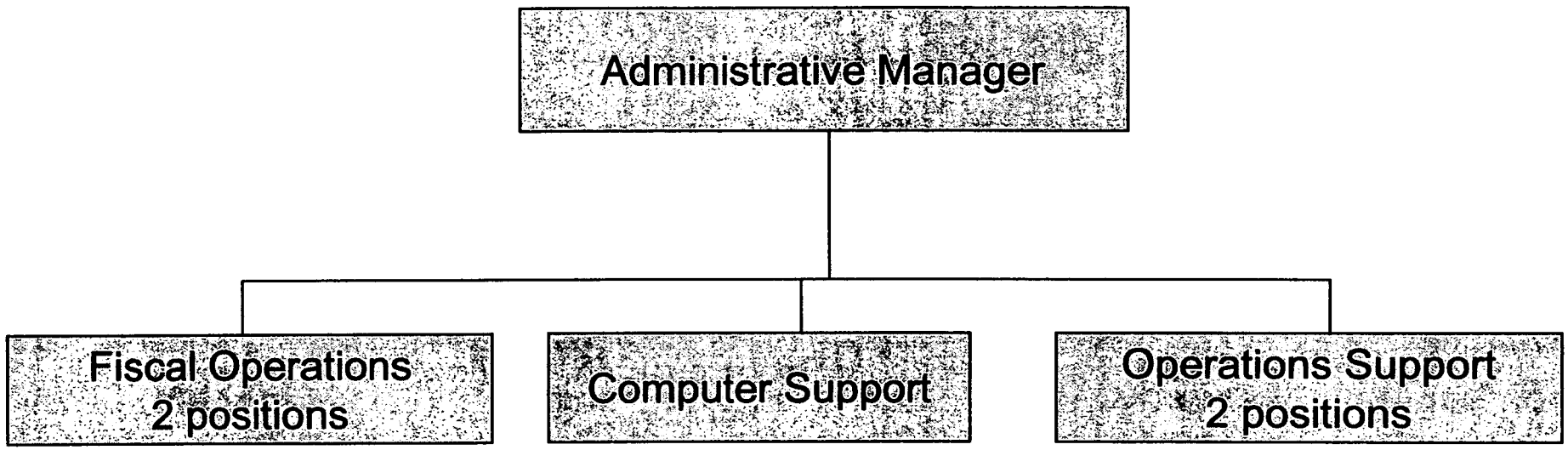
	2003-04 ***Actual***	***2004-05*** ***Authorized***	***2005-06*** ***Recommended***	***2006-07*** ***Recommended***
Requirements	*$2,406,778*	*$3,000,583*	*$3,097,065*	*$3,087,726*
Receipts	*$146,158*	*$120,014*	*$120,014*	*$120,014*
Appropriation	*$2,260,620*	*$2,880,569*	*$2,976,210*	*$2,967,712*
Positions	*37*	*43*	*43*	*43*

Administrative Services Mission

- *To provide administrative services support to the divisions of the Office of Administrative Hearings in the areas of:*

  - *Budget and Accounting*
  - *Human Resources Services*
  - *Contract Administration*
  - *Communication Services*
  - *Local Area Network (LAN) Services*
  - *Facility and Equipment Services*

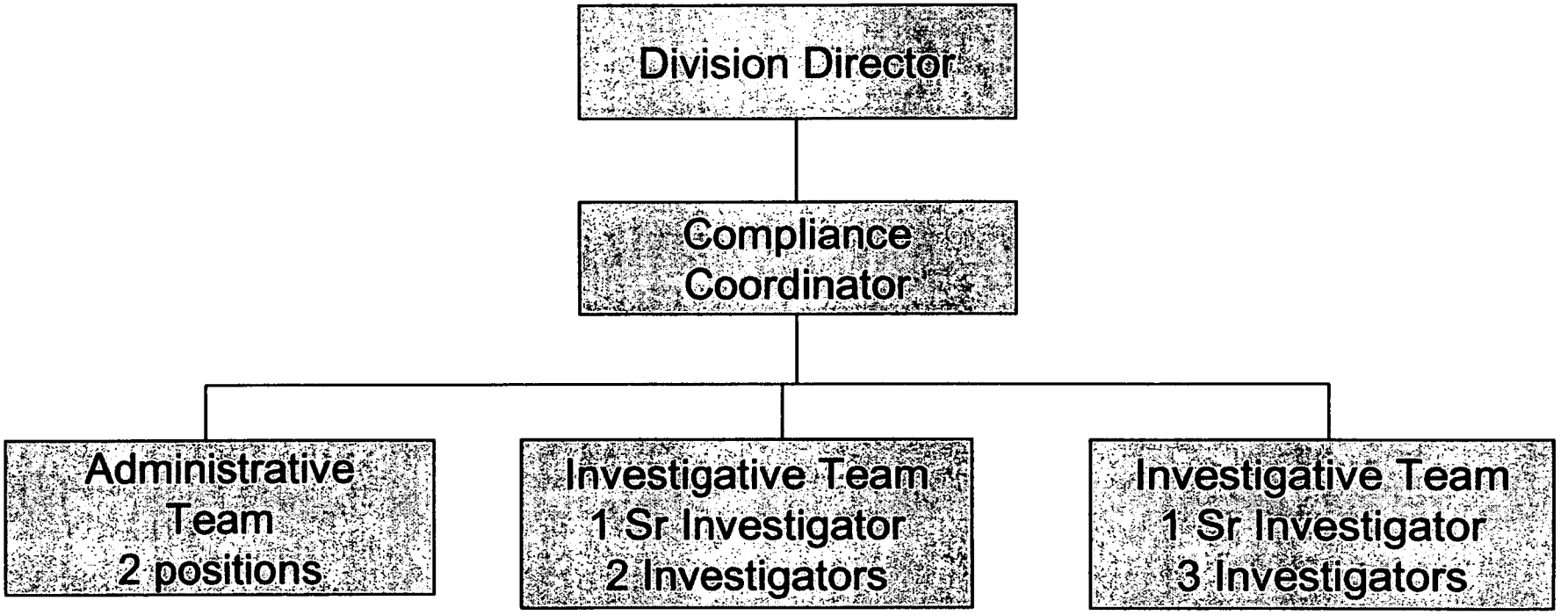
OFFICE OF ADMINISTRATIVE HEARINGS
ADMINISTRATIVE DIVISION



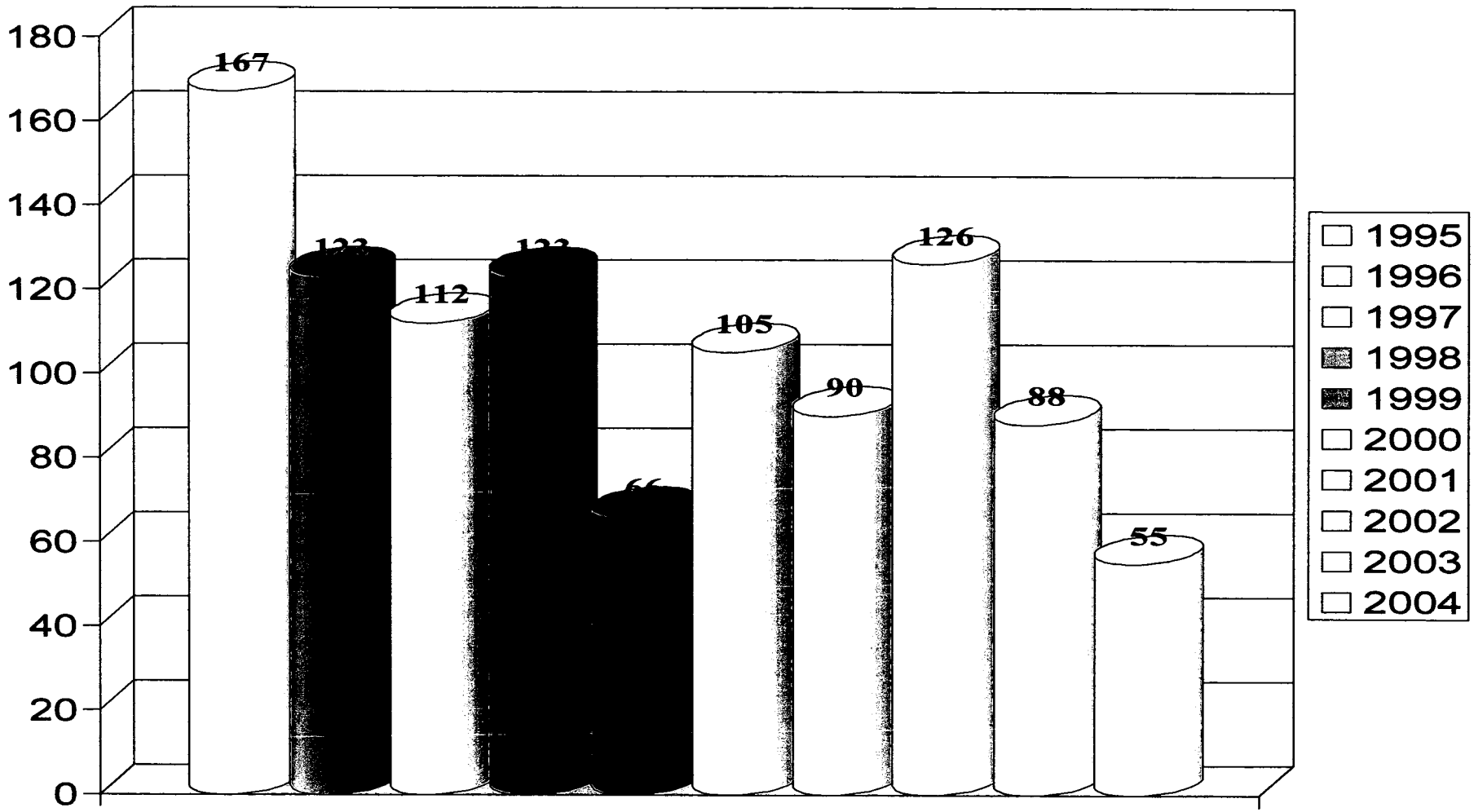
Civil Rights Division Mission

- *To serve as the State's 706 Deferral Agency for investigations of alleged discrimination by State employees on the basis of race, color, sex, religion, age, national origin or disability in employment.*
- *To investigate charges alleging retaliation for opposition to such discrimination brought by previous and current state employees or applicants for employment.*
- *To investigate charges alleging political discrimination brought by previous and current state employees or applicants for employment.*

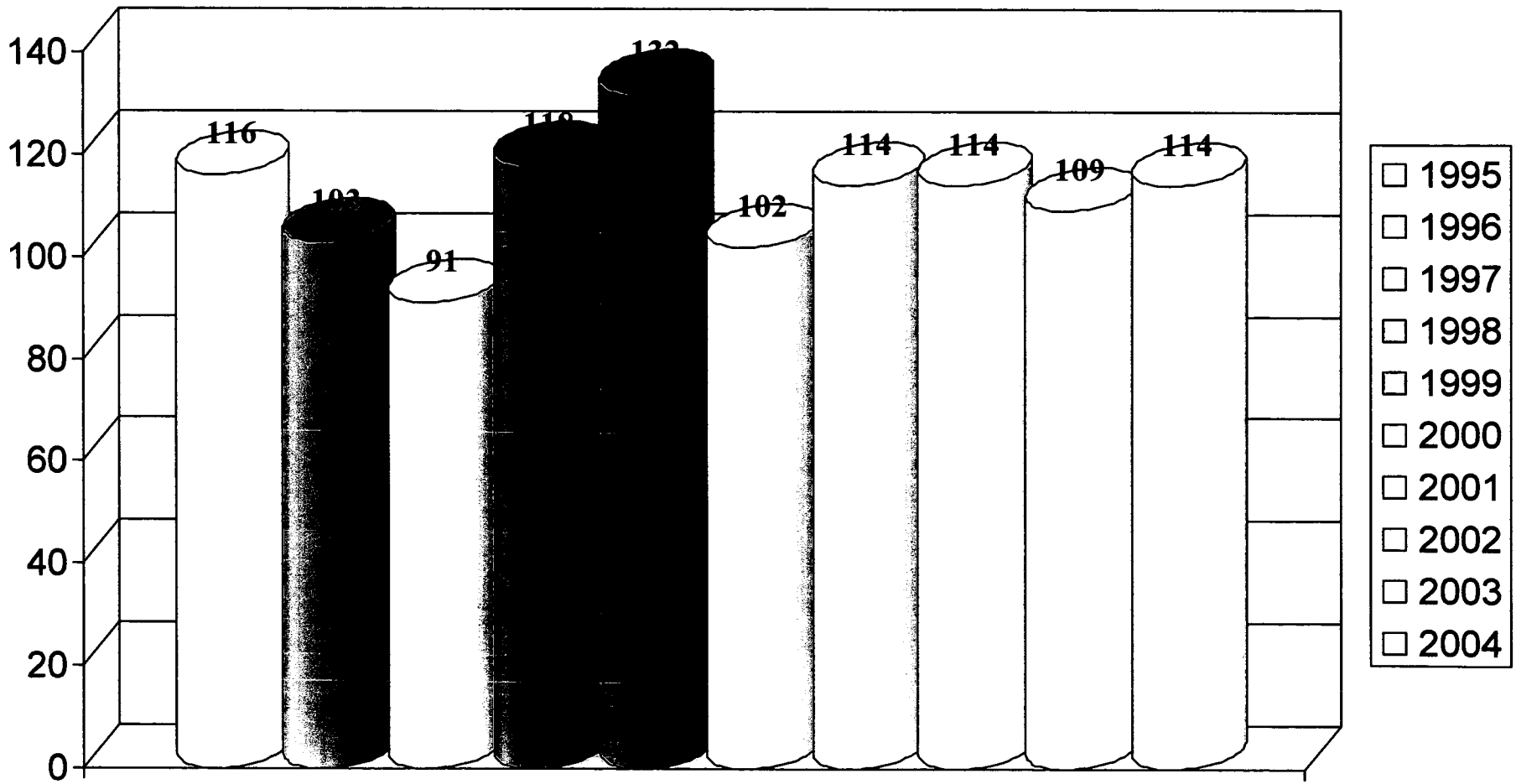
OFFICE OF ADMINISTRATIVE HEARINGS
CIVIL RIGHTS DIVISION



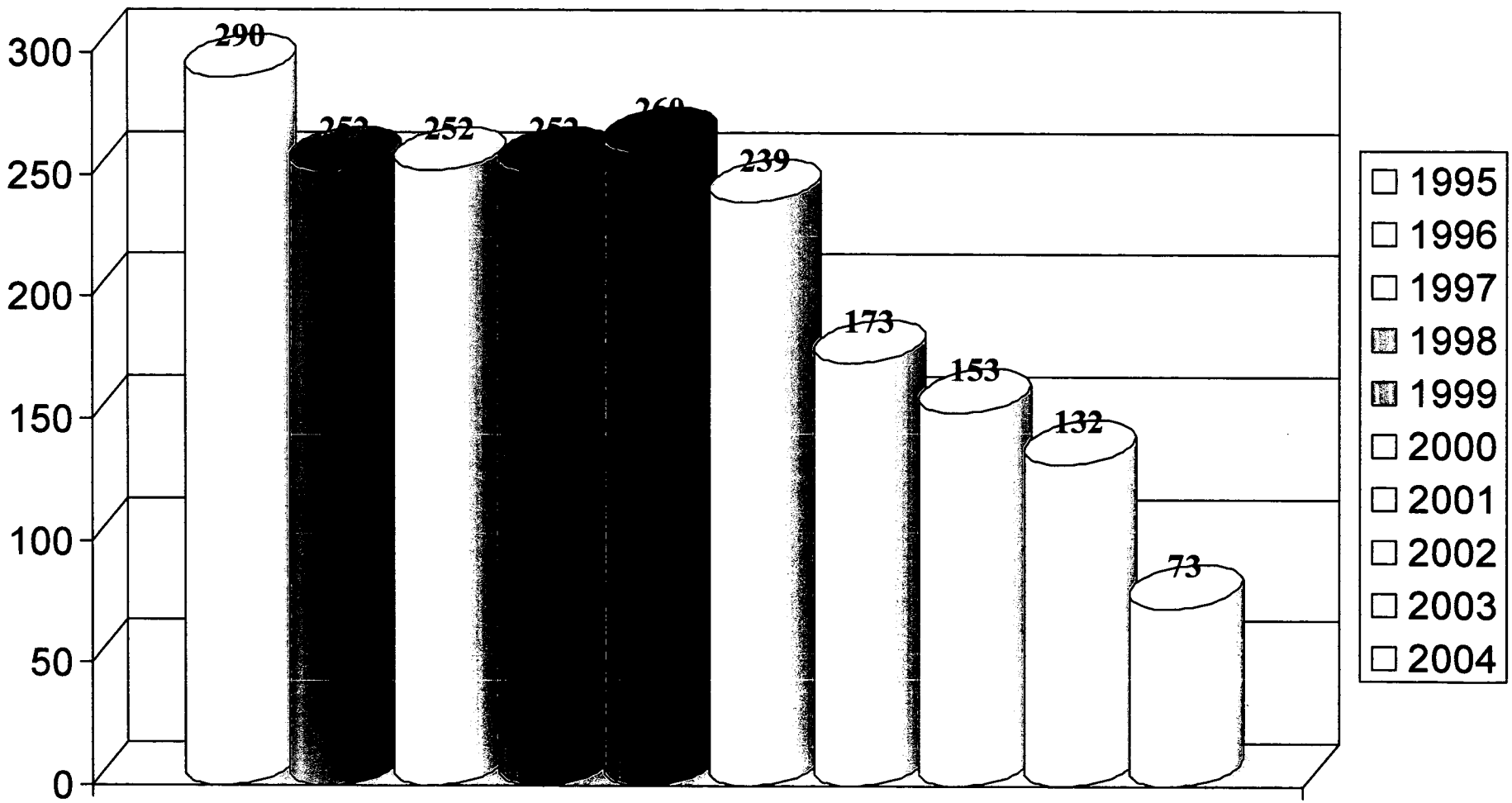
Civil Rights Division
Charges Filed



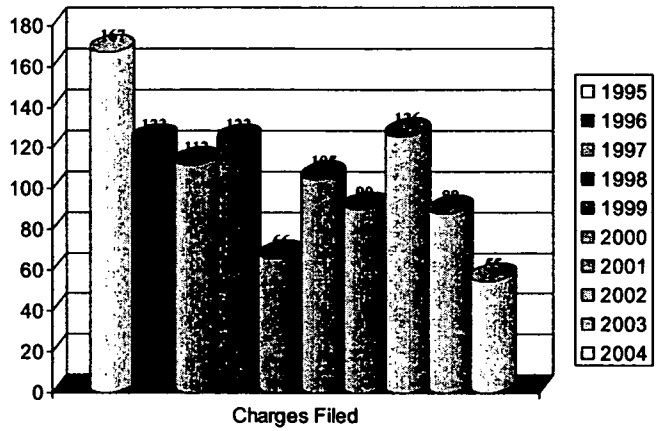
Civil Rights Division
Cases Closed

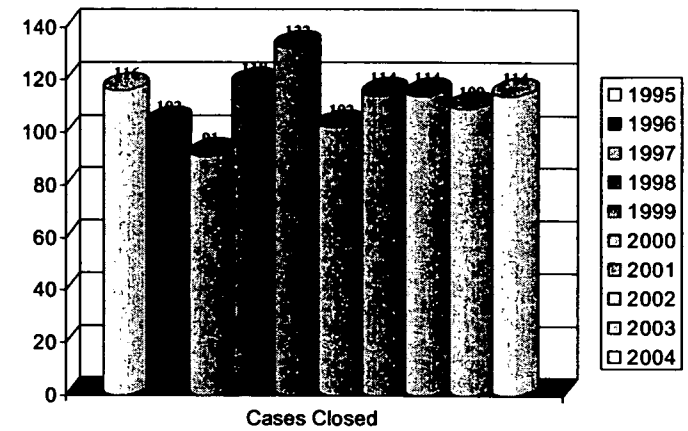


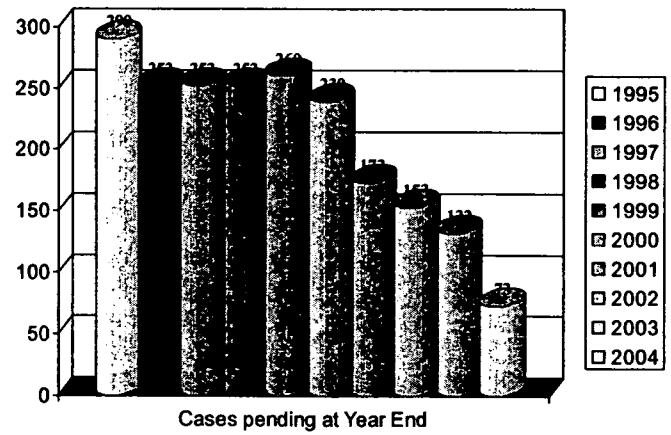
Civil Rights Division
Cases Pending at Year End



Civil Rights Division
Case Statistics



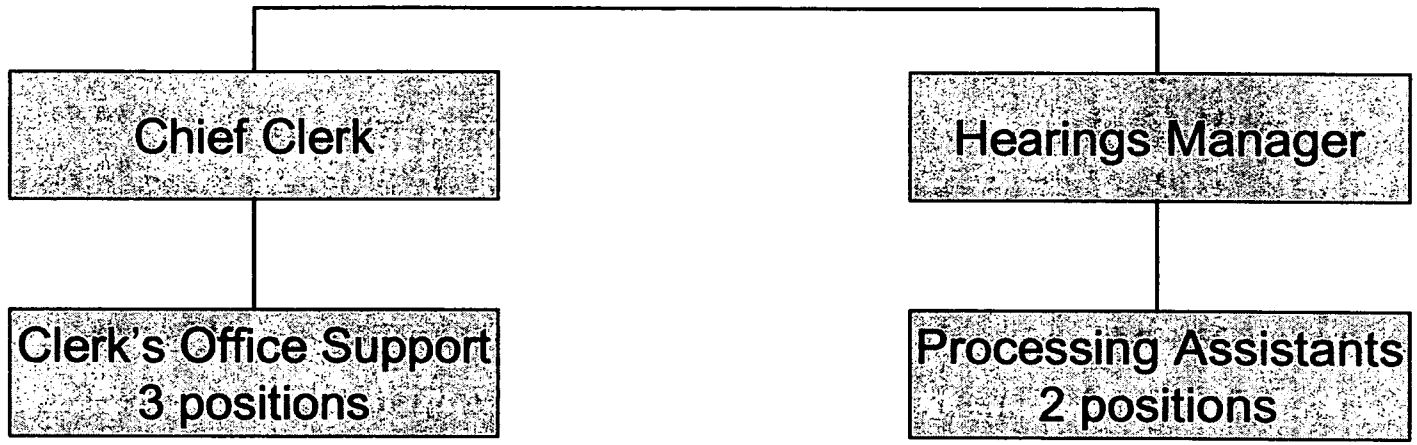




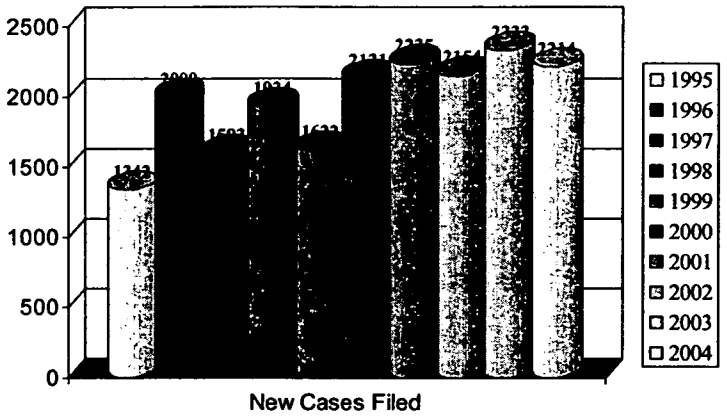
Hearings Division Mission

- *To maintain all contested case files and to adjudicate all contested cases that have been filed against state agencies under the provisions of Article 3 of the NC Administrative Procedures Act by persons who allege that they have been deprived of property; substantially prejudiced of rights; or required to pay a fine or civil penalty.*

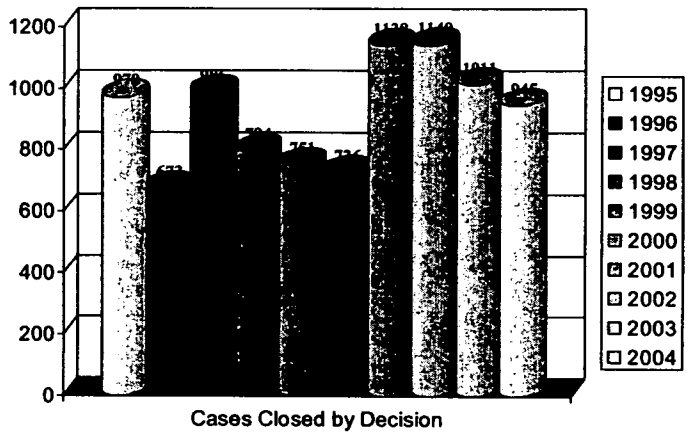
OFFICE OF ADMINISTRATIVE HEARINGS
HEARINGS SUPPORT DIVISION



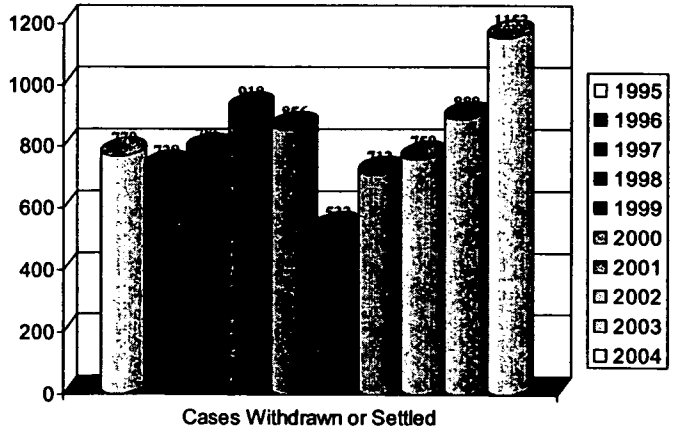
Hearings Division
Case Statistics



New Cases Filed

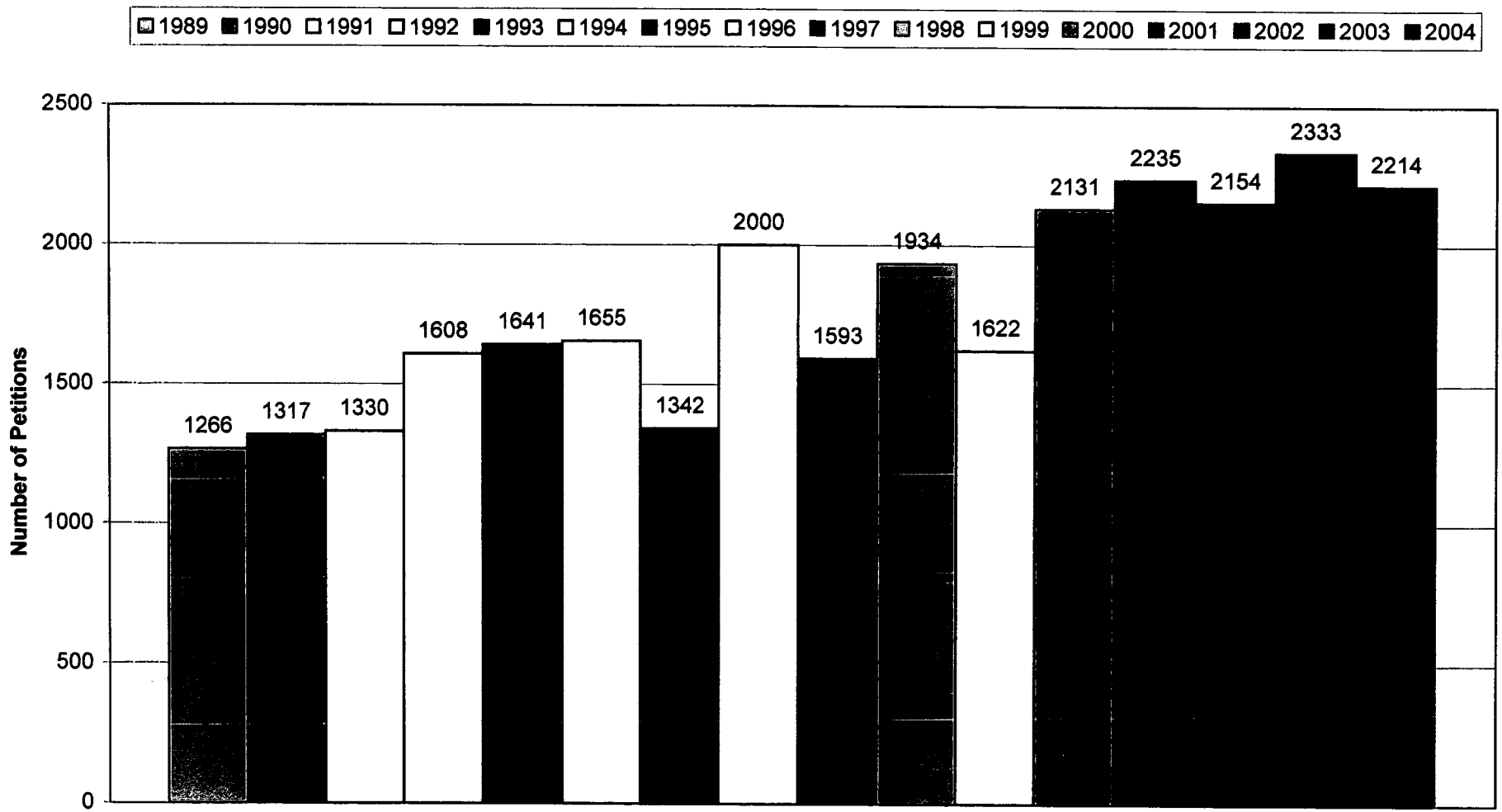


Cases Closed by Decision

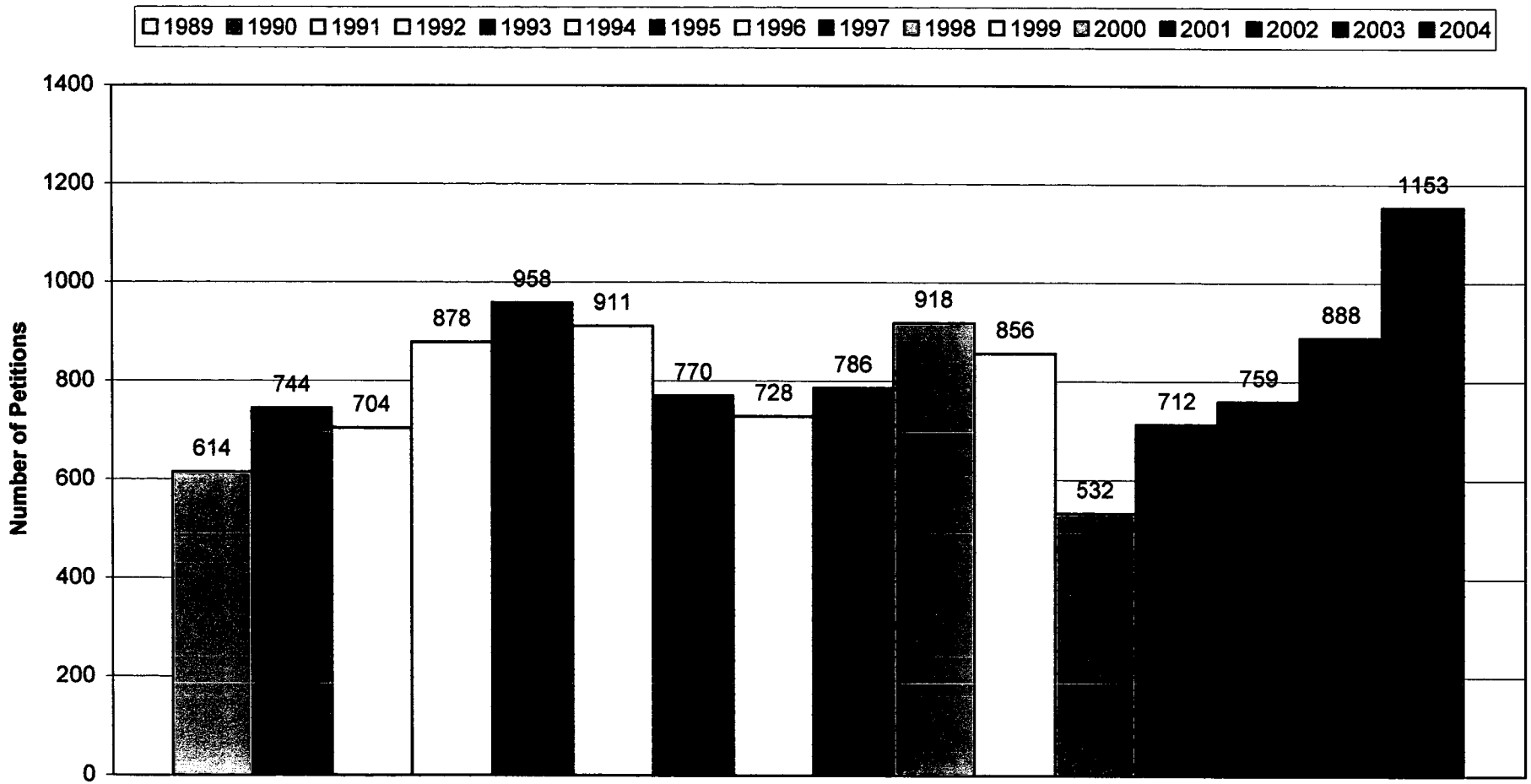


Cases Withdrawn or Settled

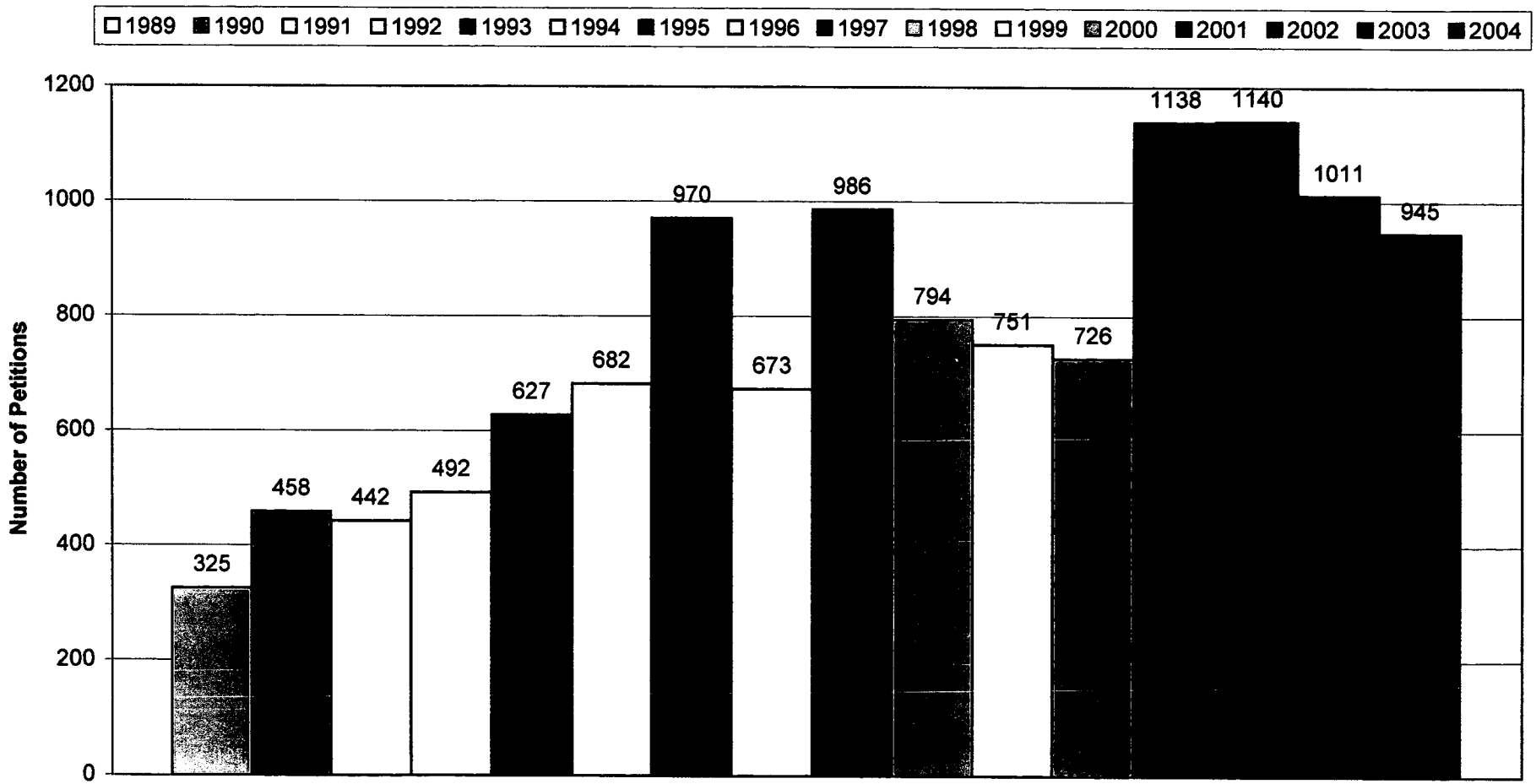
CONTESTED CASE PETITIONS FILED



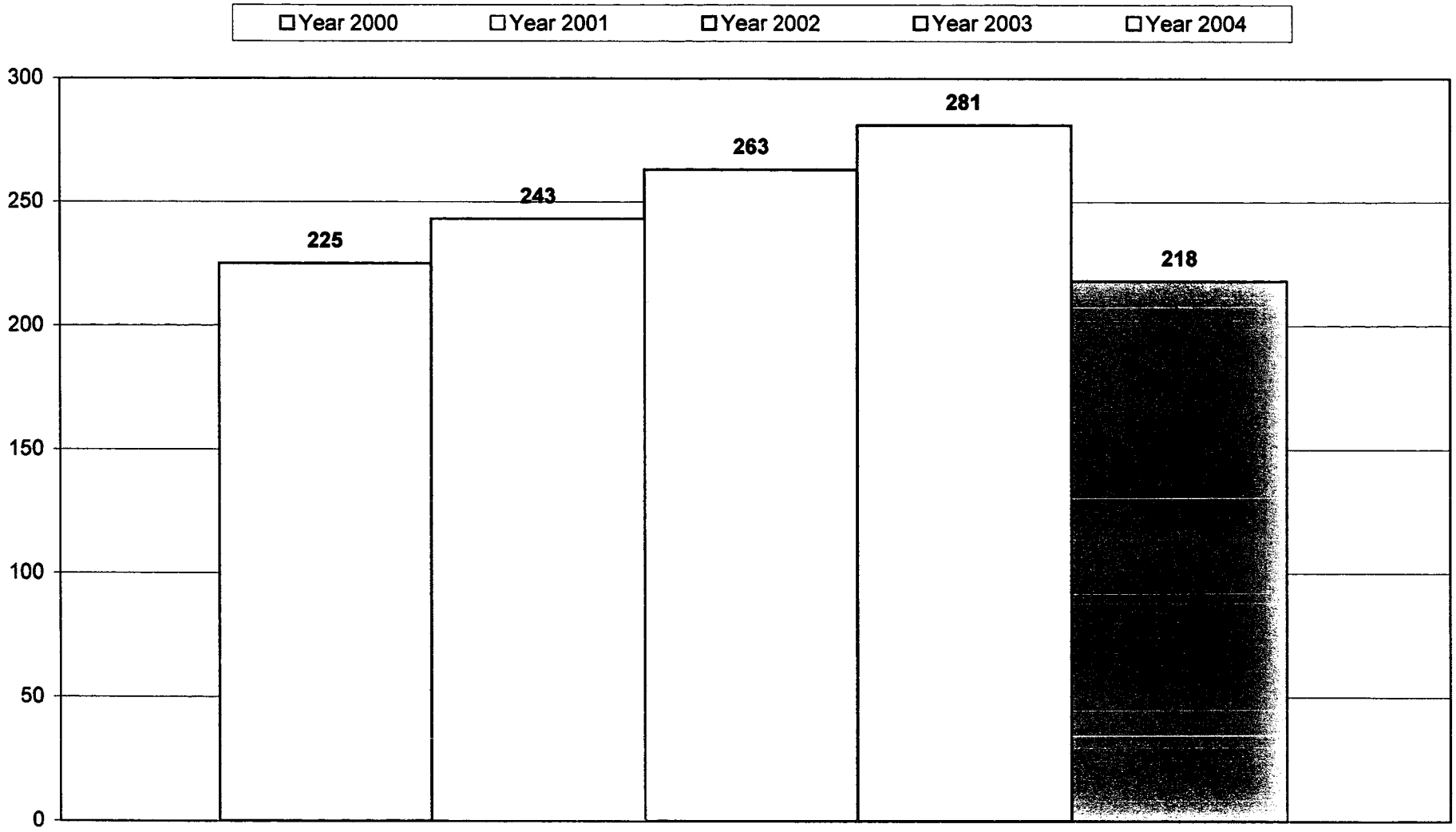
CONTESTED CASE PETITIONS WITHDRAWN OR SETTLED



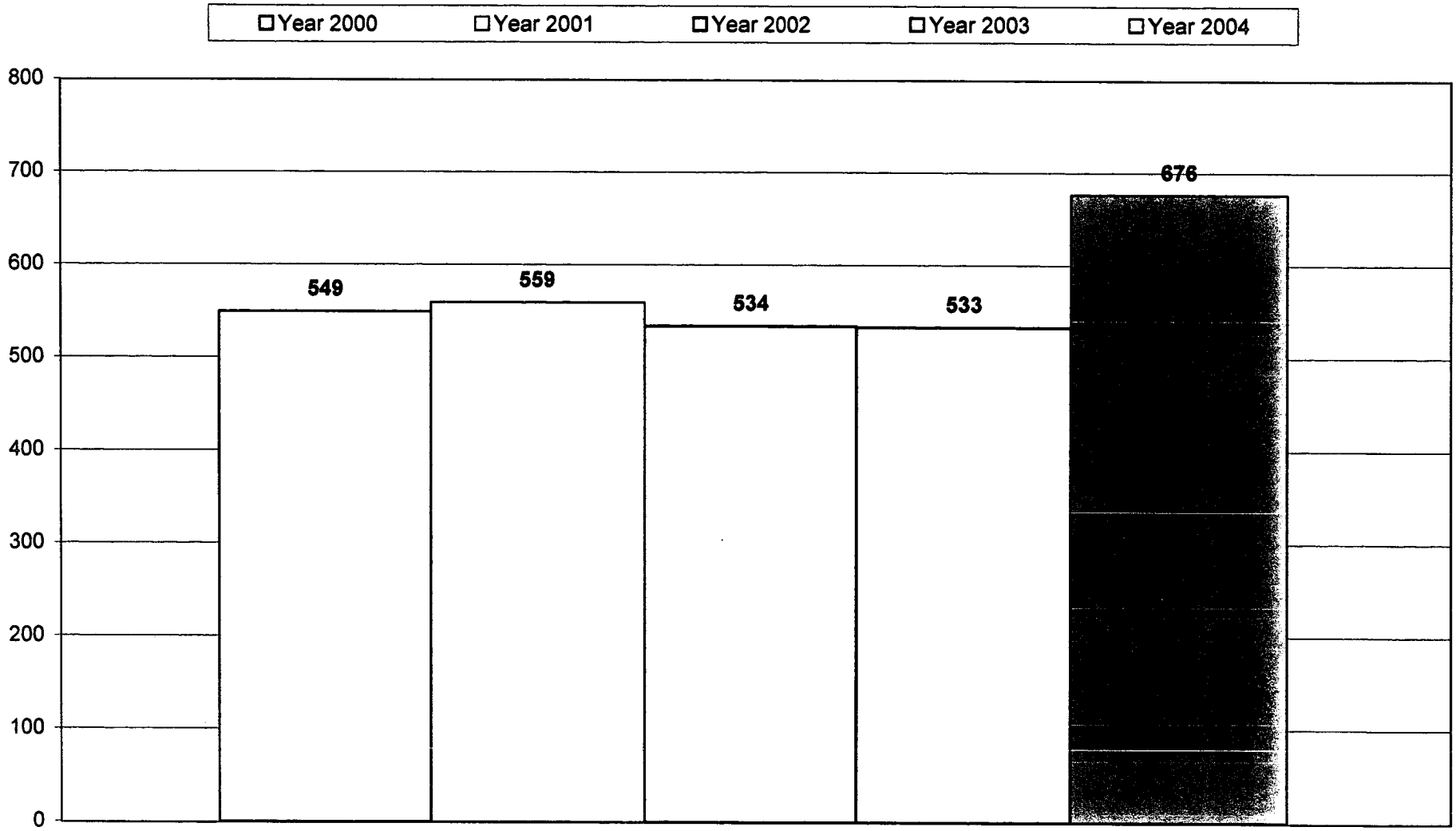
CONTESTED CASE PETITIONS CLOSED BY DECISION



Average Age of Cases Closed by Decision



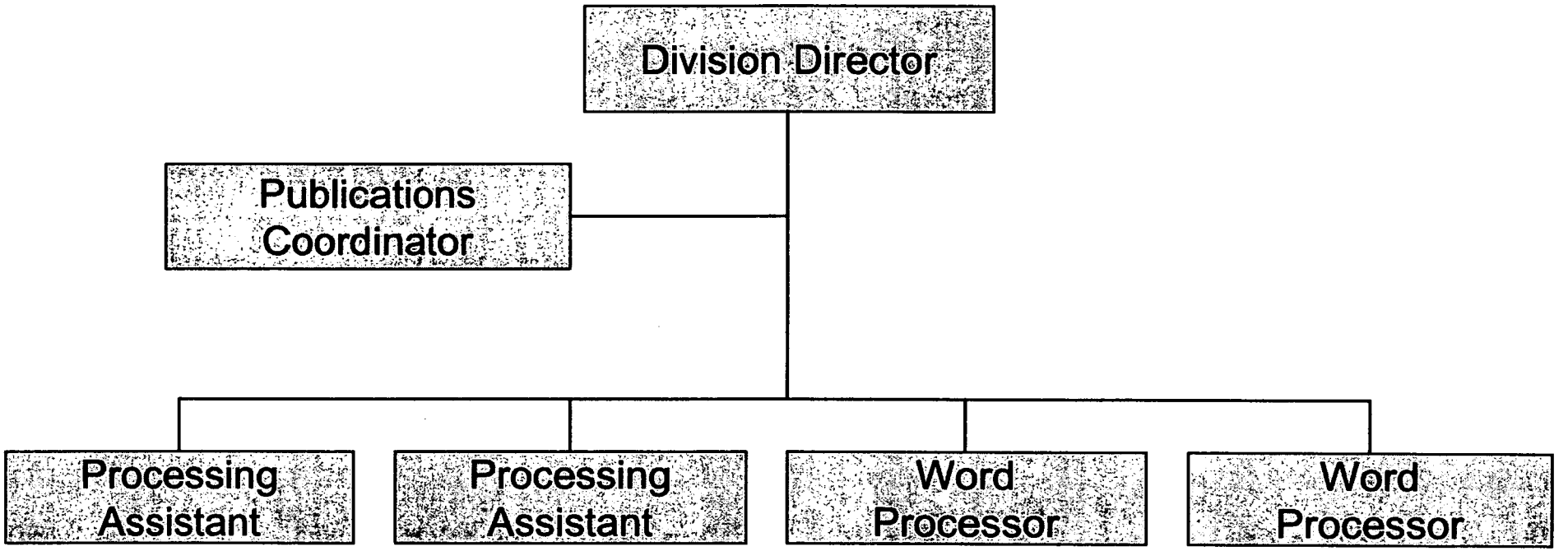
PENDING CASES FILED BEFORE OCTOBER 1



Rules Division Mission

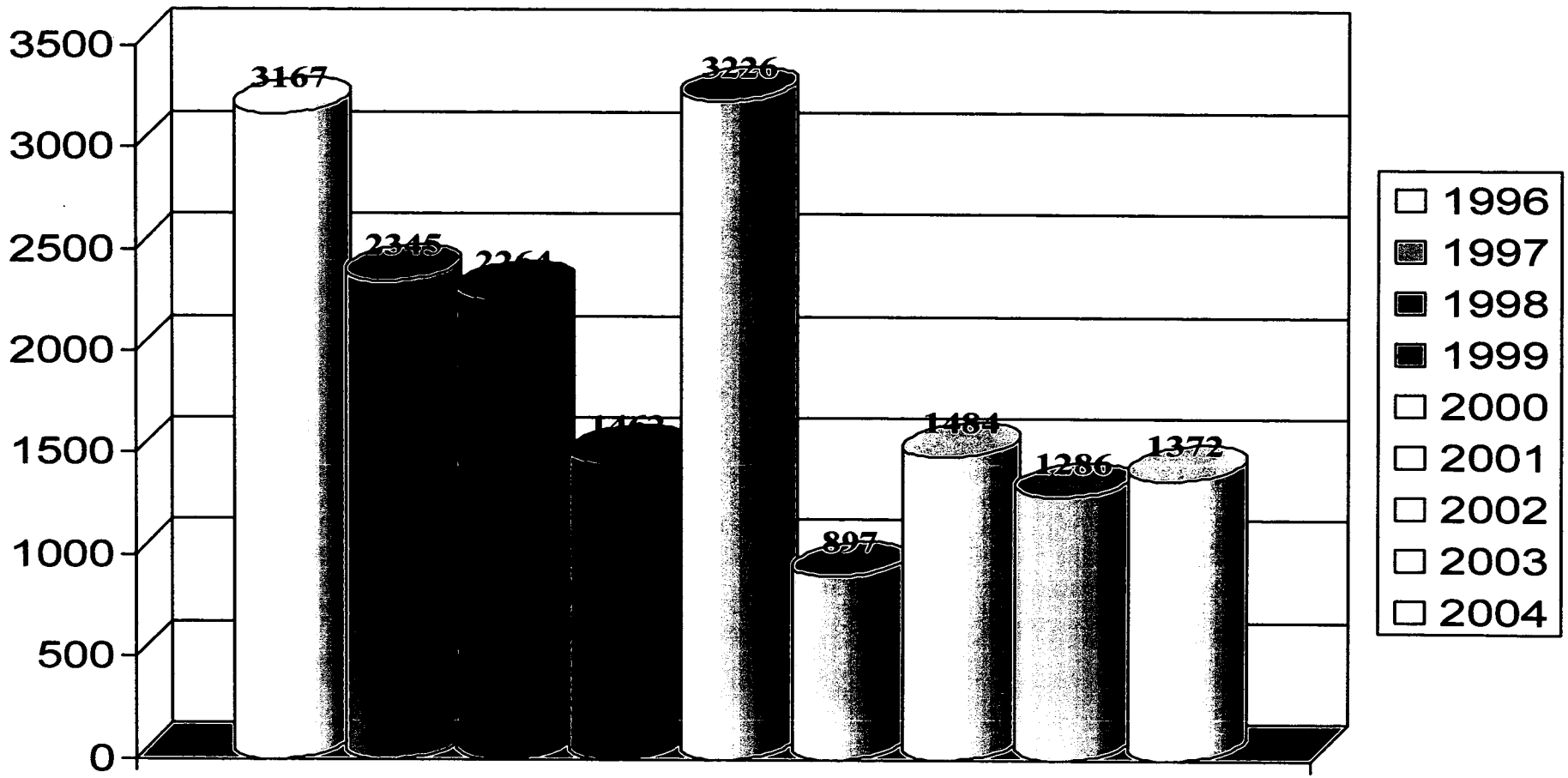
- *To provide means for citizen participation and involvement in the rule-making process through notice and public hearing.*
- *To assist state agencies in publishing proposed rules and rule-making hearings (as required Article 2 of the APA) in the NC Register before adopting the rule.*
- *To publish and maintain the official codification of all of North Carolina's agency rules - NC Administrative Code.*
- *To review the statutory findings of need for temporary rules.*
- *This division serves a variety of users through these publications - the citizens of N.C., citizens and industries in other states, agencies of the State, the Rules Review Commission and the General Assembly.*
- *To provide legal opinion based on prior review of proposed rules to the members of the Rules Review Commission.*

OFFICE OF ADMINISTRATIVE HEARINGS
RULES DIVISION



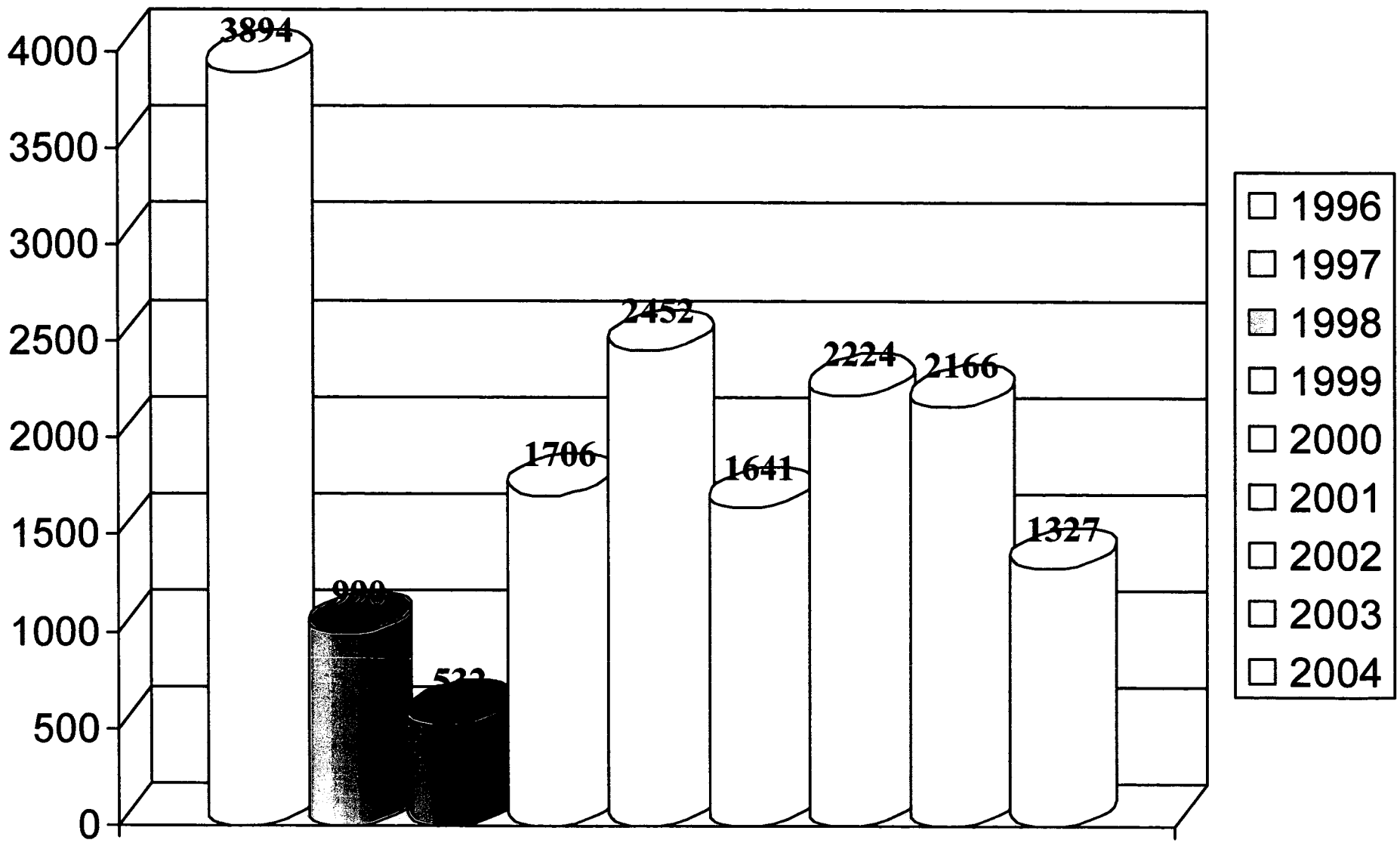
Rules Division

Rules Filed for Publication in the Register



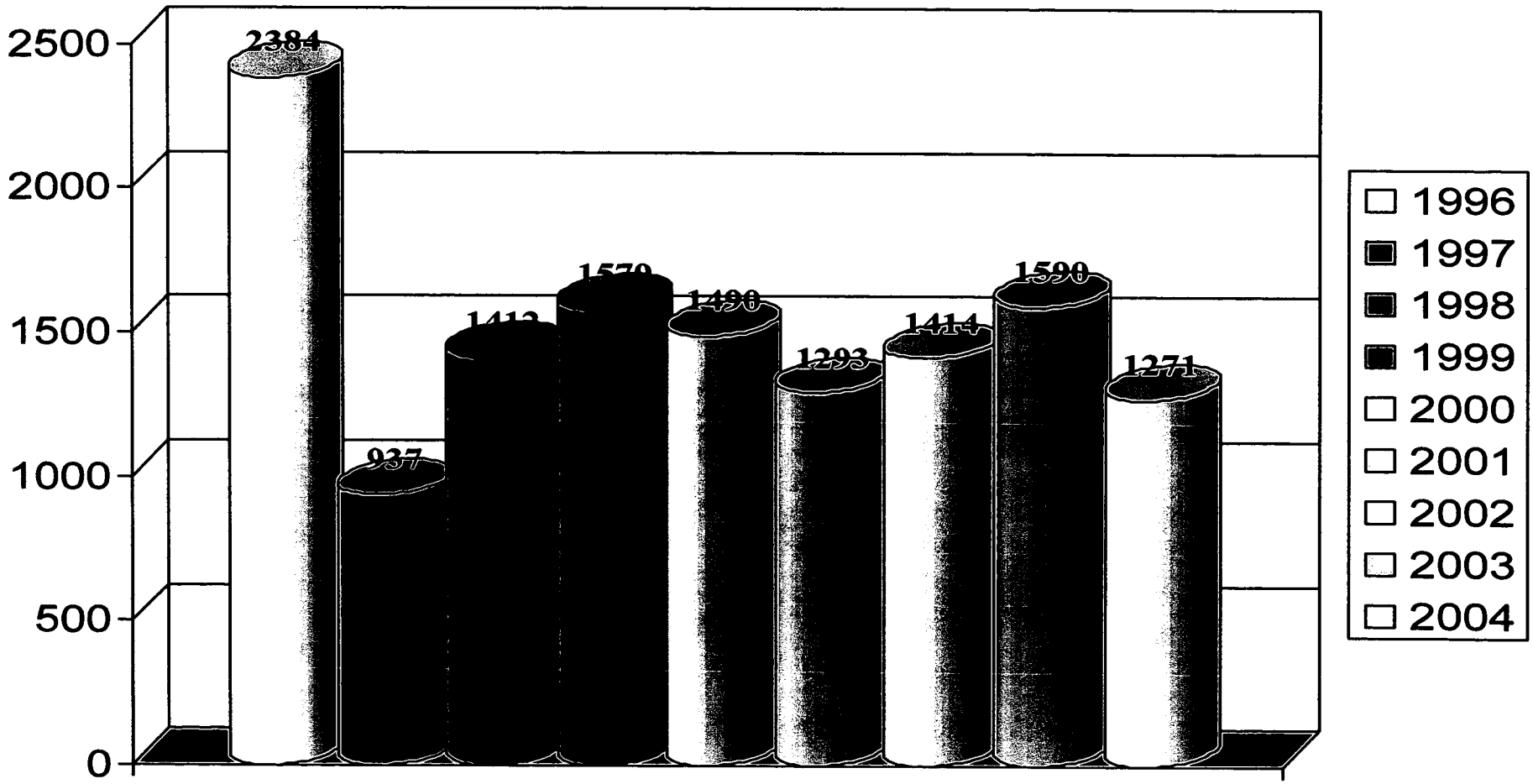
Rules Division

Rules Filed for Publication in the Administrative Code



Rules Division

Rules Considered by Rules Review Commission



17C

OFFICE OF ADMINISTRATIVE HEARINGS
BUDGET REVERSIONS
FISCAL YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2004

		2002 - 2003			2003 - 2004		
		AUTHORIZED	EXPENDED	REVERSION	AUTHORIZED	EXPENDED	REVERSION
532850	PRINT,BIND,DUPLICATE	43,699.00	22,348.23	21,350.77	21,148.00	13,980.91	7,167.09
532930	REGISTRATION FEES	1,350.00	850.00	500.00	4,935.00	4,931.02	3.98
532942	OTHER EMP EDUCATIONAL EX	5,520.00	300.00	5,220.00	2,606.00	1,748.00	858.00
532XXX	**PURCHASED SERVICES**	**291,977.00**	**197,118.11**	**94,858.89**	**283,282.00**	**183,940.38**	**99,341.62**
533110	GENERAL OFFICE SUPPLIES	15,864.00	10,176.85	5,687.15	15,314.00	10,771.11	4,542.89
533XXX	**SUPPLIES**	**15,864.00**	**10,176.85**	**5,687.15**	**15,314.00**	**10,771.11**	**4,542.89**
534511	FURN-OFFICE	2,740.00	0.00	2,740.00	1,540.00	0.00	1,540.00
534521	OFFICE EQUIPMENT	10,175.00	9,734.64	440.36	5,775.00	4,867.32	907.68
534530	OTHER DP EQUIPMENT				2,150.00	1,468.02	681.98
534534	PC/PRINTER EQUIPMENT				4,050.00	3,822.90	227.10
534630	LBRRY&LRNING RESRCE COLL	16,467.00	15,987.30	479.70	20,152.00	20,149.20	2.80
534710	COMPUTER SOFTWARE	340.00	0.00	340.00			
534714	SERVER SOFTWARD	260.00	191.53	68.47	465.00	171.81	293.19
534XXX	**PROPERTY, PLANT & EQUIP**	**29,982.00**	**25,913.47**	**4,068.53**	**34,132.00**	**30,479.25**	**3,652.75**
535830	MEMBERSHIP DUES & SUBSCRIP	4,700.00	4,309.51	390.49	3,950.00	3,882.00	68.00
535840	SERVICE & OTHER AWARDS	150.00	65.98	84.02	650.00	425.46	224.54
535890	OTHER ADMIN EXPENSE	931.00	880.85	50.15	1,106.00	930.99	175.01
535XXX	**OTHER EXPENSES & ADJUST**	**5,781.00**	**5,256.34**	**524.66**	**5,706.00**	**5,238.45**	**467.55**
538040	DISASTER RELIEF RES-TRAN				11,051.00	11,051.00	0.00
538901	CARRY FORWARD	20,000.00	20,000.00	0.00	14,456.00	14,456.00	0.00
538XXX	**INTRAGOVERNMENTAL TRANS**	**20,000.00**	**20,000.00**	**0.00**	**25,507.00**	**25,507.00**	**0.00**
	EXPENDITURES	**2,607,607.00**	**2,442,600.56**	**165,006.40**	**2,595,897.00**	**2,408,401.29**	**187,495.71**

RULES REVIEW COMMISSION
BUDGET REVERSIONS
FISCAL YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2004

ACCT	DESCRIPTION	2002 - 2003 AUTHORIZED	2002 - 2003 EXPENDED	2002 - 2003 REVERSION	2003 - 2004 AUTHORIZED	2003 - 2004 EXPENDED	2003 - 2004 REVERSION
531211	SPA-REG SALARIES-APPRO	208,671.00	205,725.46	2,945.54	210,123.00	207,926.08	2,196.92
531461	EPA&SPA-LONGVTY PAY-APPR	3,311.00	2,593.00	718.00	3,811.00	3,811.00	-
531511	SOCIAL SEC CONTRIB-APPRO	16,299.00	15,579.93	719.07	16,468.00	15,984.77	483.23
531521	REG RETIRE CONTRIB-APPRO	6,424.00	6,311.97	112.03	7,242.00	7,241.41	0.59
531561	MED INS CONTRIB-APPRO	11,732.00	11,730.24	1.76	13,392.00	13,391.84	0.16
531651	COMPENSATION TO BOARD ME	24,000.00	16,000.00	8,000.00	24,000.00	19,000.00	5,000.00
531XXX	**PERSONAL SERVICES**	**270,437.00**	**257,940.60**	**12,496.40**	**275,036.00**	**267,355.10**	**7,680.90**
532110	LEGAL SERVICES	7,032.00	7,031.25	0.75	20,550.00	20,550.00	-
532430	MAINT AGREEMENT-EQUIP	1,215.00	1,215.00	-	1,275.00	1,275.00	-
532512	RENT/LEASE-BLDINGS/OFFIC	15,750.00	15,740.04	9.96	15,750.00	15,740.04	9.96
532524	RENT/LEASE-GEN OFF EQUIP	500.00	455.80	44.20	500.00	377.91	122.09
532712	TRANS AIR-OUT STATE, IN U				400.00	-	400.00
532714	TRANSP-GRND - IN STATE	130.00	128.52	1.48	73.00	72.80	0.20
532715	TRANS GRND-OUT STA, IN US	50.00	-	50.00	50.00	-	50.00
532722	LODGING-OUT STATE, IN US				524.00	-	524.00
532724	MEALS - IN STATE	50.00	-	50.00	50.00	-	50.00
532725	MEALS-OUT OF STATE, IN US	150.00	-	150.00	150.00	-	150.00
532731	BD/NON-EMPLOYEE TRANSP	3,470.00	3,406.25	63.75	2,861.00	2,860.50	0.50
532732	BD/NON-EMPLOYEE SUBSIS	2,460.00	2,456.33	3.67	2,328.00	2,327.31	0.69
532811	TELEPHONE SERVICE	1,500.00	1,426.33	73.67	1,500.00	1,346.10	153.90
532815	EMAIL AND CALENDERING	30.00	30.00	-	146.00	145.25	0.75
532817	INTERNET SEV PROV CHARG				1,100.00	874.35	225.65
532821	COMPUTER/DATA PROCESS SV	719.00	327.17	391.83	219.00	196.85	22.15
532840	POSTAGE, FREIGHT, & DELIV	950.00	500.00	450.00	450.00	450.00	-

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RULES REVIEW COMMISSION
BUDGET REVERSIONS
FISCAL YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2004

		2002 - 2003			2003 - 2004		
		AUTHORIZED	EXPENDED	REVERSION	AUTHORIZED	EXPENDED	REVERSION
532930	REGISTRATION FEES	350.00	290.00	60.00	740.00	740.00	-
532942	OTHER EMP EDUCATIONAL EX	340.00	340.00	-	537.00	536.75	0.25
532XXX	**PURCHASED SERVICES**	**34,696.00**	**33,346.69**	**1,349.31**	**49,203.00**	**47,492.86**	**1,710.14**
533110	GENERAL OFFICE SUPPLIES	1,473.00	1,130.84	342.16	1,113.00	1,112.94	0.06
533120	DATA PROCESSING SUPPLIES	500.00	-	500.00	22.00	21.99	0.01
533XXX	**SUPPLIES**	**1,973.00**	**1,130.84**	**842.16**	**1,135.00**	**1,134.93**	**0.07**
534521	OFFICE EQUIPMENT				140.00	139.09	0.91
534534	PC/PRINTER EQUIPMENT	4,435.00	4,434.05	0.95	3,524.00	3,523.47	0.53
534630	LBRRY&LRNING RESRCE COLL	3,300.00	3,248.43	51.57	3,447.00	3,446.41	0.59
534710	COMPUTER SOFTWARE	400.00	-	400.00			
534XXX	**PROPERTY, PLANT & EQUIP**	**8,135.00**	**7,682.48**	**452.52**	**7,111.00**	**7,108.97**	**2.03**
535660	SVC CHRG-SALE SURPLUS	1.00	0.25	0.75			
535830	MEMBERSHIP DUES & SUBSCRIP	1,029.00	1,028.63	0.37	1,029.00	1,028.63	0.37
535890	OTHER ADMIN EXPENSE	265.00	264.62	0.38	265.00	264.62	0.38
535XXX	**OTHER EXPENSES & ADJUST**	**1,295.00**	**1,293.50**	**1.50**	**1,294.00**	**1,293.25**	**0.75**
538010	FLEX SPEND ACCT SAV TRAN	400.00	216.00	184.00	400.00	216.00	184.00
538040	DISASTER RELIEF RES -TRAN	1,424.00	1,424.00	-	1,424.00	1,424.00	-
538XXX	**INTRAGOVERNMENTAL TRANS**	**1,824.00**	**1,640.00**	**184.00**	**1,824.00**	**1,640.00**	**184.00**
	EXPENDITURES	**318,360.00**	**303,034.11**	**15,325.89**	**335,603.00**	**326,025.11**	**9,577.89**

OFFICE OF ADMINISTRATIVE HEARINGS
RULES REVIEW COMMISSION
REQUESTED INFORMATION FOR ZERO BASED BUDGETING

Budget Code	Fund	Account	Account Title	2003-04 Act	2004-05 Auth	2004-2005 Act YTD 2/28/05	2005-06 Rec	2006-07 Rec	Explanation of Expenditure
OFFICE OF ADMINISTRATIVE HEARINGS									
18210	1100	53 1321	CONTR EMPL PER IRS-APPRO	$11,836	$23,684	$8,342	$23,684	$23,684	To support part time administrative assistant position in High Point Office, no permanent position available, to address workload due to vacancies or employees on LWOP.
18210	1100	53 2199	MISC. CONTRACT SER	$3,594	$10,000	$7,456	$10,000	$10,000	To pay for Court Reporters, contracted personal services such as programming (to address urgent needs) when requested by OAH
18210	1100	53 2712	TRANS. AIR-OUT STATE	($300)	$1,706	$173	$2,000	$2,000	To support air travel for OAH employees to attend conferences and/or seminars, keeping them informed of changes in laws and statues, or any other official duties.
18210	1100	53 2714	TRANSP-GRND - IN STATE	$13,348	$13,691	$8,678	$14,740	$14,740	To support ground transportation for OAH employees traveling to all areas of the state to conduct hearings, to conduct investigations or any other official duties.
18210	1100	53 2715	TRANS GRND-OUT STA,IN US	$231	$1,435	$566	$1,450	$1,450	To support ground transportation for OAH employees traveling outside the state.
18210	1100	53 2721	LODGING IN STATE	$7,796	$9,666	$4,222	$9,666	$9,666	To support lodging expenses for OAH employees traveling to all areas of the state to conduct hearings, to conduct investagations or any other official duties.
18210	1100	53 2722	LODGING OUT STATE	$820	$1,800	$3,056	$1,400	$1,400	To support lodging expenses for OAH employees traveling out-of-state in conducting official state business.
18210	1100	53 2724	MEALS - IN STATE	$4,561	$5,539	$2,074	$5,539	$5,539	To support subsistence for OAH employees traveiling to all areas of the state to conduct hearings, to conduct investigations or any other official duties.
18210	1100	53 2725	MEALS-OUT OF STATE,IN US	($511)	$1,069	$474	$1,150	$1,150	To support subsistence for OAH employees traveling out-of-state.
18210	1100	53 2731	BD/NON EMPLOYEE TRANS	$8,337	$18,733	$7,149	$19,500	$19,500	To reimburse Rules Review Commission members for travel and for Hearing Assistants traveling across the state to record hearings .
18210	1100	53 2732	BD/NON-EMPLOYEE SUBSIS	$1,849	$4,709	$1,755	$5,200	$5,200	To reimburse Rules Review Commission members for travel and for Hearing Assistants traveling across the state to record hearings .
18210	1100	53 4511	FURN-OFFICE	$0	$10,240	$989	$6,040	$6,040	Needed to purchase office furniture for new positions and replace old dilapidated furniture that OAH has had for many years
18210	1100	53 4521	OFFICE EQUIPMENT	$4,867	$1,775	$0	$4,500	$1,775	Needed to purchase office equipment such as Time Clocks to record time all petetions are received at OAH, to purchase transcribers for our investigators and for hearings assistants, fax machines, copiers, etc.
18210	1100	53 4530	OTHER DP EQUIPMENT	$1,468	$5,010	$4,962	$0	$0	Purchase of replacement hard drives, printers and power supply protectors
18210	1100	53 4534	PC & PRINTER PURCHASES	$3,823	$21,740	$500	$44,116	$36,540	OAH is in dire need of replacing the entire computer system and has been for several years. OAH unable to keep up with technology due to age of computer equipment. Purchases were made for hard drives, printer, server, hubs, computer. In the next biennium funding is included to replace all computer equipment as it is on the average 5 to 7 years old and not capable of using current technology.
RULES REVIEW COMMISSION									
18300	1100	53 2712	TRANS AIR-OUT STATE,IN U	$0	$400	$294	$0	$0	
18300	1100	53 2714	TRANSP-GRND - IN STATE	$73	$50	$49	$0	$0	To support ground transportation for RRC employees traveling on official State business.
18300	1100	53 2715	GROUND-OUT OF STATE-US	$0	$50	$15	$0	$0	
18300	1100	53 2722	LODGING-OUT OF ST	$0	$649	$649	$0	$0	
18300	1100	53 2725	MEALS-OUT OF STATE,IN US	$0	$150	$81	$0	$0	
18300	1100	53 2731	BD/NON-EMPLOYEE TRANSP	$2,861	$6,000	$767	$0	$0	To support reimbursement of mileage to Commission members attending monthly meetings
18300	1100	53 2732	BD/NON-EMPLOYEE SUBSIS	$2,327	$1,450	$491	$0	$0	To support reimbursement of subsistence to Commission members attending monthly meetings.
18300	1100	53 4521	OFFICE EQUIPMENT	$139	$500	$0	$0	$0	purchase office chair
18300	1100	53 4534	PC/PRINTER EQUIPMENT	$3,523	$0	$0	$0	$0	replacement of computer. 4 monitors and printer

OFFICE OF ADMINISTRATIVE HEARINGS
RULES REVIEW COMMISSION
USE OF LAPSED SALARIES
FISCAL YEARS 2003-2004 AND 2004-2005

		F. Y. E. 6-30-04		F. Y. E. 6-30-05	
		OAH	RRC	OAH	RRC
To provide adequate funding in	Longevity		500		
	Retirement		84		
	Med. Insurance		164		

OFFICE OF ADMINISTRATIVE HEARINGS
TURNOVER RATES
FISCAL YEARS 2003-2004 AND 2004-2005

FISCAL YEAR ENDED		RATE
June 30, 2004		7.69%
June 30, 2005 (as of April 1, 2005)	**	9.30%

** For the fiscal year ended June 30, 2005, OAH has had 4 vacancies. One employee left for a better job offer, 2 employees have received promotions within OAH and 1 employee is retiring.

Classifications which fall within pay grade 59X have experienced the highest turnover rates. Typically, the reasons provided by departing employees have been low salaries paid by OAH. The current North Carolina annual salary range for grade 59X is:
Hiring Rate $20,626 Min: $21,576 Mid: $26,233 Max: $31,839
At $24,723, the average salary paid by OAH in these classifications is well under the mid point for the salary range.

Turnover issues facing OAH within a 3 to 5 year time period:

	OAH	NC GOVT	NATIONAL
AGE:			
Percentage of workforce over 45 years old	68%	45%	24%
YEARS SERVICE:			
Percentage of workforce having 20 to 30 years of service	29.5%	16.2%	-----
SALARY:			
Average OAH Salary	$52,220		
Average OAH Salary - Males (32.43% of OAH workforce)	$72,358		
Average OAH Salary - Females (67.57% of OAH workforce)	$41,749		

OFFICE OF ADMINISTRATIVE HEARINGS
VACANT POSITIONS
AS OF MARCH 24, 2005

THE OFFICE OF ADMINISTRATIVE HEARINGS HAD NO POSITIONS VACANT FOR MORE THAN 180 DAYS AS OF JANUARY 1, 2005

OAH POSITIONS VACANT AS OF MARCH 24, 2005

Position No.	Position Title	Salary	Date Vacated	Reason Vacated	Actions since Vacated
8210-1100-0000-006	Processing Assistant IV	26,901	3/1/2005	employee accepted other state job	posted 3/8--3/18-05 - low response rate when advertised for State Employees only. Re-advertised, (3/21 - 3/31/05); opening position to all within and outside of state government in hopes of attracting qualified candidate
8210-1100-0000-018	Sr Civil Rights Investigator	58,411	4/1/2005	employee retired	Will be vacated on April 1...position description current y unaer review pre-posting. Wi ɔe posting as soon as possible.
8210-1100-0000-024	Word Processor IV	23,634	9/1/2004	employee promoted	Low response rate when posted (11/23-12/03/04) Candidate that was chosen turned position down because of low salary. She accepted an offer in the private sector. Currently reviewing position description/duties prior to re-posting.
8210-1100-0000-063	Processing Assistant V	26,544	4/1/2005	employee promoted	Will be vacated on April 1...position description current y unaer review pre-posting. Wi ɔe posting as soon as possible.

OFFICE OF ADMINISTRATIVE HEARINGS
BUDGET REVERSIONS
FISCAL YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2004

ACCT	DESCRIPTION	2002 - 2003 AUTHORIZED	2002 - 2003 EXPENDED	2002 - 2003 REVERSION	2003 - 2004 AUTHORIZED	2003 - 2004 EXPENDED	2003 - 2004 REVERSION
531111	EPA-REG SALARIES-APPRO	91,909.00	91,908.96	0.04	91,909.00	91,908.96	0.04
531211	SPA-REG SALARIES-APPRO	1,749,067.00	1,705,490.75	43,576.25	1,736,342.00	1,687,960.24	48,381.76
531321	CONTR EMPL PER IRS-APPRO	33,684.00	33,199.25	484.75	23,684.00	11,836.00	11,848.00
531461	EPA&SPA-LONGVTY PAY-APPR	43,873.00	43,733.00	140.00	49,559.00	45,593.00	3,966.00
531511	SOCIAL SEC CONTRIB-APPRO	144,508.00	141,378.68	3,129.32	141,736.00	138,405.37	3,330.63
531521	REG RETIRE CONTRIB-APPRO	57,999.00	55,062.61	2,936.39	62,753.00	61,513.53	1,239.47
531561	MED INS CONTRIB-APPRO	115,149.00	105,572.16	9,576.84	122,359.00	115,248.00	7,111.00
531631	WRKER COMP-MED PAYMENTS	7,814.00	7,790.38	23.62	3,614.00	0.00	3,614.00
531XXX	**PERSONAL SERVICES**	**2,244,003.00**	**2,184,135.79**	**59,867.17**	**2,231,956.00**	**2,152,465.10**	**79,490.90**
532110	LEGAL SERVICES	8,000.00	300.00	7,700.00	7,000.00	5,232.25	1,767.75
532170002	ADMIN SVC-TEMP AGENCY SV	34,504.00	20,769.00	13,735.00	34,504.00	18,803.00	15,701.00
532199	MISC CONTRACTUAL SERVICE	10,000.00	4,738.00	5,262.00	16,994.00	3,594.22	13,399.78
532332	REPAIRS-OTH COMPUTER EQP	1,400.00	1,089.69	310.31	300.00	0.00	300.00
532333	REPAIRS-OTHER EQUIPMENT	300.00	229.55	70.45	1,200.00	1,176.13	23.87
532430	MAINT AGREEMENT-EQUIP	12,386.00	9,485.43	2,900.57	12,386.00	9,034.32	3,351.68
532512	RENT/LEASE-BLDINGS/OFFIC	38,999.00	36,076.25	2,922.75	38,175.00	24,214.59	13,960.41
532712	TRANS AIR-OUT STATE, IN U	1,600.00	666.50	933.50	1,600.00	300.00	1,300.00
532714	TRANSP-GRND - IN STATE	12,490.00	10,404.76	2,085.24	14,690.00	13,347.54	1,342.46
532715	TRANS GRND-OUT STA, IN US	1,400.00	314.64	1,085.36	1,400.00	231.35	1,168.65
532721	LODGING- IN STATE, IN US	7,166.00	4,745.65	2,420.35	8,166.00	7,795.83	370.17
532722	LODGING-OUT STATE, IN US	4,300.00	2,068.20	2,231.80	4,300.00	820.01	3,479.99
532724	MEALS - IN STATE	5,489.00	3,246.18	2,242.82	5,489.00	4,560.83	928.17
532725	MEALS-OUT OF STATE, IN US	1,000.00	380.00	620.00	1,000.00	511.00	489.00
532731	BD/NON-EMPLOYEE TRANSP	12,485.00	7,289.41	5,195.59	13,500.00	8,336.71	5,163.29
532732	BD/NON-EMPLOYEE SUBSIS	3,750.00	403.38	3,346.62	3,750.00	1,848.29	1,901.71
532811	TELEPHONE SERVICE	19,360.00	18,256.65	1,103.35	19,360.00	12,155.24	7,204.76
532812	INTERNET SEV PROV CHARG	12,222.00	3,922.12	8,299.88	22,222.00	15,194.81	7,027.19
532821	COMPUTER/DATA PROCESS SV	23,874.00	20,462.02	3,411.98	13,874.00	5,439.95	8,434.05
532840	POSTAGE, FREIGHT, & DELIV	30,683.00	28,772.45	1,910.55	34,683.00	30,684.38	3,998.62

AGENDA

Joint Appropriations Subcommittee
on
General Government

March 31, 2005
Room 425
8:30 a.m.

Chairman: Representative Roger West

Targeted Zero-Base Budgeting/Lapse Salary/Turnover Rates/Vacant Positions (>180 days)/Reversions/2005-07 Expansion/Follow up Items

Agency Review Order:

Office of the State Auditor - Leslie Merritt, State Auditor

Office of State Personnel - Carl Goodwin, Managing Partner/Operations & Support

Department of Revenue - Norris Tolson, Secretary

State Board of Elections - Gary Bartlett, Director

Office of the Secretary of State - Elaine F. Marshall, Secretary of State

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT
MINUTES
March 31, 2005

The Joint Appropriations Subcommittee on General Government met on March 31st, in room 425. Representative Roger West chaired the meeting. Present were pages Amanda Brown, Nigel Hood, Olivia Gurry, Johnson Biggs, and Derrick Parrish. The sergeant-at arms-present were Leslie Wright, Richard Telfair, and Martha Parrish. Legislative Assistant Linda C. Johnson was present.

Cindy Gillam, Controller for the Office of the State Auditor handed out materials to the Committee's members so they could follow along as she explained the department's financial statements. More money than expected was spent during the last fiscal year for contractual services such as temporary health services. We have asked for $290,000 in field audit funds, and would like $19,000 in funding for administrative purposes. Our auditors are required to travel to perform their duties, and most of these funds would go towards these travel expenses. The Department's Property, Plant and Equipment budget requests $550 to provide for two cellular phones for our field auditors. They also are requesting $600 for property and equipment modernization. They need equipment that faxes and scans reports to keep the tracking system up to date and maintain productivity. There is a need for funds for IT and computer purposes. The Department replaces one third of their computers each year.

Ms. Gillam began an explanation of the State Office of Personnel turnover review. They have serious problems retaining staff, mainly due to the difference between what an auditor in the private sector make, and the income of a government auditor. In the private sector, an auditor can make between $8,000 and $15,000 more than in the State's Auditing Department and in addition often receives nearly $2,000 in bonus payments. Last year the department lost 12% of training staff; 25.4% of Asst. State Auditor I positions; 42.9% of Asst. State Auditor II staff and 22.2% of their Asst. State Auditor III staff. This year from July to December 2004 – the figures were 16% of training personnel; 42.9% of Asst. State Auditor I staff; 20.0% of Asst. State Auditor II staff and 8.3% of Asst. State Auditor III personnel. Over the last 22 months we have lost 54 professional staff, and this has decreased productivity and training. We have experienced a lack of quality mid level employees, and our staff is disproportionately senior.

In response to your question on the use of lapsed salaries, Ms. Gillam noted in a perfect world, there would not be lapsed salary funds, but due to the high turnover rate. Temporary funding was requested for a temporary position for programming services. Lapsed salary dollars were used ($240,000) for software equipment that was needed for the electronic publication system and a wireless networking system. Funds to cover a required transfer to damage relief for Hurricane Isabel, amounting to almost $90,000 were made. Lapsed salaries have also been used for prepaid dependent care costs, workers comp costs, and temporary costs. The estimated cost in lapsed funds for this year is $140,000. This would be used ($60,000) for upgrading needed software and

replacing a printer used for publications - if approved in the budget. There is a small margin which could be used should travel expenditures be in excess of budget figures.

A brief discussion of reversions was held. 90% of budget is for salaries – most reversions were made from salaries and receipts. Discussion continued on the elimination of four department positions and the combining of legislative liaison position with that of a Director's position. One position went to a non-profit position. The committee discussed possible combinations and needs for the six non-profit positions requested by the Department. There were questions from the Committee members on the "universal use" of lapsed salary funds for other needs. Ms. Gillam reassured the members that these funds could not be used as discretionary funds without getting approval from higher management. She pointed out that without use of lapsed funds, the department could not perform any of the initiatives accomplished in the department's budget. Since 90% of the budget is salary funding, they do not have any other place to get monies for expenses that end up going over budget.

Carl Goodwin, Managing Partner/Operations and Support, was introduced to give his presentation on non-profits. He gave a handout to the members to explain the challenges dealt with in monitoring non-profit operations. They are asking for changes in the operating rules for non-profits. Request is made for 4 positions to help the 4,000 plus non-profits to better understand the rules. These should be ready by July 1st, 2005. These teams would be available to meet with the agencies, maintain a database of paper work required. This non-profit team, in the 2005-2006 budget year, would be at a cost of $320,000. For the 2006-2007-budget year – it would be $347,000 to fund those four positions. The department projects a cost of $285,000 for the salary increases given to staff receiving their CPA's during their employment. This figure would be the same in both budget years. This incentive adjustment is necessary to retain staff that has been almost immediately leaving for the private sector. Mr. Goodwin gave a synopsis of the job content and expected accomplishments of the four requested positions in response to questions from the committee members. The availability of this information resource will be a real help to the non-profits when they have questions.

He continued speaking on committee requested information on zero-based budgeting and other specific items. Mr. Goodwin told the committee the Department had "reverted" approximately $2 million from general funds to fee charges in both 2005-2006 and 2006-2007 budget years. He pointed out that the department's budget for expansion was less than 1%. Also he told the committee that 91% of the Department's budget was personnel or personnel related and finding extra dollars was not a possibility as there were programs to go to in cutting expenses. 74% of budget is salaries and salary related. Another 17% is related to contractual and media services. So 91% is spent for people and to run the business. As to reversions – in 2003, the department reverted $2.9 million dollars; in 2004, $1.5 and in 2005, $1.4 million. These reversions were mandated and in part were required for hurricane funds.

On the subject of lapsed salary monies, Mr. Goodwin directed committee members to the pages showing source and expensed funds. He explained that departments could only use lapsed salary dollars on personnel and personnel related expenses and then ONLY with the approval of the Budget Office. Departments cannot just reach in and use lapsed monies. $2.3 million was created in lapsed funds and expended on various other personnel and personnel related needs over the two years. Proposed lapsed funds (approximately $1 million) for the 2005-06 budget year were shown in the handouts.

On the request for employee turnover analysis, Mr. Goodwin told the committee the highest turnover was in the field audit staff – a 16% turnover. The average in State government is 8%. He felt the State's pay scale was between $3,000 and $6,000 off the private sector for entry-level auditors. The IRS is offering a 10% salary increase the first year and 2½ % in the next five years. The department just cannot compete with those salaries. Department staff sent to audit large inter-state companies end up getting hired by those companies. On the subject of the Governor's budget, there were five areas presented: security of data; security of office building and field offices; the IT area of expansion for the department – two positions; the Hispanic initiative. Over all, less than 3% was requested for both years. A very small expansion effort for the department was requested and came back from the Governor's office about one third funded.

In reply to the committee's request for zero-based figures, – detail provided by handouts – shows all 181 accounts are represented – where the departments stands to date and what the new budget might look like. Mr. Goodwin summarized his report to the committee reviewing each section of the handout provided. Much discussion was made on the use of lapsed salary monies for other purposes.

Chairman West adjourned the meeting for lunch. When they returned, Gary Bartlett, Director of the State Board of Elections, would be introduced.

Representative Roger West, Chair

ATTENDANCE

2005-2006

House Appropriations/General Government

( )

DATES 3-31-05															
HOUSE															
ALMA ADAMS, CHAIR	✓	✓													
ROGER WEST, CHAIR	✓	✓													
MARVIN LUCAS, VICE CHAIRMAN	✓														
MARIAN McLAWHORN, VICE CHAIRMAN															
GENE WILSON, VICE CHAIRMAN	✓														
LEO DAUGHTRY		✓													
BRUCE GOFORTH	✓														
OBERT GRADY		✓													
GARLAND PIERCE	✓														
RUSSELL TUCKER															
SENATE		✓													
KATIE DORSETT, CHAIRMAN	✓														
DAVID HOYLE, VICE CHAIRMAN															
ANDREW BROCK															
JANET COWELL	✓	✓													
MALCOLM GRAHAM	✓	✓													
JIM JACUMIN	✓	✓													
FRED SMITH	✓														

VISITOR REGISTRATION SHEET

Gen. Govt. 3-31-05

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
James L. Forte	OSA
Cindy Gilliam	OSA
Jeff Henderson	OSA
Les Merritt	OSA
Amy Bowman	DST
Kari Barsness	OSBM
David Brown	OSBM
Ashley Barfield	
John Barfield	OSC
Keith McCoy	DOR
Ken McHan	D.O.R.
Gary Wiggins	OSP
Carl Hardin	OSP
Dewey Stephens	Dept. of Admin (OSP & State Board of Elect
Richard Kolseth	NCHE
Katrina Kolseth	NCHE
Johnnie McLean	SBE
Bob Ryan	SBE
Gary O. Bartlett	SBE
Rodney Moody	SOSNC
Cheri Myers	SOSNC
Heyward McKinney	DCR
Marvin F. Clark	SOSNC
Sally Montgomery	SOS
Elaine F. Marshall	SOS
Michael Peeler	SOS
Ann Harris	SOS

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Robert A Watson	S.O.S.
Pam Heardorff	RSD / DST

North Carolina
Office of the State Auditor



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

Our Mission:

The State Auditor is authorized by the North Carolina Constitution and General Statutes to perform or coordinate audits of governmental organizations, programs, activities and functions funded wholly or in part with State funds. These audits furnish the General Assembly, the Governor, other governmental entities, as well as the public, with professional, independent examinations of financial records and thorough examinations of public program performance. The State Auditor also assesses the security of the State's information technology systems.

Our Core Values:

- **Accountability**

  –We seek to enhance the economy, efficiency, effectiveness and credibility of North Carolina's government both in fact and in the eyes of its citizens.

- **Integrity**

  –We set high standards for ourselves and take a professional, objective, fact-based, non-partisan, non-ideological, fair and balanced approach to all of our work.

- **Reliability**

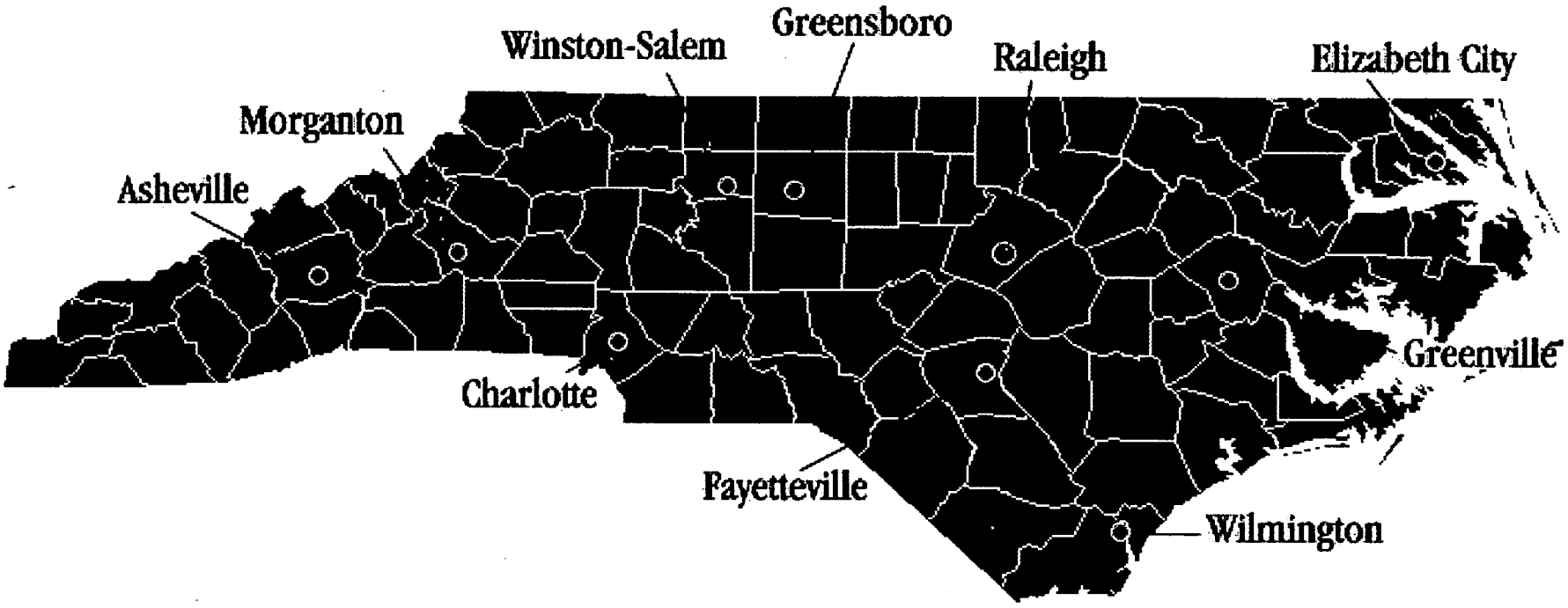
  –We produce high-quality reports, briefings and other products and services that are timely, useful, clear and candid.

Our Goals Are:

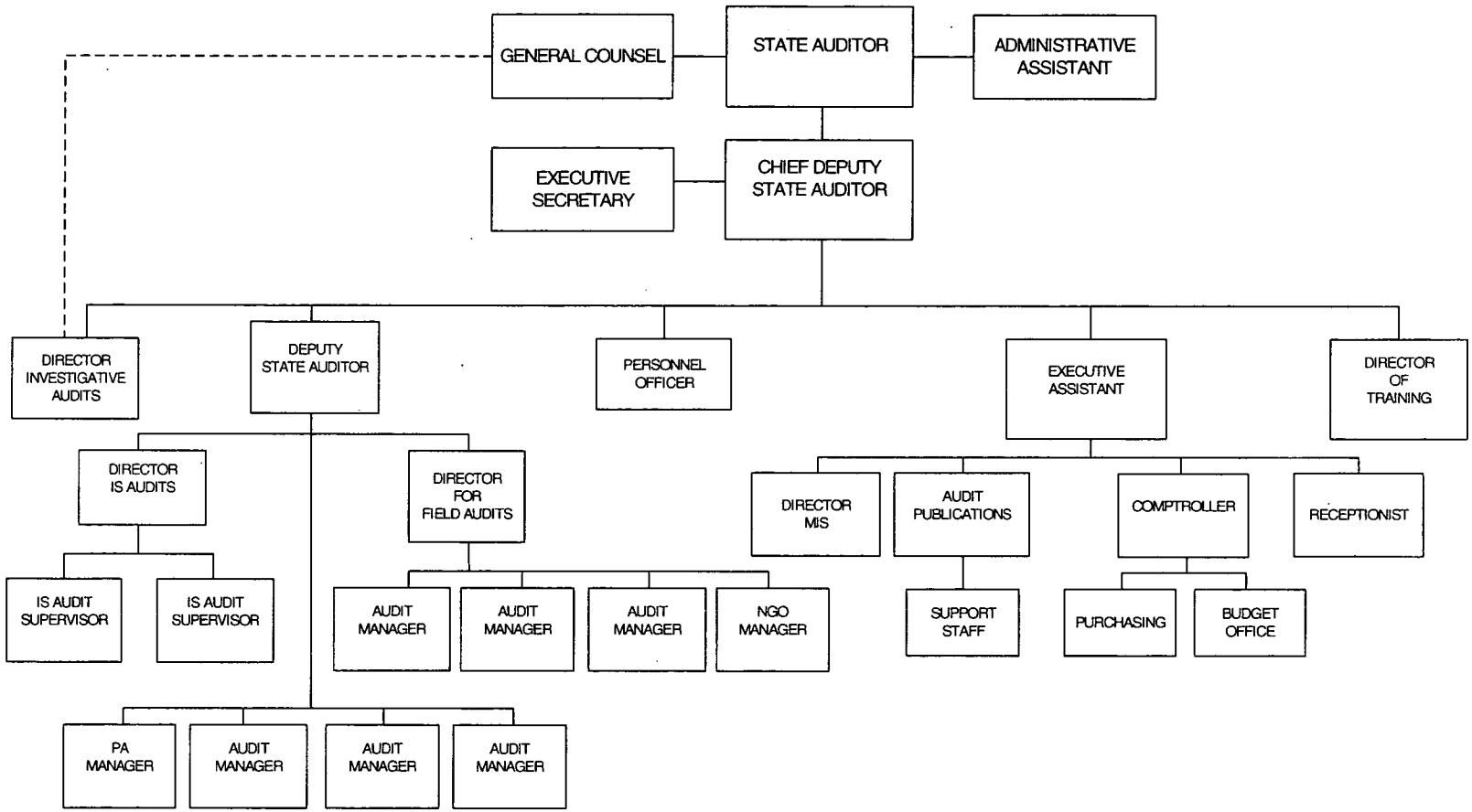
- **To conduct audits, studies, reviews and investigations of state agencies and institutions as required or authorized by law.**
- **To ensure that audits are performed in accordance with applicable standards.**
- **To ensure that staff are fully qualified.**
- **To effectively utilize staff and identify opportunities for efficiency.**
- **To work cooperatively with all audited agencies, government officials and the public to ensure proper delivery of services.**
- **To conduct the administrative affairs of the Office of the State Auditor in a manner that efficiently supports its operations.**
- **To establish an on-going process of internal evaluation and assessment of Office of the State Auditor operations to assure the maximum use of resources and efficiency of efforts.**

Main and Branch Office Locations

Note: 41 employees or 26% of our audit staff are assigned to branch office locations.

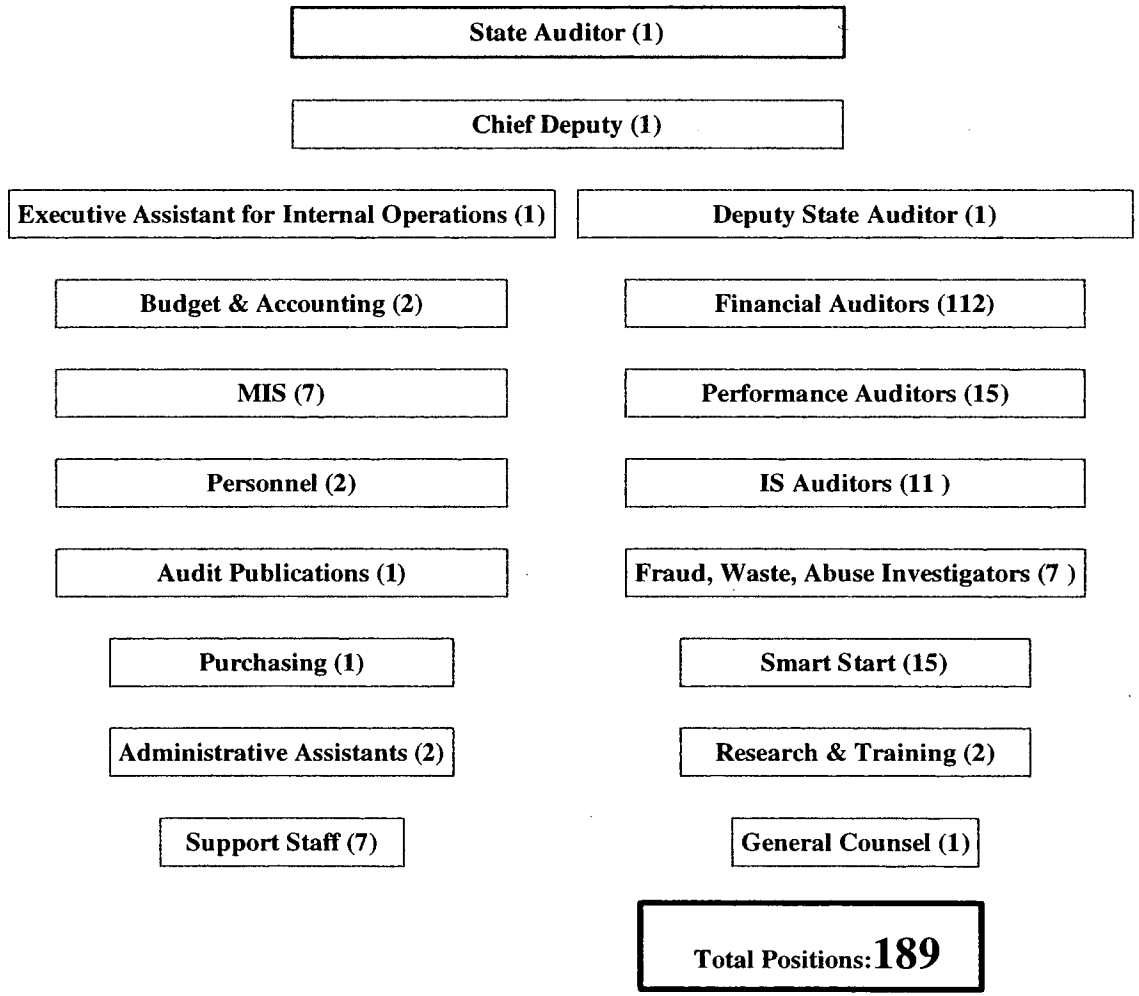


NORTH CAROLINA OFFICE OF THE STATE AUDITOR
January 1, 2005



12/31/04

N.C. Office of the State Auditor



Department Summary Information

The principal business of the office is providing comprehensive auditing services for state government and the citizens of North Carolina. We strive to carry out our statutory duties in an effective and efficient fashion and in accordance with generally accepted government auditing standards. Our audit findings and recommendations help ensure the accountability of public funds and enhance the management of governmental programs. To accomplish this end, we are organized into 2 divisions -- Administration and Field Audit.

- **The Administration Division provides the support functions necessary to assist and facilitate the operational work of our organization. Finance, personnel, information resource management and overall administration of our operations are performed by a small and qualified staff.**

- **The Field Audit Division includes all the audit personnel. Within this Division are sub-programs that represent the major elements of our audit work; such as, financial audit, performance audit, fraud and abuse investigations, information systems audit, and Smart Start and non-governmental audits.**

Independence, Who Audits the Auditor, and Quality Assurance of our Work

- **Professional standards**

  Governmental Auditing Standards

- **Independent financial audit**

  <u>Annual</u> Audit authorized by Governmental Operations

  Auditor-CPA Firm (A.T. Allen)

  OSA -No Audit Findings 1993-2004

- **External Quality Control Review**

  National State Auditor's Association-<u>every 3 years</u> 1993-2003
  July 2003

- **Internal Quality Control Review**

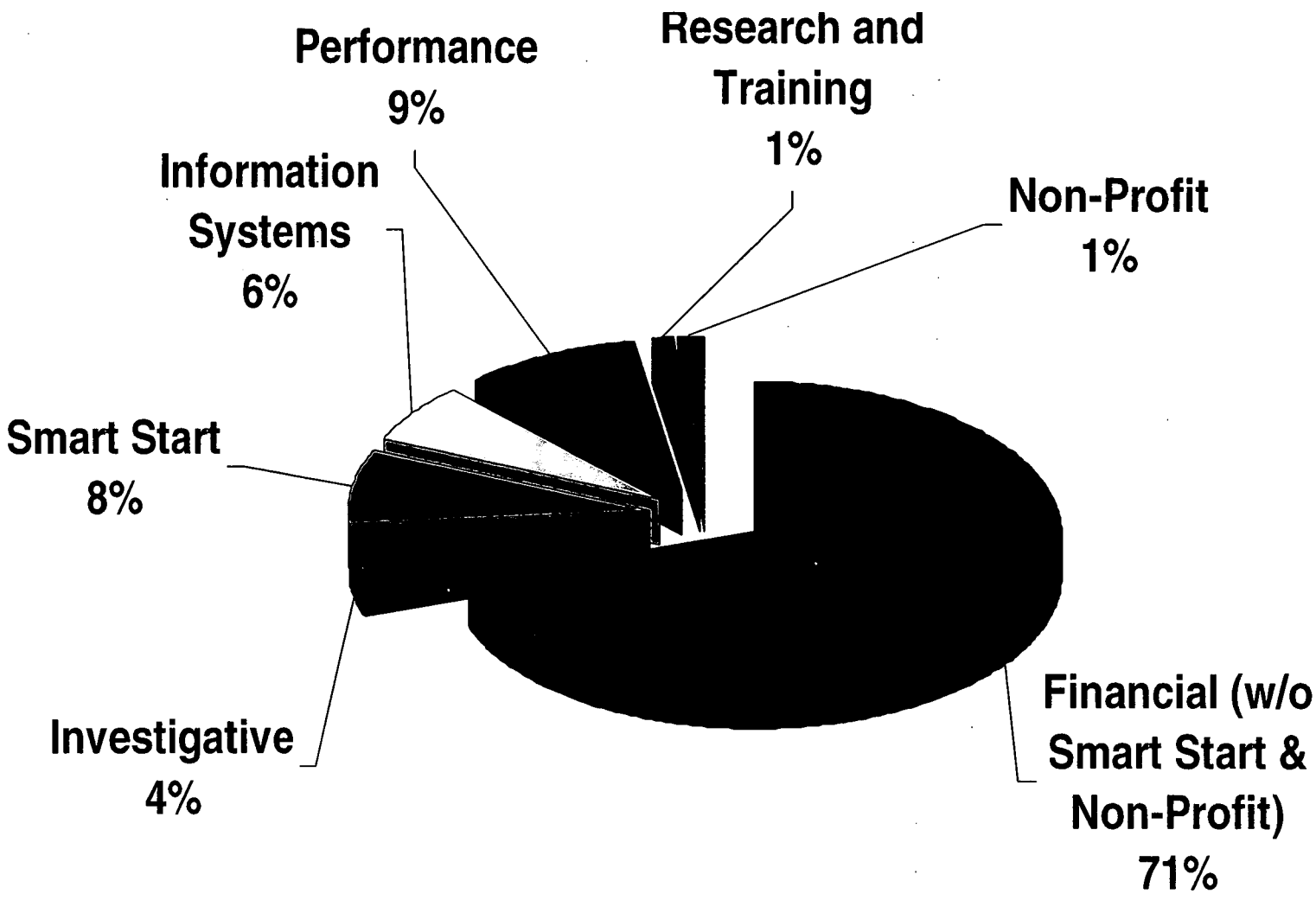
  All Audit Functions Reviewed Once Between External Reviews.

Professional Standards



- Yellow Book [Government Auditing Standards (GAS)]
- American Institute of Certified Public Accountants (AICPA)
- Governmental Accounting Standards Board (GASB)
- Financial Accounting Standards Board (FASB)
- Office of Management and Budget (OMB)
- State & Federal Laws

Office of the State Auditor
Allocation of Audit Staff
January 31, 2005



Specific Audit Functions:
Financial Audits

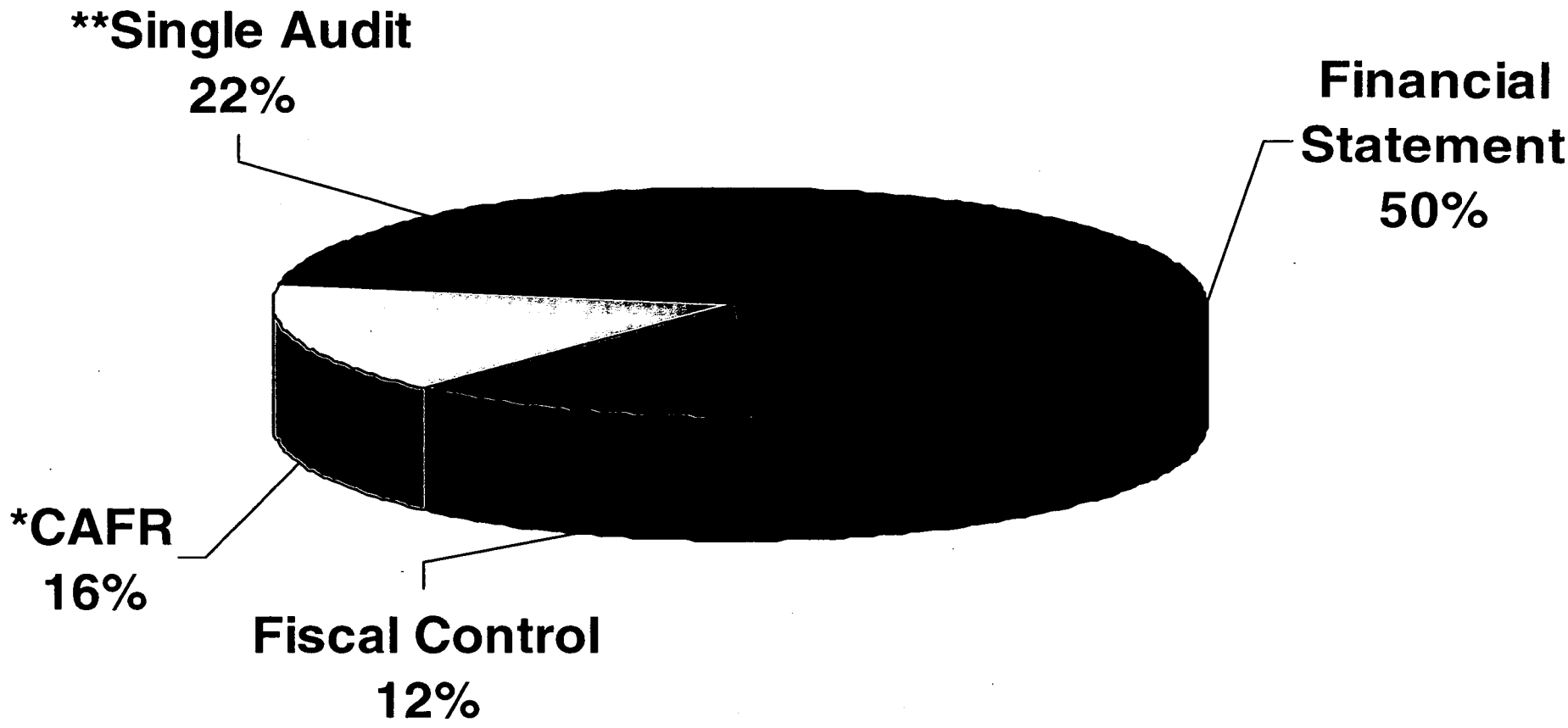
Financial auditing consumes the largest portion of our audit resources: 80% in the current year.

- **The four major products of our financial audit work program are:**
  - **The Comprehensive Annual Financial Report (CAFR)**
  - **The Single Audit Report**
  - **Financial statement audits**
  - **Fiscal control audits**

- **Our auditees include:**
  - **General Government Agencies (31)**
  - **University System and University of North Carolina Health Care System (18)**
  - **Community Colleges (59)**
  - **Clerks of Superior Court (100)**
  - **Smart Start Partnerships (82) and NC Partnership for Children**
  - **Component Units (12)**

Major Financial Audit Products

(How Time Was Spent During Fiscal Year 2004)

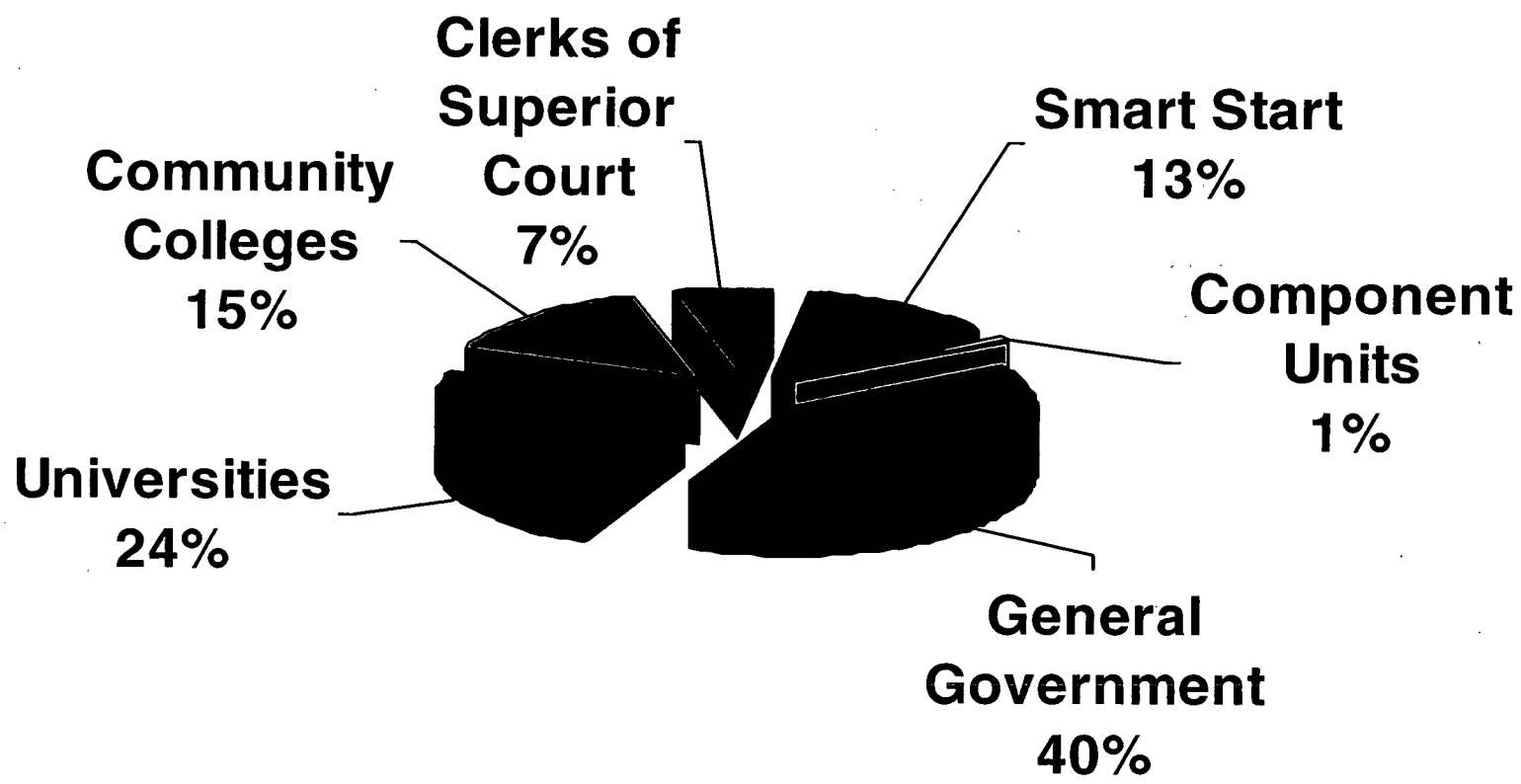


***CAFR (Comprehensive Annual Financial Report) audit opinion is due December 1st each year.**

****Single Audit is due March 31st each year.**

Allocation of Financial Audit Time by Agency Type

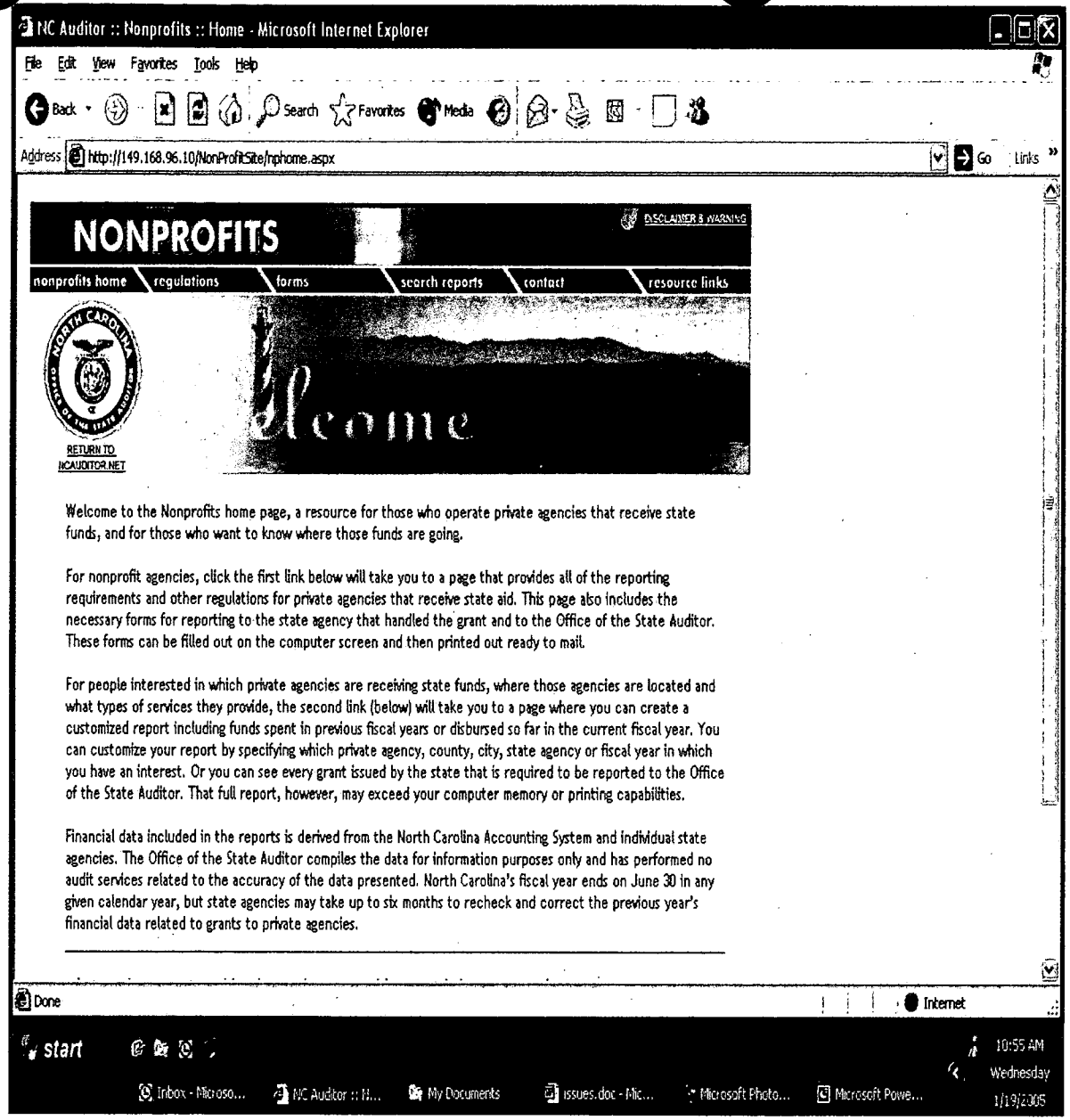
For the 2005 Fiscal Year



Specific Audit Functions:

Smart Start and Non-Governmental Audits

- **Our staff performs the legislatively-mandated audits of Smart Start Partnerships. We are currently responsible for the audits of the North Carolina Partnership for Children, Inc. and eighty-two local partnerships. We now allocate 8% of our audit resources to the Smart Start Program.**
- **Each of the non-governmental entities receiving $300,000 or more in state funding must file a copy of their audit report with our office. Non-governmental entities receiving $15,000 up to $300,000 must submit a sworn accounting to our office. Both thresholds also require submission of an activities accomplishment report.**
- **We have established a non-governmental audit specialist and developed a non-governmental data base in response to increased interest in non-governmental reporting. We are requesting the addition of a resource team to provide additional oversight of non-Smart Start governmental entities by assisting them in improving their business operations and more closely monitoring their compliance with State laws and regulations.**



Office of the State Auditor

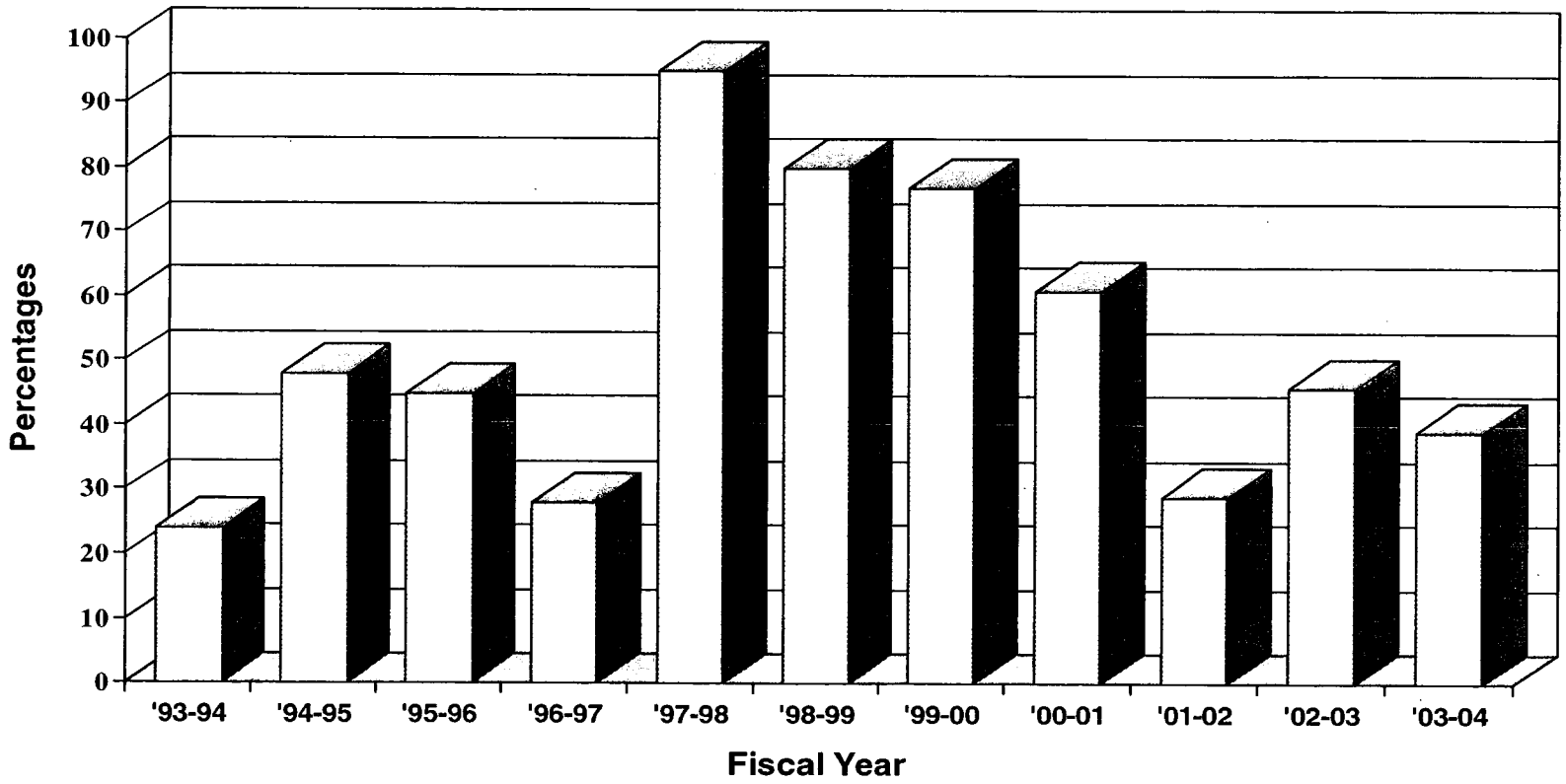
Nonprofits

Specific Audit Functions:
Performance Audits

- **Audit topics typically come from three sources:**
  - **General Assembly**
  - **Agency Management**
  - **State Auditor's management and staff**
- **Performance audits are designed to evaluate program performance and identify potential areas for cost savings and enhanced productivity.**
- **Approximately 9% of our audit resources are allocated to performance auditing.**

OFFICE OF THE STATE AUDITOR

Percentage of Performance Audit Hours Required by Statutes and Legislative Requests



OFFICE OF THE STATE AUDITOR

Performance Audits-Fiscal Years 1994 through 2004
Required by Statutes and Requested by Legislators

AUDIT	ISSUED	AUDIT	ISSUED
Willie M.	10/93	Adult Probation & Parole	6/98
Leaking Underground Storage Tanks	10/93	DOT Public Rail and Mass Transit	5/99
Outcome Based Education	9/94	Psychiatric Hospitals/Area Mental Health Programs-Interim	5/99
Smart Start	3/95	Psychiatric Hospitals and Mental Health Programs	3/00
NC Information Highway	3/95	Mental Health, Developmental Disabilities and Substance Abuse Svs.	4/00
NC Wildlife Commission	6/95	Division of Deaf and Hard of Hearing	4/00
Frank Porter Graham Center	9/95	Child Support Enforcement	4/00
Tri-County Mental Health Center	12/95	Department of Revenue	10/00
Southeastern Mental Health Center	3/96	Information Technology Systems	2/01
Court Reporters	5/96	Adult Care Homes Reimbursement System	3/01
DOC Youth Command	6/96	ITS Procurement Function- Interim Report	5/01
DHR Program Reviews	8/96	Hurricane Floyd Reserve Fund	6/01
NC's Workforce Development Programs	10/96	Office of Information Technology, IT Procurement Function	01/02
Cosmetology Board	12/96	Smart Start Program / North Carolina Partnership for Children	4/03
Pfiesteria Sea Grant (EHNR)	3/97	Department of Juvenile Justice	5/03
DHHS, Division of Services for the Blind	12/97	State Aircraft Operations	11/03
Marine Fisheries	1/98	State Energy Policy Council and State Energy Office	7/04
SIPS	4/98	Community Alternatives Program for Disables Adults	10/04
Department of Transportation	5/98		

Office of the State Auditor
On-Going Performance Audits

- **Medicaid Prescription Drug Costs**
- **DMV Homeland Security Issues**
- **Division of Alcohol Law Enforcement**

Specific Audit Functions:
IS Audits

- **Intrusion Lab established to increase skills of IS audit staff and to insure security of Statewide Information Systems**
- **Vulnerability Assessment performed/managed for key systems and networks**
- **Increase computerization in government financial systems**
- **Computer Security**
- **Critical Programs**
- **Computer-assisted Audit techniques.**
- **We have allocated 6% of our total audit resources to meet the projected number of engagements in the current fiscal year.**

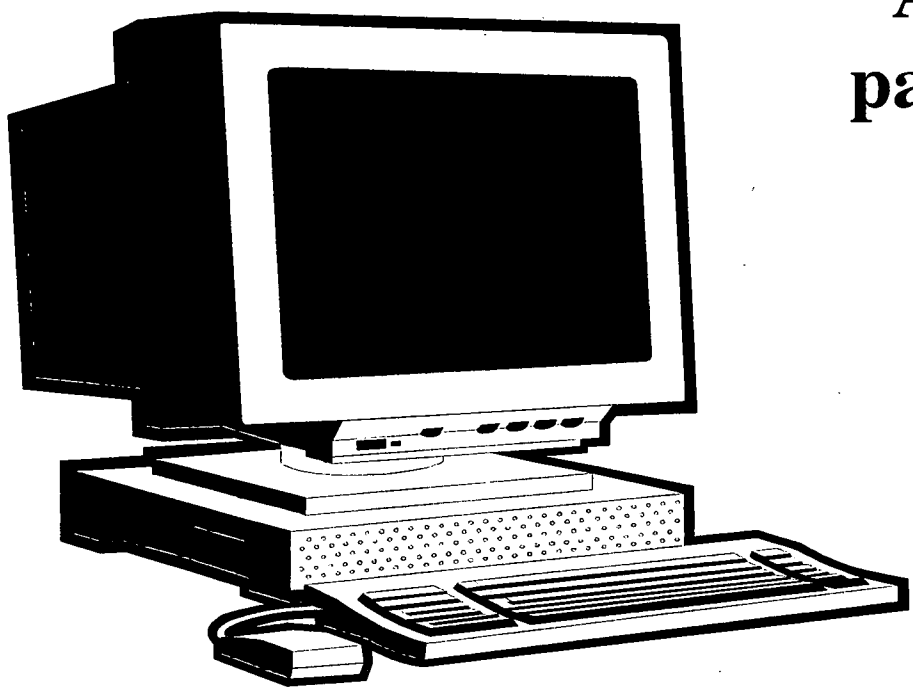
Specific Audit Functions:
Investigative Audit (Hotline)

- **We are charged with the responsibility of maintaining a Hotline to receive allegations of fraud, waste, and abuse in state government and programs.**
- **We have recorded some 2,031 complaints received through Hotline (800-730-TIPS [8477]) and our email account since 1988. In fiscal year 2003-2004 we recorded 149 complaints.**
- **As a result of allegations received, 179 extensive reviews have been conducted that resulted in the identification of $47,269,428 in questioned costs.**
- **This fiscal year we have allocated approximately 4% of our audit staff time to conducting these investigations.**

Office of the State Auditor
Overview of Budget

		Certified Budget		
	6/30/2005 (certified) (as of 12/04)	6/30/2004	6/30/2003	6/30/2002
Expenditures				
1110 Administration	$ 705,038	$ 678,347	$629,189	$668,758
1120 General Services	303,889	294,224	$289,376	$340,203
1210 Field Audit	12,487,618	11,897,099	$12,257,461	$13,702,663
1900 Reserves and Transfers	81,084	47,210		
Total Expenditures	$ 13,577,629	$ 12,916,880	$ 13,176,026	$ 14,711,624
Revenues				
1110 Administration	$ 0	$ 0	$	0
1120 General Services				
1210 Field Audit	2,758,618	2,343,594	$2,373,381	$2,927,753
1900 Reserves and Transfers				$20,970
Total Revenues	$ 2,758,618	$ 2,343,594	$ 2,373,381	$ 2,948,723
Appropriations	$ 10,819,011	$ 10,573,286	$ 10,802,645	$ 11,762,901

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- **EPS**
- **Audits**
- **Type of Report**
- **View List of Reports**

Office of the State Auditor

Public Website

North Carolina
OFFICE OF THE STATE AUDITOR

ACCOUNTABILITY • INTEGRITY • RELIABILITY

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Welcome



Welcome to the home page of the North Carolina Office of the State Auditor. Our mission is to serve as the watchdog for state government by providing citizens, legislators and state agencies with professional, independent evaluations of the State's financial accountability and program performance. This web site enables you to see what State government is doing with your tax money. We pledge to do our best to keep you informed and to conduct the people's business with integrity, accountability, and professionalism.



What's New...

NEW FIN-2004-3400 - Treasurer Department of the State CAFR-Single Audit *(1/14/2005)*
NEW FIN-2004-6050 - UNC - Charlotte *(1/14/2005)*
NEW FIN-2004-6060 - UNC-Wilmington *(1/14/2005)*

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AGENDA

Joint Appropriations Subcommittee
on
General Government

April 4, 2005
Room 425
3:00 p.m.

Chairman: Representative Roger West

Targeted Zero-Base Budgeting/Lapse Salary/Turnover Rates/Vacant Positions (>180 days)/Reversions/2005-07 Expansion/Follow up Items

Agency Review Order:

State Board of Elections - Gary Bartlett, Director

Office of the Secretary of State - Elaine F. Marshall, Secretary of State

Office of the Governor - David Brown, Budget Administrator

Office of State Budget and Management - David Brown, Budget Administrator

Office of the State Controller - Robert Powell, Controller

Housing Finance Agency - Robert Kucab, Director

Department of Administration - Gwynn T. Swinson, Secretary

Department of State Treasurer - Richard H. Moore, State Treasurer

Department of Cultural Resources - Lisbeth C. Evans, Secretary

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT
MINUTES
April 4, 2005
ROOM 425

The Joint Appropriations Subcommittee on General Government met on Tuesday, April 5th, at 3 pm in room 425. Representative Roger West chaired the meeting.

Rep. West called the meeting to order. He introduced the Sergeants at arms, and introduced the first presenter.

Gary Bartlett, the Director of the State Board of elections presented the first set of information. He began with a presentation of select salaries. In 2003-2004, $2,718 went to be transferred to the longevity. $35,885 was carried forward to the NC Judicial and public financing fund. It was placed in the rescue funds, and was part of the $750,000 dedicated to the rescue funds but never used. This year, it is projected that $1,168 will be transferred to longevity, and the agency would like to use $41,000 for legal fees, as there are 3 lawsuits that the agency is facing. Since 2000, the agency has had a campaign-reporting rate of almost 150%, mainly due to salaries, and the tremendous workload. They have appx. 22,000 committees, and the committee has appx 3,000 committees, which the state oversees. There were over 6,200 reports filed last year, and only 20% of these committees filed electronically. He requests any assistance that can be provided. As for vacant positions, there are currently two positions that are vacant, both for less that six months, and is confident that they will be filled within three weeks. At this point the room busts into laughter. There were around 95,000 reversions last year, and at this point, Mr. Bartlett opened the floor to questions.

Rep West asked how Mr. Bartlett was so sure that the vacant positions would be filled so quickly.

Mr. Bartlett explained that they didn't have problems filling positions; it was retention that his agency had problems with.

Mr. Bartlett then continued his presentation by focusing on out of state travel. He explained that the Elections Assistance Commission gives briefings at national meetings, and that is a major reason for the trips. As far as in state travel, we have not done enough travel through the counties, and what travel has been done pertains to the voter registration system. 96 counties were in the system, with four counties reporting every seven days. Now all 100 counties are available, and we have been going out to train them. The counties which will be joining the system are Wake, Forsyth, Mecklenburg, and Guilford. There also several active investigations, and would like to perform "Wellness Checks" (Snapshot Audits) in all 100 county boards of elections over the next two years. The remaining expenses are related to the State Board members and include travel, cell phones, etc. The furniture expenditures are workstations for temporary workers

Sen Dorsett asked why more money was spent on travel and lodging in 2003-04 than in 2004-05.

During 2003 there was a freeze, and travel was done only when necessary, while during 2004 numerous trips were taken so that the agency could familiarize itself with the Help America Vote Act. So far, there has been no spending on lodging, but expenditures are expected.

Elaine Marshall, the Secretary of State, was the next presenter. She claims that we don't have anywhere to cut without doing harm to vital services. We have increased revenues collected by the Sec. Of State's office by 14% without a fee increase, and that represents additional work. Productivity has risen due to technology and hard work. A large part of our budget is salaries, so there is not a lot of room to work. In the governor's recommend budget, there is a $250,000 increase, mainly for computer increases and other needs. For the year 2003-04, the sec-states office experienced over $306,000; the majority was spent on a legislative reduction of force, which was completely unexpected. $68,000 was spent on hurricanes, and the rest was spent on mandatory items such as temporaries, and overtime. Longevity, workers comp, severance pay, and disaster recovery were also large expenditures. Turnover rates are high due to low salaries and retention. There is also a problem with recruitment, and the lack of a training budget hampers the office. We have the lowest paid officials in state government, and that is a major problem with retention. Agencies that have comparable positions are paid much higher rates, and therefore employees often change agencies. The mandatory reserve can't be met without canceling vital programs. During 2005-07, we would like to target organizations that illegally compete with NC merchants. Over 3,000 jobs, and over $39 million dollars in tax revenues are lost each year in NC due to illegal competition from counterfeiting organizations. To combat this, we would like to hire 12 additional positions for trademarks, 6 investigators, 3 attorneys, and 3 paralegals. We are interested in finding not only the people selling and buying these goods, but also those who produce and benefit from the sell of these items.

Rep Garwood asked about how the lack of parity between state agencies has come into existence.

We have to ask for increases, and even when increases in funding are given, they often are not enough to make a significant difference.

She was then asked for a breakdown of the pay inequities by race and gender.

We are the most diverse state agency, and are predominantly female.

David Brown, the budget administrator for the office of the Governor was the next presenter. Much of the targeted zero base budget accounts in the Governor's office are travel, contracts, and administration services. Citizen's affairs cover mostly travel, meals, and lodging for the staff. The Raleigh residence budget code covers meals and lodging, contracting, and other office equipment for the staff. In the above budget codes contains budgets for the 17 cellular phones owned by the governor's office. The governor's office spent over $200,000 on temporary wages, and contracts. IN 2004-05 it is estimated that $169,000 will be spent on lapse salaries. Turnover rates are high in almost all areas because most areas only have a few employees, and there are no vacancies of over six months. Reversions totaled over $110,000 in 2003-04, most of which came from lapse salaries. There is only item in the expansion request for the governor's office, the 21st century high schools, part of the governor's education plan. This involves $250,000 the first year, and $500,000 the second year, which will match an appropriation from a partnership with 21st century schools.

Brown is also the Budget Administrator for the Office of Budget and Management, and began his presentation focusing on the contracts of the OBM, which include legal and BRACC budgets. Travel has been reduced to compensate for budget losses, and there is only one cellular phone in the office. Computer equipment is replaced every four years under current appropriations. All of lapse salaries were spent on contractual items and disaster relief. There are no areas of retention that we are worried about, however there are two vacant positions, which we expect to fill soon. Reversions totaled almost 262,000 in 2003-2004. Expansion items for 2005-07 include a systems analyst for the department of public safety, who would supervise expenses for disaster relief, and juvenile services. $7,000 will be needed to renew and enhance the web server that we use. We also need to acquire $94,000 to give mandated raises to teachers who meet the standards of the Dept. of Education.

The co-chair then noted that the above funds are part of the general budget, and are not directly under the General Government committee's supervision.

Robert Powell, the Controller of the Office of the State Controller noted that the office is responsible for the management and control of the state's funds, and also does payroll for about 80,000 employees. The agency is in a constant training mode for other state agencies, and that is responsible for most travel expenses. We have three cellular phones, but recently two temporary phones have been added to our system. We need to replace our computers on a regular basis, and most of our reversion expenses go towards that. The purchase of a copier represents the largest expenditure on office equipment. Lapse salaries go toward service awards, short-term disability pay, and holiday pay. We try to use interns to reduce costs and educate potential leaders. Turnover rates are low, as only three people left in the past year, with one due to retirement. We have one expansion item, insuring that internal compliance investigations are conducted properly and

Efficiently. The governor has recommended one replacement analyst to work in this field, and is our only expansion plan.

Robert Kucab is the Director of the Housing Finance Agency, and says that we earn revenue by charging fees for our services, such as HUD. We successfully operate a number of low cost housing programs, but to offer affordable housing to low-income people, we do need funds from the NCGA. The state's investment in HFA has declined by 66% over the past four years, and has been devastating. We ask that the NCGA allocate $33 million to deal with these losses, and to continue to provide low cost housing. Every one-dollar that the NCGA gives will be met with three dollars from public and private investments.

Gwynn T. Swinson, secretary of the NC Department of Administration was the next presenter. $316,000 is requested for contractual funds, and for required training courses. Travel has been reduced greatly, and when travel does occur, others often support it, such as the federal government. $845,000 is authorized for office expenditures, but only $368,000 has been spent. In order to be in compliance with federal standards, we have had to increase expenditures on equipment and building improvements. We must continue to increase resources for Martin Luther King Jr. grants, and domestic violence grants. These two grants represent 84% of the Zero based budgeting information that was requested by the committee. During the 2003-04 year, appx. $41,000 was spent on lapse salaries. We had a mandatory reversion of 2.1 million dollars, and were able to reach this goal by cutting unnecessary programs, and reducing travel. The 2004-05 mandatory reversion was 1.64 million dollars, and is expected to be met. We had 30 vacancies, or about 5.6% of the department's workforce. There are approximately six positions, which have been vacant for more than six months, and many of those are due to new criteria and standards. We have several expansion requests for 2005-07, including upgrading our compliance officer division; we are also seeking to expand our HUBSCO program, which will increase funding to universities and other government programs. We are also asking for funds for veterans' affairs, specifically for cemetery care.

Pam Woolburn, who began by discussing zero-based budgeting, represented the State Treasurer's office. Significantly less than expected has been spent on contractual expenses, mainly due to changes in the charging cost of claims. The travel budget is much higher than used, mainly because officers have been kept in the office because of a lack of staff to process claims. $500,000 has been budgeted for our IT services, which provide and maintain our computer system. Lapse salaries have been spent on contractual services, which have actually been much higher than expected. Much of this spending is in response to modernization, and several reports and studies. Reversions have been low due to savings and cuts that have been made. However, reversions have risen in some offices in the 2004-05 fiscal year. Lapse salaries have been spent on temporary employees, and financial and audit services. There is a problem with turnover, which is related to problems with retention, which are due to a lack of funding of several

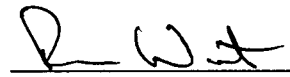
positions. As of April 1st, we had 10 positions vacant for at least 180 days. We expect to fill at least six of these very soon. Our expansion items include creating a debt service accounting position, which has been needed badly since 2002.

Lisbeth C. Evans, the Secretary of the Department of Cultural Resources, opened her presentation by noting that her agency, not the Department of State, is the most underpaid agency. Over the past two years, the agency has lost a total of 47 positions. $281,000 was spent on lapse salaries last year, mostly to pay for temporary employees, a direct result of the eliminating positions. Lapse salaries were also spent of restoring historical monuments damaged by hurricanes. Our turnover rate is 9.3%, and is mainly due to employees leaving for higher paid positions in other government agencies. There are only three vacant positions that have been open for over three months, and we are waiting on the results of a study before attempting to fill these positions. Expansion programs include increasing funds to the arts council by $300,000.

When asked, ms. Evans responded that several of the lost, and positions were related to the "First in Flight" program, and the opening of new museums.

We do not have any cellular phones, and employees tend to use their own phones for business uses.

The meeting was then adjourned.



Representative Roger West, Chair

: Board of Elections
ir[redacted] Bartlett, Executive Director
ırch 31, 2005

ıeral HAVA Legislation Requirement states in SEC. 254. STATE PLAN. (a) (7) How the ıte, in using the requirements payment, will maintain the expenditures of the State for ivities funded by the payment at a level that is not less than the level of such ɔenditures maintained by the State for the fiscal year ending prior to November 2000.

following information is in response to your request for Targeted Zero-Base lgeting:

Amounts and use of lapsed salary funds

FY 03-04 (Actual)	Use		FY 04-05 (YTD & Projected)	Use
$2,718	Transfer to longevity		$1,168	Transfer to longevity
$35,885	Carried forward to finance NCPFF per the GA		$41,595	Projected use for legal fees.

Turnover rates

FY 03-04	Administrative Assistant II	3 positions	25% turnover
[redacted]Y 04-05	Administrative Assistant II	2 positions	50 % turnover

Vacant positions as of April 1, 2005

Elections Training Specialist	Vacated 3-15-05
Administrative Assistant II	Vacated 2-23-05, EOD April 15

Reversions

Center	Account	Description	FY 02-03	FY 03-04
1100	531xxx	Personal Services	$28,732	$2
	532xxx	Purchased Services	13,744	18
	533xxx	Supplies	2,157	3
	534xxx	Property, Plant & Equipment	567	5
	535xxx	Other Expenses & Adjustments	4,180	2
	538xxx	Intergovernmental Transfers	1	2
	43xxxx	Receipts	-28,992	-32
1200	531xxx	Personal Services	1,394	12,310
	532xxx	Purchased Services	52,461	855
	533xxx	Supplies	1,805	451
	534xxx	Property, Plant & Equipment	4,500	110
	535xxx	Other Expenses & Adjustments	24,350	977
	43xxxx	Receipts	359	-14,703
[redacted]otal Reversion			$105,258	$0*

FY 03-04 reversion is $0 because all unexpended funds were carried forward to ɜd to finance the NCPFF per the General Assembly.

ATTENDANCE

2005-2006

House Appropriations/General Government

( )

DATES 4.4.05															
HOUSE															
ALMA ADAMS, CHAIR	✓														
ROGER WEST, CHAIR	✓														
MARVIN LUCAS, VICE CHAIRMAN	✓														
MARIAN McLAWHORN, VICE CHAIRMAN															
GENE WILSON, VICE CHAIRMAN	✓														
LEO DAUGHTRY															
BRUCE GOFORTH	✓														
)BERT GRADY															
GARLAND PIERCE	✓														
RUSSELL TUCKER															
SENATE															
KATIE DORSETT, CHAIRMAN	✓														
DAVID HOYLE, VICE CHAIRMAN															
ANDREW BROCK	✓														
JANET COWELL															
MALCOLM GRAHAM	✓														
JIM JACUMIN	✓														
FRED SMITH	✓														

VISITOR REGISTRATION SHEET

Appropriation General Gov't — 4/4/2005
Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Ann Harris	Sec of State
Elaine F Marshall	SOS
Haley A. Montgomery	SOS
Michael Peeler	SOS
Mitch Alford	OSBM
Gary O. Bartlett	SBE
Bert Ramp	SBE
Johnnie McLean	"
Dewey Stephens	" & Dept. of Admin.
John Morgan	Office of the State Controller
Robert Powell	OSC
Julie Batterson	OSC
Ran Barsness	OSBM
Gene Millsaps	DOA
Thomas Cheek	OSBM
Penn Wortham	DST
Heyward McKinney	DCR
Charline Sutton	DCR
Wesley Ray	DCR
Robert Schiffke	NC Symphony
Keri Myers	NC SOS
Marvin F. Black	NC SOS
Kathy Mathis	NC SOS
Robert Wilson	SOS
Greg Puer	OSBM
David Brown	OSBM

(2)

VISITOR REGISTRAT ON SHEET

Appropriation General Gov't — 4/4/05
Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Lee Hodge	LCLH
Kevin Howell	GO
Susan Rabon	GO
[signature]	John Locke Fdn
BOB KUCAB	NCHFA
Will Parry-Hill	NCHFA
David McCoy	OSBM
David Ingram	WSO
Gwen Canady	OSC
Ken Melton	D.O.R.
Stephanie Beard	NC DST
Kenneth Wilkins	"
[signature]	DOA
[signature]	DOA
ALEXIS VAUGHN	DCR
Staci Meyer	DCR
Libbie Evans	DCR
Brett Sogal	NC DST
Bill Golden	NCDST
[signature]	NC DST
[signature]	"
Karen Wells	arts North Carolina
Pam Deardorff	RSD/DST

VISITOR REGISTRATION SHEET

Appropriation General Gov't 4/4/05
Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Mary Regan	Arts Council / DCR
David Brook	Archives & History / DCR
Jim Cooke	Department of Insurance
Jim Newman	" "

AGENDA

Joint Appropriations Subcommittee
on
General Government

April 5, 2005
Room 425
8:30 a.m.

Chairman: Representative Alma Adams

Summary of Senate Bill 991,
Improve State IT Efficiency & Project Management (S.L. 2004-129)

Brenda Carter
Staff Attorney
Research Division, General Assembly

Office of Information Technology Services (ITS) McCauley

Overview of the State CIO's Responsibilities and Office Operations
(Notebook, Tab 1, pp. 1-8)

Note: Budget information in the Governor's Recommended Continuation Budget for the Office of Information Technology Services is the certified budget for FY 2004-05 only.

STATEWIDE RESPONSIBILITIES

Enterprise Technology Strategies
(Notebook Tab 1, pp. 10-12; Rec. Cont. Budget pp. B-100-101)

Information Security Office
(Notebook Tab 1, pp. 13-15; Rec. Cont. Budget pp. B-112-113)

Statewide IT Procurement Office
(Notebook Tab 1, pp. 16-17; Rec. Cont. Budget pp. B-93-95)

ITS SERVICE DIVISIONS

Telecommunications Services
(Notebook Tab 1, pp. 22-30; Rec. Cont. Budget pp. B-106-108)

Computing Services
(Notebook Tab 1, pp. 31-36; Rec. Cont. Budget pp. B-104-105)

Enterprise Solutions
(Notebook Tab 1, pp. 37-38; Rec. Cont. Budget pp. B-109-110)

Customer and Public Relationship Management
(Notebook Tab 1, pp. 39-40; Rec. Cont. Budget pp. B-96-97)

ITS ADMINISTRATION

State CIO Office
(Notebook Tab 1, pp. 41-42; Rec. Cont. Budget pp. B-93-95, 98-99)

Personnel Services
(Notebook Tab 1, p. 43; Rec. Cont. Budget pp. 93-95)

Financial and Facilities Services
(Notebook Tab 1, pp. 44-47; Rec. Cont. Budget pp. 93-95)

George Bakolia
State Chief Information Officer

Wireless 911 Board
(Notebook Tab 3)

Richard Taylor
Executive Director

House Appropriations Subcommittee on General Government
Minutes
April 5, 2005
8:30 am

The House Appropriations Subcommittee on General Government met on April 5, 2005 at 8:30 am in room 425 of the Legislative Office Building. The Office of Information Technology Services (ITS) presented their legislative overview. In addition to Chairman Alma Adams, also present were Reps. West, McLawhorn, Pierce, Goforth, Lucas, Wilson, Senators Dorsett, Graham, Smith, Cowell, and Jacumin. A visitor registration sheet is attached and made a part of the record. Staff present: Michele Nelson, Marilyn Chism and Kathie Young.

Representative Adams called the meeting to order. Brenda Carter, Staff Attorney, gave a summary of Senate Bill 991 that was enacted toward the end of the session in 2004. The act is an act to improve State government, in planning of doc standards, make project development more efficient, reduce cost overruns, provide assistance to State agencies, and increase accountability.

One of the major things that the bill did was to eliminate the Information Resource Management Commission (IRMC) that had previously had the responsibility for developing a statewide information technology strategy. The IRMC had the responsibility for reviewing Information Technology plans of executive agencies and for certifying projects of $500,000 or more. These responsibilities now rest with the State Chief Information Officer who is responsible for developing and administering a comprehensive long-range plan to ensure the proper management of the State's IT resources. The State Chief Information Officer is now required to set technical standards for Information Technology to review and approve those major IT projects and to review and approve State agency budget requests to establish security standards to provide for procurement of IT resources and to develop a schedule for the replacement or modification of major systems. The State's CIO is required to develop a biennial budget and to transmit a biennial State IT plan and transmit it to the General Assembly by February 1 of each session. The bill also establishes project approval standards. The State's CIO is required to review all State agency IT project requests that are expected to meet or exceed $500,000. He is to set thresholds on the approval of projects that fall under that amount. No State agency can proceed with an IT project that is subject to review until the State's CIO approves the project. The CIO also has the authority to suspend approval, if a project does not continue to meet the applicable standards that have been set forth.

The bill also establishes a State agency CIO dispute resolution process. The review committee consists of the State Controller, the State Budget Officer and the Secretary of Administration. In the case of a conflict where one of these agencies is involved, the two remaining members will select a third person to serve as an alternate on that matter.

The next major change in the bill was to establish project management standards. Each agency is to provide for a project manager who will make periodic reports to a project management assistant that is assigned to the project by the State's CIO. The project management assistant will then advise the agency with the initial planning of the project, the content and design of any RFP's or contract development or procurement and the assistant will monitor the agency progress and provide status reports to the CIO.

The bill authorizes the State CIO to establish procedures for the procurement of Information Technology. He is authorized to require agencies to submit IT procurement requests to the office of information technology services on specified dates, at least three times a year in order to allow for bulk purchasing. I creates a trail-member IT advisory board which review and comment on the State IT plans, agency technology plans, and on Statewide technology initiatives that are developed by the State's CIO.

The bill also created the Information Technology Fund (ITF) that was established in 2004 with an appropriation of $7.5 million. The money has been appropriated by the General Assembly from the fund to meet statewide IT requirements including planning, project management, security, electronic mail, etc. The State's CIO is required to make an annual report on the use of the fund. The bill created the 16-member joint Legislative oversight committee that replaces a pre-existing technology committee to examine system-wide issues affecting State government information technology on an ongoing basis and to make annual reports to the General Assembly. The ITF annual budget and its rates and fees are now subject to review and approval by the Office of State Budget and Management (OSBM). This was formally a function of the IRMC.

The OSBM in conjunction with the State's CIO, the IT Advisory Board and the State Controller were directed to develop a plan to consolidate information technology infrastructure, staffing and expenditures where a statewide approach would be more economical. This excluded the UNC system, the administrative offices of the court and the General Assembly. The report is to include recommendations to convert contract to full-time equivalent positions to State positions in certain circumstances. This report is due to the legislative commission on governmental operations on or before January 1, 2006.

Chairman Adams recognized Mr. George Bakolia, Chief Information Officer for the State who proceeded to give an overview of the operations of the information technology services and also the primary functions of the State's CIO. He introduced Danny Lineberg and Dave Rossi of his senior staff.

He began by stating that there is no continuation budget for ITS. Everything that will be shared deals on a current-year basis. ITS starts out with a new budget every year. By statue, OSBM reviews the budget for ITS and it also reviews and approves the rates that are proposed for the utilization of services provided by ITS. Beginning with the enactment of Bill 991, the IT reform bill last year, the creation of the IT Fund is one component that the legislature does appropriate and recommend spend on that fund. All I

have is the responsibility of the administration of the fund. I recommend proposed initiatives to be covered by that fund, but ultimately the responsibility for approval lies within the legislature.
He outlined the State's CIO functions as reported in the attached documents that have been made a part of this record. He then elaborated on the specific aspects of ITS and its operation.

ITS differs from a typical State agency in three ways.

1. A typical state agency provides services to the public, citizens of the State. ITS provides services, such as telecommunications, or computing services primarily to State agencies and local governments.
2. Typically the general fund appropriation for most agencies comprises the majority of the budget. ITS only gets a small portion of the appropriations through the general fund. It's almost like a private sector entity. You pay based on the rate base that has been approved by the budget office for what services you utilize. If you don't utilize the services, you don't pay anything.
3. For a typical agency, the General Assembly approves their budget. With ITS, the OSBM approves the budget and also the rates or any changes to the rates.

The whole ITS organization is under the auspices of the Governor. The budget for the current fiscal year is about $148 million. 95% of that budget is from fees. He referred the committee to the org charts on page 6. On page 10 he stated the role of the Enterprise Technology Strategies (ETS) that provides strategic technology leadership and policy development for state government. He continued through the report referencing the various offices of ITS including the Information Security Office, the Statewide IT Procurement group, ITS Operational Divisions, Telecommunications Services, Computing Services, Enterprise Solutions,

Chairman Adams recognized Richard Taylor the Executive Director of the 911 Board that was established in 1998. He proceeded to review the legislative overview of the 911 Board under Tab 3.

The meeting was adjourned at 9:45 a.m.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

4-5-05

VISITOR REGISTRATION SHEET

APPROPRIATIONS Subcommittee on General Government Date:

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
JAMES L. FORTE	OSA
DON McCORQUODALE	SAS
Kari Barsness	OSBM
Thomas Cheek	OSBM
Jonathon Womer	OSBM
Greg Piner	OSBM
Lee Hollis	KCLH
[illegible]	Indians
George Bakolia	ITS
DAVE ROSSI	ITS
Danny Lineberry	ITS
Richard TAYLOR	ITS
Ken Melton	D.O.R.
John McHugh	GOV office
David Brown	OSBM
[illegible]	Capitol Press

4-5-05

House Pages

Name Of Committee: Appropriation General Gov't Date: 4/5/05

1. Name: Foos, Dennis
   County: Cumberland
   Sponsor: ~~Rep~~. Rep Dickson
2. Name: Wisezah Buckman
   County: Mecklenburg
   Sponsor: James D. Black
3. Name: Selby Lo
   County: Wake
   Sponsor: Sen Janet Cowell
4. Name: Chris Hoover
   County: Onslow
   Sponsor: Sen Brown
5. Name: Katlin-Christian
   County: Moore
   Sponsor: Senator Rand

Sgt-At-Arms

1. Name: Leslie Wright
2. Name: Willie Dixon
3. Name: Richard Jeffair
4. Name: Martha Parrish
5. Name:

State of North Carolina

Office of State Budget and Management

Michael F. Easley
Governor and Director
of the Budget

David T. McCoy
State Budget Officer

March 30, 2005

MEMORANDUM

TO: George Bakolia
Chief Information Officer

FROM: David McCoy

RE: Office of Information Technology Services Budget Recommendation

The Office of State Budget and Management (OSBM) has reviewed the Office of Information Technology Services (ITS) budget recommendation, rate structure, and supporting documents required under G.S. 147-33.88. Overall, the budget recommendation is a sound approach that continues services at or near cost of delivery and responds to the changing needs of information technology in North Carolina.

After considering the request and supporting documentation, OSBM approves the following items related to the ITS Fund budget recommendation:

- 14 additional positions required for new or expanded agency services are approved.
- The ITS rate structure as submitted is approved. OSBM agrees with the new Enterprise IT subscription fee totaling $5 million for the IT Fund as proposed. It is our conclusion that using the total IT expenditures report completed by the Office of the State Controller as the base formula for proportionally billing agencies is the most equitable approach. Activities in the IT Fund benefit all agencies; therefore, the total IT expenditures report is the most accurate predictor of these benefits. While total IT fees will be reduced, this new fee will create confidence in billing for other ITS services on a recurring basis.

OSBM approves the IT Fund budget recommendation with one change. OSBM recommends that the $550,000 currently designated for the purchase of agency firewalls should be reallocated to network infrastructure and security improvements. While some additional firewalls may be needed, restructuring the network and its operation would reduce security risks more effectively and provide other efficiencies.

Mailing Address:
20320 Mail Service Center
Raleigh, NC 27699-0320

www.osbm.state.nc.us
(919) 733-7061 ** FAX (919) 733-0640
An EEO/AA Employer

Office Location:
5200 Administration Building
116 West Jones Street

Future ITS budget recommendations should be handled within the normal state budget cycle. As needed, OSBM will assist ITS in following the requirements outlined in agency budget instructions. In addition, OSBM requests that ITS complete the following when presenting its FY 2006-07 ITS Fund budget recommendation:

- 50% of ITS services should have benchmarking data on private sector costs to deliver these services; and,
- 50% of ITS services should have some form of performance metrics to show the value of these services.

Tracking this data will enable ITS to manage processes more efficiently and provide better services to the State.

Finally, OSBM requests that three items be addressed during FY 2005-06. They are:

1. **Follow-up work to the legacy assessment**. Encourage agencies to take ownership of legacy issues and not to rely solely on work being completed at ITS.
2. **Business manager for the State Portal**. Establishing a business manager for the Portal would greatly assist in meeting the growing information and e-government needs of the public.
3. **Contracted services to develop state security policy**. While it is proper to use contracted services to review and evaluate policy, the creation, administration and enforcement activities should be accomplished with state personnel since the expertise is needed on an ongoing basis.

Thank you for your immediate attention to these matters. Please contact Jonathan Womer or Thomas Cheek in my office at (919) 733-7061 if you have any questions or need additional information.

dmc:jw

cc: Susan Rabon
Charlie Perusse
David Brown
Jonathan Womer ✓
Thomas Cheek

Fund proceeds also were used to complete the first phase of a study of the state's legacy systems—computer applications that perform a critical business function. The State CIO also hired additional staff to provide project management assistance to state agencies, as required by statute, and improved the legal review of IT contracts.

The State CIO and the Office of Information Technology Services (ITS)

As the head of the Office of Information Technology Services, the State CIO provides advice to the Governor and the Executive Cabinet on enterprise level technical trends and services. Second, he performs an operational role in that ITS provides telecommunications, computing infrastructure and other technology services, including policy development, planning and technical architecture for government clients.

The agency could grow significantly over the next few years as a result of infrastructure consolidation and new demands for services. The General Assembly last year directed state agencies to examine their IT infrastructure, including expenditures and management functions, and identify IT functions that could be performed more economically through a statewide approach. Those studies are being compiled now.

By January 1, 2006, the Office of State Budget and Management, in conjunction with the State CIO and State Controller, must develop a plan to consolidate information technology infrastructure, staffing and expenditures. The proposal must recommend consolidation where it would be more economical, while still considering agency-specific program needs.

Any growth at ITS should not require significant new spending, but come from a better use of the dollars now spent on information technology. Long-term savings from consolidation should be directed toward improving the state's IT infrastructure, new technology needs and maintenance and replacement of legacy systems.

ITS Organization

The Office of Information Technology Services generally falls into three broad areas, based on their responsibilities.

One area has more of a statewide focus. It consists of Enterprise Technology Strategies, the Statewide IT Procurement Office and the ITS Security Office.

The second broad area handles the operations and consists of Computing Services, Telecommunications Services, Enterprise Solutions, and Customer and Public Relationship Management.

The third area is administration, which consists primarily of Financial and Facility Services, Personnel Services, and the State CIO and Deputy State CIO and their staffs.

ITS Budget Summary

The following table shows how the individual sections of ITS are supported financially (Budget in millions as of 12/31/04):

	Internal Service Fund	Information Technology Fund	Total Budget	Total Employees
Administration	$ 8.6	$1.3	$ 9.9	76
Computing Services	46.4	0	46.4	145
Customer and Public Relationship Management	2.5	0	2.5	31
Enterprise Solutions	4.0	0	4.0	26
Enterprise Technology Services	1.1	1.1	2.2	15
Security	5.9	2.9	8.8	15
Telecommunications	76.0	0	76.0	131
Total	$144.5	$5.3	$149.8	439*

* Total excludes three employees of the E-911 Wireless Fund

ITS Budgets by Cost Element

ITS Internal Service Fund Budget

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 31,178	$ 5,903	$ 80,313	$ 1,807	$ 550	$ 21,656	$ 3,119	$ 144,526

Information Technology Fund Budget

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 821	$ 2,510	$ 354	$ 169	$ -	$ 1,454	$ 25	$ 5,333

Wireless E-911 Fund Budget

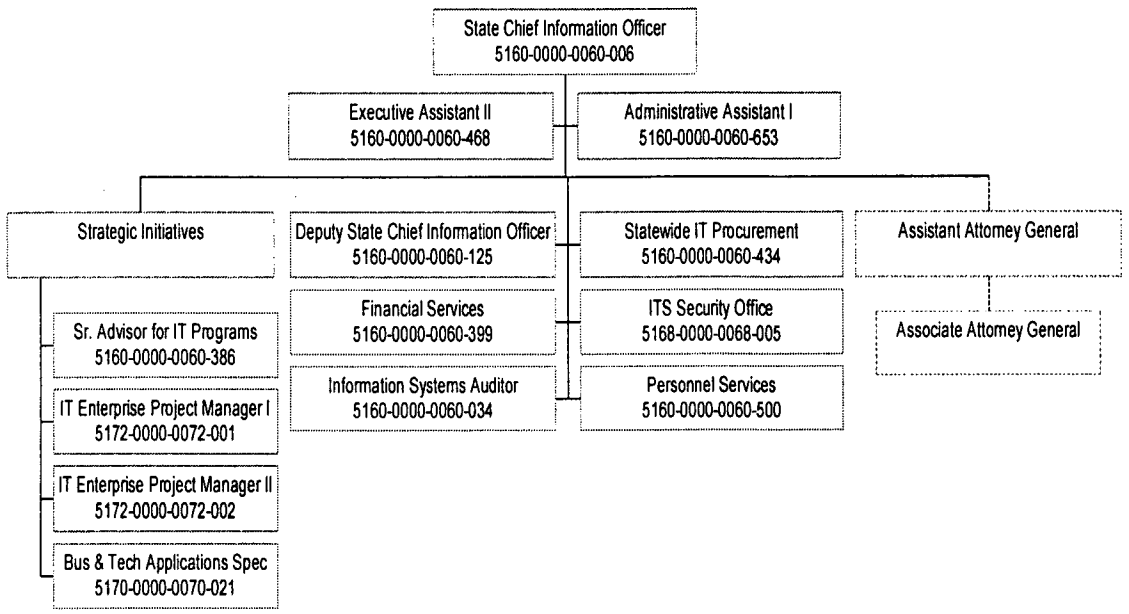
Thousands of Dollars

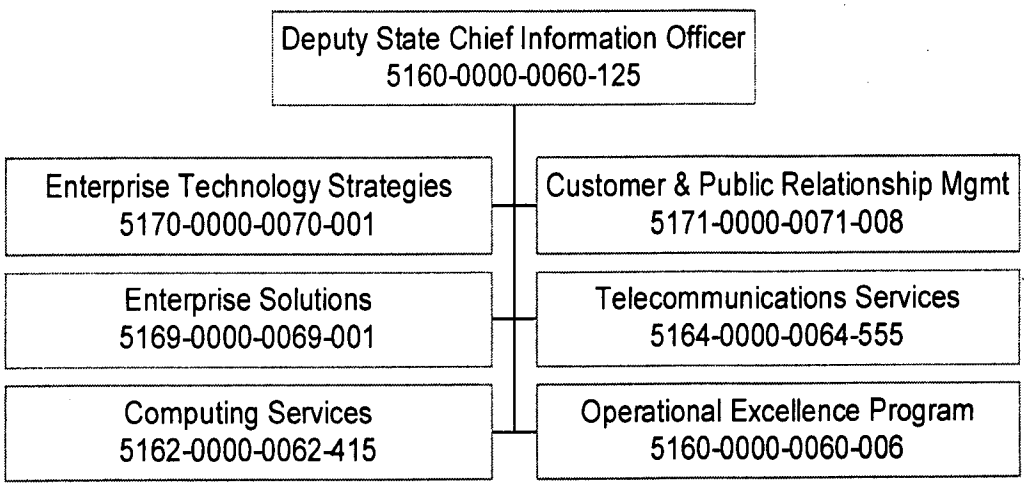
	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 185	$ 37	$ 87	$ 7	$ 6	$ 13	$ 47,241	$ 47,575

- Other Expenses Include Provision For Transfers To General Fund

*Note: The E-911 Fund is under a different Fund code and is managed separately by ITS.

ITS Executive Level Organization Charts





ITS Total Position Summary

The table below describes the position functions at ITS.

Position Count by Function	#	%
State Chief Information Officer	1	<1
Deputy State Chief Information Officer	1	<1
Executive	9	2%
Senior level management. Responsible for strategic direction of organization.		
Director	11	2.5%
Makes policy decisions that set overall direction for a division with several related work units. Understands technology used in operation, but detailed technical knowledge is not the primary focus of the role. Supervises other managers and rarely supervises non-management employees directly.		
Manager	29	6.6%
Sets and enforces operational standards for work unit. Manages non-management employees directly, rarely supervising other managers. Plans and manages all activities in work unit. Typically the subject matter expert for area supervised.		
Information Technology Project Manager	5	1.1%
Business & Technology Applications Technician	0	0
Develops program code or modifies programs based on technical specifications. Work includes testing, debugging or documenting software code.		
Business & Technology Applications Analyst	40	9.1%
Analyzes information needs of client and designs solution to meet user requirements. Work may involve application design or recommending / modifying a commercially available product. Solutions link technical knowledge with business solutions. Duties may include recommending hardware as well as software solutions.		
Business & Technology Applications Specialist	23	5.2%
Customizes vendor software products to support applications development. Requires application development experience and in-depth technical knowledge of product. May provide technical support of product to agency technical staff.		
Networking Technician	56	12.7%
Installs, configures or repairs network routers, lines and switches. Troubleshoots voice systems or network problems over the phone in a help desk environment.		
Networking Analyst	59	13.3%
Provides statewide network planning, maintenance and advanced level troubleshooting. Consults with clients to review business needs and recommend network designs for voice, video or data networks.		
Networking Specialist	40	9.1%

Position Count by Function	#	%
Designs network infrastructures and determines technical specifications for telecommunications equipment such as: · Voice systems · Wide Area Network (WAN) hardware · Video network hardware		
Operations & Systems Technician	29	6.6%
Operates mainframe computer and provides customer assistance to users of the computer system. Examples of work include: · Setting up and scheduling computer production jobs, · Setting up and monitoring equipment to produce reports. Troubleshooting calls from users experiencing difficulties with connections to the computer or with the computer itself.		
Operations & Systems Analyst	12	2.7%
Tunes existing functions within computer operating system. Troubleshoots advanced operational problems and determines if changes or enhancements to operating systems or utilities are required. Installs operating systems software updates or new utilities.		
Operations & Systems Specialist	38	8.6%
Creates utilities to improve computer user functions and monitors the performance, space, and workload of the mainframe or client/server computer systems. Customizes interfaces between software and systems to achieve optimal performance.		
Support Services	89	20.1%
Performs administrative or other support functions for the organization. Types of work include: • Operator • Housekeeping • Office Assistant • Security Guard • Personnel • Accounting Clerk • Financial Analyst/Accountant • Purchasing and Procurement		
Total Positions	442	100.0%

*Note: This includes three (3) Wireless E-911 Staff

ITS Divisions, Organization and Budgets

The remainder of this document describes each organizational unit within ITS, broken down into the three broad areas: statewide responsibilities, operations and administration. Budget and organizational charts are provided for each unit, including the funding source (IT Fund, Internal Service Fund, or both).

ITS uses the Information Technology Fund to manage specific, statewide initiatives within ITS organizational areas.

INFORMATION TECHNOLOGY

Overviews:

TAB 1 — Overview of the State CIO and Information Technology Services (ITS)

TAB 1a — ITS Internal Service Fund, Rates and Approved ITS Budget for FY 2005-06
and
Information Technology Fund Budget

TAB 2 — Executive Branch IT Budgeting and Management

TAB 3 — Wireless 911 Board

Required Reports:

TAB 4 — Executive Summary of the State Information Technology Plan
G.S. 147-33.72B
(http://www.scio.state.nc.us/sitPlan.asp)

TAB 5 — Executive Summary of the Legacy Assessment Study
G.S. 147-33.90
(http://www.its.state.nc.us/Information/LegacyAssessmentStudy/)

April 2005



Office of Information Technology Services

The State Chief Information Officer and the Office of Information Technology Services

Presented to the
Joint General Government Appropriations Subcommittee

Office of Information Technology Services
March 2005

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Introduction

The State Chief Information Officer (State CIO) and the Office of Information Technology Services (ITS) provide leadership for statewide technology initiatives and support for state agencies and local governments as they use technology to meet their business needs more efficiently. Used wisely, information technology can improve the delivery of government services, enable more efficient internal government operations, and increase citizen participation in government deliberations and decision-making.

The State CIO is appointed by the Governor. As the head of ITS, the State CIO operates much like other Cabinet secretaries and is responsible for the agency's budget, personnel and operations. The State CIO also strives to ensure that the agency provides cost effective technology infrastructure services to governmental entities.

The State CIO also has broad, statewide responsibilities for IT, including the promotion and delivery of technology across state agencies' boundaries where that approach is more economical.

The State CIO's Statewide Responsibilities

Legislation passed by the General Assembly in 2004 gave the State CIO greater authority over IT in state government. By statute, the State CIO must:

- Review and approve all major technology projects.
- Provide oversight and guidance for major technology projects.
- Develop and administer a comprehensive, long-range plan to ensure the proper management of the state's IT resources.
- Set technical standards.
- Provide for the procurement of IT for state government.
- Prepare a biennial State Information Technology Plan.

"An Action Plan for Managing IT," the State Information Technology Plan for 2005-2007, describes a way of managing technology that would be new for state government, but one that is becoming widely accepted in both the public and private sectors. In the action plan, State CIO George Bakolia recommends that the state continue or begin seven initiatives:

- Consolidate common shared technical infrastructure and technical. services for greater savings and better operational performance
- Perform strategic planning for identifying best IT investments
- Manage projects for superior results
- Provide measurable, performance-based delivery of services
- Manage legacy applications (installed department business/program software) for reduced risks of failure and optimized life-cycle benefits and costs
- Develop a proficient and appropriately staffed IT workforce
- Sustain the Information Technology Fund

The Information Technology Fund

The General Assembly in 2004 created the Information Technology Fund to help the State CIO address statewide IT needs, such as planning, security and project management. By statute, the Legislature authorizes transfers or other credits to the fund and appropriates money from the fund.

For the 2004-2005 fiscal year, the Legislature directed the State Controller to transfer $7.5 million into the fund from the Office of Information Technology Services' year-end credit balance.

Of the $7.5 million, the General Assembly appropriated $2.7 million to the State Controller to begin implementing the recommendations of the statewide Business Infrastructure Study. That study found that state government's core business systems, such as payroll and human resources, are inefficient and need replacement.

The General Assembly appropriated $4.8 million from the fund to the Office of Information Technology Services.

ITS Information Technology Fund Appropriation
FY 2004-2005 (in millions)

Security Assessment and Remediation	$3.0
Project Management Office Expansion	.6
Legacy Systems Study	1.0
Legal Services	.1
ITS Management Staff	.1
Total	$4.8

The appropriations were used to provide state agencies with training and software to help them improve IT security, one of the needs identified by a security assessment completed in 2004.

Fund proceeds also were used to complete the first phase of a study of the state's legacy systems—computer applications that perform a critical business function. The State CIO also hired additional staff to provide project management assistance to state agencies, as required by statute, and improved the legal review of IT contracts.

The State CIO and the Office of Information Technology Services (ITS)

As the head of the Office of Information Technology Services, the State CIO provides advice to the Governor and the Executive Cabinet on enterprise level technical trends and services. Second, he performs an operational role in that ITS provides telecommunications, computing infrastructure and other technology services, including policy development, planning and technical architecture for government clients.

The agency could grow significantly over the next few years as a result of infrastructure consolidation and new demands for services. The General Assembly last year directed state agencies to examine their IT infrastructure, including expenditures and management functions, and identify IT functions that could be performed more economically through a statewide approach. Those studies are being compiled now.

By January 1, 2006, the Office of State Budget and Management, in conjunction with the State CIO and State Controller, must develop a plan to consolidate information technology infrastructure, staffing and expenditures. The proposal must recommend consolidation where it would be more economical, while still considering agency-specific program needs.

Any growth at ITS should not require significant new spending, but come from a better use of the dollars now spent on information technology. Long-term savings from consolidation should be directed toward improving the state's IT infrastructure, new technology needs and maintenance and replacement of legacy systems.

ITS Organization

The Office of Information Technology Services generally falls into three broad areas, based on their responsibilities.

One area has more of a statewide focus. It consists of Enterprise Technology Strategies, the Statewide IT Procurement Office and the ITS Security Office.

The second broad area handles the operations and consists of Computing Services, Telecommunications Services, Enterprise Solutions, and Customer and Public Relationship Management.

The third area is administration, which consists primarily of Financial and Facility Services, Personnel Services, and the State CIO and Deputy State CIO and their staffs.

ITS Budget Summary

The following table shows how the individual sections of ITS are supported financially (Budget in millions as of 12/31/04):

	Internal Service Fund	Information Technology Fund	Total Budget	Total Employees
Administration	$ 8.6	$1.3	$ 9.9	76
Computing Services	46.4	0	46.4	145
Customer and Public Relationship Management	2.5	0	2.5	31
Enterprise Solutions	4.0	0	4.0	26
Enterprise Technology Services	1.1	1.1	2.2	15
Security	5.9	2.9	8.8	15
Telecommunications	76.0	0	76.0	131
Total	$144.5	$5.3	$149.8	439*

* Total excludes three employees of the E-911 Wireless Fund

ITS Budgets by Cost Element

ITS Internal Service Fund Budget

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 31,178	$ 5,903	$ 80,313	$ 1,807	$ 550	$ 21,656	$ 3,119	$ 144,526

Information Technology Fund Budget

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 821	$ 2,510	$ 354	$ 169	$ -	$ 1,454	$ 25	$ 5,333

Wireless E-911 Fund Budget

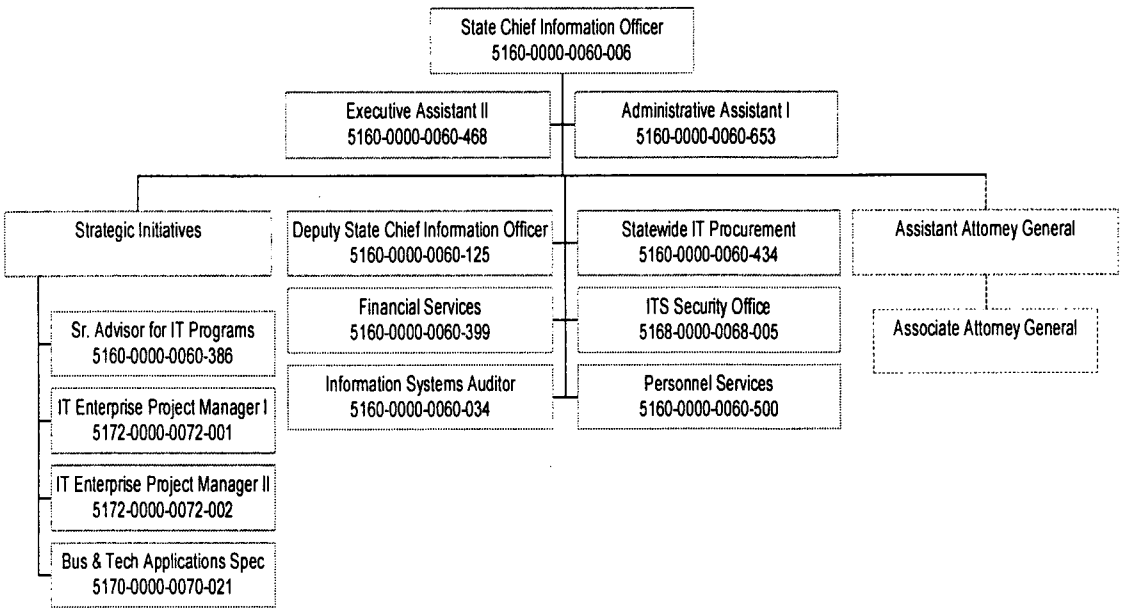
Thousands of Dollars

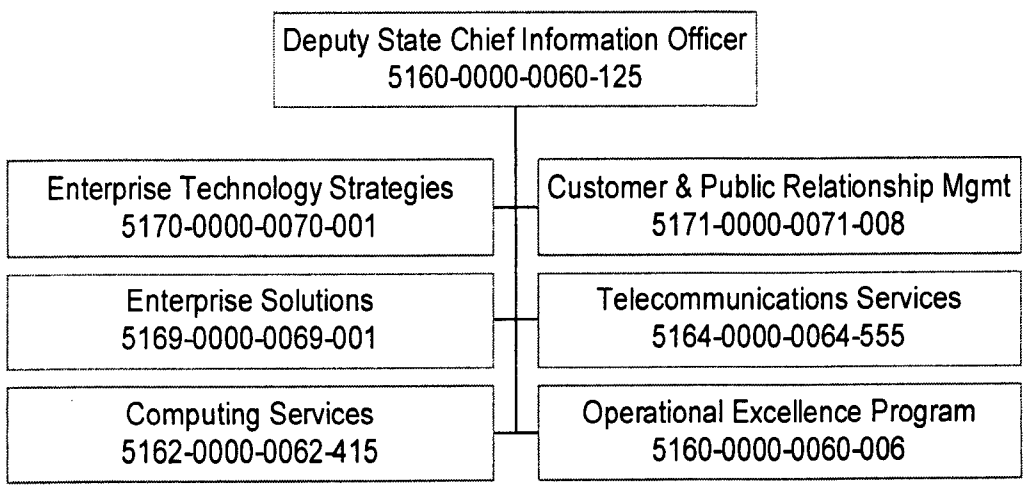
	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 185	$ 37	$ 87	$ 7	$ 6	$ 13	$ 47,241	$ 47,575

- Other Expenses Include Provision For Transfers To General Fund

*Note: The E-911 Fund is under a different Fund code and is managed separately by ITS.

ITS Executive Level Organization Charts





ITS Total Position Summary

The table below describes the position functions at ITS.

Position Count by Function	#	%
State Chief Information Officer	1	<1
Deputy State Chief Information Officer	1	<1
Executive	9	2%
Senior level management. Responsible for strategic direction of organization.		
Director	11	2.5%
Makes policy decisions that set overall direction for a division with several related work units. Understands technology used in operation, but detailed technical knowledge is not the primary focus of the role. Supervises other managers and rarely supervises non-management employees directly.		
Manager	29	6.6%
Sets and enforces operational standards for work unit. Manages non-management employees directly, rarely supervising other managers. Plans and manages all activities in work unit. Typically the subject matter expert for area supervised.		
Information Technology Project Manager	5	1.1%
Business & Technology Applications Technician	0	0
Develops program code or modifies programs based on technical specifications. Work includes testing, debugging or documenting software code.		
Business & Technology Applications Analyst	40	9.1%
Analyzes information needs of client and designs solution to meet user requirements. Work may involve application design or recommending / modifying a commercially available product. Solutions link technical knowledge with business solutions. Duties may include recommending hardware as well as software solutions.		
Business & Technology Applications Specialist	23	5.2%
Customizes vendor software products to support applications development. Requires application development experience and in-depth technical knowledge of product. May provide technical support of product to agency technical staff.		
Networking Technician	56	12.7%
Installs, configures or repairs network routers, lines and switches. Troubleshoots voice systems or network problems over the phone in a help desk environment.		
Networking Analyst	59	13.3%
Provides statewide network planning, maintenance and advanced level troubleshooting. Consults with clients to review business needs and recommend network designs for voice, video or data networks.		
Networking Specialist	40	9.1%

Position Count by Function	#	%
Designs network infrastructures and determines technical specifications for telecommunications equipment such as: · Voice systems · Wide Area Network (WAN) hardware · Video network hardware		
Operations & Systems Technician	29	6.6%
Operates mainframe computer and provides customer assistance to users of the computer system. Examples of work include: · Setting up and scheduling computer production jobs, · Setting up and monitoring equipment to produce reports. Troubleshooting calls from users experiencing difficulties with connections to the computer or with the computer itself.		
Operations & Systems Analyst	12	2.7%
Tunes existing functions within computer operating system. Troubleshoots advanced operational problems and determines if changes or enhancements to operating systems or utilities are required. Installs operating systems software updates or new utilities.		
Operations & Systems Specialist	38	8.6%
Creates utilities to improve computer user functions and monitors the performance, space, and workload of the mainframe or client/server computer systems. Customizes interfaces between software and systems to achieve optimal performance.		
Support Services	89	20.1%
Performs administrative or other support functions for the organization. Types of work include: • Operator • Housekeeping • Office Assistant • Security Guard • Personnel • Accounting Clerk • Financial Analyst/Accountant • Purchasing and Procurement		
Total Positions	442	100.0%

*Note: This includes three (3) Wireless E-911 Staff

ITS Divisions, Organization and Budgets

The remainder of this document describes each organizational unit within ITS, broken down into the three broad areas: statewide responsibilities, operations and administration. Budget and organizational charts are provided for each unit, including the funding source (IT Fund, Internal Service Fund, or both).

ITS uses the Information Technology Fund to manage specific, statewide initiatives within ITS organizational areas.

Statewide Responsibilities

Enterprise Technology Strategies

The Enterprise Technology Strategies (ETS) Section provides strategic technology leadership and policy development for state government. It does this through the Statewide Technical Architecture, administration of the Project Approval and Quality Assurance Program, research and assessment of new and emerging technologies, and participation in the facilitation and direction of statewide technology strategies. ETS has two primary roles:

TECHNOLOGY AND STRATEGY (INTERNAL SERVICES FUND):

- Technical consulting, advice and assistance
- Appropriate use and implementation of new and emerging technologies
- Application and implementation of the Statewide Technical Architecture and Strategies
- Other statewide technology infrastructure and initiatives as defined and proposed by the State CIO in conjunction with the leadership in the agencies

PROJECT OVERSIGHT AND PROJECT MANAGEMENT ASSISTANCE (IT FUND):

- Statewide project management assistance and quality assurance on projects with more than a $500,000 lifecycle cost.
- Build IT project management discipline within the state to improve agency expectations
- Manage the statewide approval project reporting process and status reporting process
- Assistance with best practices, tools, and techniques
- Assistance with project problem root cause analysis

ENTERPRISE TECHNOLOGY STRATEGIES' BUDGET

Enterprise Technology Strategies - Technology and Strategy is funded through a subscription charged to agency clients based on agency total prior year ITS billings. The Enterprise Program Management Office Project Oversight and Project Management Assistance are funded through the IT Fund program management budget.

ETS INTERNAL SERVICES FUND BUDGET

Thousands of Dollars

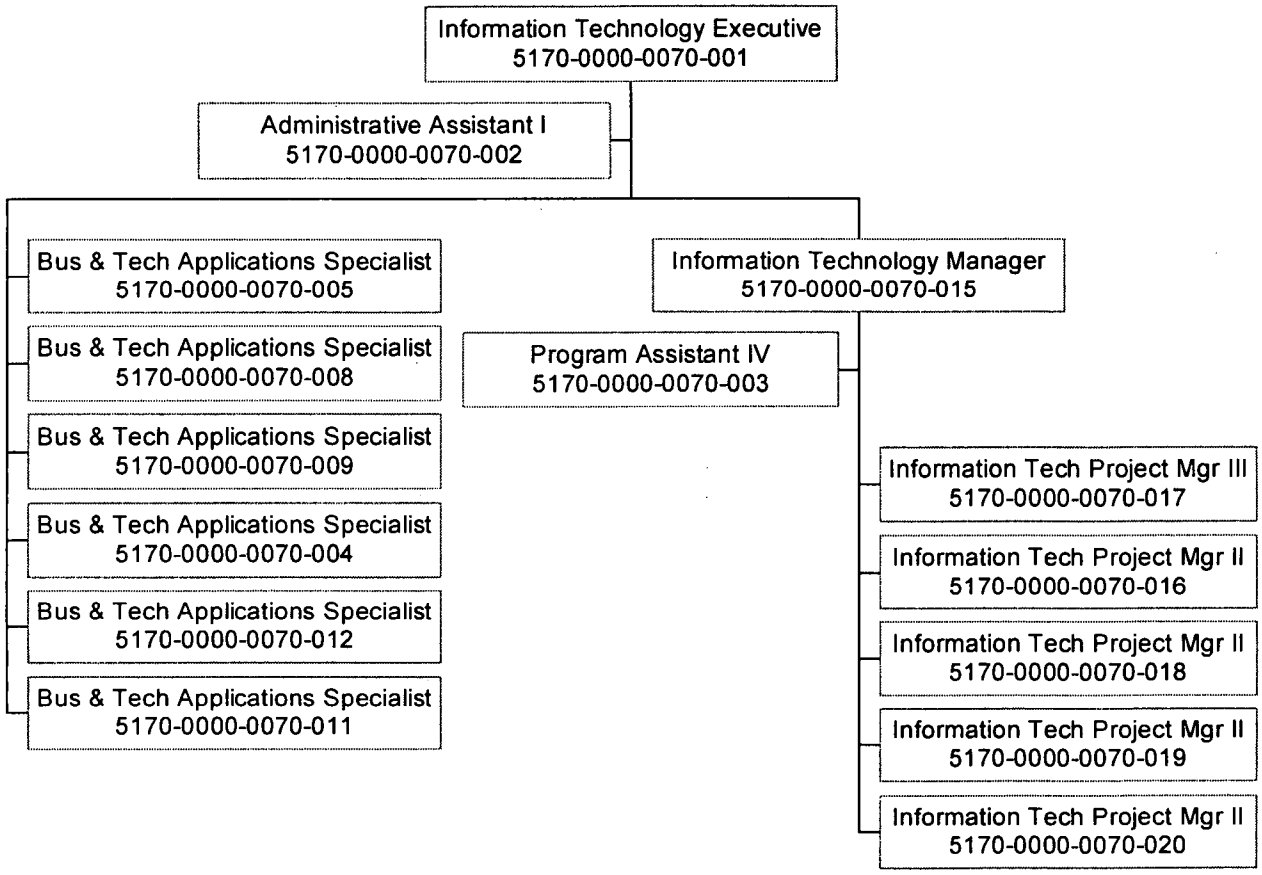
	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 784	$ 145	$ 83	$ 7	$ -	$ 5	$ 79	$ 1,103

ETS PROJECT MANAGEMENT - IT FUND BUDGET

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 644	$ 249	$ 52	$ 2	$ -	$ 154	$ 6	$ 1,10

ENTERPRISE TECHNOLOGY STRATEGIES ORGANIZATION CHART



Enterprise Technology Strategies consists of 15 positions, 3.4% of the total.

Information Security Office

The ITS Information Security Office (ISO) oversees a comprehensive program that addresses information security, risk management and business continuity management. The ISO program supports ITS efforts to provide a secure and sustainable operational environment for ITS clients. The program works with executive branch agencies to help them comply with the statewide technical security architecture, security policies, industry best practices, and legal and regulatory requirements. ISO sets security standards for executive branch agencies and assesses those agencies' compliance with information security policies and standards as directed by the State CIO.

The ISO provides the services listed below:

SITE SECURITY (INTERNAL SERVICE FUND)
- Access control management
- Security measures

IDENTITY AND ACCESS MANAGEMENT SERVICES NCID AND RACF (INTERNAL SERVICE FUND)
- Policy administration
- Consultation with agencies

STATE NETWORK SECURITY (INTERNAL SERVICE FUND)
- Incident prevention response, management and reporting
- Perimeter security compliance evaluation and reporting
- Virus protection oversight
- Intrusion detection oversight
- Internal and external audit preparation and response

RISK MANAGEMENT, BUSINESS CONTINUITY PLANNING AND DISASTER RECOVERY (BOTH FUNDS; ITS EFFORTS – INTERNAL SERVICE FUND; AGENCY EFFORTS – IT FUND)
- Business Impact Analysis
- Risk Analysis and Mitigation
- Business Continuity Planning
- Disaster Recovery Planning and Testing
- Vaulting Management

INFORMATION SECURITY SUPPORT FOR EXECUTIVE BRANCH AGENCIES (IT FUND)
- Information security policy development
- Information security standards development
- Compliance assessment with information security policies and standards

- Security procurement oversight
- Security liaison coordination
- Security project sponsorship and oversight
- Security portal management
- Forensics analysis and expert testimony
- Statewide risk management and mitigation
- Statewide IT business continuity management
- Consulting, advice and assistance to agencies
- Manage funded security initiatives to benefit executive branch agencies
    - Improve agency risk management and business continuity plans
    - Improve agency perimeter security through use of such technologies as firewalls and secure wireless modeling and deployment
    - Complete statewide security policy and standards manual based on ISO17799 security standard framework
    - Provide security training and awareness program for executive branch agencies
    - Develop approach to enterprise security licenses for products such as anti-virus and anti-spyware

HOMELAND SECURITY (INTERNAL SERVICE FUND)

- Provide the Governor's Terrorism Preparedness Task Force with cyber security expertise
- Operate the NC Multistate Information Sharing and Analysis Center (MSISAC), coordinating cyber security incident warning, management and response efforts with other states and the federal Department of Homeland Security.
- Work with other states and the federal government on initiatives through the National Association of State Chief Information Officers (NASCIO).

Cyber Security Incidents Reported to ITS Security Office by Year:	
2000	122
2001	550
2002	470
2003	701
2004	299*

*NOTE: The reduction in cyber-security incidents in 2004 was caused by several factors including increased user awareness of security requirements, improved virus protection on e-mail services, and additional network controls. The reduction in North Carolina state government incidents is comparable to national trends.

SECURITY OFFICE BUDGET

The ITS Security Office is partially funded through ITS receipts in the form of subscription fees charged to agency clients based on a combination of their usage of ITS network and computing services. ISO also manages statewide

security initiatives funded by the enterprise fund created to help executive branch agencies improve their information security posture. There is also an IT Fund component for Security Remediation.

ISO INTERNAL SERVICES FUND

Thousands of Dollars

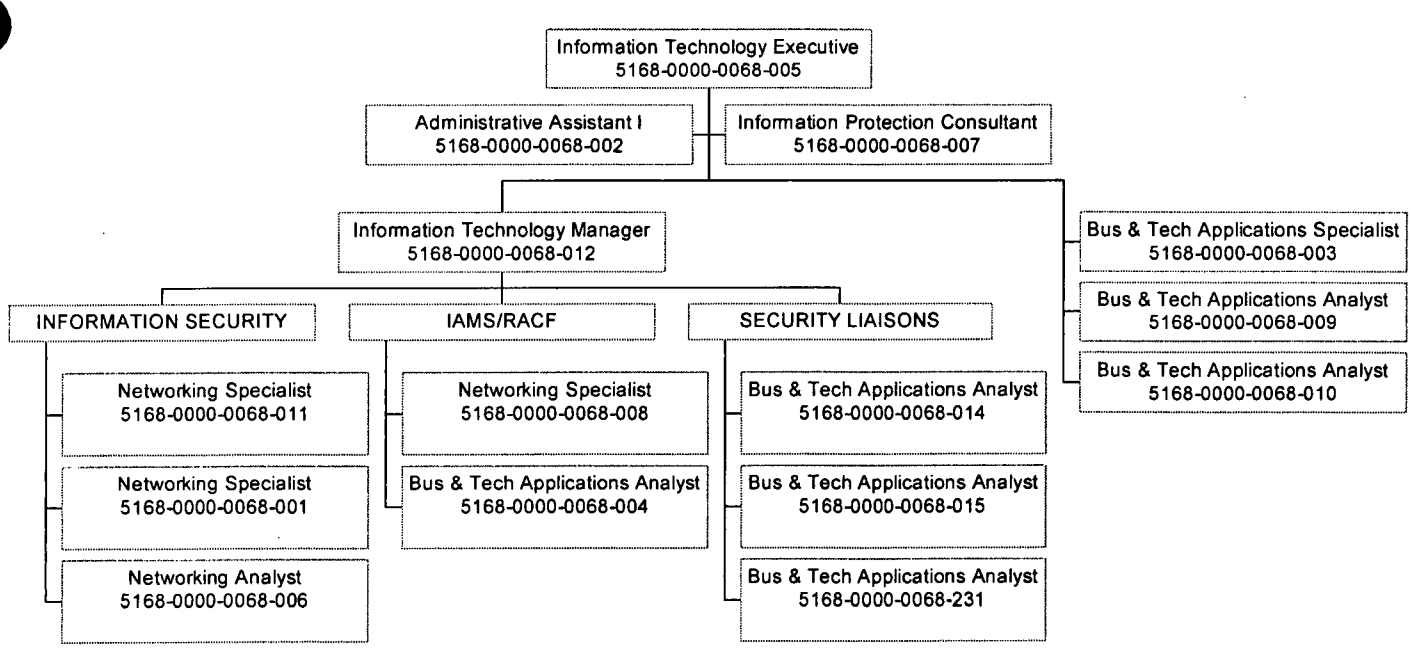
	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 1,334	$ 556	$ 3,276	$ 57	$ 10	$ 637	$ 49	$ 5,919

SECURITY REMEDIATION BUDGET – IT FUND

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ -	$ 1,102	$ 298	$ 167	$ -	$ 1,300	$ 20	$ 2,886

SECURITY OFFICE ORGANIZATION CHART



The ITS Security Office consists of 15 positions, 3.4% of the total.

Statewide IT Procurement

The Statewide IT Procurement Office is responsible for the oversight of information technology procurements and contracting for state agencies including the following major responsibilities:

- Conduct state agency procurements to support the IT and telecommunications needs of the State.
- Provide procurement expertise and contracting assistance for state agencies and institutions procuring IT and telecommunications goods and services.
- Conduct statewide procurements to leverage the state's buying power based on the aggregated demand of all state agencies for information technology goods and services.
- Advertise, award and maintain statewide term contracts for the purchase of IT and telecommunications goods and services.
- Provide oversight of enterprise contracts.
- Provide advice to state agencies regarding procurement strategies and contract management.
- Provide technical assistance and formal training on IT procurement and contract management.
- Invite and promote access and participation of small, minority- and women-owned businesses.
- Ensure compliance with requirements of procurement law and regulation for information technology including project approval and contract management.

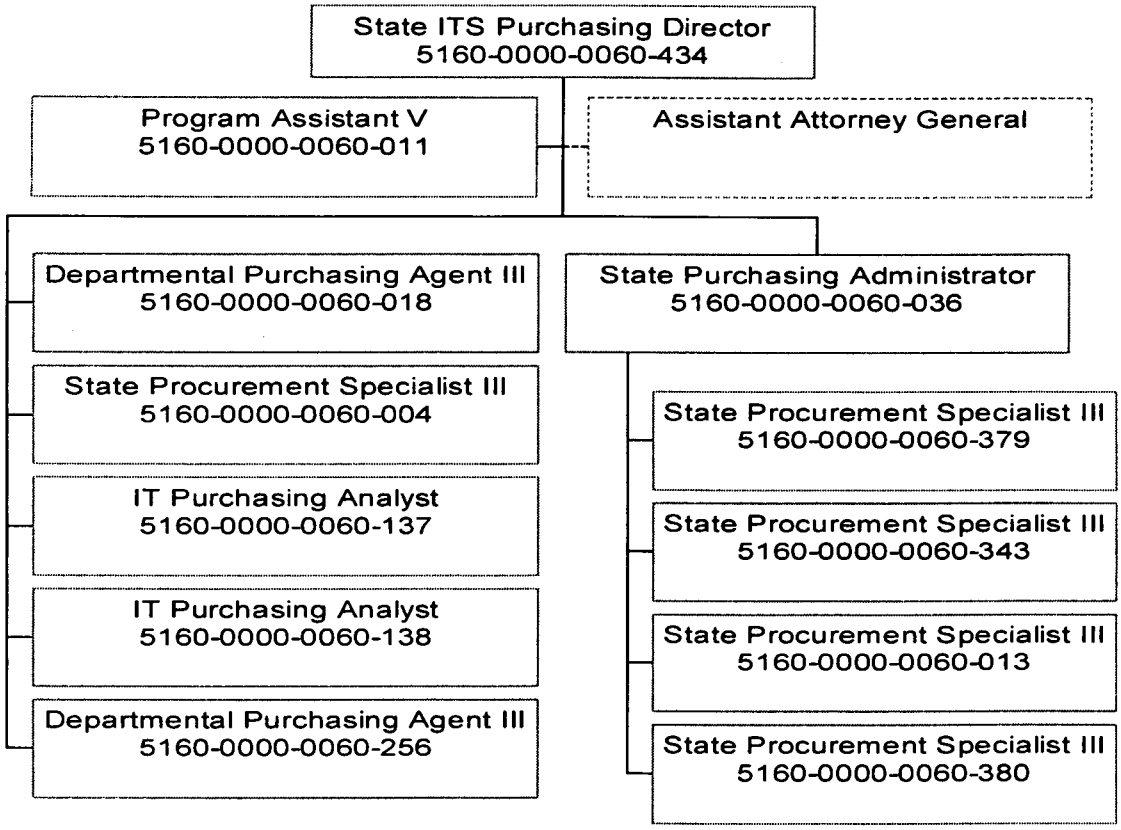
Statewide IT Procurement

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 744	$ 62	$ 128	$ 7	$ 10	$ -	$ 8	$ 960

NOTE: THE STATEWIDE IT PROCUREMENT BUDGET IS INCLUDED IN THE ADMINISTRATION - INTERNAL SERVICES FUND BUDGET SHOWN ON PAGES 8 & 46.

STATEWIDE IT PROCUREMENT OFFICE ORGANIZATION CHART



Statewide IT Procurement consists of 12 positions, 2.7% of the total.

Note: The Statewide IT Procurement Office is primarily funded through fees charged on ITS management of the services contracts. The position of Assistant Attorney General is funded from the IT Fund and is not part of the ITS headcount. The employee is a Department of Justice employee, assigned to the Statewide IT Procurement Office to assist with legal issues on contracts and procurements. The office's budget is included in the Administration budget.

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ITS Operational Divisions

The ITS Operational Divisions are responsible for providing services to government entities within the state. Their funding is exclusively through the Internal Services Fund.

ITS Management Approach

- OPERATIONAL EXCELLENCE INITIATIVE

ITS is implementing a new business/IT strategy and an Operational Excellence program that is based on an internationally recognized set of principles called the IT Infrastructure Library (ITIL). In addition, some short-term tactical initiatives will lead quickly to improved services for customers.

In the Operational Excellence program, ITS will initially focus on internal process improvements as well as relationships with its clients. This approach will enable ITS to provide excellent service through effective partnerships and clear commitments. This will be measured through quantifiable analysis and visible results. ITS will:

- Support and enable a federated service delivery model via shared services and best practices;
- Improve customer service and IT service management processes via a continuous service improvement program;
- Apply proven, industry standard framework for core IT processes; and,
- Establish metrics, benchmarks and service levels.

Concurrently, the agency is improving its existing services and evaluating the creation of new services based on customer's defined needs. Potential new services include: document management, expansion of the help desk and the introduction of an enterprise data warehouse service.

- ITS BUSINESS MODEL

ITS (then SIPS) was established in the early 1980s to provide technology related goods and services statewide services at less cost than if each agency provided its own. The agency has an annual budget of approximately $150 million and 442 employees.

The General Assembly created ITS as an internal service organization. As such, the agency derives most of its budget from fees and subscription charges to its customers, primarily government agencies. Until the creation of the Information

Technology Fund in 2004, ITS received almost no direct general fund appropriations.

Rates for ITS services are calculated based on estimated costs divided by projected usage. They are approved annually by the Office of State Budget and Management and may be adjusted in the interim, based on changes in cost or usage. The budget office also approves the ITS budget, excluding appropriations from the Information Technology Fund, which are approved by the Legislature.

By statute, ITS must develop an annual budget for review and approval by the Budget Office before April 1. All ITS revenues for services are from receipts and most are based on usage. Therefore, fluctuation in revenues and expenditures occurs along with usage fluctuations.

In addition to the review by the Office of State Budget and Management, ITS submits quarterly financial reports to the General Assembly's Fiscal Research Division regarding cash balances, expenditures, anticipated expenses and revenues, and status of any personnel changes. The same report will be given to the Joint Legislative Oversight Committee on Information Technology when it is re-established.

Authorized ITS Budget 2004-2005 (as of 12/31/04)

	Amount (In Millions)	Percentage of total
Internal Service Fund (Revenue from fees, subscriptions, other)	$144.5	96.5%
Information Technology Fund (Appropriated by the General Assembly)	5.3*	3.5%
Total	$149.8	100.0%

*Original appropriation plus transfer of salaries and benefits for 5 positions from ITS Internal Service Fund to provide project management assistance, as approved by the State Budget Office

ITS is managed in the same general manner as a commercial enterprise in the private sector, although the employees of ITS are state employees and ITS must follow the general regulations that apply to state agencies in terms of travel, training, procurement, personnel, etc. The economic model and business practices mean that ITS must:

- Serve a useful purpose – by providing products and services that are helpful to and desired by its customers in meeting the service demands of their constituents (public and private citizens).
- Employ a viable business model—by offering satisfactory quality, reliability, and pricing of goods and services and establishing relationships that are credible and trustworthy so that long-term economic vitality can be maintained.

To remain as a fiscally healthy organization, ITS must offer timely and quality services at competitive rates. It does this by:

- Employing economies of scale that spread fixed expenses of infrastructure over combined transactions so the unit costs are lowered.
- Aggregating purchasing demand to obtain maximum volume discounts.
- Leveraging scarce and expensive technical personnel, hardware and software resources so these are available at the lowest costs to all customers.

- INTERNAL SERVICES FUND MANAGEMENT

The key financial objective of ITS for its internal services fund is to operate at a break-even level using cash-based accounting, while maintaining a year-end cash reserve of not more than 60 days operating expenses.

ITS receives no direct federal funding at the present time, but ITS customers use federal funds and grants to pay their ITS Computing Services and Telecommunications Services monthly invoices. Because of this funding source, the ITS Internal Services Fund operates under the guidelines of federal OMB Circular A-87, which allows for a 60 day-cash balance (working capital reserve) as measured annually at the end of the fiscal year.

The federal 60-day guideline allows the ITS Internal Service Fund to have a cash balance on June 30, equal to or less than two times the average monthly expenses for the applicable fiscal year. For example, in Fiscal Year 2003-2004, ITS spent approximately $137 million. This translates to an allowable cash balance on June 30, 2004, of $22.8 million. The A-87 rule is significant to state government because the federally provided portion of the excess cash balances has to be refunded to the federal government as does excess cash in individual service areas.

- FEDERAL AUDIT REQUIREMENTS

As a state agency and because agencies use federal funds to pay some of their ITS bills, ITS is subject to both state and federal audits. Based on the A-87 rules,

any non-operating transfers made from the ITS Internal Service Fund to the General Fund have been ruled as non-allowable costs, and ITS is liable to pay the federal government at least 20% of the funds diverted.

ITS strives to show a break-even position at the end of the fiscal year. Due to an uneven pattern of expenditures driven by a significant number of annual maintenance renewal payments due on June 30, ITS expenditures are significantly higher in the 4th quarter of the fiscal year. Revenue streams from the customer base tend to be more evenly spread throughout the year.

- ITS BILLINGS AND COLLECTIONS

Telecommunications, Computing Services, and Enterprise Solutions charges are billed monthly via ITS billing systems, much like a power or water bill charged to a home or office. Monthly billings are transmitted electronically (or mailed to those customers requesting a paper copy of the bill) to more than 1,200 customers, including state agencies, community colleges, universities, local governments, school districts, and private businesses.

Customers are expected to pay their bills within 45 days. If a bill is not paid on a timely basis, ITS Fiscal staff contacts the customer. Failure to receive payment within 30 days after the contact prompts a letter from the Accounting Manager, and the escalation process can continue to the desk of the State CIO or as otherwise provided by statute.

While most agencies pay their bills in a reasonable manner, several ITS customers are on payment plans. But ITS has significantly reduced the total amount owed to the agency.

The accounts receivable balance totaled $13.7 million as of January 31, 2005, down from $15.2 million on June 30, 2003.

Accounts Receivable are tracked by agency on a monthly basis. During the past 13 months, the highest balance was $14.7 million on January 31, 2004. The total fluctuated by up to $5 million each month.

Divisions

Telecommunications Services

ITS Telecommunications Services plans, provides, manages, and maintains the state's extensive array of data, voice and video telecommunications systems and services. The customer base includes state agencies, universities, community colleges, cities and counties, as well as K-12 school systems. Customers receive consultative and planning support for determining and applying the best technology in attaining their program goals. TS also provides the resources to manage the implementation of voice, video and data systems as well as manage the daily operation of systems. The state's buying power is leveraged in the competitive establishment of efficient and effective systems and services for universal delivery throughout the state. Telecommunications Services offerings fall in the categories of voice, video, and network and are described below:

NETWORK SERVICES

- Provide, operate, and manage wide area network data services, including Internet access
- Offer consulting and project management for wide area data networking
- Proactively monitor and report on the state's backbone network health and performance
- Provide, operate, and manage network security services, including Firewall services, VPN services, and Intrusion Detection services

VIDEO SERVICES

- Plan, manage, and operate a statewide-integrated video conferencing and distance learning network
- Consult on site design and equipment configurations
- Provide streaming video and web conferencing services

VOICE SERVICES

STRUCTURED CABLING SERVICES

- Develop and maintain the state's telecommunications wiring standards
- Engineer and design building, campus, and metro area physical layer networks
- Manage cabling contracts and contractors

Voice Consulting and Project Management

- Assess business requirements
- Consult on voice technologies

- Coordinate the development of complex voice telecommunications technology recommendations for systems such as PBXs and enterprise call centers
- Provide assessments of the technical & financial implications of implementing systems
- Manage the implementations of voice systems and services

Voice Operations

- Operate, maintain, and repair enterprise voice systems
- Provision TS services
- Bill TS services
- Audit Vendor Bills

Engineering and Planning

- Proactively assess emerging network technologies and devise strategies to effectively use these technologies to improve efficiencies or reduce cost
- Plan and engineer an array of telecommunications services that support agencies
- Develop and manage the contracts that provide:
  - Wide area network data services
  - Long distance services
  - Toll free services
  - Centrex
  - PBX
  - Local Service
  - Enterprise Call Centers
  - Voice Response Units
  - Pagers
  - Cell Phones
  - Pay Phones
- Develop, provide, and manage contracts for the leveraged acquisition of telecommunications equipment
- Lifecycle management of TS data and voice services including budgets and rates
- Pre- and post-acquisition technical support

SCHOOL TECHNOLOGY TEAM

- Consulting, analysis, and planning
- Establish technology standards and guidelines
- Provide e-rate assistance to help local schools qualify for and draw down federal funds
- Review instructional technology plans

STATISTICS

VOICE
Provides approximately 150,000 telephones

VIDEO
Approximately 225 video conferencing locations at local schools, community colleges, universities, public health locations, and state government facilities

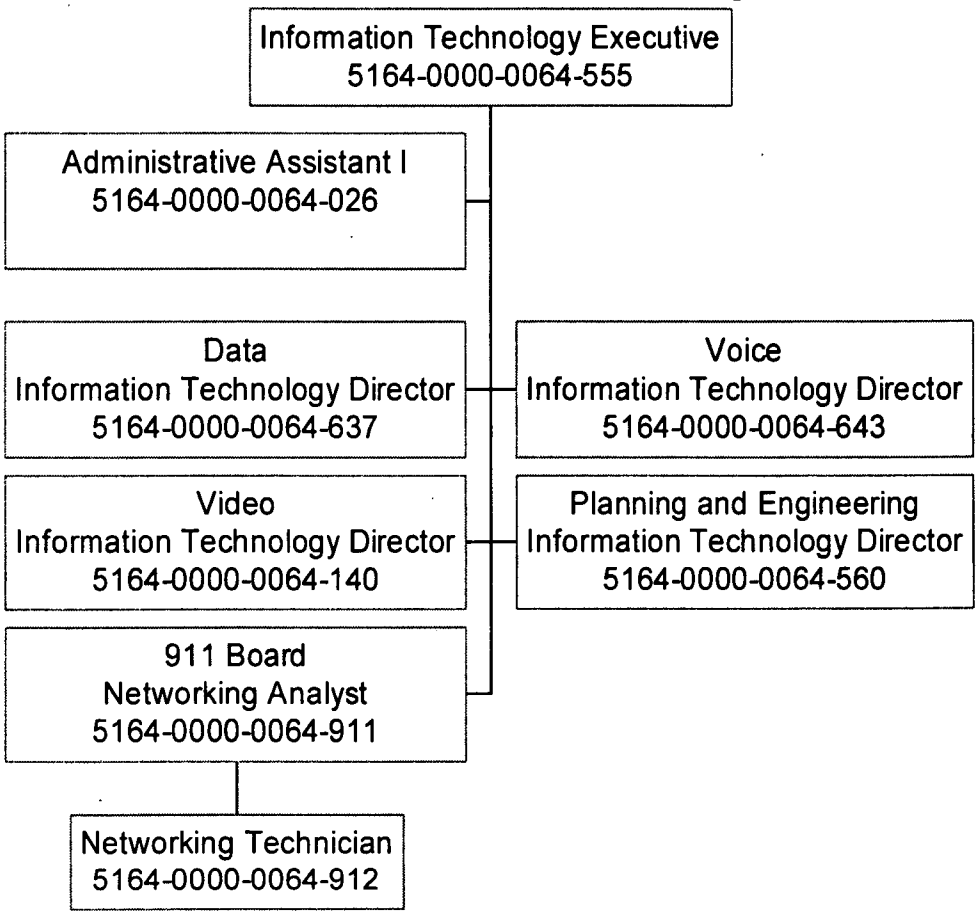
DATA
Provides network connectivity to more than 2,700 locations throughout the state

Telecommunications Services

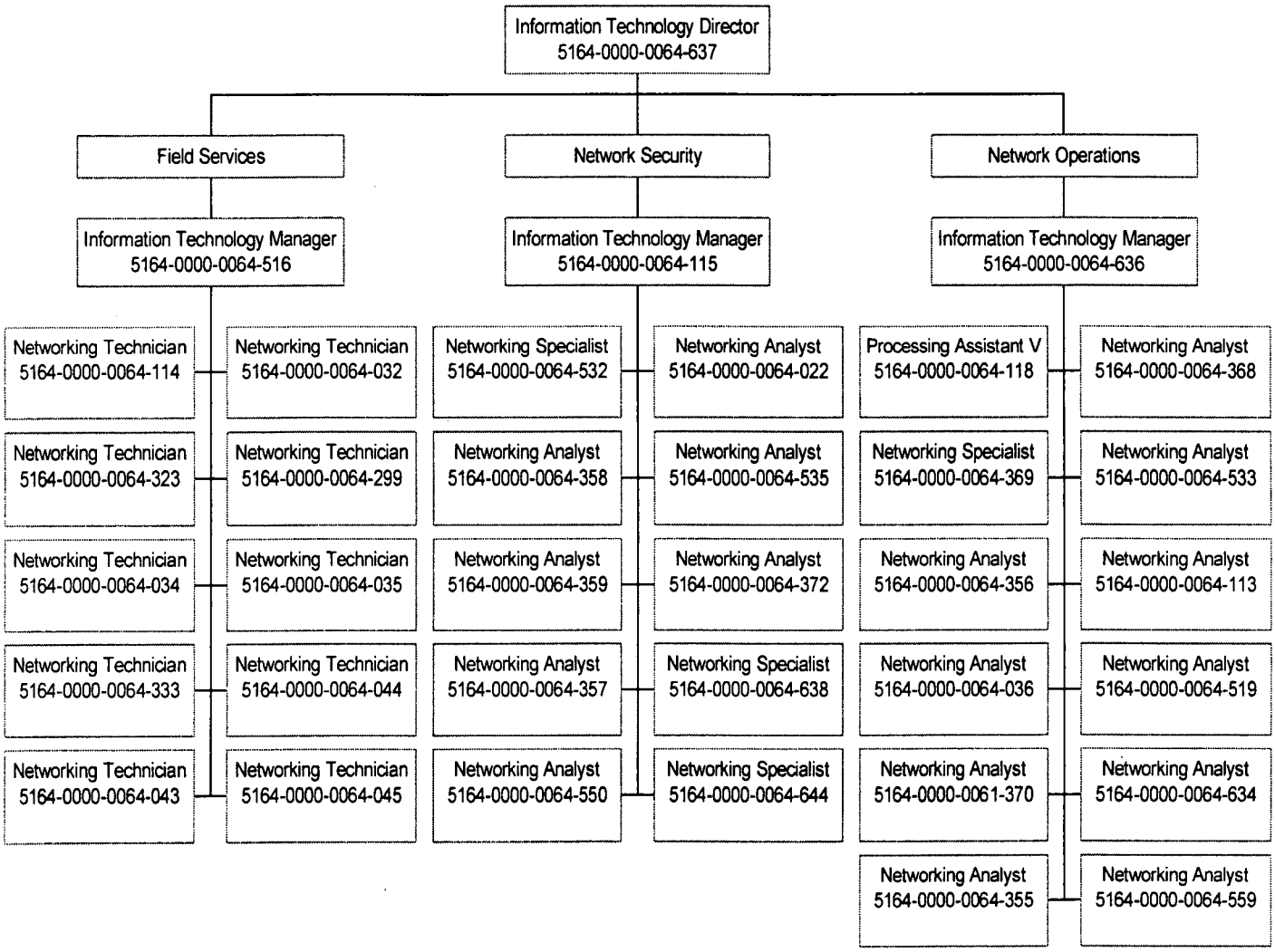
Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 9,314	$ 990	$ 56,526	$ 148	$ 42	$ 7,765	$ 1,214	$ 75,999

Telecommunications Services Organization Charts



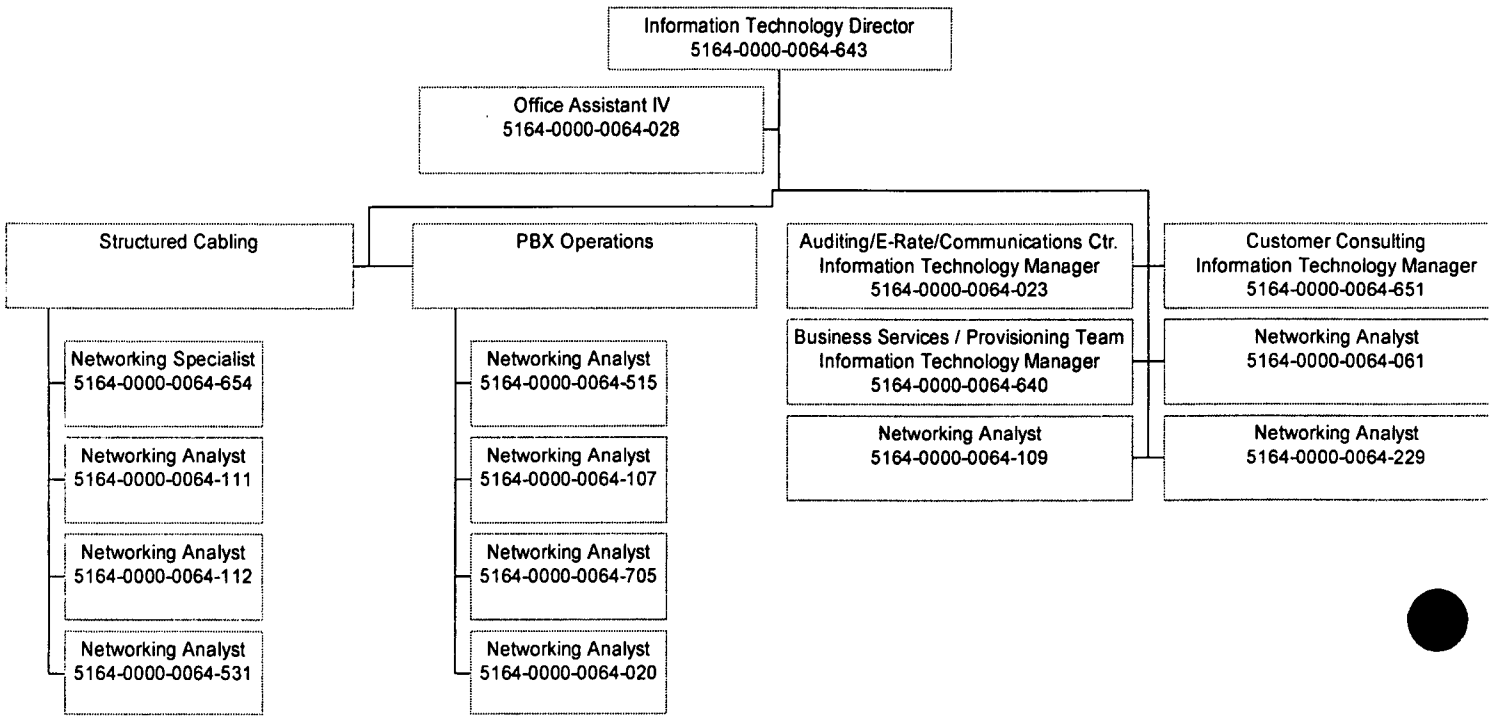
Data Network Services



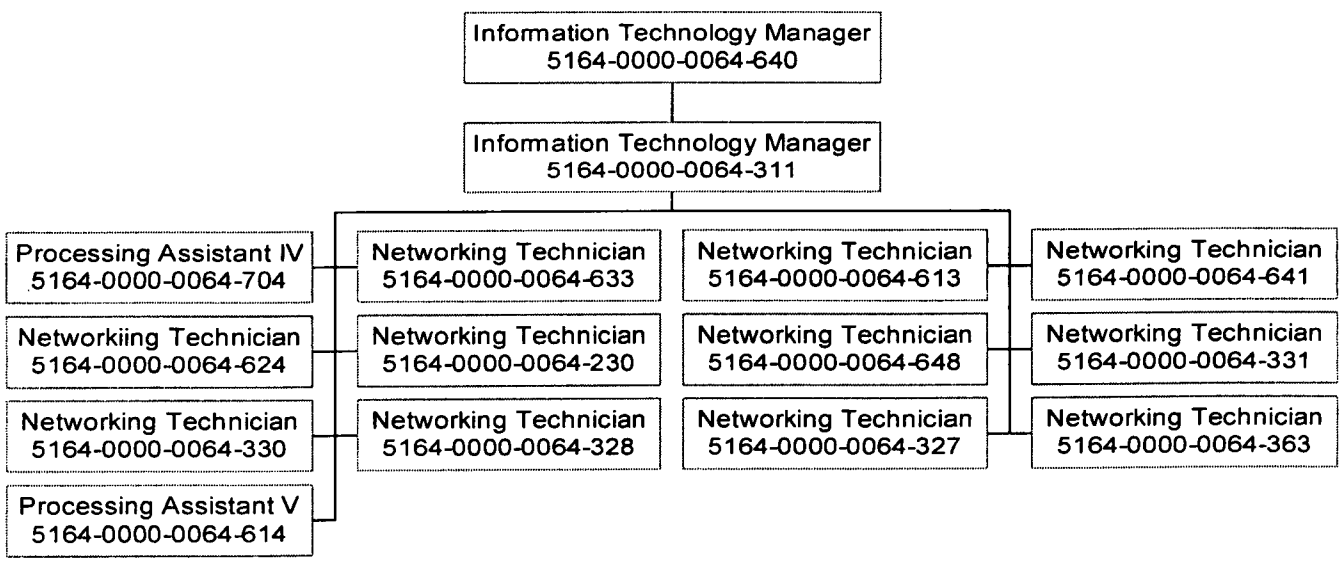
Voice –

NOTE: The five sub-units outlined below report to the same director:

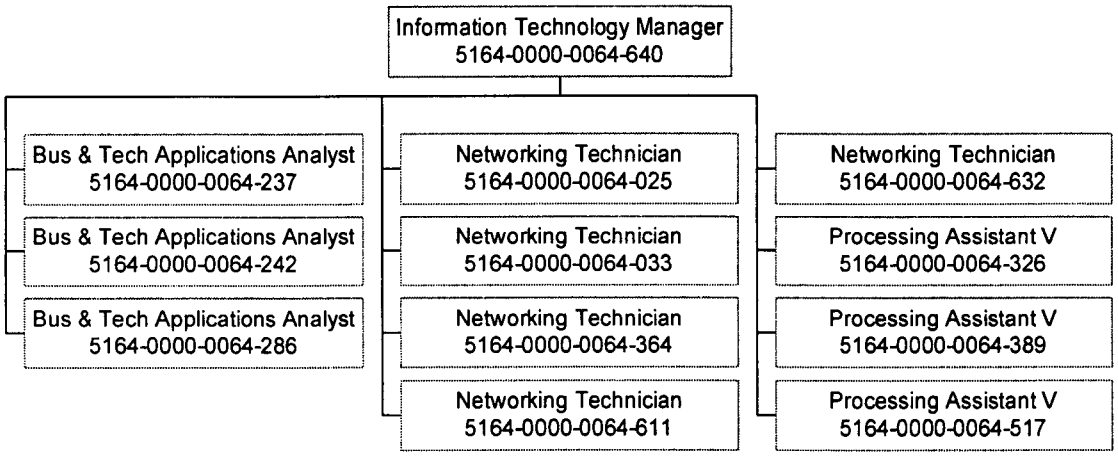
Voice Services Management



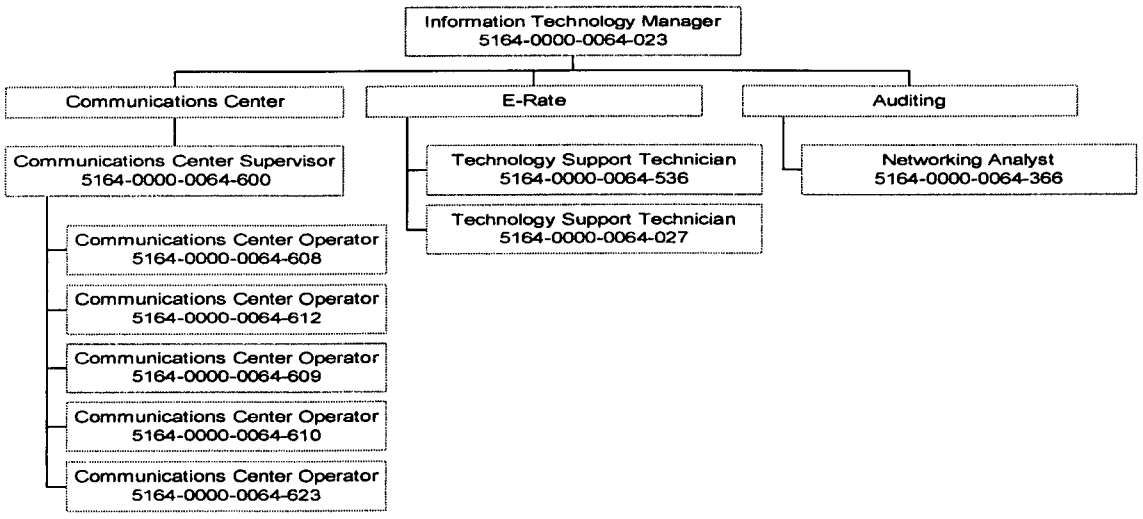
PROVISIONING TEAM



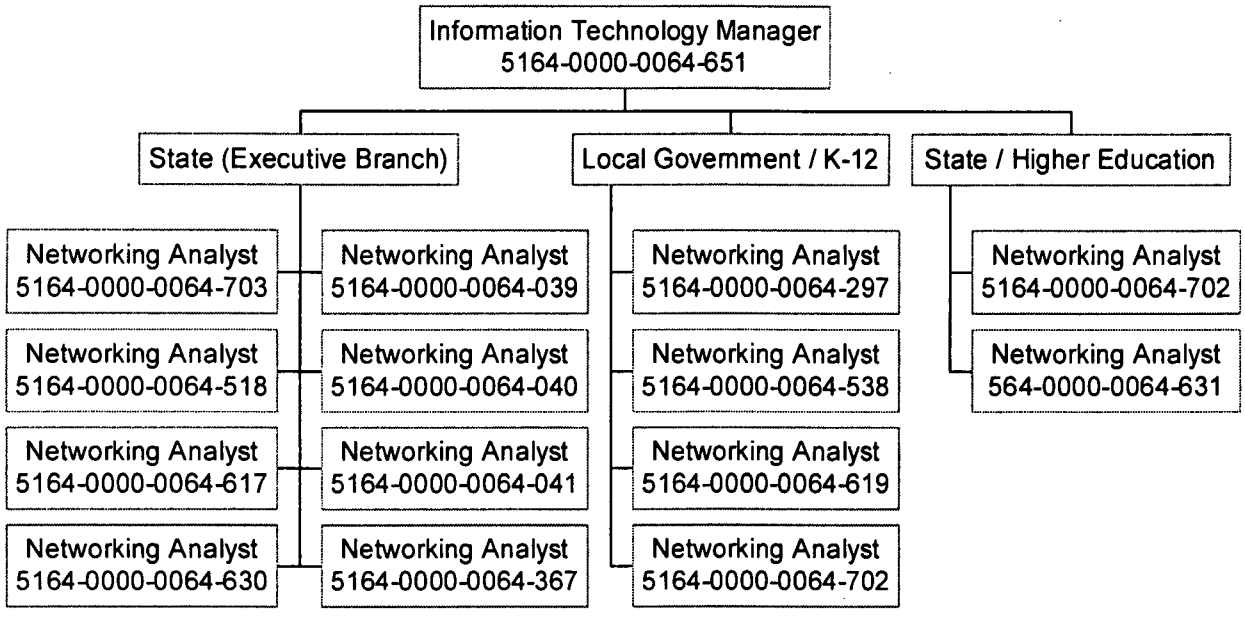
BUSINESS SERVICES



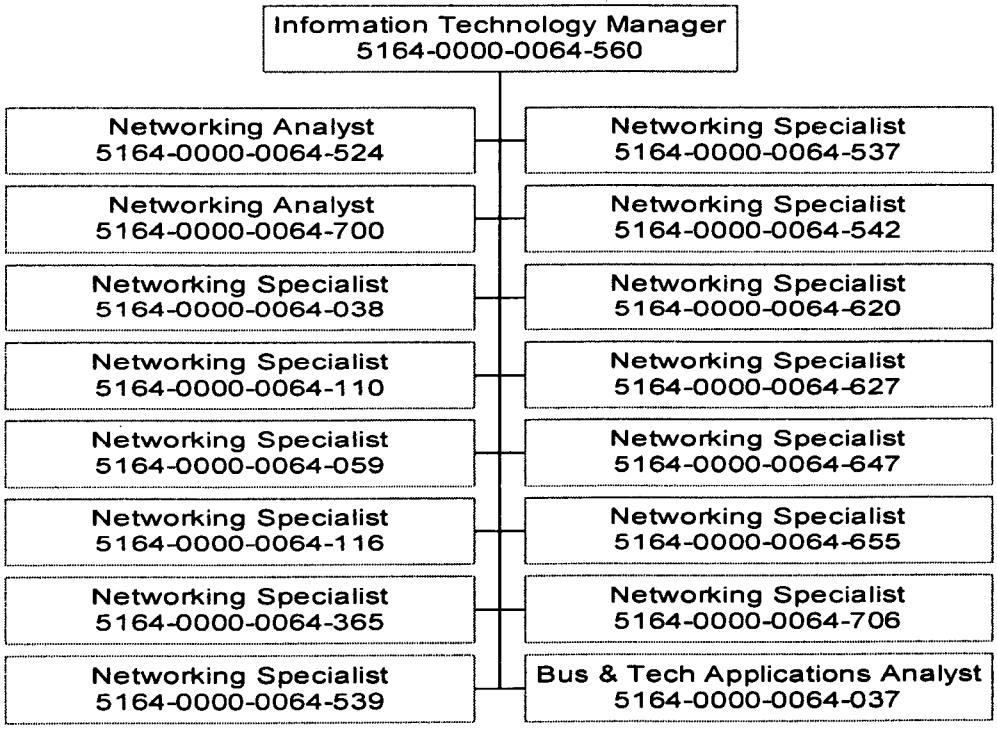
AUDITING/E-RATE/COMMUNICATIONS CENTER



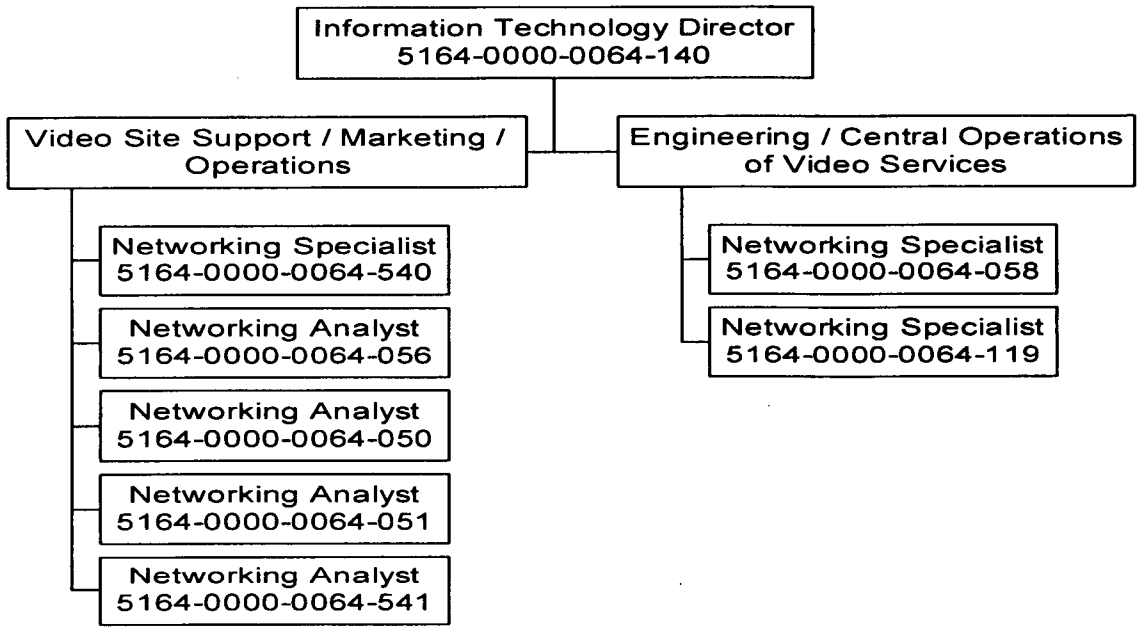
CUSTOMER CONSULTING



PLANNING AND ENGINEERING



VIDEO NETWORK SERVICES (FORMERLY NCIH)



TS consists of 131 positions, 29.8% of total staff.

Computing Services

ITS Computing Services (CS) manages the state's data center and provides hosting services. CS service offerings include:

COMPUTER OPERATIONS SUPPORT
- Mainframe Z/Operating Systems
- UNIX, Windows, and Linux
- Storage (Tape & DASD)
- Disaster Recovery
- Printing
- Automation

REMOTE LAN MANAGEMENT SUPPORT
- MaPS Servers
- Class-A Services
- Systems Integration

PLATFORM ENGINEERING
- Mainframe Z/OS Software
- UNIX Systems
- Linux
- Windows NT Server Systems
- Novell Netware Server Systems
- Shared Web Hosting
- Shared Database Services
- Storage Management (cross-platform)
- Infrastructure Management
- Identity Management Services

ONLINE SYSTEMS
- Data Base Administration
- Program Support
- Middleware
- Transaction systems
- Capacity & Performance Management
- Equipment Exploitation
- Cost Control/Reduction Assistance

SERVICE COORDINATION
- Administration and Billing
- Project Management
- Change Management

Hosting
Approximately 80,000 state and local staff use the ITS mainframe and servers.

Storage
ITS stores over 60 terabytes of agency data.

Transactions
Each year, state and local staff perform nearly 4 billion online transactions in order to provide citizen services.

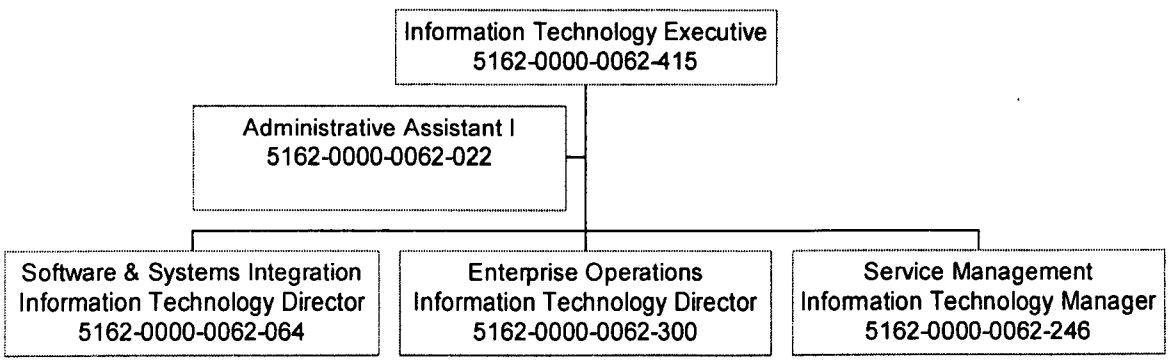
More than 5 million batch jobs are completed to process payments and other updates for citizen services.

Computing Services Budget

Thousands of Dollars

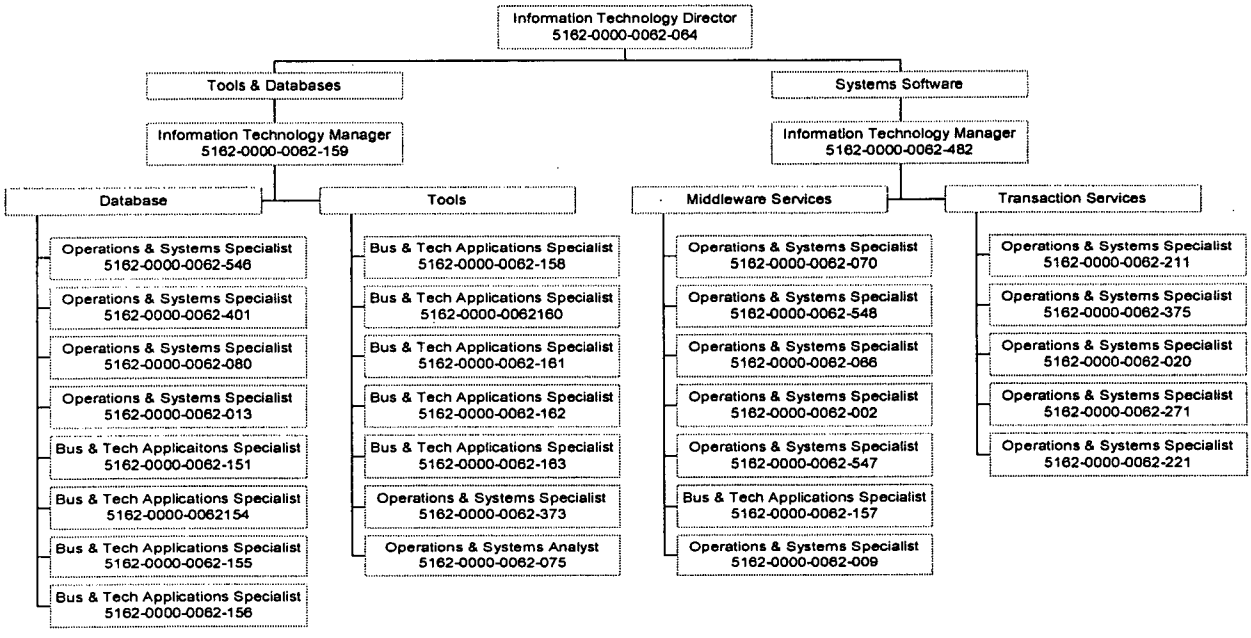
	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 11,343	$ 2,696	$ 17,374	$ 1,297	$ 33	$ 12,921	$ 696	$ 46,360

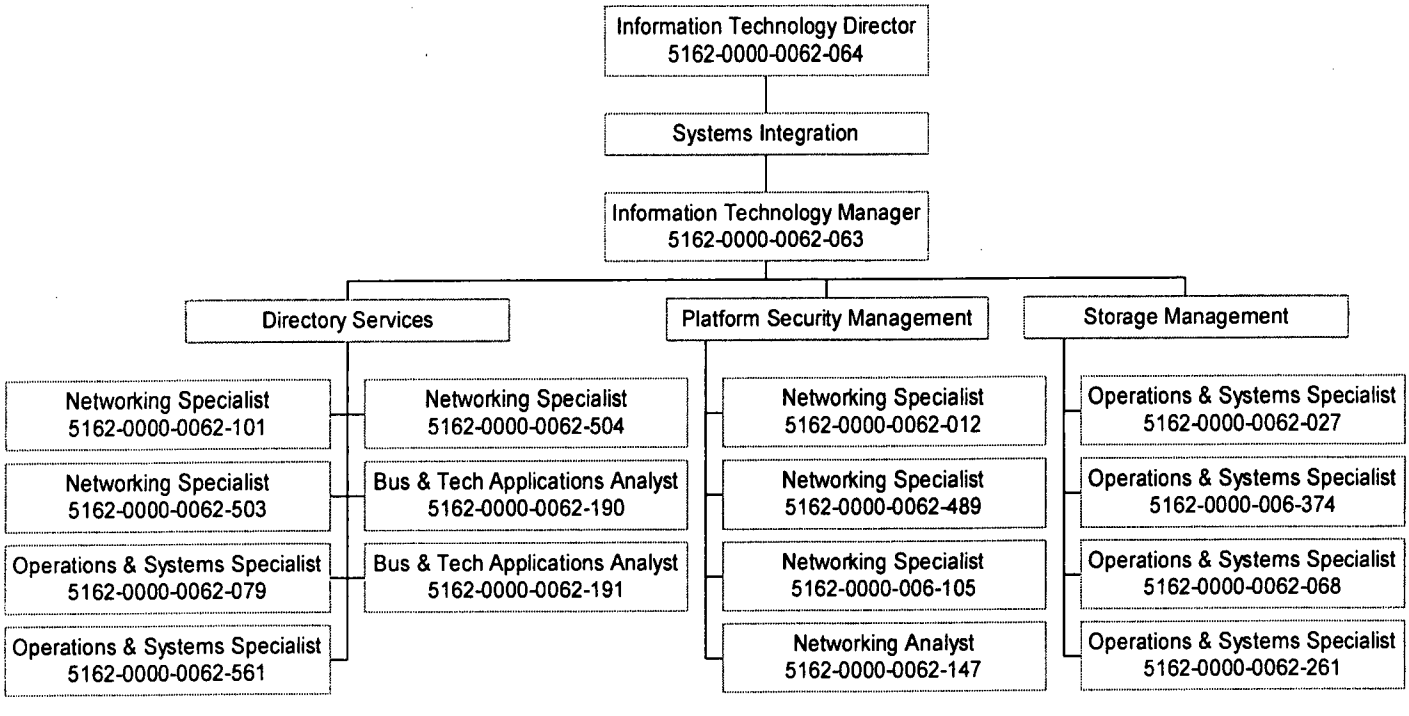
COMPUTING SERVICES ORGANIZATION CHARTS



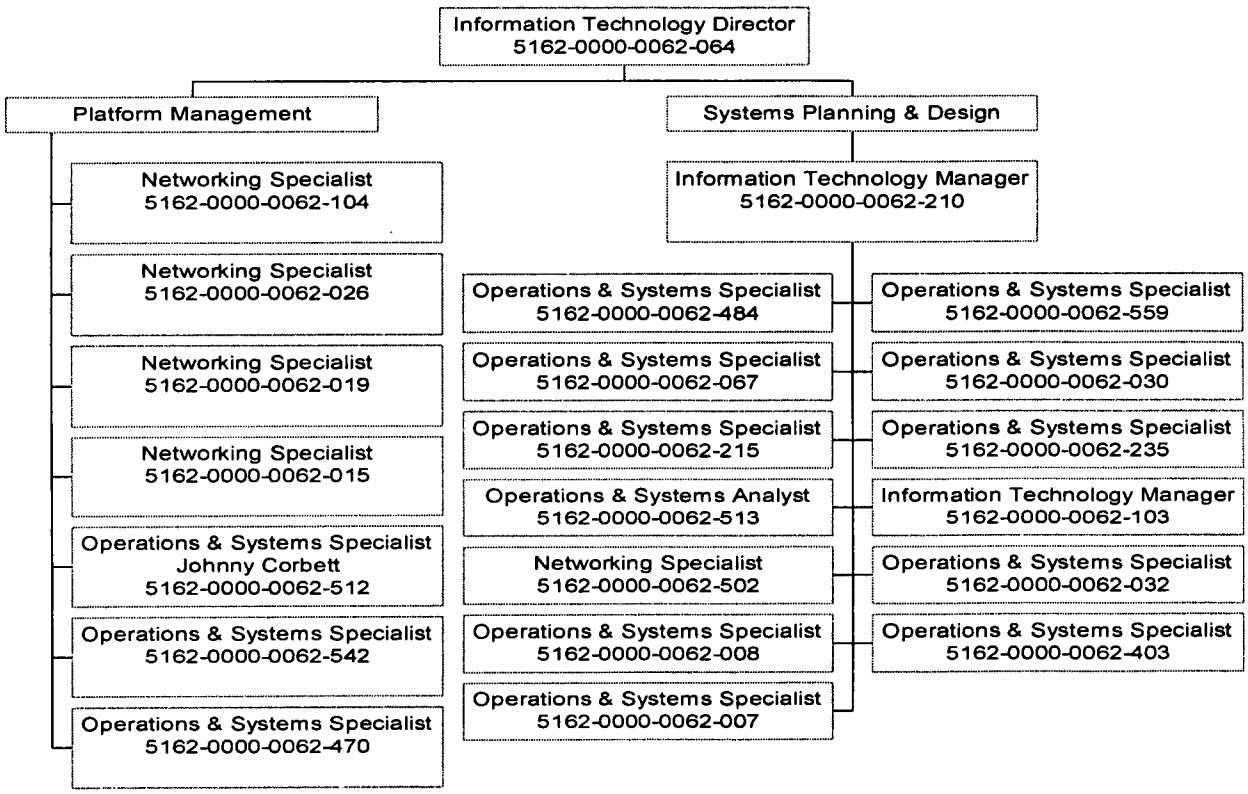
SOFTWARE & SYSTEMS INTEGRATION

NOTE: The three sub-units below report to the same Information Technology Manager.



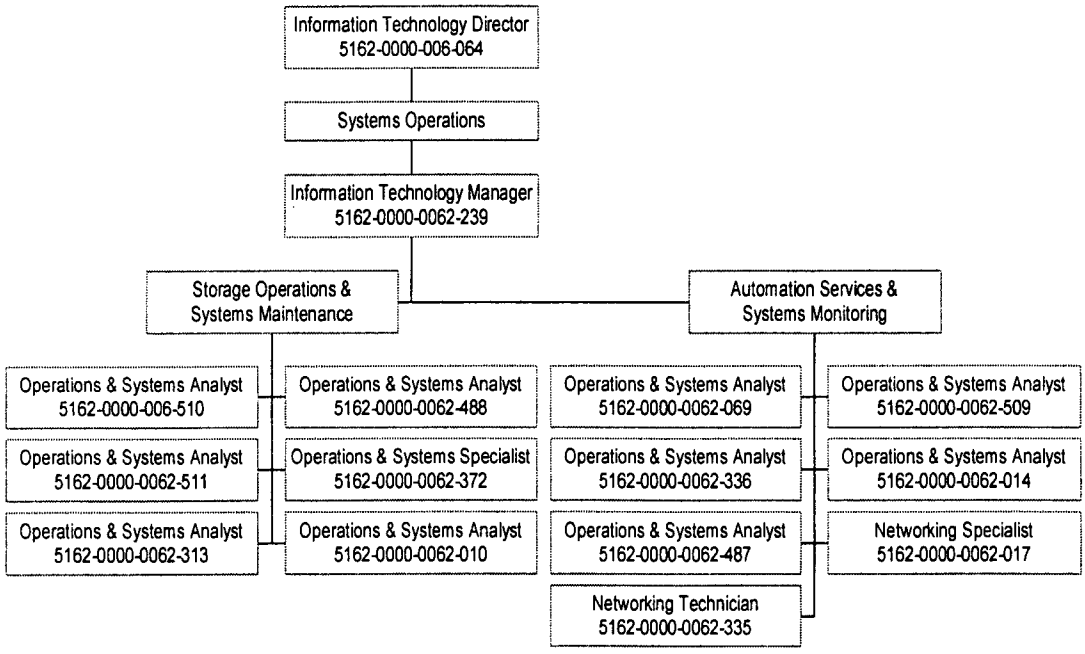


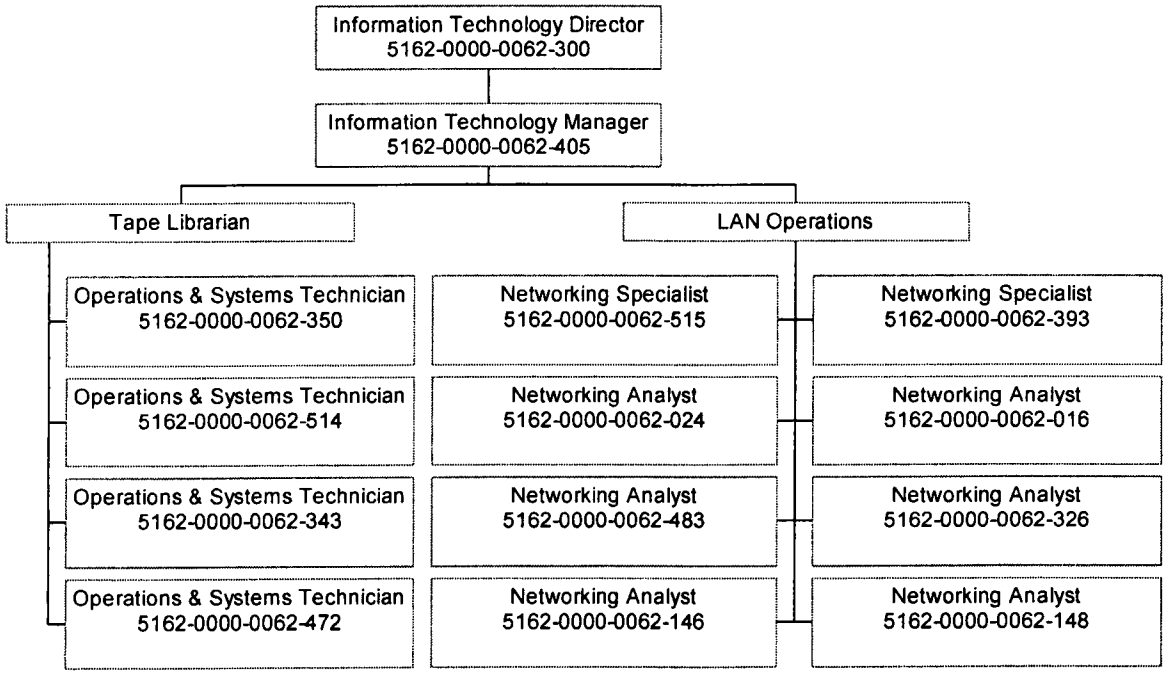
HARDWARE & OPERATING SYSTEMS

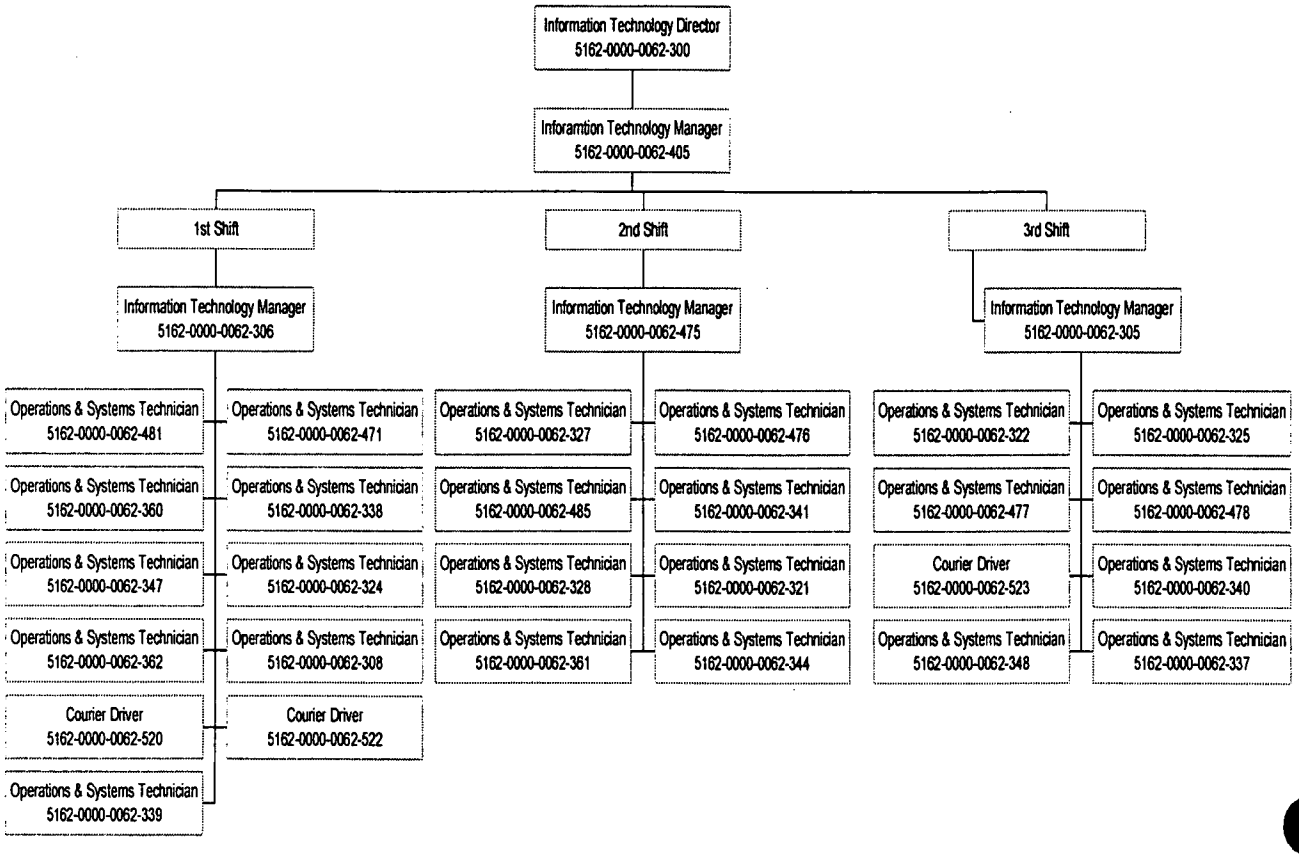


COMPUTER SERVICES ENTERPRISE OPERATIONS

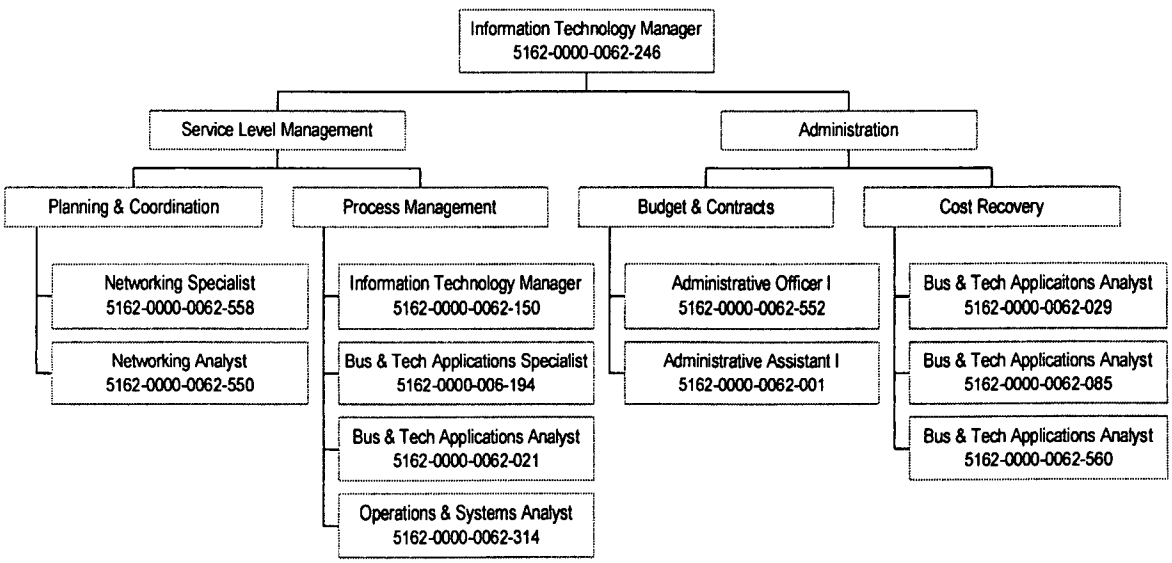
NOTE: the three sub-units below report to the same Information Technology Director.







SERVICE MANAGEMENT



Computing Services consists of 145 staff, or 33.0% of the organization.

Enterprise Solutions

ITS Enterprise Solutions provides shared IT application services that are common across agencies and the enterprise as well as other IT services focused on agency specific IT needs. The shared application services include e-Mail and calendar (NCMail) services, Common Payment Services for ACH and Credit Card payments, and managed web site hosting including the State of NC web portal (www.ncgov.com). Other agency specific services include web site design and development services, legacy applications support, as well as IT Project Management services.

COMMON PAYMENT SERVICES
- ACH Direct Deposit
- NC Credit Card Processing
- Tens of thousands of credit card/ACH transactions processed per year
- Expect dollar value of transactions to exceed $2.5B by FYE04-05

NCMAIL SERVICES
- e-Mail messaging
- Electronic Calendar
- 30,000 e-mail and 10,000 calendar users
- 20M+ messages processed on a monthly basis

MANAGED WEB HOSTING AND WEB SITE DEVELOPMENT
- Web site Maintenance and Hosting
- Web site enhancements including secured portals
- Web site design, development, maintenance, and hosting
- Application integration services

PROJECT MANAGEMENT SERVICES
- IT Project Management services
- PMP certified resources for performing in the PM role for agency projects

LEGACY APPLICATION SUPPORT SERVICES
IT support resources for a limited set of agency specific legacy applications

Common Payment Services
$121,294,358.37 PROCESSED TO DATE SINCE DECEMBER 2002
574, 927 TRANSACTIONS PROCESSED TO DATE SINCE DEC. 2002

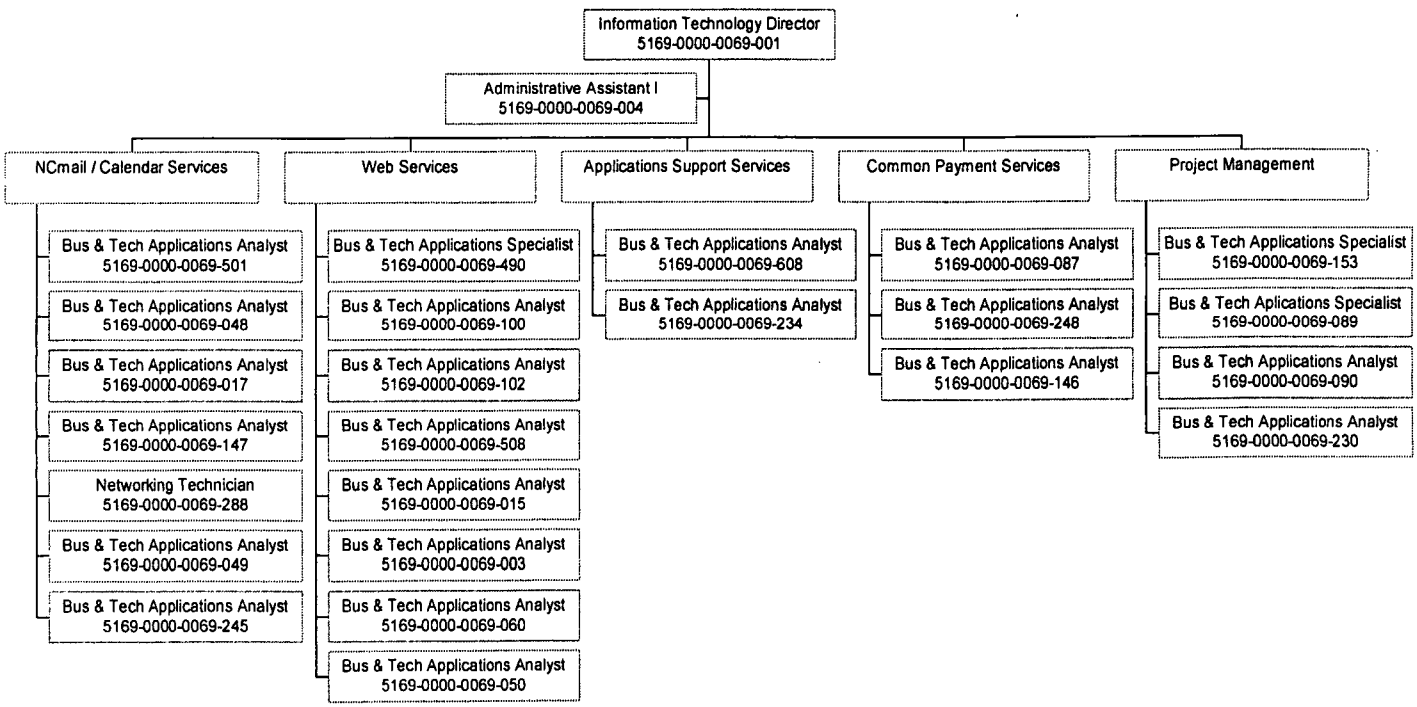
NCMAIL
30,000 USERS
Approximately 20,000,000 messages per month are processed
More than 10,000 viruses are stopped each month through NC Mail

Enterprise Solutions

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 2,096	$ 682	$ 898	$ 5	$ 2	$ 218	$ 33	$ 3,934

ENTERPRISE SOLUTIONS ORGANIZATION CHART



Enterprise Solutions consists of 26 positions, 5.9% of staff

Customer and Public Relationship Management

The Customer and Public Relationship Management (CPRM) Office provides support and services to all ITS customers, serving as a focal point for customer questions and for coordination of communication regarding ITS initiatives. The office's mission is to provide strategic direction and tactical support for managing customer relationships and public relations through improving internal and external communications and facilitating cross-functional interactions. The CPRM office is a critical component to the implementation of ITIL at ITS and is assuming additional problem ownership responsibilities, implementing a new tool for problem, incident and request management, and expanding its voice response system. This will lead to new features and streamlined processes for quicker and more focused responses by ITS to customer requirements.

The ITS Customer Support Center provides 24x7x365 support services for all ITS customers. In addition to a single point of contact for all ITS services, it provides

- System expert knowledge and expertise
- Problem Ownership
- Incident and Problem Coordination
- Root Cause Analysis

The Business Relationship Management group provides agency liaison services for larger customers and ad hoc support for all customers. The purpose of the liaison function is to provide a bridge between agency business needs and technical requirements and ITS services. This group is also responsible for managing ITS exhibits and attendance at conferences to discuss ITS services.

CPRM is responsible for notifications and communications to customers and internally within ITS. CPRM serves as the primary contact point for the state's Web portal.

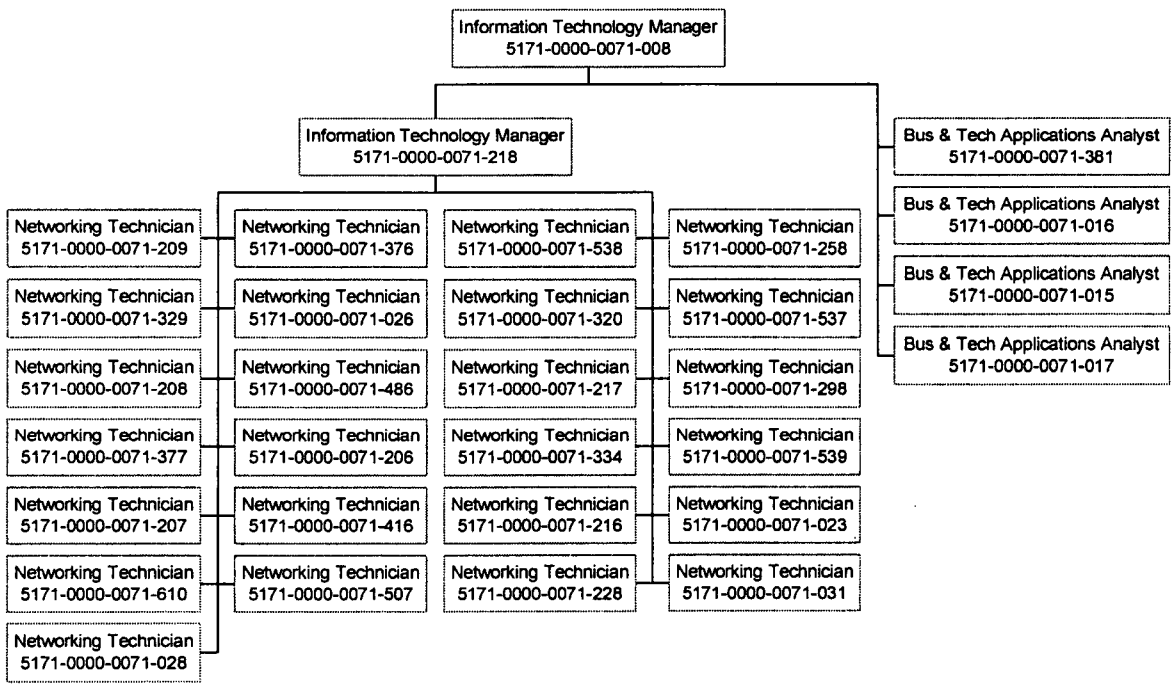
CPRM Budget

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 2,004	$ 179	$ 275	$ 20	$ 10	$ 14	$ 8	$ 2,510

CPRM is funded as overhead and allocated across all ITS rates.

CPRM ORGANIZATION CHART



CPRM consists of 31 positions, 7.1% of total staff.

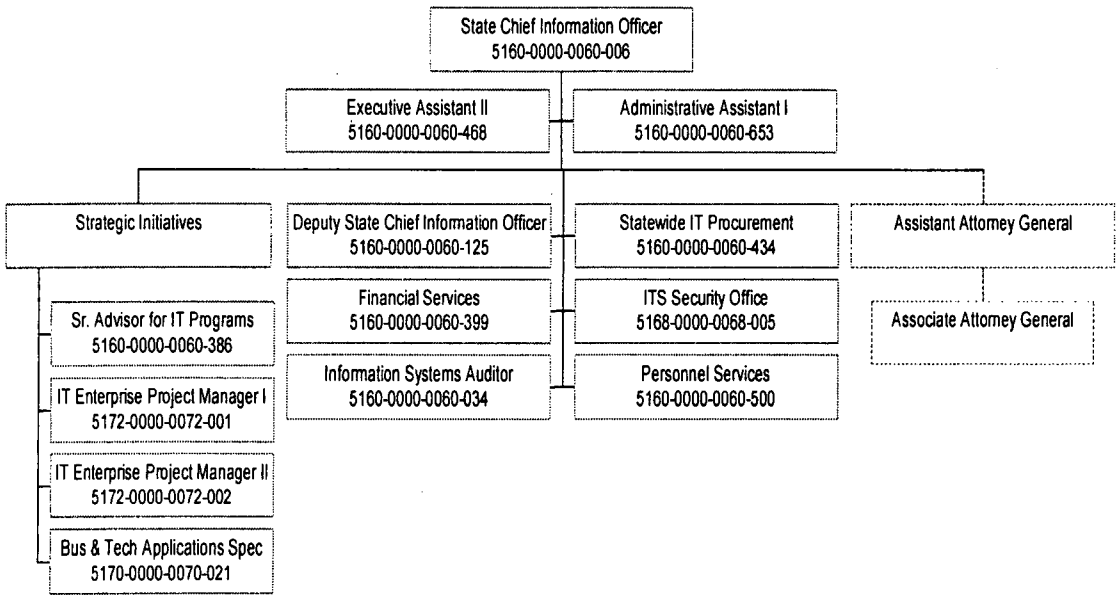
ITS Administration Areas

The administration organization within ITS consists of personnel, financial and facility services, and the Offices of the State Chief Information Officer and the Deputy State Chief Information Officer. The SCIO's office includes his direct administrative staff, two attorneys (assigned to ITS by the Office of the Attorney General), an internal auditor, and an enterprise-planning group. The budget also includes the Statewide IT Procurement office. The administration budget is a combination of allocation from the internal services fund, the IT Fund for the specific projects identified in the statute, and contract management fees for statewide IT procurement.

State CIO Office

The State CIO is responsible for the overall management of the agency and for statewide IT direction. A team directly assigned to him is responsible for strategic enterprise planning as well as defining and implementing some of the efforts within the IT Fund including portfolio management and the Legacy Assessment.

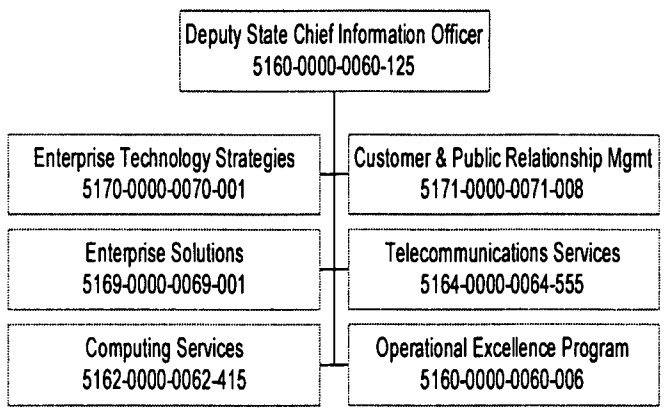
STATE CIO ORGANIZATION CHART



Deputy State CIO

Like the State SCIO, the Deputy State CIO is responsible for both strategic enterprise vision and operational activities. He manages the ITS operational units and Enterprise Technology Strategies. He is leading the effort to implement operational excellence at ITS through the implementation of ITIL.

DEPUTY STATE CIO ORGANIZATION CHART

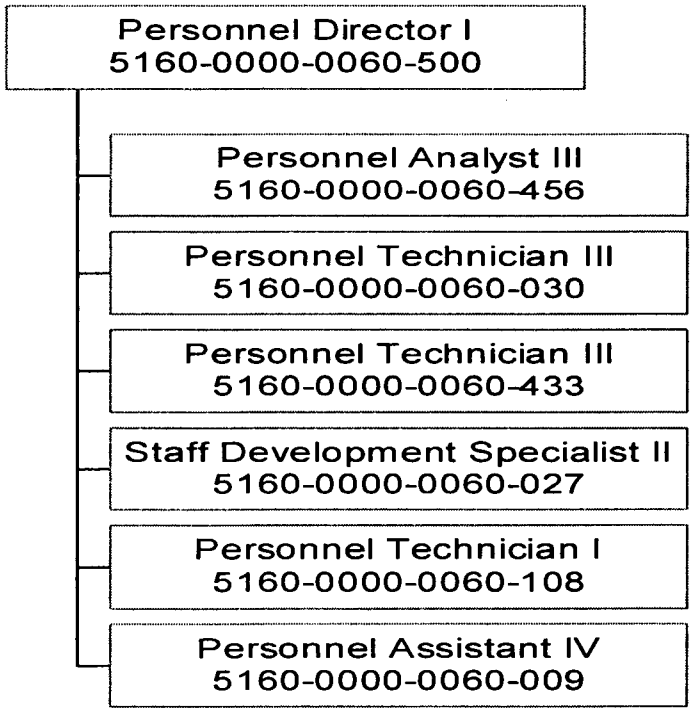


Personnel Services

The Office of Personnel Services provides assistance to Information Technology Services in the following areas:

- Recruitment of qualified employees
- Classification and compensation
- Benefits administration
- Employee relations
- Policy development

PERSONNEL SERVICES ORGANIZATION CHART



Personnel Services consists of 7 positions, 1.6% of total staff

Financial and Facilities Services

ITS Financial Services (FS) is responsible for agency finance, budget, business planning, accounting, and purchasing functions. Financial Services oversees the internal service fund, the Enterprise IT Fund and the E-911 Wireless Fund. It includes the following sections:

BUDGET AND COST ANALYSIS

- Assess business usage and project volume/revenues
- Prepare annual budget/business plan for OSBM approval (ITS Internal Service Fund)
- Develop rates for new service offerings
- Maintain master rate schedule and propose changes
- Develop cost allocation plan
- Analyze cost and revenue variances; prepare monthly and quarterly forecasts/reports
- Ensure compliance with federal requirements
- Evaluate financial components of proposed projects
- Maintain budget for all ITS divisions

FISCAL

- Manage accounts payable and receivable
- Develop financial policies and procedures
- Issue and report on financial statements
- Manage cash
- Report and manage E-911 Wireless fund
- Issue payroll
- Account for fixed assets
- Support audits and maintain adequate internal controls

ITS PURCHASING

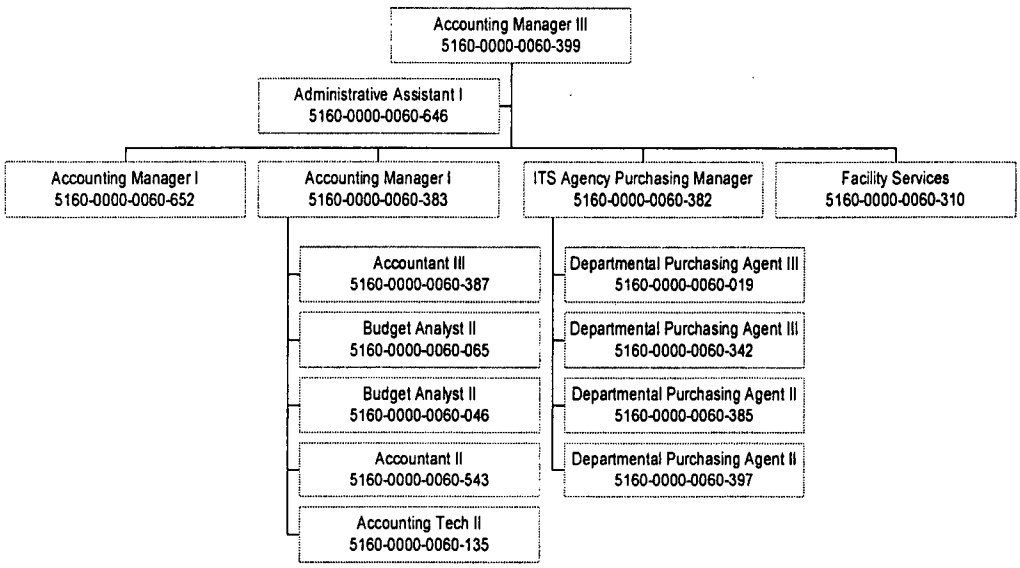
- Issue purchase orders for goods and services
- Negotiate with vendors on prices, terms and conditions
- Issue solicitations and evaluate responses
- Manage suppliers and contracts
- Execute cost-effective volume procurements
- Support vendor e-procurement registration
- Ensure adherence to procurement rules and regulations
- Provide internal end user training

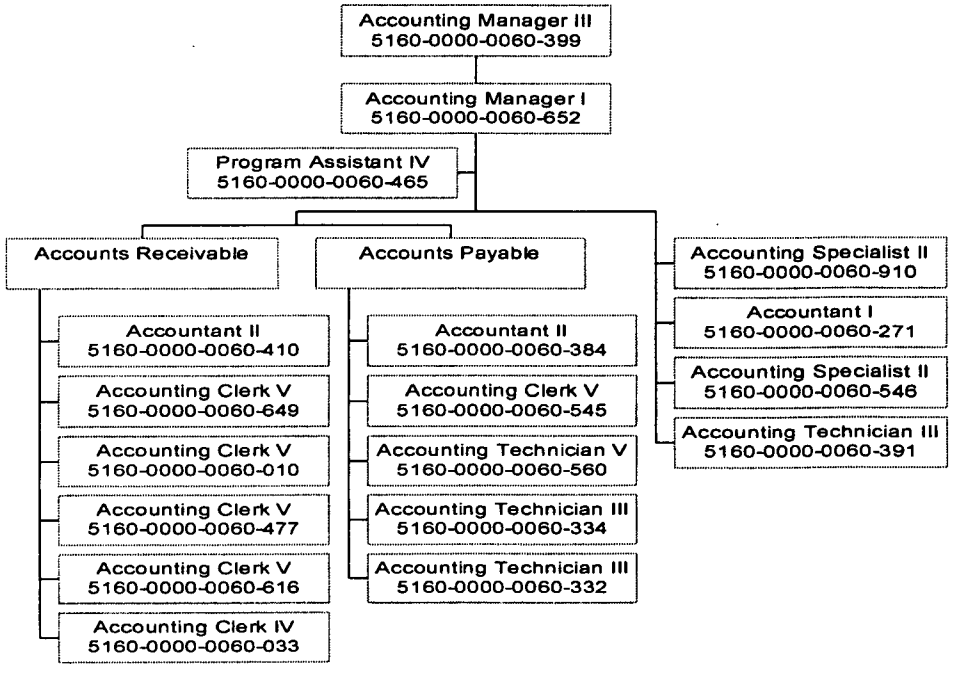
FACILITY SERVICES

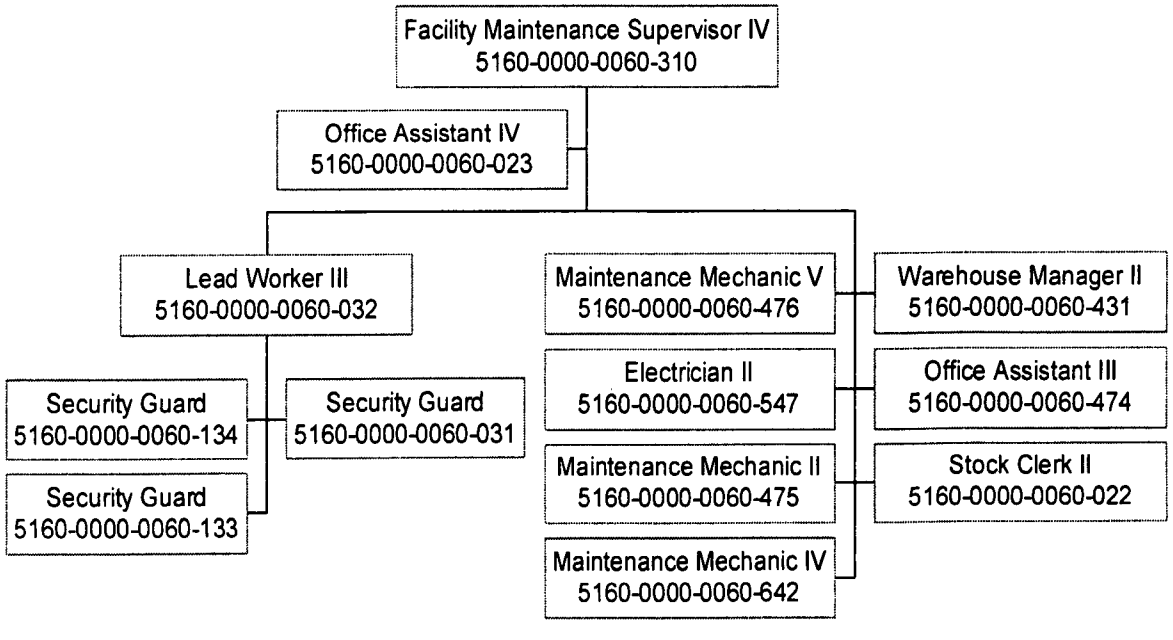
Facility services is responsible for the ITS facilities including the state's data center. Its responsibilities include:

- Physical Plant Maintenance
- Facility Security
- Electrical Backup Management System
- Shipping and Receiving
- Capital Improvement Projects
- Health and Safety
- Computer Center Environmentals/Electrical

FINANCIAL AND FACILITY SERVICES ORGANIZATION CHART







Financial and Facility Services consists of 43 positions, 9.8% of the total.

ITS ADMINISTRATION BUDGET

The budget information below includes the budget from the Internal Services Fund that is allocated across ITS Services and the specific items from the IT Fund that are operated out of the CIO's Office.

INTERNAL SERVICES FUND

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 4,201	$ 642	$ 1,878	$ 273	$ 453	$ 96	$ 1,040	$ 8,583

ITS ADMINISTRATION BUDGET – IT FUND

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 63	$ 139	$ -	$ -	$ -	$ -	$ -	$ 203

LEGACY ASSESSMENT STUDY – IT FUND

Thousands of Dollars

	Personnel Services	Contracted Services	Purchased Services	Supplies	Furniture & Equipment	Computer & Software	Other Expenses	Total Expenditures
FY 2004-2005 Operating Budget	$ 114	$ 1,013	$ 4	$ -	$ -	$ -	$ -	$ 1,131

Wireless E-911 Fund

Per G.S. 62A-22, the State CIO chairs the Wireless E-911 Board and administers the Wireless E-911 fund pursuant to the Board's directions.

Office of State Budget and Management

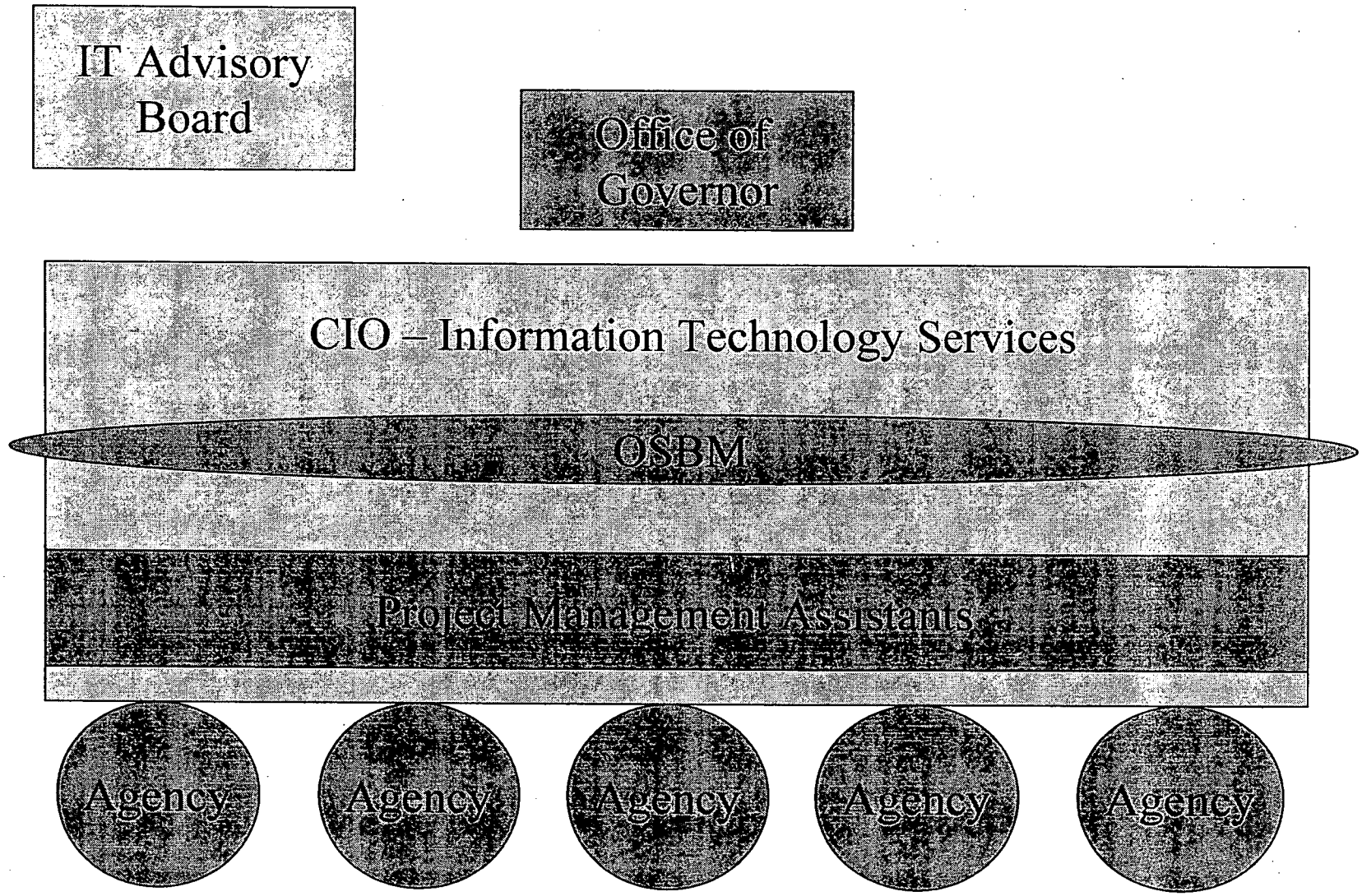
Oversight of Information Technology

April 5, 2005

The Role of the Office of State Budget and Management (OSBM) since SB 991 in the Oversight of Information Technology (IT).

Areas of Responsibility	Before SB 991	After SB 991
Report on Plan for IT Efficiencies due January 1, 2006.	Not Applicable.	• Report called for in the law. • OSBM leading the process with assistance from Information Technology Services (ITS) and Office of State Controller (OSC). • Data from agencies arriving March 2004.
Approval of ITS rates and fees.	Responsibility of Information Resource Management Council (IRMC).	OSBM responsibility. Due April 1 of each year.
Approval of IT project implementation.	Input required for IRMC approval.	• Input on costs and benefits required for Chief Information Officer (CIO) approval. • State Budget Officer serves on appeal panel of CIO decisions with OSC and Department of Administration. • OSBM stops expenditure of funds for projects disapproved by CIO. • Greater sharing of information between ITS and OSBM and better information collected from agencies.
Budget recommendations for IT.	OSBM responsibility with input from CIO.	OSBM responsibility with input from CIO. Greater sharing of information between ITS and OSBM and better information collected from agencies. o 06 and 07 total expansion request from agencies was about $315 Million. o Governor's IT expansion budget totals about $75 Million.

IT Governance



Governor's Recommendation for IT Fund 2005-06

$16.3 Million

- $5 million from year-end credit balance
- $5 million transfer from Internal Service Fund
- $5 million from new Enterprise Subscription
- $1.3 million ($2 M recurring appropriation – amount needed (700K) to hold agencies harmless for Enterprise Subscription introduction

State of North Carolina

Office of State Budget and Management

Michael F. Easley
Governor and Director
of the Budget

David T. McCoy
State Budget Officer

March 30, 2005

MEMORANDUM

TO: George Bakolia
Chief Information Officer

FROM: David McCoy

RE: Office of Information Technology Services Budget Recommendation

The Office of State Budget and Management (OSBM) has reviewed the Office of Information Technology Services (ITS) budget recommendation, rate structure, and supporting documents required under G.S. 147-33.88. Overall, the budget recommendation is a sound approach that continues services at or near cost of delivery and responds to the changing needs of information technology in North Carolina.

After considering the request and supporting documentation, OSBM approves the following items related to the ITS Fund budget recommendation:

- 14 additional positions required for new or expanded agency services are approved.
- The ITS rate structure as submitted is approved. OSBM agrees with the new Enterprise IT subscription fee totaling $5 million for the IT Fund as proposed. It is our conclusion that using the total IT expenditures report completed by the Office of the State Controller as the base formula for proportionally billing agencies is the most equitable approach. Activities in the IT Fund benefit all agencies; therefore, the total IT expenditures report is the most accurate predictor of these benefits. While total IT fees will be reduced, this new fee will create confidence in billing for other ITS services on a recurring basis.

OSBM approves the IT Fund budget recommendation with one change. OSBM recommends that the $550,000 currently designated for the purchase of agency firewalls should be reallocated to network infrastructure and security improvements. While some additional firewalls may be needed, restructuring the network and its operation would reduce security risks more effectively and provide other efficiencies.

Mailing Address:
20320 Mail Service Center
Raleigh, NC 27699-0320

www.osbm.state.nc.us
(919) 733-7061 ** FAX (919) 733-0640
An EEO/AA Employer

Office Location:
5200 Administration Building
116 West Jones Street

Future ITS budget recommendations should be handled within the normal state budget cycle. As needed, OSBM will assist ITS in following the requirements outlined in agency budget instructions. In addition, OSBM requests that ITS complete the following when presenting its FY 2006-07 ITS Fund budget recommendation:

- 50% of ITS services should have benchmarking data on private sector costs to deliver these services; and,
- 50% of ITS services should have some form of performance metrics to show the value of these services.

Tracking this data will enable ITS to manage processes more efficiently and provide better services to the State.

Finally, OSBM requests that three items be addressed during FY 2005-06. They are:

1. **Follow-up work to the legacy assessment**. Encourage agencies to take ownership of legacy issues and not to rely solely on work being completed at ITS.
2. **Business manager for the State Portal**. Establishing a business manager for the Portal would greatly assist in meeting the growing information and e-government needs of the public.
3. **Contracted services to develop state security policy**. While it is proper to use contracted services to review and evaluate policy, the creation, administration and enforcement activities should be accomplished with state personnel since the expertise is needed on an ongoing basis.

Thank you for your immediate attention to these matters. Please contact Jonathan Womer or Thomas Cheek in my office at (919) 733-7061 if you have any questions or need additional information.

dmc:jw

cc: Susan Rabon
Charlie Perusse
David Brown
Jonathan Womer ✓
Thomas Cheek

North Carolina

Wireless 911 Fund

Presented to the
Joint Appropriations Subcommittee
on
General Government

ITS
Office of Information Technology Services

March 2005

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Status of Enhanced Wireless 911 In North Carolina..... 5

Background

On September 25, 1998, the 1998 Session of the General Assembly of North Carolina approved Senate Bill 1242, G.S. 62A, Enhanced 911 Wireless Fund. The objectives of the Act include providing for a Enhanced Wireless 911 System for the use of wireless telephone customers. The Act provides for a service charge of $ .80 per month on each commercial mobile radio service (CMRS) connection. These funds are disbursed as provided by statute to CMRS providers and public safety answering points (PSAPs) in North Carolina.

Of the $ .80 collected from each subscriber, 1% is retained by the CMRS carrier for their administrative costs. The balance is forwarded to the North Carolina Wireless 911 Board where 1% is retained for the adminstrative cost of operating the Wireless Board. From that balance, 40% is disbursed to the PSAPs for their costs of installing and maintaining their wireless 911 technology and 60% is designated for reimbursement to the CMRS carriers for their 911 costs.

The North Carolina Wireless 911 Board staff resides within the Telecommunications function of Information Technology Services. The State Chief Information Officer or his designee chairs the Board, N.C.G.S. §62A-22(a)(4) . This is consistent with the duties and responsibilities of the State CIO as defined in N.C.G.S. §147-33.91(9). Enhanced 911 is a technology function and its residence at Information Technology Services compliments the advancement of 911 in North Carolina.

In addition to the chair, the Board consists of twelve members, six representing the private telecommunications industry and six representing public safety and/or local government. The Senate President Pro Tem appoints five members, five members are appointed by the Speaker of the House and the Governor appoints two.

In the 2003 session of the General Assembly, SB 939 authorized the Wireless 911 Board to collect the Telecommunications Relay Service fee of $ .11 from all wireless carriers operating in North Carolina. The fee is then forwarded, in whole, to the State Treasurer for use by the Department of Health and Human Services. The Wireless Board does not collect any administrative fee for this service.

Staff

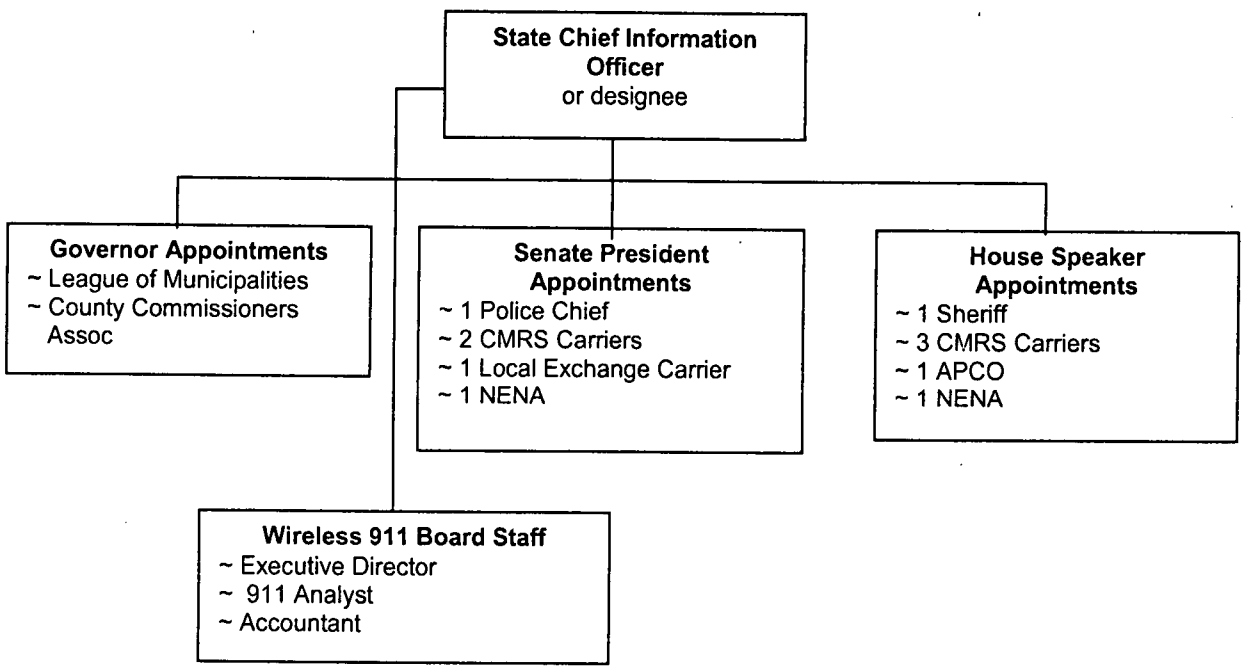
Three individuals whose salaries are paid from the administrative fee collected from the $ .80 monthly surcharge staff the North Carolina Wireless 911 Board.

Executive Director – direct liaison to the Board members and their respective organization. Provides direct administrative and technical support to the PSAPs (911 centers). Serves as the designated Single Point of Contact for 911 in North Carolina with the Federal Communications Commission (FCC).

911 Network Technician – provides direct training support, at no cost, to PSAPs and industry personnel in 911 technology

Accountant – receives funding from CMRS carriers and disburse those funds monthly to reimburse wireless carriers for their 911 costs and to the PSAPs for their wireless 911 expenses. Also, the accountant conducts the annual audit of the PSAPs receiving wireless 911 funds.

Wireless 911 Board Organizational Chart



Wireless 911 Board Budget 2004 – 2005

Revenue	Amount (in millions)
TRS Fees	$ 5.23
911 Fees	$ 40.79
Expenditures	
Dept Health & Human Res	$ 5.23
911 Board Administration	$ .28
PSAPs	$ 16.65
CMRS Carriers	$ 42.05
*General Fund Transfer	$ 25.00
Projected Fund Balance	$ 4.57

* As required by the General Assembly

As of December 31, 2004, there are 12 CMRS providers operating in North Carolina and all are remitting the 911 surcharge. All carriers are collecting, or are in the process of having plans approved to be reimbursed for wireless 911 Phase I expenses. Three carriers have indicated that they will not seek the more costly wireless 911 Phase 2 reimbursements.

As of December 31, 2004, the Wireless 911 Board is disbursing monthly 911 monies to 126 PSAPs in North Carolina. It is anticipated that in 2005, an additional 2 PSAPs will be declared as primary PSAPs and shall start receiving wireless 911 funds.

The Status of Enhanced Wireless 911 In North Carolina

Enhanced Wireless 911 is segmented into two phases of deployment. Phase 1 allows for the PSAP to receive the wireless 911 call over the native 911 network with a display of the wireless phone's callback number and the tower site of the antenna "handling" the 911 call. Through December 31, 2004, every county in North Carolina is receiving Phase 1 data from at least one carrier. Ninety-eight (98) percent of the state is deployed Phase 1 with all carriers.

Wireless Enhanced Phase 2 provides the Phase 2 data as well as the actual longitude and latitude of where the caller is located. For Phase 2 to be deployed, the PSAP must be capable of receiving and utilizing the Phase 2 data, and, have requested the wireless carriers to provide that data. As of December 31, 2004, 62 counties have made the necessary technology upgrades, requested Phase 2 service and are receiving wireless enhanced Phase 2 data from at least one carrier.

North Carolina
State Information Technology Plan

An Action Plan for Managing Information Technology



Michael F. Easley
Governor

George Bakolia
Chief Information Officer

February 2005

Executive Summary

Economic realities and public expectations require the state to manage information technology (IT) better and to use it more cost-effectively. This plan puts forth an approach for managing IT in state government that is new in North Carolina, but is actively used in other states and the private sector. The overriding goal is to optimize the costs and benefits of IT by using technology as a tool to improve levels of constituent services, enable business and program efficiencies, enhance employee productivity, and offer savings in government operations.

Background

The debate over the usefulness and value of information technology to governmental functions is over. IT is essential to the successful performance of the state's business processes and program operations. IT can positively influence the growth of the state, prosperity of its constituents, health and safety of its citizens, cleanliness of its environment, vitality of its economy, profitability and viability of its industries, productivity of its employees, and conduct of its democratic processes.

Even in strong economies and favorable funding conditions, there is never enough money to meet all desired, even worthwhile, investments. In today's environment of recent budget crises and projected fiscal austerity in state government for the foreseeable future, continuing budget constraints will make spending discipline more prevalent and critical. It is imperative that the state makes the best selection, implementation, and use of its IT investments.

Through the provisions of ratified Senate Bill 991 and preceding legislation, the General Assembly has mandated that the state improve the planning and budgeting for and management of IT. More specifically, the state must be able to predict and justify future long-term funding needs and take bold and far-reaching measures for implementing the management of IT.

Approach for the Management of IT

This situation cannot be addressed with a business-as-usual attitude. It requires a courageous, but proven, approach for the management of IT that makes use of verified best practices, industry recognized methodologies, and well-established tools and disciplines. The approach is built upon two primary elements:

1. Enterprise management of common shared technical infrastructure and technical services.

2. A framework for the management of IT investments.

North Carolina should deliver more IT infrastructure functions at a statewide level, cutting across agency lines, while allowing agencies to focus on their specific, core IT business and program needs. And the state should adopt a comprehensive, "cradle to grave" practice for planning, buying, implementing, operating, and retiring/replacing IT assets.

Management and Funding Priorities for the Biennium

North Carolina is facing needs for both IT management action and IT funding that grow more critical over time. Investments in IT may become more expensive as needs arise. By managing the process, the state should be able to flatten the growth curve for IT expenses, preventing it from becoming unsustainable over time.

Management Priorities

The state is not yet in a position where it can generate defensible, long-range cost estimates for all of its IT needs, or a detailed schedule for meeting them. It is gaining that knowledge, but is not there yet. The first step is to obtain a complete, accurate, and up-to-date inventory of the state's applications, hardware, and software assets.

As part of the Year 2K effort, the state developed an inventory of its legacy applications. (These are defined as in place operational software for meeting specific department business/program needs.) That information became outdated over time; therefore, the state had no current information on its key systems. Responding to this problem, and with the concurrence of the General Assembly, the State CIO commissioned a complete analysis of the health of the state's major software applications. The legacy application study was completed in December 2004. Prior to its completion, most of the information the state had about the applications used by state agencies to deliver critical services was anecdotal—stories about agencies using applications so old that only two people could write the code to keep it running.

Now that the state has this inventory, the next actions are: 1) to develop a more permanent legacy management system for continuous updating by the departments, and 2) take advantage of a recently purchased portfolio management package to analyze the individual applications on a frequent (at least annual) recurring basis for normal maintenance, modernization, replacement, or retirement. The follow-on legacy study will provide firm cost estimates and priorities for upgrading or replacing the applications requiring attention in the immediate (next two years) future.

Until last year, there was no estimate of the number of servers, desktop and laptop computers, communications equipment, or the associated software used by executive branch agencies. The state obtained order-of-magnitude estimates only through laborious and time-consuming surveys. The next action is the implementation of an asset management system, including a repository for the

ongoing collection and reporting of detailed asset information, such as identification, age, location, cost, warranties, etc. When the state has good asset inventory information, it will be able to use the recently purchased portfolio management package to analyze this data for making replacement, consolidation, and other management decisions and determining associated costs.

Although there remains much work in achieving the management of IT in state government, progress is being made, and the completion of the initiatives outlined in this plan will give policy makers the information they need to make sound, rational decisions about meeting IT needs.

These initiatives also will generate savings that could pay for some, but certainly not all, of the state's IT needs. The Office of State Budget and Management, assisted by ITS and the State Controller, was directed by Senate Bill 991 to propose a plan for consolidating IT infrastructure, staffing, and expenditures in areas where a statewide approach would be more economical. The reallocation of staff is an important component for achieving cost savings and operational efficiencies in consolidations; therefore, this issue must be addressed in the plan. The State CIO's IT plan is being written in anticipation of that report, and it should set the stage for appropriate action resulting from findings of that study.

In addition, some of actions related to these initiatives are already generating savings. By purchasing desktop and laptop computers in bulk, we are enjoying the benefits of volume discounts. Enterprise licensing — the statewide negotiation of one license for all the agencies that use specific software — is saving agencies money.

Funding Priorities

The two funding priorities for the biennium are:

1. The implementation and continuation of the initiatives contained in this plan for the management of IT, particularly the sustaining of the IT Enterprise Fund - The more judicious selection, implementation, and operation of IT investments will save the state money over the long term. Even though IT investments may increase, they should generate offsetting savings and create value in business and program operations through efficiencies, productivities, and the enabling of innovations in program delivery. Moreover, the transition to a more statewide approach for the management of common shared technical infrastructure and technical services will involve some initial costs to effect, even though long-term savings will accrue. Experience from both public and private sectors indicates that IT budgets are best optimized through better planning and budgeting that eliminates duplicate, unnecessary, or under performing applications and consolidates infrastructure components. In many instances, the economics of asset consolidation and retirements are as

important to prudent IT fiscal management as the cost-effectiveness of investment implementations.

Although the management of IT will require initial up-front costs, long-term savings from increased efficiencies in IT operations and business and program processes will offset these investments. However, great vigilance on the part of the Office of State Budget and Management and the Office of State Controller will be required to ensure the appropriate savings accrue.

2. The replacement of the state's technically outdated and functionally deficient payroll and human resources systems – This very important effort is being conducted under the auspices of the Office of the State Controller's Statewide Business Infrastructure Program. It is proceeding well and must be sustained. Current work is focusing on the defining of requirements, and the new application should be implemented over the coming biennium.

Cost estimates for the above funding priorities will be provided in additional separate materials.

Major initiatives

The seven major initiatives summarized below are necessary to implement the new approach for managing technology. These initiatives logically follow from past studies and projects, and form the blueprint for more detailed plans to guide their implementations. Several plans have already been developed, and some projects are now underway. Each initiative is important; therefore, the numerical order is insignificant from either priority or sequencing perspectives.

First Initiative - Consolidate common shared technical infrastructure and technical services for greater savings and better operational performance.

Second Initiative – Perform strategic planning for identifying best IT investments.

Third Initiative – Manage projects for superior results.

Fourth Initiative – Provide measurable, performance-based delivery of services.

Fifth Initiative-Manage legacy applications (installed department business/program software) for reduced risks of failure and optimized life-cycle benefits and costs.

Sixth Initiative – Develop a proficient and appropriately staffed IT workforce.

Seventh Initiative – Sustain the IT Enterprise Fund.

Purpose

The state is in an ideal position to improve its planning and budgeting for and its management of IT. With the passage of SB 991 and preceding legislation, the governance underpinnings have been placed and performance expectations have been clearly defined. The state can now build upon these and other management foundations previously implemented to develop a responsive and results-oriented approach for managing IT in order to obtain superior benefits and value within cost constraints.

The initiatives presented in this plan will guide the state in meeting the intents of SB 991 and preceding legislation for the management of IT. These mandates require the state to:

- Practice astute capital planning and sound investment management by evaluating investments and selecting the best.
- Implement investments in the most cost-effective manner, within reasonable timeframes, and with successful outcomes.
- Operate and maintain computing and communications infrastructure and mission-critical applications in a reliable, economical, and secure manner.
- Review applications and infrastructure assets periodically to evaluate their cost-effectiveness and risk-acceptability and determine optimal times and ways for renovating, retiring, or replacing them.

The primary purpose of this document is to explain the 'what' and 'why' underlying the approach for managing technology. The 'how' involves more detailed strategies, plans, and actions for employing the concepts and accomplishing the initiatives prescribed herein. These will be developed as future efforts as the individual initiatives are addressed.

The approach for the management of IT is not 'plowing new ground' or 'sailing in uncharted waters'. Rather, the underlying concepts, disciplines, and methodologies have been used successfully in the private sector for some time, and other governments and states are now espousing and implementing them. Moreover, the approach responds to economic realities while realizing the importance of IT to the state.

AGENDA

Joint Appropriations Subcommittee
on
General Government

April 5, 2005
Room 425
2:00 p.m.

Chairman: Representative Alma Adams

Executive Branch Information Technology Budgeting and Management
(Notebook, Tab 2)

Jonathan Womer
Assistant State Budget Officer for IT
Office of State Budget and Management

Continuation Budget Review (continued)

Office of Information Technology Services (ITS)

Information Technology (IT) Fund
(Notebook Tab 1a, pp. 4 - 8)

ITS Internal Service Fund
(Notebook Tab 1a, pp. 8 - 11)

Budget/Rate Development
(Notebook Tab 1a, pp. 13 - 17)

Supplemental Budget Info. Requested by the Subcommittee
(Notebook Tab 1a, pp. 19-22)

Multi-Year Maintenance Contracts
(Notebook Tab 1a, p. 23)

David Rossi
Chief Fiscal Officer

Required Reports

State Information Technology Plan (G.S. § 147-33.72B)
(Notebook Tab 4)

Legacy Assessment Study (G.S. § 147-33.90)
(Notebook Tab 5)

George Bakolia,
State Chief Information Officer

House Appropriations Subcommittee on General Government
Minutes
April 5, 2005
2:00 pm

The House Appropriations Subcommittee on General Government met on April 5, 2005 at 2:00 pm in room 425 of the Legislative Office Building. The Office of Information Technology Services (ITS) continued presenting their legislative overview to the committee. In addition to Chairman Alma Adams, also present were Reps. West, Pierce, Goforth, Lucas, Wilson, Senators Dorsett, Smith, Cowell, and Jacumin. A visitor registration sheet is attached and made a part of the record. Staff present: Michele Nelson, Marilyn Chism and Kathie Young.

Representative Adams called the meeting to order. She recognized Jonathan Womer of the Executive Branch Information Technology Budgeting and Management office. He went over the tables presented behind tab #2. He summarized four areas of responsibilities:

1. Report of Plan for IT Efficiencies that is due on January 1, 2006.
2. Approval of ITS rates and fees. He passed out the official review of the budget office of the ITS budget and rate structure.
3. Approval of IT project implementation
4. Budget recommendations for IT

Besides the Enterprise Fee, there is another $10 million in the Governor's budget; $5 million for the end-of-the year credit allowance being allocated and $5 million is a transfer from the internal service fund. Additionally there is $1.3 million being recommended as a direct appropriation. $700,000 of that is recommended to go to agencies to hold them harmless for this reorganization of ITS fees. So while this reorganization is going on and generally agencies are paying less, there are a few that pay more; mostly because they have never done ITS services before and as we are allocating some of this new infrastructure costs equally across the agencies, they will have to pay a little more – typically not more that $20,000-$30,000 more.

The office of the CIO works with OSBM in analyzing proposals from the agencies. This year there were over 100 proposals from the various agencies for IT projects for the expansion budget in 2006-2007. Of that, there was about $150 million of spend for the first year and about $150 million for the second year totaling about $315 million. After the course of review, ITS approved approximately 60%-70% of these projects as being acceptable. But there was not enough money to fund that many and the Governor's budget has approximately $75 million of new IT projects to be spent.

Chairman Adams called on David Rossi who continued the presentation of ITS continuation budget review. He began his review of items behind tab 1a – ITS Budget Preparation, attached as a part of this record. Before adoption of SB 991 during the 2004

session, the Information Resource management commission approved ITS rates and budget. ITS received no direct General Fund Appropriations. OSBM approved ITS Internal Service Fund budgets and rates for FY 2005-06 on March 30. 10% rate reduction for CU Mainframe and networking rat re-structure comprise majority of $8 million cost savings to state agencies. Mr. Rossi itemized the total requirement of $16.3 million proposed budget for FY 2005-06.

He summarized the function of the Internal Service Fund. It is totally receipt supported. More than 96% of $159 million total ITS budget for fiscal year 2004-05. It operations like a private business except financial target is to "break-even." Federal audit requirements limit year-end cash balance. Rates and budgets are based on estimated costs of providing services and anticipated usage of these services. Customers use appropriated funds and other funding sources to pay for these services. ITS provides services at lower costs due to economies of scale. He continued his discussion about ITS rate setting and budgeting process within the Internal Service Fund (page 12).

ITS develops an operating expense budget based on the estimated cost to provide services at projected volume and usage levels. Overhead costs (administration, facilities, etc.) are distributed to revenue-producing areas based consistent allocation methodology to determine full cost of services. Projected requirements for headcount, purchases, and maintenance contracts are defined. Estimated revenues are compared against total budgeted costs by service type to determine if rates continue to be appropriated.

By statute the Budget office has to approve our budget by April 1st. To do that they start the budgeting process in October.

Mr. Rossi concluded his presentation by reviewing the ITS legacy assessment report.

The meeting was adjourned at 3:00 p.m.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

ITS
Office of Information Technology Services

ITS Budget Preparation

Report to the Joint General Government Appropriations Subcommittee

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Office of Information Technology Services

Background

- Before adoption of SB 991 during the 2004 session, the Information Resource Management Commission approved ITS rates and budget.
- ITS received no direct General Fund Appropriations.

ITS
Office of Information Technology Services

Background

- SB 991 shifted responsibility for approval of ITS fees and budget to the Office of State Budget and Management.
- The bill also created Information Technology Fund for statewide IT requirements, including project management and security.

Office of Information Technology Services

IT Fund

- SB 991 appropriated $4.8 million from the fund to ITS for this fiscal year for:
  - Security ($3 million)
  - Project management ($600,000)
  - Legacy systems study ($1 million)
  - Legal services ($100,000)
  - Staff ($100,000)

Office of Information Technology Services

IT Fund (Cont.)

- That is the only General Fund money directly appropriated to ITS this fiscal year.
- The bulk of the ITS budget—the Internal Service Fund—comes from rates and subscriptions.
- After passage of SB 991, ITS management had several discussions—internally and with the Budget Office—about which ITS functions should properly be placed in the IT Fund in 2005-2006.

Office of Information Technology Services

IT Fund (Cont.)

- Office of State Budget Management approved ITS Internal Service Fund budgets and rates for FY 2005-06 on March 30

  - 10% rate reduction for CPU Mainframe and networking rate re-structure comprise majority of $8m cost savings to State Agencies

Office of Information Technology Services

IT Fund (Con't)

Proposed Budget for FY 2005-06 ($M):

- **Existing IT Fund Initiatives: $5.1**
  - Project Management, Legacy Assessment, Security
- **Expansion of IT Fund Initiatives: $2.1**
  - Enterprise Licensing, Asset Management
- **Existing ITS Enterprise Initiatives: $6.3**
  - ETS & ISO Offices: Eliminate Subscription Fee
  - State Portal, CIO Office, Identity Management (Cross-Subsidy)
- **Reserve for consolidation initiatives $2.8**
  - Target funds based on March 2005 agency reports

Total $16.3

ITS – Internal Service Fund & IT Fund FY2005-06 Expense Budget

Office of Information Technology Services

$M	FY04-05 Proposed	FY05-06 Budget*	YTY Change
Internal Service Fund	$ 153.2	$ 146.2	
IT Fund	5.5	16.3	
Total	$ 158.7	$ 162.5	$ 3.8

New Services/Investment – FY 05-06

Reserve for consolidated initiatives		2.8
Document Mgmt Service		1.4
NCMail – Additional Seats		.4
Enterprise Call Center		1.1
Computing Services – additional demand		0.5
	Total	6.2

* As of 3/31/05

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Office of Information Technology Services

Internal Service Fund

- Receipts-supported activities
  - More than 96 percent of $159 million total ITS budget for fiscal year 2004-2005
  - Operates like a private business except financial target is to "break even"
  - Federal audit requirements limit year-end cash balance
  - Rates and budgets based on estimated costs of providing services and anticipated usage of these services
  - Customers use appropriated funds and other funding sources to pay for these services
- ITS provides services at lower costs due to economies of scale

Office of Information Technology Services

ITS Internal Service Fund Financial Summary

$M	FY02-03	FY03-04	Projected FY04-05
Revenue	$134.4	$135.9	$146.2
Expense	134.2	137.0	141.7
Difference	$ .2	$ -1.1	$ 4.5
Transfer to IT Fund	0	7.5	4.5
Transfer to Gen Fund	0	2.2	0
Net	$ .2	$-10.8	$ 0

Cash Balances

Balance as of June 30	$ 22.8*	$ 21.2	$ 21.5
60 Day Allowable	$ 22.3	$ 22.8	$ 23.6

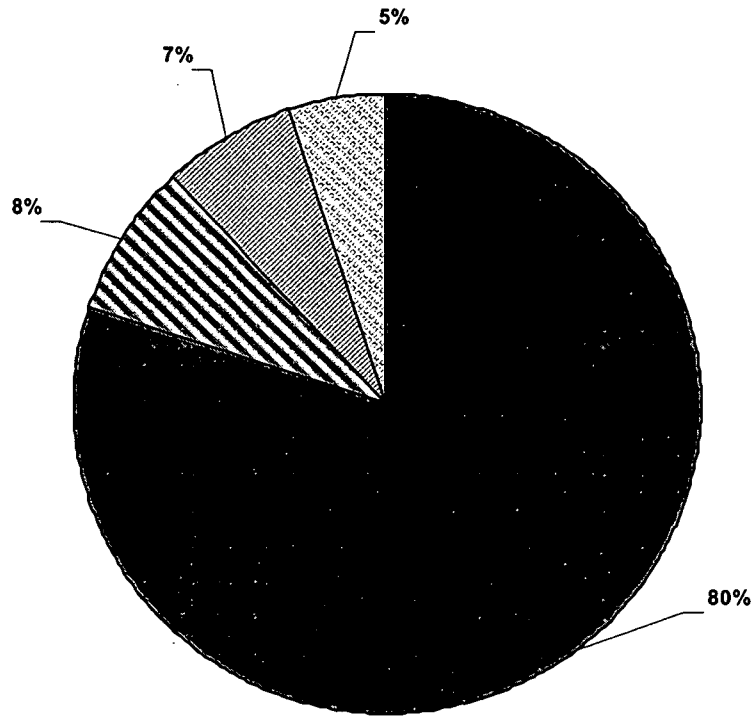
- Adjusted for Projected (contingent) Federal Audit Settlements

Notes

- FY 03-04 expense included $1.5m Federal audit settlement for 10 year period ending 6/30/02

Office of Information Technology Services

ITS FY 03-04 REVENUE BY SOURCE



State Agencies $108.5M	Local Government Units & Schools $11.5M
Universities & Community Colleges $9.3M	Other $6.6.M

Internal Service Fund – Rates

Office of Information Technology Services

- Developed annually based on estimated costs and anticipated customer demand for services
- Approved by OSBM annually in parallel with Internal Service Fund Budget
- Reviewed and adjusted annually or as needed
- Approved Rate Reductions for FY2005-2006 are estimated to result in $8 million savings across all of our customers and funding sources

Office of Information Technology Services

Budget/Rate Development

- Agencies and ITS forecast usage and volumes for the upcoming fiscal year using
  - Current year spending
  - Historical data
  - Projection of trends
  - Identification of future needs (including new services)

ITS Budget/Rate Development (cont)

Office of Information Technology Services

- ITS develops an operating expense budget based on the estimated cost to provide services at projected volume and usage levels
  - Overhead costs (Administration, Facilities, etc.) are distributed to revenue-producing areas based on consistent allocation methodology to determine full cost of services (Federal A-87 Requirement)
  - Projected requirements for headcount, purchases, and maintenance contracts are defined

Budget/Rate Development (cont)

Office of Information Technology Services

- Estimated volumes and usage are multiplied by existing rates to derive estimated revenues at current rates
- Estimated revenues are compared against total budgeted costs by service type to determine if rates continue to be appropriate
- Those with an overage of revenue vs. expense are candidates for rate reductions
  - Example: Mainframe CPU Time, Storage, PBX, Networking

Budget/Rate Development (cont)

Office of Information Technology Services

- Modeling is employed to develop rates that allow for attainment of the financial target of breaking even
- Rates are submitted to the OSBM for approval, along with the entire operating budget
  - In addition, rates can be revised and resubmitted during the year, if necessary
- Benchmarking done against IT Industry and private sector
  - Computing Services
  - Telecommunications

Attachment

Office of Information Technology Services

FY2005-2006 Budget Preparation Timeline

•	OCT	Submit Continuation Budget to OSBM in accordance with instructions
•	OCT	Budget Coordinator (Project Manager) develops schedule for upcoming budget cycle
•	NOV	Freeze FY2004-2005 Budget for loading into budget worksheets
•	NOV	Hold Kick-Off Meeting for all ITS Divisions to review ground rules and schedule
•	NOV-DEC	ITS service areas update historical usage/volume analysis using current fiscal year actuals (4 months)
•	DEC	Demand projections for each service based on agency feedback, historical trends, and computer modeling
•	DEC	Expense estimates developed based on volume projections, contract database, and service changes
•	JAN	Preliminary rate development based on demand and cost projections
•	JAN	Divisions input revenue and expense data into budget worksheets after CFO and D-CIO reviews of all line items by cost centers
•	JAN	ITS Finance consolidates inputs and reviews with CIO; rates reviewed for all services
•	JAN	Divisions make adjustments to inputs based on CIO review; Budget approved by CIO
•	FEB	Proposed Operating Budget and rate changes are submitted to OSBM
•	MAR	Rates and Budget approved by OSBM
•	JUN	ITS updates billing tables to reflect OSBM approved rates in FY2005-2006 billings
•	JUL	Operating Budget as approved by Legislature certified by OSBM

Office of Information Technology Services

Supplemental Information

Response to Inquiry on

Additional Budgetary Items

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Lapsed Salaries – ITS
Internal Service Fund

Office of Information Technology Services

FY 2003-2004	K $
Total	$2,548
Used	-314
Transferred to General Fund	-2100
Difference	$134

FY 2004-2005 (K$)	Projected Y/E	2/28/05 YTD
Total	$2445	$1630
Used	-545	-490
Proposed transfer to IT Fund	-1900	0
Difference	$ 0	$1140

ITS
Office of Information Technology Services

Zero-Based Budgeting

- Practiced for several years at ITS for following items:
  - Personal Services 20%
  - Maintenance & Service Contracts 20%
  - Phone & Data Lines 32%
  - IT Hardware & Software 18%
  - Internal Computing Services 4%
  - Training and Travel 1%

  Over 95% of ITS Budget is Zero-Based

- Expenses done on alternative basis:
  - Office & Data Processing Supplies 1%
  - Contracted IT Services/Repairs/Insurance 4%

Office of Information Technology Services

ITS
Vacancies as of 3/1/05

Total agency vacancies	36
Analysis:	
Filled in March	7
Under Recruitment	13
Vacated in 2005	3
Reclass Approved – March	2
Reclass in – process	4
Under Evaluation	1
Leave without pay	1
Reserved for new Requirements	5 (Vacancies > 6 months)
Total	36

ITS

Office of Information Technology Services

Personnel Turnover

Classification

	FY03-04	6 Months FY04-05
Admin	14	6
Technical	24	18
Total	38	24

Reasons	Admin	Tech	Total	Admin	Tech	Total
Transfers	2	0	2	1	0	1
Retirement	3	15	18	0	5	5
Health	1	3	4	1	3	4
Other	5	9	14	0	14	14
Total	11	27	38	2	22	24

ITS
Office of Information Technology Services

Multi-year maintenance contracts

- Special provision in 2003 budget bill authorized up to four, multi-year maintenance agreements with the approval of the State Controller for FY 2003-04
- ITS Savings: Estimated $4.1m over 4 years
  - Anticipate additional $2.2m this year
  - 3 Agreements completed, 4th in process

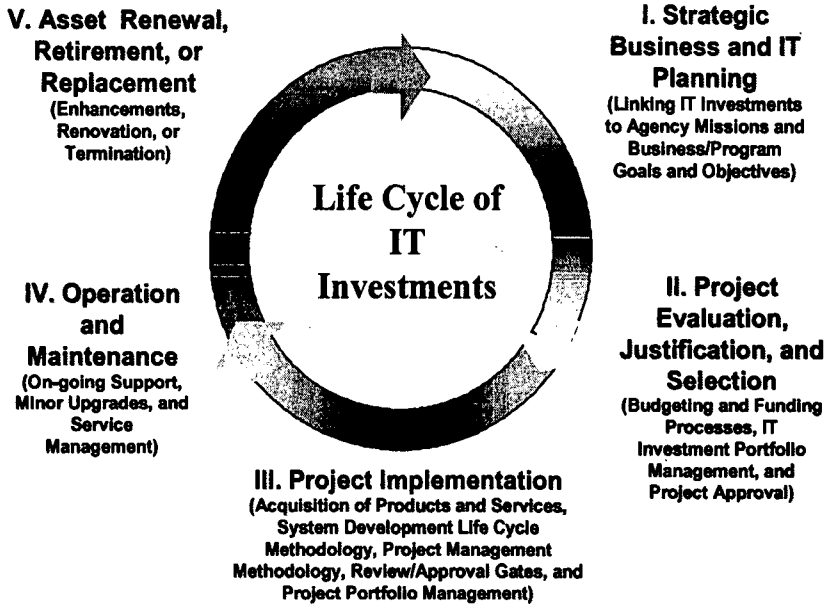
VISITOR REGISTRATION SHEET

APPROPRIATIONS Subcommittee on General Government Date: 4-5-05

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Don McCorquodale	SAS
Jonathan Womer	OSBM
Charlie Perusse	OSBM
Kari Barsness	OSBM
John McHugh	Governor's
JAMES L. FORTE	OSA
Julie Batchelor	OSC
George Bakolian	ITS
DAVE ROSSI	ITS
Bill Willis	ITS
Danny Lieberg	ITS
Greg Piner	OSBM
Thomas Cheek	OSBM

Framework for Managing IT Investments



State of North Carolina

Statewide Legacy Applications Assessment

Final Report

As Directed by House Bill 941, codified as G.S. 147-33.90

December 2004

Prepared by
Keane, Inc.
and
Gartner, Inc.

Submitted to
State Chief Information Officer, George Bakolia

Statewide Legacy Applications Assessment
Executive Summary

December 2004

With the encouragement of the State CIO, the General Assembly enacted legislation in its 2003 Session that mandates a comprehensive assessment of the State's legacy applications and the development of a plan for agencies to progress to more modern systems. Ratified House Bill 941, codified as G.S. 147-33.90, directs the Office of Information Technology Services (ITS) to analyze the State's legacy applications in two phases. The first phase, a high-level assessment completed in March 2004, indicated that the State might face significant technology and business risks from a large number of older applications, or computer programs designed to carry out a specific task. These findings initiated the second phase of the assessment that called for a more detailed analysis of needs and a timeframe for modernizing agency IT application assets.

A partnership of Keane, Inc. and Gartner, Inc. was selected from a competitive bidding process to complete a six-month assessment project that finished in December 2004. The study covered 24 executive department agencies and almost 900 individual applications. Although the consultants organized the effort, developed data items, and analyzed the information, the data was supplied by the agencies as a self-assessment exercise. The following questions were addressed for each application:

- What is the application's status?
  - Business perspective.
  - Technical perspective.
- What is the application's remediation strategy?
  - Functional enhancement/remediation.
  - Technical enhancement/remediation.
  - Replace.
  - Normal, on-going operations and maintenance.
- What is the application's remediation timeframe?
  - Immediate (0 to 2 years).
  - Near-term (2 to 4 years).
  - Long-term (4 to 6 years).

Data from a proceeding survey by ITS indicated that over 2,400 applications would be involved. Closer scrutiny reduced this number to fewer than 900 applications. The number shrank after due to the elimination of duplications and retirements in inventory listings, removal of commercial IT infrastructure tools, and the grouping of separate applications to better reflect department organizations. Costs for remediation were beyond the scope of the assessment, as these will be addressed in a succeeding study.

Summary Findings

Major findings of the legacy applications assessment are:

1. The statewide portfolio is relatively young, with an average age of 7.5 years.

Age Range (In Years)	Number of Applications	Percent of Total
12 plus	177	20%
9 to 12	81	9%
4 to 8	281	32%
0 to 4	260	30%
Unknown	74	9%
Portfolio Totals	873	100%

2. The overall posture of the State's portfolio of 873 legacy applications is generally good, with only about 25% presenting problems:

Status Description	Number of Applications	Percent of Total Portfolio
Functional Issues	56	6%
Technical Issues	91	10%
Functional and Technical Issues	57	7%
Remediation Totals	204	23%
Healthy (continue on-going, normal operations and maintenance)	238	27%
Manageable (healthy with manageable issues)	431	50%
Portfolio Totals	873	100%

3. Approximately 11% (92 applications) of the legacy portfolio requires action in the immediate future (within the next 2 years):

Remediation Timeframe	Number of Applications	Percent of Total Portfolio
Immediate (0 to 2 years)	92	11%
Near-Term (2 to 4 years)	306	35%
Long-Term (4 to 6 years)	475	54%
Portfolio Totals	873	100%

4. While a majority of the applications requiring action in the immediate future should be replaced, most of those needing action in the near-term future can be modified or upgraded:

	Immediate Timeframe		Near-Term Timeframe	
Remediation Strategy	Number	Percent	Number	Percent
Replacement	55 In Process - 24 In Planning - 17 No Activity - 14	60%	46 In Process - 4 In Planning - 18 No Activity - 24	15%
Functional Enhancement	12 In Process - 3 In Planning - 2 No Activity – 7	13%	48 In Process - 4 In Planning - 10 No Activity - 24	16%
Technical Enhancement	25 In Process - 4 In Planning - 6 No Activity - 15	27%	64 In Process - 3 In Planning - 14 No Activity - 47	21%
Subtotal - - Action Required	92	100%	158	52%
Regular Support	0	0%	148	48%
Totals	92	100%	306	100%

5. Many applications are experiencing common business, technical, and, support problems:

Common Problem	Number of Applications	Percent of Portfolio
Business Perspective		
Inability to meet current business requirements	97	11%
Inability to meet future business requirements	166	19%
Inability to meet reporting needs	139	16%
Dependency on limited business knowledge	145	17%
Technical Perspective		
Stability/reliability shortcomings	132	15%
Scalability (expandability) constraints	124	14%
Adaptability (changeability) restrictions	215	25%
Capacity constraints	90	10%
Software support issues	207	24%
Dependency on limited technical knowledge	118	14%

6. Although the immediate needs of the portfolio appear to be manageable, projections of its future status if no remediation actions are taken indicate an increasingly deteriorating condition as the applications age:

	Current		Plus 2 Years		Plus 4 Years	
Remediation Strategy	No.	%	No.	%	No.	%
Replacement	57	6%	118	14%	233	27%
Functional Enhancement	56	7%	62	7%	26	3%
Technical Enhancement	91	10%	221	25%	332	38%
On-Going, Normal Operations and Maintenance	669	77%	472	54%	282	32%
Portfolio Totals	873	100%	873	100%	873	100%

Key Recommendations

1. There a several opportunities for employing enterprise initiatives or approaches for the remediation/replacement of legacy applications that could address common issues in a more cost-effective manner by taking advantage of economies of scale and the leveraging of fiscal and staffing resources. These should be considered in succeeding studies and plans. Examples include:

   - Mainframe strategy - Common strategies and tools for improving the functional capabilities and technical sustainability.
   - Computer language upgrade – Develop common migration approaches, and define enterprise products and platforms.
   - Older versions of software – Employ enterprise licenses for upgrades.
   - Desktop applications – Establish criteria/guidelines for use, and employ enterprise licenses for software and database products.
   - Reporting needs – Develop enterprise approach, including use of warehouse(s), tools, etc.
   - Skills leveraging – To the greatest practical extent, employ common staff on an enterprise scale (using the centers of excellence concept) for addressing the same or similar issues.

2. Establish the organization, tools, and disciplines for performing the analysis of agency applications as a periodic (at least annual) recurring process performed by state staff. Specifically, the State should:

   - Implement a process of ongoing review of existing IT applications – Departments should periodically evaluate the posture of applications from business and technical perspectives to maximize value, identify required investments, ensure technical sustainability, and plan for retirement/replacement.

   - Coordinate IT applications reviews with business and IT planning efforts – Link IT plans closer to the accomplishment of department missions and business strategies. Incorporate insights of applications analyses for managing legacy applications to improve governmental program results or transform business processes through the renovation or replacement of IT assets.

   - Optimize IT investments on department and statewide levels – Employ planning and budgeting concepts, investment management practices, and portfolio management disciplines to optimize department and statewide investments for in-process projects, in-place applications and infrastructure assets, and new investments.

   A more strategic approach is required for dealing with aging applications, especially to optimize costs and benefits over lifetimes. Key principles of a legacy modernization strategy are:

   - Leverage opportunities for the need to improve business or program value to trigger investments in replacement or consolidation of older applications.

   - Systematically abandon older technologies that do not fit into the department or statewide infrastructure, become error prone or labor intensive, are nearing the end of vendor support, or limit the productivity of business/program or IT staff.

   - Maximize reuse of investments for common or statewide solutions to make the best use of fiscal resources.

   - Rationalize the applications portfolio and reduce the number of applications to increase manageability and reduce costs.

Immediate Next Step

Through a succession of surveys and studies, the scope of interest in the number of legacy applications has narrowed from over 2,400 expected total portfolio to 873 actual total portfolio to less than 100 requiring action in the immediate (within the next 2 years) time period. Succeeding work activities should cover the immediate applications and address the following objectives regarding them:

- Determine the position of each application regarding replacement or remediation, including a) confirming the assessment of need and priority b) identifying the strategy for accomplishing replacement or remediation, c) accessing actual progress against plans, and d) determining the status of conformance with the State CIO's project approval and reporting process.

- Ensure linkage with State CIO's IT Plan and department's business and IT plans for priority, timing, and type of remediation.

- Determine the status of available/committed funding for replacement or remediation.

- Determine best approaches for estimating costs for replacement or remediation projects for which funding is not available or committed.

- Identify opportunities for achieving cost-efficiencies in replacement/remediation projects by employing enterprise concepts that take advantage of economies of scale (including volume procurements and statewide licenses) in using common approaches and tools and the leveraging of staffing resources.

Longer-Term Next Step

Longer-term next steps should implement the second recommendation above. The recently purchased portfolio management tool will be used to analyze and assist in managing the state's applications inventory on a frequently recurring basis.

Ties to State CIO's IT Plan

The management of the state's significant investment in its legacy applications is a critical success factor for IT management. Therefore, key initiatives of the State CIO's IT Plan for the 2005-2007 biennium address the two recommendations and the next steps above.

AGENDA

Joint Appropriations Subcommittee
on
General Government

April 6, 2005
Room 425
8:30 a.m.

Chairman: Senator Katie Dorsett

Department of Insurance

Department Overview/Continuation Budget Review
(Notebook pp. 1-69; 2005-2007 Recommended Continuation Budget pp. B 200- – B 245)

Department Overview
(Notebook pp. 2, 39-41, 57-63; 2005-2007 Recommended Continuation Budget pp. B 207- – B 208)

Jim Long
Insurance Commissioner

Company Services Group
(Notebook pp. 3-10, 64; 2005-2007 Recommended Continuation Budget pp. B 209- – B 210)

Technical Services Group
(Notebook pp. 11-30, 64; 2005-2007 Recommended Continuation Budget pp. B 211- – B 212)

Public Services Group
(Notebook pp. 31-39, 64; 2005-2007 Recommended Continuation Budget pp. B 213- – B 214)

Barbara Morales-Burke
Assistant Commissioner

Office of State Fire Marshal
(Notebook pp. 42-56, 65; 2005-2007 Recommended Continuation Budget pp. B 215- – B 217)

Volunteer Safety Workers' Compensation Fund
(Notebook pp. 49, 66-67; 2005-2007 Recommended Continuation Budget pp. B 231- – B 235)

Tim Bradley
Senior Deputy Commissioner

VISITOR REGISTRATION SHEET

~~JOINT APPROPRIATIONS COMMITTEE ON EDUCATION~~

Name of Committee: Appropriation General Gov't

Date: 4/6/05

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Greg Piner	OSBM
Jim Newman	D of INS.
Kari Barkess	OSBM
David Brown	OSBM
Jim Rooke	Dept Insurance
Lee Hodge	KCLIT
Louis Belo	NCDOI
Boyce Oglesby	NC DOJ
Angela Ford	NC DOI
Tami Luckwood	NC DOI
Tim Bradley	NCDOI

House Pages

Name Of Committee: Gen. Govt Date: 4-6-05

1. Name: Marcia Gonzales
   County: Wake
   Sponsor:
2. Name: JAKE Huntington
   County: WAKE
   Sponsor:
3. Name: Marcus Brown
   County: Wake
   Sponsor: Malone
4. Name: DARIUS SMITH
   County: WAKE
   Sponsor: SENATOR MALONE
5. Name: Chris Hoover
   County: Onslow
   Sponsor: Senator Brown

Sgt-At-Arms

1. Name: Richard Teddy Lair
2. Name: Lalie Wright
3. Name: Earl Coker
4. Name: Martha Parrish
5. Name:

JOINT APPROPRIATIONS GENERAL GOVERNMENT
MINUTES

Wednesday, April 6, 2005
8:30 am

The Joint Appropriations Subcommittee on General Government met April 6, 2005 8:30am in Room 425 of the Legislative Office Building. Senator Dorsett called the meeting to order. She welcomed the staff, Michele Nelson, Marilyn Chism and Kathie Austin, pages, clerk, agencies and Sgt. At Arms. Five Senate Members were present and Representatives Alma Adams, and Gene Wilson.

After extending the welcome and making introduction, Senator Dorsett introduced Insurance Commissioner Jim Long. Commissioner Long thanked the subcommittee for the opportunity to speak, and processed with his overview on his department.

Company Services Division

The Company Services Group is comprised of the Actuarial Service, Financial Analysis and Financial Evaluation Divisions as well as the Department's Receivership Office.

The Actuarial Service Division assists in the review of company and bureau rate filings and rate related issues. The division also conducts actuarial studies and special projects to support financial analysis and examination work as well as other areas of the Department. Divisions that receive actuarial assistance included the:

- Consumer Services Division
- Property and Casualty Division
- North Carolina Supreme Court
- Financial Analysis Division
- Financial Examination Section
- Managed Care Division
- Life and Health Division
- General Assembly's Research Division

The Financial Analysis Division performs financial statement analysis of North Carolina licensed insurance entities to ensure compliance with solvency and other requirements. Close monitoring of troubled insurance entities is also the responsibility of the Division including supervision and workouts in an attempt to restore prudent solvency measure. Example to monitoring procedures performed by this division include:

- Financial analyses of annual and interim financial statements and other financial data, including holding company and affiliated company data;

- Initiating, monitoring and enforcing workout plans designed to correct deficiencies causing the hazardous financial condition;
- Target financial and operational examinations;
- Formal administrative supervision proceeding designed to protect insurance company assets through a workout period.

The Financial Evaluation Divisions conducts financial examinations or audits of all North Carolina domestic insurers to ensure compliance with solvency and other similar standards. The Divisions also review applications for the initial licensure of insurance companies in North Carolina and also regulates:

- Risk retention groups
- Risk purchasing groups
- Continuing care retirement communities
- Professional employer organizations
- Individual employers licensed to self-insure for workers' compensation.

Commissioner Long turned the rest of the presentation over to Assistant Commissioner Barbara Morales-Burke to continue the overview.

Technical Services Group

The Technical Services Group is comprised of the Property and Casualty Division, Market Examinations Division, Life and Health Division, Senior' Health Insurance Information Program, Managed Care and Health Benefits Division, and the Healthcare Review Program.

Property and Casualty Division licenses rating organizations, advisory organizations and joint underwriting associations, along with reviewing rate, rule and policy form filings made by these entities.

Life and Heath Division oversaw health insurers' implementation of the Patient Bill of Rights legislation, since numerous new and revised laws required insurers in major medical market to submit revised forms for approval.

Seniors' Health Insurance Information Program (SHIIP) a division of the North Carolina Department of Insurance provides health insurance information counseling and assistance to Medicare beneficiaries and/or family members in North Carolina.

Market Examinations Division monitors insurance company market practice especially as they affect consumer.

Managed Care and Health Benefits Division monitors and regulates the active managed care entities, including health maintance organization (HMOs); preferred provider organization benefit plans (PPO's); managed care indemnity health insurers and multiple employer welfare arrangement (MEWAs).

Healthcare Review Program (HCR) a unit within the North Carolina Department of Insurance administers the Health Benefit Plan External Review statutes, NCGS 58-50-75 through 95.

Public Services Group

The Public Service Group is comprised of the Consumer Services, Agent Services and the Investigations Divisions.

The Consumer Services Division assists North Carolina consumers by answering insurance questions and resolving their insurance problems. A staff consumer specialists advises and acquaints consumers with course of action they may pursue to resolve their particular insurance problem.

The Agent Service Division is responsible for the regulation of all agents, broker, limited representatives, appraisers, adjusters, premium finance companies, collection agencies, motor clubs, bail bondsmen, surety agents and bail bond runners authorized to do business in North Carolina and administrative actions.

The Investigations Division conducts criminal investigation of insurance-related crimes committed by policyholders, claimants, insurance producers and insurance companies. The division also conducts criminal investigations involving bail bonding, collection agency and premium finance activities.

Assistant Commissioner Burke opened the floor up to questions. The subcommittee had no questions. He then turned the overview back over to Insurance Commissioner Jim Long.

Office of the General Counsel

The General Counsel gives legal direction and counsel to the Commissioner and all members of the Department in areas of law relating to the entities regulated by the Department, which included: the insurance industry, the bail bond industry, collection agencies, premium finance companies and building inspectors.

Between January 2003 and December 2004 the General Counsel's office responded to over 930 legal services requests from Department personnel without the involvement of the Attorney General's office.

Office of State Fire Marshall

Since the late 1940s, the Commissioner of Insurance has served as the State Fire Marshal North Carolina General Statute. Groundwork for this began in 1907 when the General Assembly established the "Firemen's Relief Fund," requiring the Commissioner to collect funds from insurance companies to be used for relief of distressed firefighters. In

effort to bring more focus and visibility to this Division's programs, the Office of State Fire Marshal (OSFM) was formally established within the Department of Insurance on April 1, 1998.

OSFM is comprised of the following six divisions: Engineering and Codes, Manufactured Building, Risk Management, Fire and Rescue Training and Inspections, Fire and Rescue Commission, and Programs, Prevention and Grants.

Engineering and Codes provides interpretations of the intent of the state building code city and county inspection officials, architects, engineers, contractors, material suppliers, manufacturers, other state agencies, attorneys and the general public.

Manufactured Building acts both as a state administrative agency under the federal Manufactured Housing Constructions and Safety Standards Act and as staff to the North Carolina Manufactured Housing Board.

Risk Management is responsible for the operation and maintenance of the State Property Fire Insurance Fund (the Fund), the self-insurance plan for State's property.

Fire and Rescue Training and Inspections serves as the certifying agency for qualifying fire departments and their members for several benefit programs

Fire and Rescue Commission an advisory board consisting of representatives from various fire and rescue organization as well as the state agencies.

Programs Prevention and Grants administers the Firemen's Relief Fund and Rescue Relief Fund, as well as assists local fire, EMS, law enforcement and SAFE KIDS coalitions by providing resource on injury prevention programs statewide.

Commissioner Long asked the subcommittee if they had any questions. The subcommittee questioned Commissioner Long. After all the questions were answered he introduced Senior Deputy Commissioner Tim Bradley to give an overview of budget.

The subcommittee questioned Senior Deputy Commissioner Time Bradley on the budget.

The meeting adjourned at 9:35 a.m.

Senator Katie Dorsett, Presiding

Phyllis Cameron, Committee Clerk

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT

April 6, 2005
8:30 am

ATTACHMENT
I



North Carolina Department of Insurance

2003-2004 Biennial Report

Jim Long
Insurance Commissioner

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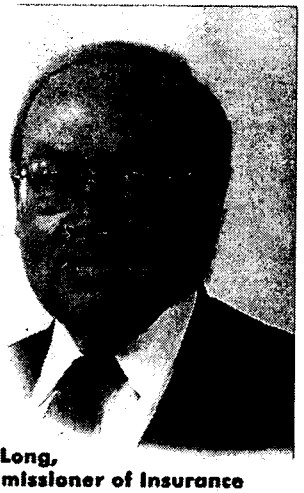
Department of Insurance Mission Statement

The North Carolina Department of Insurance serves the citizens of North Carolina through consumer protection and education, safety training and promotion and regulation of specified activities and industries.

This is accomplished by:

- Assuring an optimum marketplace in which consumers can readily purchase fairly-priced insurance products from sound, responsive entities;
- Educating the public in loss prevention, safety awareness and developing life safety standards;
- Maintaining a well-managed, fiscally-responsible organization staffed by knowledgeable, courteous, professional employees.

At all times, the affairs of the department are conducted in an open, ethical manner and in the best interests of the public.



Jim Long,
Commissioner of Insurance

Company Services Group

The Company Services Group is comprised of the Actuarial Services, Financial Analysis and Financial Evaluation Divisions as well as the Department's Receivership Office.

The Actuarial Services Division assists in the review of company and bureau rate filings and rate related issues. The division also conducts actuarial studies and special projects to support financial analysis and examination work as well as other areas of the Department.

The Financial Analysis Division performs financial statement analysis of North Carolina licensed insurance entities to ensure compliance with solvency and other requirements. Close monitoring of troubled insurance entities is also the responsibility of the Division including supervisions and work-outs in an attempt to restore prudent solvency measures.

The Financial Evaluation Division conducts financial examinations or audits of all North Carolina domestic insurers to ensure compliance with solvency and other similar standards. The Division also reviews applications for the initial licensure of insurance companies in North Carolina and also regulates risk retention groups, risk purchasing groups, continuing care retirement communities, professional employer organizations and individual employers licensed to self-insure for workers' compensation.

The Receivership Office, in conjunction with the Financial Analysis Division, administers the estates of all insurance entities placed into rehabilitation or liquidation in North Carolina.

Actuarial Services Division

Actuarial Services assists other Department of Insurance divisions in regard to all aspects of actuarial science. Divisions that receive actuarial assistance include the:

- Consumer Services Division with consumer complaints on rate increases and with general questions concerning insurance;
- Property and Casualty Division in reviewing rate filings, loss cost filings, form filings and statistical filings;
- Rate counsel when preparing for and conducting rate hearings. The Division also provides actuarial assistance in the preparation of briefs during the appeals process up to and including the North Carolina Supreme Court.
- Financial Analysis Division with reviewing Actuarial Opinions and Memorandums, reviewing of HMO claim reserves and various ad hoc projects;
- Financial Examination Section with various claim reserve and proper accounting of reserve items;

- Managed Care Division in regard to the licensing of new Health Maintenance Organizations (HMOs) and the review of expansion and material modification requests, and the annual licensing of Multiple Employer Welfare Arrangements (MEWAs);
- Life and Health Division with reviewing individual accident and health insurance and HMO rate revisions, review of unusual life, annuity and health insurance products, and review of actuarial aspects of proposed rules and legislation pertaining to life and health insurance.

Other government agencies that have received actuarial assistance include the:

- General Assembly's Research Division with cost estimates on proposed health and life insurance legislation and various ad hoc projects relating to actuarial science.

Life and Health Section

This Division's review of individual accident and health rate change requests saved consumers covered under such policies $20.3 million in 2003, and $22.1 million in 2004. Since the Division's review of rates began, consumers have realized savings of approximately $133.0 million as of December 2004.

During the biennium, Actuarial Services collected data and evaluated the impact of mandated reductions in the credit life and accident and health insurance prima facie rates. The combined savings to consumers purchasing credit insurance is approximately $44.8 million in 2003, and $42.6 million in 2004. Since 1988, the first year of an evaluation of a prima facie rate reduction, consumers have realized savings of approximately $646.6 million as of December 2004.

Actuarial Services annually reviews the Medicare supplement insurance refund calculations submitted by insurance carriers. These forms were reviewed for calendar year 2003 and all carriers were correctly performing the calculations. A refund of $844,597 was paid in September 2004 by Peoples Benefit Life Insurance Company for calendar year 2003. The Division continues to review all Small Employer Group actuarial rate certifications to assure compliance with the Small Employer Group Health Coverage Reform Act.

Actuarial Services also assists in the review of licensing Multiple Employee Welfare Arrangements (MEWAs) and the review of their specific and aggregate maximum net retention level. During the biennium, Actuarial Services' review of renewal licensing applications resulted in some MEWAs either increasing their surplus to accommodate their specific maximum net retention levels or lowering their specific maximum net retention level.

Actuarial Services acts as the life and health risk assessment division for the Department and works closely with the Department's Financial Evaluation and Financial Analysis Divisions concerning claim reserve and premium rate analyses and solvency issues for HMOs and MEWAs.

Property and Casualty Section

Actuarial Services Division works closely with the Property and Casualty Division and the Financial Analysis and Evaluation Divisions in reviewing rate filings, loss cost filings, form filings and statistical filings. Actuarial Services Division has been heavily involved in private passenger automobile rate filings, workers compensation filings and self-insured compensation funds. The Division assists Department counsel to prepare and present the Department's case in the public rate hearings. The Division strives to ensure that rates are not excessive to policyholders, yet adequate so as to provide a reasonable profit to companies and to protect their solvency.

Private Passenger Auto

In 2003, the North Carolina Rate Bureau (NCRB) filed for a 10 percent rate decrease in private passenger automobile rates. After DOI review, a settlement was reached and the NCRB implemented a 15 percent rate decrease, potentially saving the public as much as $255 million dollars.

In 2004, the NCRB filed for a 12.2 percent rate increase for private passenger automobile rates. After DOI review, the Commissioner called for a public hearing on the matter. Subsequently, a settlement was reached and no rate change was implemented by the NCRB, potentially saving the public as much as $390 million dollars.

Workers' Compensation

In 2003, the North Carolina Rate Bureau (NCRB) filed for an 8.2 percent increase for workers' compensation loss costs and a 19.5 percent increase for assigned risk rates. After DOI review, a settlement was reached and the NCRB implemented a 1 percent decrease on loss costs and a 5 percent increase on assigned risk rates, potentially saving North Carolina companies as much as $92 million dollars.

In 2004, the NCRB filed for an 8.7 percent increase for both workers' compensation loss costs and assigned risk rates. After DOI review, a settlement was reached and the NCRB implemented a 2 percent rate increase on loss costs and 4 percent for assigned risk rates, potentially saving North Carolina companies as much as $69 million dollars.

The Division reviews the rates for the self-insured workers compensation funds domiciled in North Carolina and assists the Financial Evaluation and Analysis Divisions in the financial review and examination of these funds.

Homeowners

No homeowners rate change was filed by the NCRB during this period.

Dwelling Fire and Extended Coverage

In 2003, the North Carolina Rate Bureau filed for a 42.8 percent increase to Dwelling Fire and EC rates. After review by the DOI, a settlement was reached and the NCRB implemented a 13.6 percent rate increase, potentially saving the public as much as $35 million dollars a year.

In addition to these activities, the Division has reviewed over 700 individual company rate filings for various lines of insurance during this period.

Financial Analysis Division

The primary responsibilities of the Division are to monitor the financial condition and solvency of licensed or authorized insurance companies, review and approve certain insurance company transactions requiring the Commissioner's approval, work closely with troubled companies, and handle the financial and regulatory functions associated with companies in receivership.

Monitoring of insurance companies is accomplished by analyzing annual and interim financial statements and other financial data for each company using financial analysis programs and systems. Compliance with a wide variety of statutory requirements is also determined and a conclusion is reached on the financial health of each insurance company. The financial analysis process utilizes the database and programs of the National Association of Insurance Commissioners and systems which have been developed in-house.

The Division closely monitors the financial condition and operations of domestic insurance entities deemed to be in a potentially hazardous financial condition. The ultimate goal of the Division is to determine whether a troubled insurance entity can be prevented from going into formal delinquency proceedings and returned to sound financial condition and good business practices. Examples of close monitoring procedures performed by this Division include:

- financial analyses of annual and interim financial statements and other financial data, including holding company and affiliated company data;
- initiating, monitoring and enforcing workout plans designed to correct deficiencies causing the hazardous financial condition;
- targeted financial and operational examinations;
- formal administrative supervision proceedings designed to protect insurance company assets through a workout period.

Staff of the Division also comprise the Receivership Office (see below) working on supervision, rehabilitation and liquidation of domestic insurance companies. This responsibility includes evaluating the necessity of instituting formal delinquency proceedings and providing guidance to troubled insurers after leaving administrative supervision.

The Division also processes insurance organization corporate changes (such as acquisitions, mergers, dissolutions, charter changes, bylaw changes and Holding Company Act filings) and administers the insurance company security deposit program. These deposits are required by law for the protection of policyholders. The securities are maintained by Wachovia Bank, N.A. under a safekeeping agreement and totaled over $890 million at year end 2003 and 2004. These year end balances are significantly higher than in previous years as a result of a legislative change effective Oct. 1, 2003, which increased the amount of the minimum required deposit for all licensed foreign insurance companies. Most of the functions of the collateral securities program are computerized, allowing rapid processing of transactions and better monitoring of the quality of securities on deposit.

Performance Indicators

Calendar Year	2003	2004
Insurance organizations regulated	1,563	1,550
Financial statements analyzed	6,141	6,089
Audited financial statements reviewed	508	498
Insurer licenses suspended	2	0
Insurer licenses revoked	1	2
Administrative actions	20	22
Securities on deposit for policyholder protection	$892,000,000	$898,000,000

Financial Evaluation Division

The Financial Evaluation Division is comprised of the Company Admissions Section, the Financial Examination Section and the Special Entities Section. In addition to being responsible for examinations and the admission of entities seeking to do business in this State, the Division regulates individuals that self-insure for workers' compensation, certain third party administrators, professional employer organizations and continuing care retirement communities for compliance with the solvency laws of this state. The ultimate objective of this regulation is to reduce the likelihood of any of these entities failing or to mitigate the effect of any of these entities' insolvency on the consumers of this State.

Company Admissions Section

The primary responsibility of this section is the evaluation of the financial condition of insurance companies applying for initial licensing, or other type of authority to transact insurance business in North Carolina.

It is important that insurance entities meeting or exceeding the minimum requirements be licensed or authorized so that adequate and competitive markets are available to North

Carolina insurance consumers. It is equally important that any entity not meeting the minimum requirements be denied a license or authority in order to protect North Carolina insurance consumers from potential insurer insolvencies.

During the biennium, insurance companies continued to demonstrate considerable interest in establishing business in North Carolina. During the last two years, 88 new applications were received. A total of 45 insurance entities were found to satisfy North Carolina admission requirements and received initial certificates of authority during the biennium. This number includes the formation of two North Carolina domestic insurance companies.

The section is also responsible for the initial review of insurance companies applying for eligibility for the placement of surplus lines business. The surplus lines market is for insurance products that are not readily available to consumers through licensed companies. During the biennium, the section received and reviewed eight filings for surplus lines eligibility. Eight new companies were found to qualify.

Additionally, the section is responsible for reviewing applications for accredited reinsurer status in North Carolina. During the biennium, seven filings were received and seven companies were found to satisfy the statutory requirements.

The section is responsible for the financial review of risk retention groups filing for initial registration. It is also responsible for making the initial determination that purchasing groups satisfy the requirements for registration. These entities operate under the authority of the Federal Risk Retention Act and North Carolina Insurance Statutes governing liability risk retention. The federal act permits risk retention groups and purchasing groups to provide certain types of liability insurance coverage to their members if the group is properly licensed in at least one state and files certain minimal financial information with each state in which it desires to do business. We have required as much information as allowed under the federal act in order to evaluate the merits of risk retention group filings. North Carolina statutes require a purchasing group to buy its coverage from an insurance company that is either licensed or eligible for surplus lines business in this state. During the biennium, 14 filings for initial registration were received from risk retention groups and 31 initial filings were received from purchasing groups. Fourteen risk retention groups and 31 purchasing groups received initial registration during the period.

Financial Examination Section

The section conducts varying types of audits ranging from full examinations to examinations of very specific issues. The latter usually involves the resolution of issues that can not be resolved during the financial analysis process. Practices and procedures have been developed by this Section, the Financial Evaluation Division and the National Association of Insurance Commissioners (NAIC).

Application software sub-licensed from the NAIC is used to perform examination procedures. Also, the NAIC has endorsed audit software that has assisted in automating the entire exam process. North Carolina is one of 40 states currently using this software.

Automation is of great importance; however, technological advances and the development of more sophisticated software require the section's commitment to maintain hardware and software current.

Communication with the office and the NAIC is an important part of the examination process. Examiners have electronic access to both the office and to the financial information of insurance entities through the NAIC. The ability to communicate effectively while on-site is critical to conducting an efficient and effective examination.

Special Entities Section

The Special Entities Section has responsibility for the licensing and regulation of continuing care retirement communities, professional employer organizations and individual employers who self-insure for workers' compensation.

Continuing Care Retirement Communities

Continuing Care Retirement Communities (CCRCs) are entities that provide lodging or independent living together with nursing services, medical services or other health-related services under a contract effective for the life of the individual or for a period longer than one year. The section provides financial oversight and licenses these entities. Additional safeguards for facility residents and prospective residents are provided through the oversight of disclosure statements.

There are 54 licensed CCRCs in North Carolina and four under development. Currently, there are over 15,000 senior adults residing in North Carolina CCRCs.

On an annual basis, the section reviews the disclosure statement, contract and audited financial statements for each licensed CCRC. The section also works with providers/sponsors who are currently developing, or are interested in developing, new CCRCs in North Carolina for compliance with all applicable statutes and rules.

Professional Employer Organizations

Professional employer organizations (PEOs) are entities that offer and provide professional employer services. Professional employer services is an arrangement by which employees of a PEO are assigned to work at a client company and in which employment responsibilities are in fact shared by the PEO and the client company, the employee's assignment is intended to be of a long-term or continuing nature, rather than temporary or seasonal in nature, and a majority of the workforce at a client company work site or a majority of the personnel of a specialized group within that workforce consists of assigned employees of the PEO.

Effective Jan. 1, 2005, all persons engaged in professional employer services in North Carolina must become licensed by the North Carolina Department of Insurance. Prior to this requirement, all persons engaged in professional employer services in North Carolina had to be registered by the North Carolina Department of Insurance. As of Dec. 31, 2004, there were 140 PEOs registered in North Carolina (97 non-group PEOs and 10 PEO groups comprised of 43 PEOs). There are currently no PEOs licensed in North Carolina.

The section is responsible for the licensing of all PEOs and for the continued monitoring of the financial condition of the PEO through the annual review of audited financial statements. On an ongoing basis the section monitors changes in controlling persons, changes in client company relationships and changes in workers' compensation and benefit plans offered by the PEO.

Individuals Self-Insured for Workers' Compensation

There are 159 active individual employers who are self-insuring for workers' compensation in North Carolina under Article 5 of the Workers' Compensation Act ("Act").

On an annual basis the section reviews the audited financial statements and actuarial opinion of all individual employers who are self-insured for workers' compensation in North Carolina. The section ascertains that all deposits required under the Act are maintained in accordance with statutory guidelines in order to protect the interests of all employees of self-insured employers and the North Carolina Guaranty Association. The section also works with entities that may be interested in becoming licensed to self-insure for workers' compensation under Article 4 of the Act.

The section is also responsible for reviewing the financial statements for Third Party Administrators, Risk Retention Groups and Multiple Employer Welfare Arrangements.

Receivership Office

The Receivership Office's ultimate goal is to rehabilitate and/or liquidate troubled and insolvent insurers in order to protect and preserve, to the maximum extent possible, the remaining assets of the insurer for the benefit of the company's policyholders, creditors and the public. The Office is comprised of members of the Financial Analysis Division who handle the financial and regulatory aspects and other state employees that handle IT and other operational aspects of companies in supervision, rehabilitation and liquidation. Examples of specific duties performed include:

- marshaling assets, pursuing asset recoveries and liquidating assets of companies in receivership to the maximum benefit of policyholders and other creditors;
- managing the operations of the various departments of the insurance company through a runoff period including claims, underwriting, policyholder service, data processing, accounting and personnel;
- coordinating relationships and issues involving the various state guaranty associations called upon to pay policyholder claims;
- providing litigation support services and coordinating relationships and issues involving federal and state investigative agencies outside of the Department of Insurance.

During the 2003-2004 biennium, the Receivership Office was involved with 12 receiverships. Three receiverships were initiated during this period and three others were closed, with nine remaining open at Dec. 31, 2004.

Technical Services Group

The Technical Services Group is comprised of the Property and Casualty Division, Market Examinations Division, Life and Health Division, Seniors' Health Insurance Information Program, Managed Care and Health Benefits Division, and the Healthcare Review Program. The work performed by divisions in this group work with centers on policy issues, taking into consideration how they are implemented in insurance products and day-to-day company operations.

The Property and Casualty Division's primary responsibility is the review of rate, rule and policy form filings relating to property and casualty coverages. These filings are made by insurance companies, statutory bureaus and licensed rating organizations.

The Life and Health Division is responsible for the review and approval of rate, rule and policy form filings submitted by life and health insurance companies and issuance of licenses for third party administrators.

The Market Examinations Division conducts field examinations of the market practices of domestic and foreign insurers and their representatives.

The Seniors' Health Insurance Information Program's (SHIIP) primary function is to train adult volunteers to help older adults through the maze of Medicare regulations, Medicare supplement insurance, long-term care insurance and claims procedures. In recent years, Medicare's move toward managed care options has led SHIIP to develop new training courses. Recently, there has been an increased interest in long-term care, and the need for information on this product has grown. SHIIP's ability to increase its activities and effectiveness depends on collaboration with numerous state, county and federal agencies, as well as with community organizations.

The Managed Care and Health Benefits Division (MCHB) monitors and regulates the activities of managed care entities such as health maintenance organizations (HMOs) and managed care indemnity health insurers, including their arrangements with Preferred Provider Organizations (PPOs) and Multiple Employer Welfare Arrangements (MEWAs). The Division's emphasis is on how company activities affect consumers in North Carolina. The MCHB Division accomplishes its work through several types of activities: market practice examinations of companies, review of document filings required of companies and data collection, analysis and reporting.

The Healthcare Review Program (HCR Program) offers external review services, which consist of the independent medical review of a health plan denial and offers another option for resolving coverage disputes between a covered person and their insurer.

Property and Casualty Division

This Division licenses rating organizations, advisory organizations and joint underwriting associations, along with reviewing rate, rule and policy form filings made by these entities. In addition, this Division reviews the rates, rules and forms for the North Carolina Rate

Bureau, North Carolina Reinsurance Facility, Beach Plan, Fair Plan and licensed property and casualty insurance companies.

State law permits insurance companies that are unlicensed to write insurance on risks in this state as "surplus lines" companies provided there is compliance with applicable statutes and rules. Surplus lines taxes are the responsibility of specially licensed agents. This Division receives and reviews the tax forms submitted by these agents.

Surplus Lines Review

The following chart reflects surplus lines activity for the years 2003 and 2004 with tax reported at 5.0 percent of gross premiums charged.

	No. of Policies	Premium	Tax generated
2003	54,382	$480,568,427	$24,027,593
2004 *	68,498	$514,527,642	$20,329,826

*** Total tax for 2004 not available until mid-February 2005**

Filings Review

Because this Division's primary responsibility is the review of forms, rules and rates, filings must be carefully analyzed. During 2003-2004, a total of 22,141 filings were reviewed.

Forms, Rules and Rates Reviewed

	Companies and Organizations
2003	11,332
2004	10,809
Total	**22,141**

Rate Deviations

Under the jurisdiction of the North Carolina Rate Bureau, state law allows companies to file rate deviations (discounts) on coverages such as private passenger automobile, homeowners, mobile homeowners and dwelling fire. A typical deviation would be lower auto insurance premiums for autos with anti-locking brakes.

	Homeowners	Dwelling Fire	Auto
2003	48	9	98
2004	78	6	70

Workers Compensation

A significant number of large deductible plans and scheduled rating plans have been approved for individual companies as the market continues to remain stable and competitive. This may be attributed to the introduction of loss costs in ratemaking, use of managed care plans, implementation of drug-free workplace plans and increased use of loss control programs. For example, the number of companies filing a drug-free premium credit has increased. Credits start at 5 percent. It applies to North Carolina employers who establish a drug-free workplace, supported by drug testing.

	NC Rate Bureau	Residual Market	Individual Company
2003	1	1	144
2004	1	1	119

Workers Compensation Rates 1985-2004				
Filing Year	Rate Requested	Rate Implemented	Statewide Premium	Est.Employer Savings
1985	12.90%	7.50%	$ 228,937,000	$ 12,362,598
1986	12.80%	5.80%	$ 344,346,000	$ 24,104,220
1987	16.80%	15.90%	$ 391,308,000	$ 3,521,772
1988	(No Filing)	(No Filing)	$ 453,879,000	-
1989	16.80%	9.00%	$ 504,204,000	$ 39,327,912
1990	29.30%	18.90%	$ 557,950,000	$ 58,026,800
1991	41.80%	15.80%	$ 635,173,000	$ 165,144,980
1992	40.30%	33.00%	$ 635,200,000	$ 46,369,600
1993	15.5	9.30%	$ 633,461,000	$ 39,274,582
1994	(No Filing)	(No Filing)	$ 633,181,437	-
1995	-15.00%	-15.00%	$ 587,024,256	-
1996	-14.00%	-14.00%	$ 591,203,889	-
1997	-13.70%	-13.70%	$ 658,153,267	-
1998	-1.10%	-1.10%	$ 675,624,668	-
1999	3.40%	0.00%	$ 719,538,435	$ 24,464,307
2000	4.60%	4.60%	$ 719,538,435	-
2001	-1.40%	-1.40%	$ 766,822,301	-
2002	0.00%	0.00%	$ 836,258,595	$ 2,090,646
2003	9.10%	-0.05%	$ 959,561,074	$ 92,147,074
2004	8.70%	2.20%	$ 1,057,539,270	$ 68,740,053
			Total	$ 575,574,544

Private Passenger Auto Rates

Article 36 of Chapter 58 requires the North Carolina Rate Bureau to make a rate filing for private passenger automobile annually on Feb. 1. Below is a history of the rate filings:

Private Passenger Auto Rates 1984-2004

Rate Effective Date	Rate Requested	Rate Ordered	Rate Implemented	Consumer Savings
March 1, 1985	4.1%	0.0%	0.0%	$19,621,579
January 1, 1986	20.8%	10.4%	10.4%	$107,041,089
July 15, 1987	12.2%	1.0%	1.0%	$70,084,004
April 1, 1988	4.1%	0.7%	0.7%	$27,519,059
January 1, 1989	6.4%	4.3%	4.3%	$27,784,097
March 1, 1990	4.2%	-5.9%	3.4%	$127,768,279
March 1, 1991	9.6%	4.1%	4.1%	$97,121,492
June 1, 1992	9.4%	4.4%	4.4%	$55,623,900
February 1, 1993	-4.2%	-6.0%	-6.0%	$28,537,120
February 1, 1994	(No Filing)	-6.0%	-6.0%	$26,113,419
January 1, 1995	17.7%	-8.5%	4.4%	$486,800,438
January 1, 1996	13.8%	-8.5%	4.4%	$378,559,212
December 1, 1996	6.1%	5.5%	5.5%	$3,907,391
November 1, 1997	5.5%	0.0%	0.0%	$140,349,969
November 1, 1998	7.2%	0.0%	0.0%	$195,001,681
November 1, 1999	(No Filing)	0.0%	0.0%	$162,946,610
September 1, 2000	-5.0%	-9.3%	-9.3%	$124,369,047
September 1, 2000	-5.0%	-9.3%	-9.3%	$72,236,268
April 1, 2002	10.6%	-13.0%	5.0%	$573,392,774
January 23, 2003	5.9%	-11.6%	5.9%	$244,512,988
July 1, 2003	-10.0%	-15.0%	-15.0%	$254,622,206
January 1, 2005	12.2%	0.0%	0.0%	$389,699,486
			Total	$3,613,612,108

North Carolina Insurance Underwriting Association and North Carolina Joint Underwriting Association

The following charts are reflective of premium writings and policies issued by the North Carolina Insurance Underwriting Association (Beach Plan) and the North Carolina Joint Underwriters Association (Fair Plan) for its last four fiscal years (10/1/00-9/30/04). Premium growth has currently pushed premium writings in the Beach Plan to almost $100 million dollars and premium writings in the Fair Plan to over $23 million dollars.

NORTH CAROLINA INSURANCE UNDERWRITING ASSOCIATION (BEACH PLAN)

BEACH POLICIES ONLY				
YEAR	PREMIUMS	% OF CHANGE	POLICIES ISSUED	% OF CHANGE
10/01/00 - 09/30/01	25,895,253	N/A	27,156	N/A
10/01/01 - 09/30/02	27,413,490	6.0%	28,444	5%
10/01/02 - 09/30/03	30,303,491	11.0%	30,838	8%
10/01/03 - 09/30/04	37,717,107	24.0%	31,761	3%

DWELLING AND COMMERCIAL WIND AND HAIL POLICIES ONLY (BEACH AREA)				
YEAR	PREMIUMS	% OF CHANGE	POLICIES ISSUED	% OF CHANGE
10/01/00 - 09/30/01	18,836,985	N/A	14,338	N/A
10/01/01 - 09/30/02	23,000,641	22%	15,550	8%
10/01/02 - 09/30/03	27,699,721	20%	27,472	77%
10/01/03 - 09/30/04	12,697,796	-54%	2,693	-90%

DWELLING AND COMMERCIAL WIND AND HAIL POLICIES ONLY (COASTAL AREA)				
YEAR	PREMIUMS	% OF CHANGE	POLICIES ISSUED	% OF CHANGE
10/01/00 - 09/30/01	7,983,602	N/A	11,346	N/A
10/01/01 - 09/30/02	10,903,841	37%	14,090	24%
10/01/02 - 09/30/03	16,817,787	54%	20,159	43%
10/01/03 - 09/30/04	7,695,717	-54%	3,763	-81%

HOMEOWNERS WIND AND HAIL POLICIES ONLY (BEACH AREA)				
YEAR	PREMIUMS	% OF CHANGE	POLICIES ISSUED	% OF CHANGE
10/01/00 - 09/30/01	0	N/A	0	N/A
10/01/01 - 09/30/02	0	N/A	0	N/A
10/01/02 - 09/30/03	0	N/A	0	N/A
10/01/03 - 09/30/04	22,690,418	N/A	30,300	N/A

HOMEOWNERS WIND AND HAIL POLICIES ONLY (COASTAL AREA)				
YEAR	PREMIUMS	% OF CHANGE	POLICIES ISSUED	% OF CHANGE
10/01/00 - 09/30/01	0	N/A	0	N/A
10/01/01 - 09/30/02	0	N/A	0	N/A
10/01/02 - 09/30/03	0	N/A	0	N/A
10/01/03 - 09/30/04	14,408,421	N/A	41,473	N/A

HOMEOWNERS POLICIES ONLY (BEACH AREA)				
YEAR	PREMIUMS	% OF CHANGE	POLICIES ISSUED	% OF CHANGE
10/01/00 - 09/30/01	0	N/A	0	N/A
10/01/01 - 09/30/02	0	N/A	0	N/A
10/01/02 - 09/30/03	178,245	N/A	114	N/A
10/01/03 - 09/30/04	1,623,801	811%	1,020	795%

HOMEOWNERS POLICIES ONLY (COASTAL AREA)				
YEAR	PREMIUMS	% OF CHANGE	POLICIES ISSUED	% OF CHANGE
10/01/00 - 09/30/01	0	N/A	0	N/A
10/01/01 - 09/30/02	0	N/A	0	N/A
10/01/02 - 09/30/03	340,605	N/A	392	N/A
10/01/03 - 09/30/04	2,550,532	649%	3,648	831%

TOTAL BEACH PLAN				
YEAR	PREMIUMS	% OF CHANGE	POLICIES ISSUED	% OF CHANGE
10/01/00 - 09/30/01	52,715,840	N/A	52,840	N/A
10/01/01 - 09/30/02	61,317,972	16%	58,084	10%
10/01/02 - 09/30/03	75,339,849	23%	78,975	36%
10/01/03 - 09/30/04	99,383,792	32%	114,658	45%

Other Significant Issues this Biennium

FACTS ABOUT INSURANCE FOR LOSSES DUE TO TERRORISM

Background

- Prior to Sept. 11, 2001, most property and liability insurance policies did not address the issue of terrorism. Many policies did provide exclusions for war, civil war, warlike action by a military force, insurrection, rebellion, revolution and usurped power. But nothing about terrorism thus the possibility of coverage.
- Immediately following the terrorists' attacks of Sept. 11, most insurance companies filed exclusions to limit their liability from a terrorist event. Some of these exclusions were very definitive as to what constituted terrorism and others were quite broad.
- Because most insurance companies were not willing to insure commercial properties for terrorist events, a movement began to provide some type of federal insurance or reinsurance to provide the coverage. There were concerns that financial institutions would not provide loans to large projects without protection against the possibility of a terrorist event. The lack of coverage could impact our economic growth.
- On Nov. 26, 2002, President Bush signed the Terrorism Risk Insurance Act of 2002 (TRIA). The act provided a federal backstop for certain acts of terrorism through a temporary federal program. Insurance companies will share the terrorism exposure with the federal government. The Secretary of the Treasury in conjunction with the Secretary of State and the Attorney General will certify whether a specific event was an act of terrorism covered under this Act. The act nullified then in-force terrorism exclusions approved by the various states. Companies now must insure against "certified" terrorist events and may offer optional coverage for "non-certified" acts of terrorism.

Coverage and Allowed Exclusions

- In the event of an act of terrorism, the Secretary of Treasury would have to determine if that event met the requirements of TRIA. If so, then the insurance industry and the federal government would share in the losses and individual commercial properties would be protected. The policyholder would receive compensation from the insurance company who would be reimbursed by the federal government.
- In the event of an act of terrorism that was not certified as covered under the federal law, then there would be no absolute coverage. Coverage would hinge upon the insurance contract that might (or might not) exclude terrorism. Property owners would have to rely upon their own policies that may not provide any coverage.
- The TRIA was for commercial property only. In North Carolina, personal lines policies such as homeowners do not have terrorism exclusions. That means if your residence was damaged or destroyed as the result of a terrorist act, your insurance company could not rely upon the fact that it was a terrorist act to deny coverage.
- Workers compensation in most states does not exclude war or terrorism. Workers compensation has the potential to create a catastrophic loss in the event of a terrorist act. Workers compensation is included in the TRIA, so losses may not be excluded.

Conditional Terrorism Exclusions

- TRIA is scheduled to expire Dec. 31, 2005. Because of the pending expiration of TRIA, there has been uncertainty in the market place for commercial lines property and casualty insurance coverage. Due to the possibility that there will be no Federal backstop after Dec. 31, 2005, insurers have had to make decisions in reference to terrorism coverage on policies with effective dates on or after Jan. 1, 2005. As a result, the Property and Casualty Division received and reviewed a significant number of Conditional Terrorism Exclusion filings in the fourth quarter of 2004.

Homeowners 2000 Policy Program (HO-2000)

The Commissioner of Insurance approved the HO-2000 program to be effective April 1, 2005. This program was submitted by the North Carolina Rate Bureau on behalf of all member companies and replaces the Homeowners 1991 Policy Program (HO-1991). The HO-2000 program is a comprehensive revision to the policy forms and endorsements of the homeowners policy program in North Carolina. The broadening of coverage to the policy forms offset the minor reductions in coverage and did not result in a rate level change.

Medical Malpractice in North Carolina

The Property and Casualty Division reviews the filings for premiums and policy forms submitted by medical malpractice insurers. The Division works closely with the Actuarial Division which will continue to prepare a comparison of premiums by doctor class, for over 100 classes (from family practice to OB/GYNs) for the leading insurers. This comparison will provide useful information on premium levels. Comparing the current charts to previous charts makes it possible to compare premiums over time. The comparisons will be updated several times a year. The most recent data for the largest writers is for the calendar year 2003. The five largest licensed writers in North Carolina are:

Company	Total Premium (Included Hospitals, Other Facilities, Other Providers, and Physicians)	
Medical Mutual Insurance Company of North Carolina	$	70,232,816
MAG Mutual Insurance Company	$	44,696,930
Medical Protective Company	$	28,856,901
Doctors Company, an Interinsurance Exchange	$	8,729,798
Truck Insurance Exchange	$	4,942,950

Data for 2004 is not complete.

Life and Health Division

The 2003-2004 biennium has been a period of steady activity for this Division.

Health Insurance Issues

The Life and Health Division oversaw health insurers' implementation of the Patient Bill of Rights legislation, since numerous new and revised laws required insurers in major medical market to submit revised forms for approval.

The trend of insurers exiting the individual major medical health insurance market noted in the 2001/2002 Biennial Report appears to have leveled. For 2003/2004, only three insurers have exited the individual market place. It is too early to say if the individual health insurance market is stabilizing, but the current trend is far more favorable than in the previous period.

In 2004, the Division noted a significant rise in the number of insurers withdrawing specific long-term care products from its North Carolina market. The Division will continue to monitor these closed blocks of business for rating spirals.

Recent changes in federal tax laws provided for the creation of Health Saving Accounts (HSAs) to help individuals save for qualified medical and retiree health expenses on a tax-free basis. Any individual who is covered by a high-deductible health plan may establish an HSA. Amounts contributed to an HSA belong to individuals and are completely portable. Every year the money not spent stays in the account and gains interest tax-free, just like an IRA. There appears to be a growing interest in these plans by consumers and insurers. At the end of 2004, 21 insurers were marketing high deductible health plans in North Carolina for the expressed use with HSAs.

Life Insurance Issues

New life insurance products continued to be developed during this biennium as this product is increasingly being sold as an investment, rather than strictly as a method of protecting beneficiaries. Life insurance companies are developing policies, which can compete with other investment vehicles, including annuities. The increasing entry of banks into the sale of insurance is fundamentally changing the way in which states and the federal government regulate insurance and banking.

Significant changes have been made to the free look periods and replacement requirements for individual products allowing consumers a longer period of time to review their purchase of life insurance and annuity products.

The Division implemented the Viatical Settlements Act which requires licensure of companies who purchase life insurance policies from individuals selling their life insurance. The adoption of the Viatical Settlement Act extended the Division's authority to include companies who purchase life insurance from any individual, not just those who are chronically or terminally ill as was true in the initial adoption of regulation of viatical

settlements. This extension of authority has resulted in many more companies being licensed to operate in North Carolina.

Form and Rate Filings

Nationally, insurers are calling for state insurance departments to speed up the review process for rates and policy forms, as well as achieve a higher level of uniformity from state to state. These requests are valid with respect to the insurer's need to be able to compete in a national market and in an industry that has changed because of Congress' financial modernization efforts.

The Division has worked steadily to speed up its review process during the 2003-2004 biennium and has activity participated in developing Uniformed Model Compact Standards by the National Association of Insurance Commissioners (NAIC). The Division adopted the NAIC Product Coding Metrics, developed and implemented North Carolina Specific Email filing protocols, and established an on-line Web base industry look-up site for form and rate filings.

In addition, during 2003-2004, the Division and its IT Support, in conjunction with the NAIC SERFF Team, developed and implemented a partial API Interface between SERFF and the Department's back office database application, OTIS. The partial one-way API link is a seamless process of data migration between both applications. SERFF is an electronic form and rate filing application developed by the NAIC. The system enables a filer to electronically submit a product for review at a central site, which transmits it to all states in which it will be marketed. The OTIS database application features a unique form and rate review environment enhancing speed to market objectives, and is also used through the Department for various record retention uses.

The Division continued to refine its internal database system to enhance the filing process for both external and internal users. The focus for this biennium was to reduce duplicative database processes with the introduction of an API link between OTIS and SERFF, giving staff more time to focus on speed-to-market initiatives with regard to form and rate reviews. The end result is an improved speed-to-market for the industry and a reduction in paper storage needs. Also worth noting is the ability for public viewing of filings via the internet.

The Division reviewed complex form and rate filings during the biennium. New products, many of which contain innovative and complex provisions, were submitted to the Life and Health Division analysts for review. Despite the complexity and volume of filings, the average total review time from date of receipt to date of approval was 19 days. As part of the speed-to-market initiative, the NAIC established the IS3 goals of having all form and rate filings completed within 60 days of the date of receipt. For the two year period ending Dec. 31, 2004, the Life and Health Division completed the review of 94 percent of all approved files within 60 days of the date of receipt.

Life and Health Form and Rate Filings

	Forms Filed	Rates Filed	Total Filed
2003	17,527	750	18,277
2004	19,852	673	20,525

Third Party Administrator Licenses

	Issued	Registered
2003	179	92
2004	193	117

Viatical Settlement Providers Licenses

	Issued
2003	14
2004	14

Speed to Market

	NAIC IS3 Goals	2003 Total	2004 Total
20 days or less	50%	71%	70%
21 to 25 days	70%	76%	76%
26 to 30 days	95%	80%	81%
31 to 60 days	100%	93%	95%
More than 60 days		7%	5%

Seniors' Health Insurance Information Program

The Seniors' Health Insurance Information Program (SHIIP), a division of the North Carolina Department of Insurance, provides health insurance information counseling and assistance to Medicare beneficiaries and/or family members in North Carolina. The program is coordinated in each county through an existing human service agency such as a Council on Aging office, a Senior Center, or a Cooperative Extension office. These agencies serve as sponsors and provide important continuity, an available point of access, and are models for interagency cooperation. Currently there are 108 SHIIP sponsors in

our state. SHIIP was established in 1986 in response to an increased number of calls, letters and complaints from older North Carolinians confused by their health insurance options. Those persons who utilize the program most frequently are typically seniors, disabled individuals and caregivers or adult children.

The activities and duties performed by SHIIP provide a valuable service to the state's senior population. SHIIP's primary objective is to educate the public on seniors' health insurance concentrating on Medicare, Medicare supplements, Medicare Advantage and Long-Term Care insurance. The services offered by SHIIP are accomplished by training volunteer counselors in all 100 counties of North Carolina to educate and counsel their peers on seniors' health insurance, operation of a statewide toll-free line from the Raleigh SHIIP office and developing educational materials to consumers.

Major Initiatives and Accomplishments

- Currently SHIIP has 970 volunteer counselors and 108 volunteer county coordinators. From January 2003 to December 2004, SHIIP staff trained 268 volunteers representing 65 counties in the basic curriculum and certified 104 volunteers representing 21 counties as long-term care insurance specialists.
- The SHIIP toll free counseling service answered 44,207 calls from January 2003 through December 2004, averaging 1,800 calls a month.
- SHIIP counselors spent 12,883 hours in volunteer counseling sessions and held 15,416 individual counseling sessions during the period.
- SHIIP staff conducted and/or participated in 1,485 educational seminars, health fairs and speaking engagements during this period. In addition SHIIP participated in 31 radio interviews and 32 television appearances.
- To promote SHIIP's services to the public, 165,816 direct mailers were sent to individuals turning 65 in or during 2003 and 2004. In addition, 10,315 mailings were sent out of the SHIIP office to individuals based on their request for materials. These requests included informational brochures, *Medicare Supplement Comparison Guides* and the National Association of Insurance Commissioners' (NAIC's) *Guide to Long-Term Care Insurance Information.*
- SHIIP creates a number of consumer publications on a yearly basis including the *Medicare Supplement Comparison Guide,* the *Guide to Long-Term Care Insurance in North Carolina* and the *Road to Medicare: Planning Your Drive Toward 65.* The Division also serves as a clearinghouse for Centers for Medicare and Medicaid Services (CMS) publications.
- Each year SHIIP staff members appear on "OpenNet", the statewide call-in television program produced by the Agency for Public Telecommunications.
- The North Carolina SHIIP was one of the recipients of the CMS Beneficiary Services Certificate of Merit award.
- SHIIP's www.ncshiip.com provides access to SHIIP's consumer publications as an interactive Medicare Supplement insurance premium database on the Web site. This database provides consumers with up-to-date information about Medicare

supplement policy choices, premium costs, rate history and coverage. There were approximately 85,000 hits to the SHIIP Web site during this period.

- In August 2003 SHIIP was awarded a three year Medicare Senior Patrol Grant from the Administration on Aging (AOA). The project referred to in North Carolina as the Medicare Lookout Project's, main objective is to fight Medicare/Medicaid waste, fraud and abuse.
- SHIIP maintains a statewide partnership with the public library system. Presently there is an updated *SHIIP Resource Guide* in 100 libraries, one in each county seat.
- SHIIP was awarded federal funds to carry out the Medigap Monitoring Demonstration Project in North Carolina in an effort to monitor the quality of information and service being imparted to Medicare beneficiaries in the state by insurance companies. In August and October 2003, SHIIP conducted Medigap Training Seminars to over 200 licensed Medicare supplement insurance agents in our state.
- In partnership with the DOA and AARP, SHIIP co-produced a brochure on long-term care, *It's About You, Your Children, and Your Parents; Planning Today for Tommorrow.*
- As a result of the Medicare Prescription Drug Improvement and Modernization Act of 2003, SHIIP was tapped by the Centers for Medicare and Medicaid (CMS) to play a key role in educating older North Carolinians about the Medicare Discount Card Program and the Transitional Assistance Benefit.
- SHIIP served as a partner in the statewide initiative to inform and educate older adults, their caregivers, aging and health care service providers and others in the state on the Medicare Discount Card Program and the state prescription drug assistance program along with the North Carolina Division of Aging and Adult Services, North Carolina AARP Office, North Carolina Division of Medical Assistance, North Carolina Office of Minority Health and Health Disparities, Social Security Administration, North Carolina Office of Research, Demonstrations and Rural Health Development which administers the Senior Care Program, North Carolina Association of Area Agencies on Aging and The Office of the Governor. Monthly meetings were attended among partners to coordinate effort and partners linked websites and communicated regularly by email to share information.
- SHIIP conducted 17 training sessions in spring 2004 to educate aging network providers and SHIIP volunteers about the Medicare Discount Card Program and the Transitional Assistance Program. Over 1,000 people attended these sessions.
- Counseling Days were scheduled in all 100 counties by SHIIP in June through August to counsel individual seniors about the Medicare Discount Card Program and the Transitional Benefit. Calls to the SHIIP office from persons requesting counseling peaked at 4,448 in May 2004.

- SHIIP staff and volunteers participated in the Senior Care Sign-Up Day in October across the entire state. One hundred twenty-six sign up sites were established for this initiative.
- SHIIP subcontracted with the Division of Health and Human Services Office of Minority Health and Health Disparities (OMHHD) Office to do special outreach to low income minorities in targeted counties.

Major Activities and/or Goals

- SHIIP will make every effort to inform the citizens of North Carolina about the program's services. This includes Medicare beneficiaries, caregivers, adult children of aging parents, aging network professionals, medical providers, etc.
- Through counseling, education and outreach SHIIP will continue to help beneficiaries identify, understand and enroll in programs and plans, when eligible and appropriate, including Medicare Advantage Plans, Medicare supplement insurance, Medicare Savings Programs and long-term care insurance.
- Efforts will continue to inform the public about long-term care funding and payment options. Employers and baby boomers are among the groups identified as important to reach. In addition SHIIP volunteers, aging professionals, I and A Specialists and Long Term Care Ombudsmen will receive Long Term Care Training and certification from SHIIP.
- SHIIP will stand ready to respond to Medicare beneficiaries on Medicare Advantage or employer group health plan terminations and provide materials and information if necessary.
- SHIIP plans to continue efforts with regard to the Medicare Lookout Program.
- SHIIP will focus on strategies to reach the Hispanic, African American and disabled populations.
- SHIIP will continue to partner and network with public libraries in the state to include activities such as using the library as counseling sites, training sites and resource material clearinghouses.
- SHIIP will continue to partner with the Social Security Administration Offices in the state in order to reach increased targeted populations.
- SHIIP will continue efforts to promote computer use and Internet access by seniors.
- Special efforts will be made to respond to persons who have specific needs or concerns; in particular, those who have high prescription drug costs as well as disabilities.
- With the availability of the Medicare Prescription Discount Care and the Senior Care Program and the new prescription drug benefit available in 2006, SHIIP will focus on assisting beneficiaries in gaining insurance protection for prescription drug costs and help them receive the coverage needed with an emphasis on assisting low income beneficiaries and beneficiaries who lack insurance coverage for drug expenses.

Market Examinations Division

The Market Examinations Division monitors insurance company market practices, especially as they affect consumers. The examination methods employed by the Division are based on a program developed by the National Association of Insurance Commissioners (NAIC). By agreeing to pilot the NAIC program over 25 years ago, North Carolina became the first state in the nation to conduct market examinations along the lines promulgated by the NAIC.

The Division places a priority on automating examination processes. The Division uses audit command language software for 100 percent of the testing on property and casualty examinations. Additionally, this is an ongoing project for life and health examinations. These combined automation efforts result in increased review of company operations, allowing examiners to spend more time on potential problem areas rather than "routine" tasks, and also result in substantial savings to the public since more work can be done in our offices rather than at company offices.

The Division monitors the activities of foreign and domestic insurance carriers operating in North Carolina and is capable of responding to special problems or concerns related to company practices.

Examinations are conducted on a regular rotation so that all companies domiciled in North Carolina and dominant foreign companies are examined on a five-year cycle.

Examinations are divided into three categories: general, compliance and target. The three types of examinations require distinct protocols to ensure that companies are treated fairly and without prejudice or unfair discrimination. Market analysis plays a major role in the identification and selection of insurers that will undergo a market conduct examination. Market analysis involves continuous surveillance of the marketplace to determine potential problem areas.

Market Examination Summary

Year	Life & Health Exams	Property & Casualty Exams	General Exams	Compliance Exams	Target Exams
2003	13	23	22	14	0
2004	15	29	24	18	2

Managed Care and Health Benefits Division

The Managed Care and Health Benefits Division monitors and regulates the activities of managed care entities, including health maintenance organizations (HMOs); preferred provider organization benefit plans (PPOs); managed care indemnity health insurers and multiple employer welfare arrangements (MEWAs). The Division focuses on the non-

financial aspects of company practices and the impact of those market practices on consumers.

In order to deliver the cost controls demanded by purchasers and consumers, managed care organizations apply a broad array of policies and techniques that have tremendous impact on consumers. These include requirements relating to provider networks, as well as programs and policies that consumers and their treating providers must follow as a condition of coverage for services.

The techniques employed by managed care plans to promote quality care and eliminate unnecessary care can also result in disputes over coverage for services promised under a consumer's policy. Thus, the Department's traditional regulatory oversight of company marketing practices, treatment of policyholders and solvency are expanded to include those systems that are unique to managed care plans.

The Division accomplishes its work through several types of activities, including coordination of the Department's review of certificate of authority and license modifications of HMOs and MEWAs; reviewing annual and initial filings of PPO benefit plans; conducting market practice examinations of company operations; collecting, analyzing and reporting HMO and PPO annual data; approving provider and intermediary form contracts; investigating and resolving provider complaints against managed care plans; and providing information and guidance on managed care laws to industry and interested parties.

The Division's examination program provides for examination of each HMO on at least a triennial basis and, beginning in 1999, the Division added examinations of PPO benefit plans. General exams include review of the non-financial aspects of company operations, including management and control, provider network development and credentialing, utilization management programs, quality management activities, third-party contracting arrangements, marketing, member services, claims payment and underwriting practices. Compliance examinations are scheduled 12 to 18 months after a general exam in order to ascertain whether the company has taken corrective action to address problems found during the previous general examination. The Division is also responsible for licensure exams which include review of applicant companies' planned operations, as well as an on-site pre-licensure examination. When resources permit, a licensure follow-up examination is conducted approximately 12 months after a new HMO has been licensed to ensure that actual operations are in accordance with those proposed in the licensure application.

In addition to regularly scheduled market conduct examinations, the Division also takes other regulatory actions in response to market activities that are determined to be in violation of state laws. In 2002, one such action against an insurer resulted in collection of an administrative penalty in the amount of $1,825,000; in 2004, action against another insurer resulted in an administrative penalty of $2,200,000. In both cases, settlement agreements set out plans of correction detailing how the companies would remedy the

violations discovered in these investigations. In 2003, a total of $16,919,378 was recovered as a result of examinations and other regulatory actions; the amount recovered in 2004 was $2,386,084.

HMO and PPO Examinations				
Exam Type	**CY 2003 HMO**	**CY 2004 HMO**	**CY 2003 PPO**	**CY 2004 PPO**
General				
Compliance		3	2	3
Follow-up	1		4	
Total	**1**	**3**	**6**	**3**

The review of form health care provider contracts used by HMOs and managed care indemnity health insurers is performed to establish compliance with regulations pertaining to carriers' responsibilities for arranging the provider networks to which insureds are directed and to determine compliance with regulations governing the utilization review process and the member appeal process. The Division met its target for completing review of contract forms in 60 days or fewer, for 95 percent of contracts filed in 2003 and 94 percent of contracts filed in 2004. The review of PPO application filings and PPO and HMO annual filings also permits evaluation of carriers' written policies and procedures regarding provider networks, utilization review programs and member appeals processes.

Managed Care Filings

Year	Provider Form Contracts	HMO and PPO Filings
2003	396	72
2004	361	59

In addition to form filings, the Division receives and handles all complaints against health insurers filed by health care providers. In 2003, 641 complaints were filed with the Division; 911 complaints were filed in 2004, representing a 42 percent increase. In 2004, $7,869,892 was recovered as a result of provider complaint investigations.

Since 1996, the Division has produced an annual Status Report and Analysis of Activity for HMOs that includes information on plan enrollment trends and plan penetration in the consumer market. The Division expanded the Report in 2000, to include data on PPOs and additional data on HMOs. The *Status Report and Analysis of Activity for HMOs and PPOs* was published in 2003 and 2004.

Legislation enacted in 1997 enabled the Division to collect data in a uniform format from HMOs and PPOs, providing consistent and comprehensive information to better inform

the Department, the industry and consumers on the practices of these benefit plans. Beginning in 1999, HMO and PPO carriers must report on March 1 of each year summary information on:

- grievances and noncertification appeals
- changes in enrollment
- provider turnover
- provider availability and accessibility
- utilization and utilization review activity
- provider compensation methods
- costs
- HEDIS® outcomes measures

Since 1999, the Division has published this information in consumer guides to managed care, publishing guides in 2003 and 2004.

Since laws were enacted to license multiple employer welfare arrangements (MEWAs), 11 licenses have been issued. The Division reviews MEWA initial and annual license applications, coordinating their approval with other divisions, similar to the coordinated review of HMO certificates of authority.

MEWAs Licensed

Year	Licensed	Terminated
1993	3	
1994	2	
1995	0	
1996	1	
1997	0	
1998	1	1
1999	1	3
2000	2	
2001	0	
2002	1	1
2003	0	0

Healthcare Review Program

The Healthcare Review Program (HCR Program), a unit within the North Carolina Department of Insurance, administers the Health Benefit Plan External Review statutes, NCGS 58-50-75 through 95. External review is the independent medical review of a health plan denial and offers another option for resolving coverage disputes between a covered person and his or her insurer. In North Carolina, external review is available to covered persons when their insurer denies coverage for services on the grounds that they are not

medically necessary. This type of denial is referred to as a "noncertification decision." Denials for cosmetic or experimental services may be eligible for external review, depending on the specific circumstances of a case. The law applies to persons covered under fully insured health benefit plans, the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan and the Health Insurance Program for Children (CHIP).

To be accepted for external review, a covered person must meet eligibility requirements. A request is made directly to the HCR Program, where program staff is required to review each request for completeness and eligibility. In order to do this, information is received from the insurer within statutorily required time frames and, if needed, additional information is requested from the covered person. Once accepted for external review, the case is assigned to an independent review organization (IRO) for clinical review. The IRO issues a determination within the statutorily required time frame for the specific request (within 45 days of the HCR Program's receipt of a request for a standard review and four days for an expedited review). The Program monitors compliance with the statutory and contractual requirements of the parties involved in external review.

The HCR Program also provides consumer counseling on utilization review and internal appeals and grievance issues. Consumers speak with professional registered nurses who are clinically experienced and knowledgeable regarding medical denials. HCR Program staff provides information to consumers on their appeal process and suggest approaches to accessing the process specific to their case. Staff advise the consumer of the availability of External Review services, should that be necessary.

HCR Program Initiatives and Achievements

- The Healthcare Review Program completed a number of successful outreach initiatives during the past two years. Community outreach and education activities have included participation in health fairs, speaking engagements to consumers, physicians and office practice administrators, hospital administration, and television interviews. Two comprehensive physician education initiatives included: 1) the mailing of a letter from the Commissioner of Insurance to nearly 16,000 actively practicing physicians in North Carolina which explained the importance of external review services and included a brochure about the Program, and 2) a comprehensive mailing to all physician office practice managers and hospital business office managers in North Carolina that included External Review brochures and a sign appropriate for office posting that alerts consumers to the assistance available to them through the HCR Program.

- Consumer information continues to be available to the public through the Department's Web site. A request form, instructions for completing a request form,

FAQ's and a brochure entitled "A Consumer's Guide to External Review" are available for consumers on the Web site. During 2004, revisions were made to the Web site content to provide more comprehensive information to the public regarding Consumer Counseling and External Review. The Request Form used to request and External Review was simplified to create a more "user-friendly" form and to reduce the number of pages that were required to be completed.

- NCGS 58-50-85 outlines the process for the approval of Independent Review Organizations (IROs) to be utilized in the process of external review. During 2003, four of the five original IROs approved for use in the Program agreed to extend their existing contract for a one-year period. The Program issued a Request for Proposal for Independent Review Organizations to Perform Reviews of Health Plan Utilization Review Noncertifications in August of 2003. One additional IRO was approved for use by the Program and began services on Jan. 1, 2004, under a two-year contract with an option to renew for one additional year. During the latter part of 2004, the Program drafted another RFP to be posted early in 2005, in preparation for the termination of four existing IRO contracts.

- During 2003 and 2004, the Program conducted a compliance audit of three contracted independent review organizations (IROs) who provide independent medical review of health plan coverage denials. The purpose of the audit is to assure that IROs assigned to conduct external reviews are in compliance with statutorily required activities, contractual terms and written requirements regarding the procedures for handling a review. All three IROs were determined to be in full compliance with North Carolina statutory requirements.

External Review Activity during 2003 and 2004

During this two year period, the HCR Program received 421 requests for external review. One hundred sixty-seven cases were eligible and accepted for review, with 163 having an outcome as of Dec. 31, 2004. One was reversed by the insurer prior to being assigned to an IRO, 95 cases had the insurer's decision upheld by the IRO and 67 cases were overturned. During this time frame, the cumulative total of services provided to consumers as a result of external review is $844,141.

Consumer Counseling Activity

During the 2003-2004 timeframe, the HCR Program received 2,881 telephone calls from consumers with questions relating to appeals, grievances or external review. The Program provided counseling to 396 consumers in 2003 and 535 consumers in 2004, realizing a 35 percent increase in consumer counseling activity from 2003 to 2004. The Program attributes this increase to its consumer outreach activities and the addition of a separate Consumer Counseling Web page in May 2003.

Program Activity Measures

Activity Measure	2003	2004
External Review		
Number Received & Evaluated for Eligibility	220	201
Number Accepted for External Review	90	77
Consumer Counseling		
Number of Cases	396	535
Consumer Calls		
Total Calls Answered (External Review and Consumer Counseling)	1468	1413

Public Services Group

The Public Services Group is comprised of the Consumer Services, Agent Services and the Investigations Divisions.

The Consumer Services Division assists North Carolina consumers by answering insurance questions and resolving their insurance problems. A staff of consumer specialists advises and acquaints consumers with courses of action they may pursue to resolve their particular insurance problem.

The Agent Services Division is responsible for the regulation of all agents, brokers, limited representatives, appraisers, adjusters, premium finance companies, collection agencies, motor clubs, bail bondsmen, surety agents and bail bond runners authorized to do business in North Carolina. This includes pre-licensing education, continuing education, agency examinations and administrative actions.

The Investigations Division conducts criminal investigations of insurance-related crimes committed by policyholders, claimants, insurance producers and insurance companies. The division also conducts criminal investigations involving bail bonding, collection agency and premium finance activities.

Consumer Services Division

The technical and complex nature of insurance generates a multitude of questions from the consuming public and from many segments of the insurance industry itself. The Department's Consumer Services Division handles questions touching upon all types of insurance products. Each year this Division provides valuable assistance to a broad array of our citizens.

During the 2003-2004 biennium, Division staff handled over 160,000 inquiries from consumers. Each year the staff processed approximately 12,000 written consumer complaints. A computerized data format allows for continuous updates and changes on each complaint file. Such computerized complaint handling and the accumulation of related information offers important indications of how well departmental regulatory measures are affecting insurance market practices.

The Division was able to assist the citizens of North Carolina by recouping over $19,000,000 for claims/underwriting concerns during the 2003-2004 biennium. Statistical data for the Division is listed in the following charts.

Consumer Assistance	2003	2004
	$9,247,960.05	$10,096,568.30

The division experienced a decrease in the number of inquiries (14 percent) and the number of complaints (6 percent). The decrease in reported inquiries is due to a realignment of work in early 2004. The switchboards are now providing phone numbers and addresses for carriers, thus allowing the communications specialists more time to handle insurance related inquiries.

	2003	2004
Inquiries:	**89,685**	**76,933**
Life & Health	40,866	35,281
Property & Casualty	48,819	41,652
Complaints:	**12,348**	**11,910**
Life & Health	5,797	5,756
Property & Casualty	6,551	6,154

The breakdown of the complaints is as follows:

Life & Health:	2003	2004
Life & Annuity	26%	29%
Accident & Health	74%	71%
HMOs*	11%	15%

Property and Casualty:	2003	2004
Automobile	64%	60%
Homeowner	22%	17%
Other	14%	23%

**Percentages for HMOs are a subset of the Accident and Health percentages.*

	2003	2004
Internet:	**4,708**	**4,310**
Life & Health	1,893	1,738
Property & Casualty	2,815	2,572
Receptionist/Switchboard:	**82,723**	**86,548**
Walk-in Visitors	245	220
Calls through the Switchboard	82,478	86,328

The division distributed some 11,015 publications during the 2003 calendar year. The top four publications mailed were:

It Pays to be a Safe Driver	8,372
Consumer's Guide to Health Insurance	1,959
Consumer's Guide to Auto Insurance	998
Consumer's Guide to Life Insurance	418

The division distributed some 22,712 publications during the 2004 calendar year. The top four publications mailed were:

It Pays to be a Safe Driver	16,251
Consumer's Guide to Auto Insurance	1,710
Consumer's Guide to Health Insurance	1,115
NC Individual Health Insurance Carriers	874

The Division serves as a significant front-line service organization. Consumer Services staff continually strive to improve the quality of their service to consumers through professional training and continuing education. Additionally, the "hotline" section was recently reorganized to enable specialization between the Property and Casualty and the Life and Health lines of insurance. As such, the staff can field more complex inquiries in their lines of expertise and provide answers thereto with as much detail as is needed to properly answer consumer questions.

Agent Services Division

The Agent Services Division regulates all licensed agents, brokers, limited representatives, appraisers, adjusters, premium finance companies, collection agencies, motor clubs, bail bondsmen, surety agents and bail bond runners authorized to do business in North

Carolina. This includes pre-licensing education, continuing education, agency examinations and administrative actions.

The Division handles requests from the various Clerks of Court as it relates to requests for payment of bail bond judgments. During the recent biennium, the division liquidated over $750,000 in securities held by professional bail bondsmen. Statistics are listed below:

Securities Liquidated:	**2003**	**2004**
Professional	$434,747.19	$334,586.24

The Division continued to experience increases in licensure and appointment matters. Revenues collected by the Division referenced over $22,000,000 in both 2003 and 2004. Statistics for these areas are as follows:

	2003	2004
Licensing:		
Appointments	80,074	82,920
Terminations	39,060	42,413
Lifetime Licenses	28,223	25,195
Limited Representatives	4,208	3,382
Brokers	442	470
Adjuster/Appraiser	4,606	4,988
Professional Bail Bondsmen	5	11
Bail Bond Runners	63	53
Surety Agents	201	175
Surplus Lines/Purchasing Groups	133	184
Corporations/Partnerships	1,347	1,389
Motor Clubs (B/O)	0	0
Collection Agencies	77	199
Premium Finance Companies	6	10
Continuing Education:		
CE Courses Approved	1,157	1,330
Financial:		
Insurance Related Revenues	22,589,777.10	$22,926,781.30
Non-insurance Revenues	529,137.00	$673,985.00
Regulatory:		
CE Courses Monitored	100	168
Agency Examinations	146	167

The Division created a complaint section to handle complaints associated with agents, brokers, bail bondsmen and other entities regulated. The Division experienced a 60.4 percent increase in complaints from 2003 to 2004. Additionally, administrative activity increased as the division effectively handled concerns presented by both applicants for licensure and current licensees. Monetary penalties assessed by the Division increased approximately 73 percent from 2003 to 2004.

	2003	2004
Complaints:		
Insurance & Non-Insurance Related	465	746
Conferences	81	82
Licenses Denied	195	265
Licenses Revoked	3	5
Licenses Suspended	10	17
Licenses Surrendered	38	12
Administrative Hearings	12	18
Monetary Penalties	$18,100.00	$31,500.00
Notices of Deficiencies	7	12

Investigations Division

The Investigations Division conducts criminal investigations of insurance-related crimes committed by policyholders, claimants, insurance producers and insurance companies. The division also conducts criminal investigations of bail bonding, motor club, collection agency and premium finance industries.

During 2003-2004, case referrals and allegations of fraud submitted for investigation by this Division have remained at a consistently high level. This, of course, is reflective of the problem of insurance fraud itself as well as indicative of the steady increase of fraud awareness on the part of both the consumer and the industry. In addition, over the last two years, the Division has made a concerted effort to continually assure that quality investigations are being pursued so that the North Carolina consumer is most effectively served. This commitment to quality has resulted not only in impressive statistical achievement, but also in a more efficient and effective operation.

	2003	2004
Incoming Referrals:		
Industry	561	257
NICB	806	684
Government Agencies	22	19
Citizen Complaints	189	259
Law Enforcement	12	37
DOI Divisions	80	58
Outgoing Referrals:		
Law Enforcement	9	0
Administrative Agencies	37	77
DOI Divisions	99	148
Investigations Assigned:	211	254
Investigations Closed:	150	304
Active Investigations:	406	228

Thirty-eight convictions were achieved in 2004 (an increase of 58.3 percent over the 2003 numbers). The 38 convictions are the most ever for the Division. Cases worked involved Professional Employer Organizations (PEOs), unauthorized insurance, chiropractor fraud, viatical fraud, staged accidents, embezzlement and fraud associated with insurance activity (FEMA and claim adjudication), and certain bail bonding related matters.

Successful case resolutions increased 90.7 percent from 2003 to 2004. In addition, monetary recoveries and restitution associated with convictions increased substantially during the 2003-2004 biennium. Numbers for 2003 and 2004 are listed below:

	2003	**2004**
Successful Case Resolutions	**(43) $5,283,111.07**	**(82) $8,389,824.14**
Convictions	(24) $5,072,767.35	(38) $6,205,119.07
Monetary Recoveries	(19) $210,343.72	(44) $2,184,705.07

The division head was responsible for fraud training activity associated with regulators and the industry, both in North Carolina and elsewhere. Fraud Director's roundtables, viatical fraud, PEO fraud, unauthorized entities, agent embezzlement, and other topics have been taught by the division head and certain investigators at NAIC, North Carolina Association of Special Investigators and North Carolina Insurance Crime Information Exchange sponsored training.

Insurance fraud related cases have been and are being addressed in the areas of health care, workers' compensation, unauthorized insurers, Multiple Employers Welfare Arrangements, employee leasing companies, surety bonds and the traditional claimant and agent fraud covering all lines of insurance.

The Division remains a vital entity of the North Carolina Department of Insurance, often assisting other internal regulatory divisions in the identification of subjects, schemes and entities requiring attention. Investigators regularly testify at departmental hearings and assist in the preparation of new or amended anti-fraud legislation.

Personnel of this Division are active and respected members of industry anti-fraud organizations, law enforcement related organizations and task forces throughout the state. Memberships include the North Carolina Insurance and Health Care Fraud Task Force, the North Carolina Insurance Crime Information Exchange, North Carolina Police Executives Association, the National Association of Insurance Commissioners Anti-Fraud Task Force, the International Association of Special Investigations Units and the North Carolina Sheriff's Association. Division personnel regularly receive insurance and law enforcement related training and often are called upon to represent the Department by giving presentations and training to various groups in North Carolina and across the nation.

The Investigations Division stands ready to meet the many challenges that the future holds. As the very infrastructure of insurance methods and operations radically change, so will the methods and operations of the insurance fraudster. Internet-based insurance transactions and electronic licensing/appointing functions unveil an entire universe of illicit opportunities to those intent on cheating the system. Banks and other financial institutions are entering the insurance market and insurance companies are diversifying as well. This will broaden the scope of potential fraud into a multitude of areas and will require a coordinated and uniform response from regulators, law enforcement and the industry. The Investigations Division is committed to meeting these challenges now and in the future.

Office of the General Counsel

This organizational unit provides internal legal advice to all divisions of the Department. The Department's General Counsel also acts as liaison with the Attorney General. The office coordinates hearings on a wide variety of administrative matters and prepares complex orders and memoranda for the Commissioner. The General Counsel serves as the Department's primary hearing officer having final agency decision authority, and reviews Department contracts with suppliers and consultants.

General Counsel

The General Counsel gives legal direction and counsel to the Commissioner and all members of the Department in areas of law relating to the entities regulated by the Department, which include: the insurance industry, the bail bond industry, collection agencies, premium finance companies and building inspectors. The General Counsel also provides advice to the Department on a wide variety of procedural matters, including the Administrative Procedures Act and Rules of Civil Procedure. Additionally, the General Counsel provides legal advice pertinent to the running of the Department itself, such as advice on personnel matters, and the public records law.

Between January 2003 and December 2004, the General Counsel's office responded to over 930 legal service requests from Department personnel without the involvement of the Attorney General's office. Further, the General Counsel serves as the Department's primary hearing officer for a wide variety of administrative hearings under Article 3A of Chapter 150 B of the North Carolina General Statutes. During the 2002-2004 Biennium, the General Counsel's office has been involved in over 90 administrative hearings.

The General Counsel evaluates the effectiveness of the work of the Attorney General in the context of providing advisory opinions and handling administrative proceedings and other litigation. The General Counsel also litigates cases at the instruction of the Commissioner of Insurance when the Department of Justice has conflicts with representing the Department of Insurance.

Ratemaking Litigation

During the 2003-2004 Biennium, Rate Counsel worked on a wide range of rate matters and other regulatory issues. Rate Counsel also continued to litigate contested rate cases involving personal lines of insurance under the jurisdiction of the North Carolina Rate Bureau ("Rate Bureau"). Rate cases of significance during this Biennium are detailed below.

1. 2001 Private Passenger Automobile Insurance Filing

On May 1, 2001, the Rate Bureau filed the 2001 Private Passenger Automobile Filing proposing an overall rate increase of 10.6 percent for private passenger cars. The

Commissioner issued a Notice of Hearing in this case and hearing commenced on Sept. 25, 2001. On Dec. 14, 2001, the Commissioner ordered an overall rate level decrease of 13.0 percent for private passenger cars.

The Rate Bureau appealed the Commissioner's Order to the Court of Appeals, which entered a decision affirming the Commissioner's Order in full on Oct. 7, 2003. The Rate Bureau then further appealed this case to the North Carolina Supreme Court, which entered a decision on June 25, 2004, affirming the Court of Appeals and finding in favor of the Commissioner.

As a result of the Supreme Court decision, the Commissioner issued an Order for Refunds on July 22, 2004 requiring all funds held in escrow for the 2001 case plus interest at 7.33 percent to be refunded to the eligible North Carolina policyholders by October 29, 2004. The potential savings and refunds (excluding interest) to the consumers on this case amounted to as much as $573 million.

2. 2002 Private Passenger Automobile Insurance Filing

On Feb. 1, 2002, the Rate Bureau filed the 2002 Private Passenger Automobile Filing proposing an overall rate level increase of 5.9 percent for private passenger cars. The Commissioner issued a Notice of Hearing in this case and hearing commenced on July 15, 2002. On Oct. 14, 2002, the Commissioner ordered an overall rate level decrease of 17.8 percent.

The Rate Bureau appealed the Commissioner's Order to the Court of Appeals, which heard oral arguments on this case on June 8, 2004. While the decision from the Court of Appeals was still pending, this case was settled on July 22, 2004. As a result of the settlement, auto insurers were ordered to refund certain escrowed funds plus interest at 7.13 percent to eligible North Carolina policyholders by Nov. 30, 2004. The potential refunds to the consumers on this case amounted to as much as $245 million.

3. 2003 Private Passenger Automobile Insurance Filing

On Jan. 31, 2003, the Rate Bureau filed the 2003 Private Passenger Automobile Filing proposing an overall rate level decrease of 10.0 percent for private passenger cars. A settlement was reached in this case on April 2, 2003, wherein the existing level for private passenger cars was decreased by 15.0 percent. The settlement resulted in a potential premium savings to consumers of up to $254 million.

4. 2004 Private Passenger Automobile Insurance Filing

On Feb. 2, 2004, the Rate Bureau filed the 2004 Private Passenger Automobile Filing proposing an overall rate level increase of 12.2 percent for private passenger cars. The Commissioner issued a Notice of Hearing on this matter and hearing was set to commence on July 26, 2004. However, immediately prior to the commencement of the hearing, this case was settled on July 22, 2004 for a 0.0 percent change in rates. This settlement resulted in a potential premium savings to consumers of up to $390 million.

5. 2003 Dwelling Fire and Extended Coverage Filing

On June 26, 2003, the Rate Bureau filed the 2003 Dwelling Fire and Extended Coverage Filing proposing an overall increase of 42.8 percent. This filing was a companion filing to the 2002 Homeowners' Insurance Filing that had been settled the previous year. This case was eventually settled on Aug. 6, 2003 for an overall increase of 13.6 percent, representing a potential premium savings to consumers of up to $35 million.

6. 2003 Workers' Compensation Loss Costs and Residual Market Filings

On Aug. 29, 2003, the Rate Bureau filed the 2003 Workers' Compensation Loss Costs and Residual Market Filings proposing an 8.2 percent increase in loss costs and a 19.5 percent increase in residual market rates. Both filings were settled on Nov. 6, 2003, for a 1.0 percent decrease in loss costs and a 5.0 percent increase in residual market rates. The settlement represented a potential premium savings of up to $92 million.

7. 2004 Workers' Compensation Loss Costs and Residual Market Filings

On Sept. 03, 2004, the Rate Bureau filed the 2004 Workers' Compensation Loss Costs and Residual Market Filings proposing an 8.7 percent increase in loss costs and an 8.7 percent increase in residual market rates. Both filings were settled for a 2.0 percent increase in loss costs and a 4.0 percent increase in residual market rates. The settlement represented a potential premium savings of up to $69 million.

Office of State Fire Marshal

Since the late 1940s, the Commissioner of Insurance has served as the State Fire Marshal by North Carolina General Statute. Groundwork for this began in 1907 when the General Assembly established the "Firemen's Relief Fund," requiring the Commissioner to collect funds from insurance companies to be used for relief of distressed firefighters.

In an effort to bring more focus and visibility to this Division's programs, the Office of State Fire Marshal (OSFM) was formally established within the Department of Insurance on April 1, 1998.

OSFM is comprised of the following six divisions: Engineering and Codes, Manufactured Building, Risk Management, Fire and Rescue Training and Inspections, Fire and Rescue Commission, and Programs, Prevention and Grants.

OFSM administers and enforces life safety standards throughout the state, promotes risk management practices throughout government and maintains a sound insurance program for state agencies.

The Engineering Division is comprised of seven sections: code consultant, state property plan review, mechanical, home inspection, inspector certification, building code council and handicapped accessibility. This Division administers the state building code and provides staff to the North Carolina Building Code Council, the North Carolina Code Official Qualifications Board and the Home Inspectors Licensing Board.

The Manufactured Building Division works to assure that construction standards for manufactured homes are maintained and that warranty obligations under state law are met. The Division monitors handling of consumer complaints, licenses the makers of manufactured homes, dealers, sales representatives and set-up contractors and acts as staff for the North Carolina Manufactured Housing Board.

The Risk Management Division administers the self-insurance funds for state-owned property and vehicles, and procures from private insurance companies other types of insurance needed by the state agencies and universities. This Division inspects all state-owned facilities for fire and life safety and inspects all new state-owned facilities for Electrical Code compliance. Also, the Division assists local governments with property and casualty insurance programs and makes available professional liability coverages for law enforcement officers, public officials and employees of any political subdivision in the State. This Division also provides staff, administration, and research services to the Public Officers and Employees Liability Insurance Commission (POELIC).

The Fire and Rescue Commission Division serves as staff to the Fire and Rescue Commission and handles the state's voluntary certification system comprised of 16 levels and 40,000 individuals, as well as the State Fire and Rescue Incident Reporting System.

The Program Development, Prevention, and Grants Division administers the Firemen's Relief Fund, Rescue Relief Fund, assists all divisions within the OSFM with development of programs and brochures and provides direction and support for injury prevention programs statewide. The Division also administers matching dollar-for-dollar grants to volunteer fire departments and rescue squads and offers fire prevention education in the public schools.

The Fire and Rescue Training and Inspection Division trains fire departments, rescue squads, and instructors to improve fire and rescue protection statewide. Through special schools, development of training programs and teaching outlines, and specialist training directed to instructors, this division provides continuous upgrade to the training of our states emergency workers. Fire departments' delivery capabilities are measured and upgraded by providing initial insurance ratings for fire departments, as well as coordination for the improvement of ratings to reduce insurance costs for homeowners.

Engineering Division

North Carolina's General Statutes give the Commissioner of Insurance the responsibility of general supervision of the administration of the North Carolina State Building Codes. The codes contain regulations relating to plumbing, electrical, heating, air conditioning and fire protection systems and the construction of buildings in general. The Division meets these responsibilities by providing interpretations of code requirements and assisting local government authorities with the application of the codes. It should be noted that the building codes are developed by the North Carolina Building Code Council, not the DOI.

The Division reviews plans and specifications of new buildings for code compliance, assists with code-related educational programs and administers state examinations required for certification of city, county and state code enforcement officials.

Division staff also administers the state's accreditation program of independent inspection agencies that safety test and label electrical and mechanical equipment.

In addition to serving as an informal state code appeals agency, the Division also serves as staff to the North Carolina State Building Code Council, the North Carolina Code Officials Qualification Board and the North Carolina Home Inspectors Licensure Board.

Code Administration and Enforcement

The Division provides interpretations of the intent of the state building code to city and county inspection officials, architects, engineers, contractors, material suppliers, manufacturers, other state agencies, attorneys and the general public.

The Division is responsible for reviewing plans and specifications for large buildings. Before a permit can be secured for these buildings, a letter of compliance must be issued by this Division to the inspection department having jurisdiction.

State law requires that handicapped and disabled persons receive treatment equal to that afforded other persons. The Division has an Accessibility Section, which provides information to handicapped organizations, design and construction professionals and building owners in the application of these state laws and the building code requirements relating to accessibility. This assistance helps provide our disabled citizens with the full and free use of all buildings in the state. Accessibility regulations are currently being revised to make North Carolina Code equivalent to federal Americans with Disabilities Act regulations.

Because some buildings require special construction, technical assistance is necessary from the Division to ensure that the building is safe. Inspection assistance is also provided for structures when deterioration, fire or storms create conditions, which appear to be hazardous to life.

	2003	2004
Plans reviewed	2,407	2,562
Office conferences	1,102	1,198
Telephone information requests	43,622	46,706
Schools, seminars and conference participation	1,491	963
Building Code Council meetings	32	43
Qualification Board Meetings	30	28
Qualification Board complaint investigations	17	23
Inspection certification schools coordinated	293	279
Inspection certification exams administered	1,152	1,325
Inspection certification applications reviewed	4,160	4,870
Inspection certification renewed and issued	5,696	4,870
Code Interpretations	2,190	1,478
Code publication sales	$1,492,153.00	$829,162.00
Home Inspector Board meetings/hearings	27	42
Home Inspector exams administered	343	436
Home Inspector applications reviewed	239	285
Home Inspector licenses issued/renewed	1,142	1,173
Home Inspector Complaint Investigations	31	28

Division staff also serves as the State Damage Assessment Team and assists the State Office of Emergency Management during disasters.

State Building Code Council Support

The Building Code Council consists of 17 members appointed by the governor. The Council is empowered to adopt and amend the state building code, hear appeals on the interpretation of the code and approve local building regulations which are different from the state code. The Council holds regularly scheduled public hearings on the second

Tuesday in March and September. Additional meetings are held by Council code committees.

State law permits the Building Code Council to provide, in circumstances deemed appropriate, programs to certify independent testing laboratories as state-accredited third-party agencies to evaluate, inspect and label factory-built manufactured buildings, and electrical and mechanical building components. Division staff administers this program.

Code Officials Qualification Board Support

This Board develops standards for the training and certification of code enforcement officials. The Division provides clerical and staff services in support of this effort. The Board is also responsible for developing training schools and state examinations for inspector certification. Some Division staff members serve as instructors; all state certification exams are administered by Division staff.

Persons certified by the Board are issued a certificate for each level and area of inspection for which they have met qualification requirements. The Division also investigates written, substantiated complaints against inspectors made to the Board, which may then schedule a hearing.

Home Inspectors Licensure Board Support

This Board was created by the General Assembly in 1994 to provide for the licensure and regulation of those who perform home inspections for compensation. This Board is composed of seven members and a designee of the Commissioner of Insurance. This Board provides for the development and maintenance of standards of practice, code of ethics, examinations, licensure, renewal and disciplinary procedures for home inspectors in North Carolina. The Division provides clerical and staff services in support of this effort. The staff provides all administrative functions for the Board including administering the examinations, issuing licenses, renewal of licenses and investigation of complaints.

Manufactured Building Division

This Division acts both as a state administrative agency under the federal Manufactured Housing Constructions and Safety Standards Act and as staff to the North Carolina Manufactured Housing Board.

The role of a state administrative agency is to monitor manufacturers' handling of consumer complaints to assure compliance with federal standards. Staff support of the Manufactured Housing Board includes receiving and resolving consumer complaints and licensing all manufacturers, dealers, set-up contractors and salespersons that do business in this state to ensure compliance with warranty requirements set forth in the General Statutes.

The Division is responsible for filing claims against surety bonds in the event dealers, manufacturers or set-up contractors go out of business or cannot otherwise fulfill their warranty obligations.

Manufactured Building is also responsible for developing set-up and anchoring standards for manufactured homes and assisting local inspection departments in the inspection of homes for proper set-up and anchoring requirements. Training seminars are held throughout the state each year to familiarize the local inspection departments, manufacturers, dealers, set-up contractors and other interested parties with the manufactured housing standards and any recent revisions to those standards.

This Division operates under two budgets, a State budget and a Federal budget. The Division's Federal budget is entirely receipt supported based upon fees received from HUD for new manufactured homes built within the State and fees for new manufactured homes placed within North Carolina for retail sale. The Division's State Budget is also receipt supported but during lean years, it is backed up with appropriations from the State's Insurance Regulatory Surcharge Fund. Receipts for the Division's State budget comes from manufactured housing licensing fees charged to manufacturers, dealers, set-up contractors and salespersons. The State budget also receives receipts from continuing education fees for manufactured housing salespersons and set-up contractors.

The Division also supplements its State Budget receipts by participating in a joint Federal/State manufactured housing monitoring program with a contract with the Institute for Building Technology and Safety (IBTS), a HUD Subcontractor. During 2003-2004, Division staff members spent approximately 700 hours in interstate monitoring inspections of manufacturing plant facilities and in reviewing construction plans for new manufactured homes.

The Manufactured Building Division also serves as staff to the North Carolina Building Code Council in the administration of the state's modular construction program. This includes receiving and resolving modular complaints and the certification and monitoring of residential and commercial modular manufacturers. Currently there are 122 certified manufacturers shipping modular buildings into North Carolina, with plant locations ranging from Florida to Arizona to Montana. The Division also certifies independent certification agencies (third party agencies) that review modular plans for compliance with the North Carolina State Building Code and monitors production in modular plants on continuing basis.

Manufactured Building Division Activities - Manufactured Housing

	2003	2004
Complaints Received	473	328
Inspections Completed	280	180
Manufacturers Licensed	74	61
Dealers Licensed	761	637
Set-up Contractors Licensed	535	445
Salespersons Licensed	2,333	1,861
Salespersons Temp. Licensed	815	565
Board Hearings Scheduled	13	6
Pre-Hearing Conferences Scheduled	175	82

Manufactured Building Division Activities - Modular Construction

	2003	2004
Complaints	59	91
Manufacturers	122	122
Third Party Certification Agencies	9	9
Modular Stamps	6970	8562

Risk Management Division

This Division is responsible for the operation and maintenance of the State Property Fire Insurance Fund (the Fund), the self-insurance plan for the State's property. The Fund provides insurance coverage for approximately 14,000 state-owned buildings as well as the contents in these buildings and approximately 1,360 leased locations with a combined value of $17.9 billion. Losses to the State's property are investigated and adjusted by this Division and are paid from the Fund with the approval of the Council of State. A total of 80 claims were paid from the Fund in 2004, totaling $1,552,392 and 95 claims were paid in 2003, totaling $1,006,790

The Fund provides basic fire and lightning insurance coverage for state-owned property and offers insurance for damages caused by wind, hail, aircraft or vehicles, riot or civil commotion, explosion, smoke, theft, sprinkler leakage, vandalism, flood, business interruption and "all risk." All General Fund facilities are insured for fire and lightning at no cost to the agency. Approximately 75 percent of the State's buildings receive this coverage free. Special Fund operations are billed for the fire and lightning coverage. This arrangement has saved the State millions of dollars, compared to buying commercial insurance.

When the Fund was established in 1945, the General Assembly recognized that loss prevention was an essential ingredient for a successful self-insurance program. The General Statutes require an annual fire and life safety inspection of all State-owned buildings by the division's inspectors who are certified in the interpretation of codes and standards for fire

protection and construction. Reports are made to agency managers for correction of deficiencies. The inspection staff also provides advice on corrective measures.

This Division inspects all new electrical systems in state-owned buildings to assure that these systems comply with the State Electrical Code. Also, technical expertise and Electrical Code consultation and interpretation is provided to local electrical inspectors, design engineers, contractors and the general public. The electrical staff conducted 5,216 inspections and responded to 8,907 telephone inquiries in 2004 and conducted 3,614 inspections and handled 8,346 inquiries in 2003. This Division also administers the third party accreditation program for the State which evaluates testing agencies that are approved to list and label components of building systems. In addition, this Division administers the School Maintenance Electricians Program which certifies that electricians responsible for electrical installations in school buildings have basic knowledge of electrical systems. The Risk Management Division provides and coordinates planning and presentation of educational programs on the State Electrical Code for the entire State.

The Risk Management Division serves as a resource for state agencies, universities and community colleges in resolving risk issues. This Division administers the State's automobile insurance program, which covers 36,845 vehicles. Also, various types of insurance coverages are procured for state agencies and universities from private insurance companies. These coverages include, but are not limited to, inland marine, ocean marine, aircraft liability and physical damage, boiler and machinery, workers compensation, medical malpractice, accident and health, general liability, crime, professional liability and bonds. This Division also assists local governments with their property and casualty insurance programs. Since 1986, 170 North Carolina communities and counties have received insurance surveys and risk management services.

The Division also provides staff, administration and research services to the Public Officers and Employees Liability Insurance Commission. The Commission is charged with making available a plan of professional liability coverage for all law enforcement officers, public officials and employees of any political subdivision of the state. The Commission also provides $5 million in liability coverage on all state employees for losses resulting in bodily injury or property damage and for errors and omissions in the performance of their jobs.

Fire and Rescue Commission

The Fire and Rescue Commission is an advisory board consisting of representatives from various fire and rescue organizations as well as state agencies. The Commission is responsible for developing voluntary certification programs and professional standards for all levels of fire and rescue personnel.

Presently, 10 certification programs and 20 levels of certification are active, including: Firefighter, Instructor, Rescue Technician, Fire and Life Safety Educator, Fire Apparatus

Driver/Operator, Emergency Vehicle Driver, Hazardous Materials Responder, Fire/Arson Investigator, Fire Officer and Airport Firefighter.

The Firefighter, Instructor, Hazardous Materials, Driver/Operator, Rescue Technician, Fire Officer, Fire and Life Safety Educator and Airport Firefighter programs are currently accredited by the International Fire Service Accreditation Congress, of which the Commission is an active member.

Each month the Commission receives approximately 300 applications for one of the above mentioned certifications. The Commission currently maintains over 60,000 certifications.

An ongoing project of the Commission is development and dissemination of the Occupational Safety and Health Standard for Fire Departments and Rescue Squads. This was a compilation of the applicable NFPA Standards and OSHA General Industry Standards.

New programs for the Commission include the Unified Command and Control and the Line-of-Duty-Death programs. These courses began in early 2003.

The goal of such programs is that they will provide additional professional recognition, as well as enhance the safety of emergency services personnel in North Carolina.

Volunteer Safety Workers Compensation Fund

The Fire and Rescue Commission continue to administer the Volunteer Safety Workers Comp Fund which was created by the General Assembly as a self-funded workers compensation program for non-municipal volunteer fire and rescue departments. Key Risk Corporation serves as TPA (third party administrator) of the funds, handling claims, billing and administration. The Commission appointed a nine member Board which oversees the administration of the fund and selects the TPA. In 2004, 1,317 fire and rescue departments had workers compensation coverage through the fund, covering a total of 42,264 workers.

Fire and Rescue Training and Inspection Division

This Division serves as the certifying agency for qualifying fire departments and their members for several benefit programs.

The primary responsibility of this group is the delivery of instructor upgrade and qualification courses. However, additional requirements extend to direct program deliveries, program development and participation on the State Emergency Response Team.

During the biennium, efforts were made to provide the best possible service for the Fire and Rescue Services in North Carolina. A constant review and update of all existing instructional programs is essential in providing the most current information and

techniques. Training delivery continued with an emphasis on instructor upgrade and qualification but has also provided for special school direct deliveries.

This section has participated in programs provided by the National Fire Academy and the Emergency Management Institute both on a federal and regional level. Personnel attended classes as well as received the train-the-trainer programs to be delivered to in-state instructors and responders. OSFM personnel have been appointed to and are currently serving on national committees with the responsibility of creating training standards and curriculum with organizations including the National Fire Protection Agency (NFPA), FARMEDIC and the Terrorism Task Force.

Another valuable function this section provides is with the assistance to fire departments and rescue squads in case of an in-line of duty death, a death in which a member dies while performing duties for his/her fire or rescue department. OSFM also assists their department, spouse and children in securing all the funds available to an in-line of duty death. OSFM was instrumental in getting federal legislation passed for covering events which now includes heart attack and stroke within 24 hours of a related emergency services incident.

This section also continues to attend in-state meetings and conventions and to serve on committees where requested. Some of the events which have been attended by our personnel include: the North Carolina State Firemen's Association and North Carolina Association of Fire Chief's annual conference, winter meeting of the Fire Chief's Association, North Carolina Association of Hazardous Materials Responders, State Hazardous Materials Advisory Board, North Carolina Society of Fire/Rescue Instructors, the North Carolina Association of Rescue and EMS annual conference, EMS Today, the North Carolina Association of County Commissioners, the North Carolina Fire College and many others.

INSPECTIONS DIVISION

Rating Classification

Rural Fire Districts		Municipal Fire Districts	
ISO Class	No. in N.C.	ISO Class	No. in N.C.
1	0	1	1
2	0	2	5
3	0	3	24
4	9	4	49
5	34	5	126
6	64	6	95
7	50	7	47
8	3	8	11
9S	800	9S	3
9E	231	9E	0

Fire Department Statistics

As of January 1, 2005	
Fire Departments in North Carolina	1,289
Municipal Fire Departments	243
Non-Profit Corporations	1,046
Fire Districts in North Carolina	1,552
Rural Fire Districts in North Carolina	1,191
Municipal Fire Districts	361
Municipal Fire Districts with ISO Class of 9S	3
Rural Fire Districts with ISO Rating Less than a Class 9S	160
Fire Districts with Split/Class Rating (ex. 6/9S)	388

The Department of Insurance has responsibility for conducting inspections of departments in areas with a population less than 100,000. These inspections serve to determine the rate classification for property insurance.

The inspection program is designed to help improve fire protection for the citizens of North Carolina and increase the safety of our state's firefighters. Oftentimes it results in lower property insurance rates. This section continues to assist local governments with fire district mapping, setting up tax districts, preparing fire departments for NCRRS surveys and by providing information on benefit programs. The section also serves as an information resource on rural fire protection for local government officials.

The Department also has duty of inspecting more than 1,000 volunteer fire departments in North Carolina. The results of these inspections are reported to the North Carolina Fire

Rate Bureau and are used by them in filing future rates for fire insurance costs. The fire departments are re-inspected on a two to three year cycle in order to maintain a current picture of the quality of fire protection in North Carolina and to assist the departments in making improvements.

These inspections ensure that the fire departments are maintaining the minimum rating requirements. Meeting these requirements provides for the eligibility of the department's personnel to participate in the Fireman's Pension Fund, in the Firemen's Death Benefit Act and in the Firemen's Relief Fund. Meeting these requirements also allows property owners living in the fire district to enjoy a lower fire insurance premium on their property insurance.

Fire Dept. Inspection Summary 2004

	State Total
Districts Inspected	276
Districts Meeting Requirements	254
Districts Not Meeting Requirements	22
Percentage Meeting Requirements	92%
Percentage Not Meeting Requirements	8%

Further duties of this section include providing fire protection information to local government officials, county fire marshals, local fire associations and citizens of North Carolina. Inspectors also assist with programs to fire departments and rescue squads on financing alternatives, record keeping, contract agreements, benefits and other administrative subjects.

RESEARCH AND PROGRAM DEVELOPMENT SECTION

The Research and Program Development section facilitates curriculum development and the related audio/visual materials for all fire and rescue training programs. In addition, this section designs and develops informational and educational materials for publication and distribution to the public. The *OSFM Fire & Rescue Journal* is published quarterly by the Research and Program Development group.

SIGNIFICANT ADVANCES

Computer Based Training (CBT) continues to be a high priority for disseminating OSFM's training programs. The concept of CBT, introduced two years ago into the OSFM training endeavor, is a more cost-effective way to deliver training. This new level of training allows the individual to learn at a pace conducive to personal schedules and needs. Also, since cognitive skills can be gained from CBT training without the need for an instructor, the expense of providing training is reduced.

The CBT concept actually offers two formats for presentations. While one method is to provide students with a self instructional tool, as mentioned above, the other is designed to be used by instructors to facilitate the delivery of a training program. The CBT presentation format provides some advantages over more conventional presentation software, such as MS PowerPoint. The software used by RPD is a multimedia software known as Authorware. The software allows a program to be written as an EXE file thus allowing it to be run on any computer without any additional software. The presentations are written in code and cannot be altered by anyone not having excess to the code design. This in-house control over the program design and its content gives more insurance that the program will be delivered in its entirety by instructors who choose to contract with a delivery agency to provide fire and rescue certification training.

RPD has also acquired the equipment and knowledge to produce and disseminate training programs on DVD-R. The DVD-R has a much higher capacity for data storage than CDs (more than four times the capacity). Video requires approximately 20 MB of storage space per one minute and audio requires approximately 10 MB per minute. This higher storage capacity has enabled the division to produce full-length training videos.

Project Report

Projects submitted between January 1 2004 and December 31 2004	**157**
Projects completed between January 1 2004 and December 31 2004:	**122**

Prevention, Programs and Grants Division

The Prevention, Programs and Grants Division administers the Firemen's Relief Fund and Rescue Relief Fund, as well as assists local fire, EMS, law enforcement and SAFE KIDS coalitions by providing resources on injury prevention programs statewide. Injury Prevention Specialists specialize in Child Passenger Safety, Risk Watch, Remembering When, and SAFE KIDS within their region of the state. NC SAFE KIDS focuses on reducing unintentional injuries to children 14 years of age and younger. Currently, there are 14 National Coalitions and 39 chapters in NC.

Funds

Working closely with the North Carolina Fireman's Association, division staff continues to improve collection and disbursement of the Firemen's Relief Fund. Significant effort has been made to reduce the number of fire departments disqualified due to ineligibility. The Rescue Relief Fund was created in 1987 to assist rescue personnel in need.

Total Firemen's Relief Fund tax collected for 2003 was $5,193,857.63 and a total of $4,905,006.43 was disbursed to fire departments meeting all General Statute requirements. Total Rescue Relief Fund tax collected for 2003 was $855,707,681 and a total of $735,908.60 was disbursed to the North Carolina Association of Rescue and EMS to distribute the funds according to General Statute 58-88-5. Total Rescue Relief Fund tax collected for 2004 was $889,010.78 and a total of $764,549.27 was disbursed to the North Carolina Association of Rescue and EMS to distribute the funds according to GS 58-88-5. The Department of Insurance was given the responsibility by the General Assembly to administer the Volunteer Fire Department Fund and the Volunteer Rescue/EMS Fund in 1988. The intent of these programs is to financially aid volunteer fire departments and rescue providers to purchase related equipment and to make capital expenditures, based on need.

The Volunteer Fire Department Fund matches on a dollar-for-dollar basis up to $20,000.
2003 funds collected for the Volunteer Fire Department Fund was $4,254,303.03.
2004 funds collected for the Volunteer Fire Department Fund was $4,539,547.12.

The Volunteer Rescue/EMS Fund will match on a dollar-for-dollar basis up to $15,000. The Volunteer Rescue/EMS Fund also allows rescue providers with liquid assets of less than $1,000 to apply for a $3,000 non-matching grant. Funds collected in 2003 for the Volunteer Rescue/EMS Fund was $1,334,468.41. Funds collected in 2004 for the Volunteer Rescue/EMS Fund was $1,570,525.58.

Approved monies for volunteer fire departments and volunteer rescue providers through the Volunteer Fire Department Fund and the Volunteer Rescue/EMS Fund since 1988 exceed $54,158,212.

The Volunteer Workers Compensation Fund was established by the General Assembly to provide low cost workers compensation insurance coverage to non-municipal volunteer fire departments, rescue squads and EMS departments. It was established as a self-funded program within the Department of Insurance. Each fire, rescue or EMS department pays $50 per individual for volunteers and $250 per individual for career personnel. The fund is supplemented each year by an appropriation from the General Assembly. Per requirements of the statutes, the fund is governed by the North Carolina Fire and Rescue Commission housed within the Department of Insurance. The Commission contracts with a third party administrator (TPA) to handle administration of the fund, as directed by statute. Currently Key Risk management services serves as the TPA.

Remembering When Overview

The Office of State Fire Marshal (OSFM) presents train-the-trainer sessions on the National Fire Prevention Association's fall and burn prevention series called Remembering When. A nostalgic trivia game is the hook that entices senior citizen audiences to learn how to

prevent falls and burns, common injuries among the state's older citizens. A grant (in the amount of $10,000) from NCIAI has assisted with continuing the program in 2004.

Juvenile Fire Setters

OSFM created the North Carolina Counsel for the Prevention of Juvenile Fire Setters which later was dissolved due to several circumstances. JFS is in the rebuilding stage through grants provided by NASFM and NCIAI. These grants included coalition training as well as National Fire Academy courses on Juvenile Fire Setter Intervention Specialist I. The purpose of the local coalitions is to address the serious concern of the growing rate of juvenile fire setting in North Carolina.

Risk Watch

Risk Watch is a comprehensive injury prevention curriculum for children in preschool through Grade 8. The program is taught in the classroom by teachers with support from community resources. Students act out learning activities by assuming character roles appropriate to their development stage. The program covers the eight safety areas that affect children the most with injuries and deaths. These safety areas include: motor vehicle; fire and burn; choking, suffocation, and strangulation; poisoning; falls; firearms injury; bike and pedestrian; and water. North Carolina has developed a model Risk Watch program that focuses on teacher training and accountability. This program is active in Nash, New Hanover, Cleveland, Davie, Watauga and Wilson Counties funded in part by the Governor's Highway Safety Program, NCIAI and the Duke Endowment. North Carolina Risk Watch is recognized statewide and nationwide as a leader in new techniques and fund-raising.

NC SAFE KIDS Buckle Up

NC SAFE KIDS Buckle Up is the child passenger safety component of NC SAFE KIDS. Local fire, EMS and rescue serve as primary and secondary contacts to work to increase awareness of child passenger safety issues. There are currently 81 SKBU communities participating statewide.

Bucklebear

Bucklebear is an educational tool for children aged 3-8 year old. Train-the-trainer courses are offered to local injury prevention partners for use at the local level. The bears include educational materials concentrating on child passenger, bike, trike and pedestrian safety. Funding is provided through the Governor's Highway Safety program.

NC SAFE KIDS

NC State SAFE KIDS works as a resource to local SAFE KIDS chapters to address unintentional injuries to children 14 and under. Currently, there are 14 National Coalitions and 39 chapters of NCSK. The chapters apply for grant funding through NCSK and participate in activities including bike rodeos, car seat clinics and pedestrian safety. In addition, special events are focused on Child Passenger Safety Week and SAFE KIDS

Week. Last year, water safety was the injury area selected. In 2004, the current NC Child Restraint Law was expanded to include all children under 8 years of age or 80 pounds. This was an improvement from the prior law which effected children 5 years of age or 40 pounds. NCSK participated in a Booster Blitz that distributed 150,000 booster awareness flyers to local vendors.

North Carolina Code Officials Qualification Board

The board is organized under the provisions of Chapter 143, Article 9C of the North Carolina General Statutes. A list of members follows, along with the individual or organization by whom they were appointed.

MEMBERS OF THE NC CODE OFFICIALS QUALIFICATION BOARD

Ronnie Bailey
Asst. Professor, Architectural Engineering
North Carolina A&T University
Greensboro, NC 27411 336-334-7575

Tim Bradley - Secretary
Sr. Deputy Commissioner, NC Dept. of Insurance
P. O. Box 26387
Raleigh, NC 27611 919-661-5880

Richard D. Ducker
Institute of Government
CB# 3330 Knapp Building UNC
Chapel Hill, NC 27599 919-966-5381

Charles England
England Contractors
Route 5 Box 126
Marion, NC 28752 828-738-4067

Mark H. Hicks
Mark Hicks Builder, Inc.
221 Hillsboro Street
Oxford, NC 27565 919-693-1866

Charles R. Horne
Chatham County Manager
P. O. Box 87
Pittsboro, NC 27312 919-542-8200

James D. Kennedy, Jr. - Chairman
Senior Electrical Inspector
100 Liberty Walk/Nations Bank Plaza
Winston-Salem, NC 27101 336-727-2365

Hayden Lutterloh, III
Assistant Fire Chief
P. O. Box 3729
Sanford, NC 27331

Joseph E. Martin
City of Sanford Alderman
549 Summit Drive
Sanford, NC 27330 919-776-6022

Barry Mowbray
Town of Wrightsville Beach Alderman
13 East Atlanta Street
Wrightsville Beach, NC 28480

Robert M. Pittman
Program Coordinator
Dept. of Community Colleges
Raleigh, NC 27611 919-733-7051

William Rakatansky, AIA
Freeman White
21136 Norman Shores Drive
Cornelius, NC 28031 704-586-2419

Deborah Simpson - Vice-Chairman
Asst. Director Cumberland Co. Inspection Dept.
P.O. Drawer 1829
Fayetteville, NC 28302 910-483-0113

Sam Vaughan, III
Vaughan Electric, Inc.
P. O. Box 11677
Durham, NC 27703 919-596-1327

Edwin C. Weaver, PE
Civil Engineering Dept.
NC State University
Raleigh, NC 27695-7908 919-515-7430

North Carolina Building Code Council

NC General Statutes 143-138 authorize the N.C. Building Code Council to prepare, adopt and amend the State Building Code. The council consists of 17 members appointed by the governor for six-year terms. Statutes require that members have expertise in areas relating to construction safety. The council meets twice a year in June and December.

Members

CHAIRMAN
Dan Tingen - 05
(Home Builder)
Tingen Construction Company

J. Albert Bass Jr., PE - 09
(Mechanical Engineer)

Alan W. Perdue - 09
(Fire Services)
Guilford County Emergency Services

Bradley C. Lail – 05
(Public Representative)

Lon M. Culbertson, PE – 07
(Electrical Engineer)
InfraTrek Consultants, PC

Terry B. Greene – 07
(Gas Industry)
Piedmont Natural Gas Co.

Robert F. Ruffner, Jr. - 09
(General Contractor)
Clancy & Theys Construction Company

Walter L. Simmons – 09
(Building Inspector)
City of Greensboro

Mack E. Nixon – 09
(County-Gov't Rep)
Albemarle Home Builders

VICE CHAIRMAN
John Llewellyn Hitch, AIA - 04
(Architect)
The Smith Sinnett Associates, P.A.

Jack F. Neel, PE - 04
(Municipal-Gov't Rep)

Thomas L. Avery, PE - 09
(Structural Engineer)
Structural Systems Inc.

Marshall Knight, Jr. -04
(Coastal Residential Contractor)

Barry James Maness – 07
(Mechanical Contractor)
Tarheel Contracting Co. Inc.

Gordon Timothy Reynolds – 07
(Electrical Contractor)
G T Reynolds Construction

Thomas P. Turner, FAIA - 04
(Architect)
ADEP, P.A.

Dan Murray, P.E. – 05
(State Agency)
Division of State Construction

North Carolina Fire and Rescue Commission

The North Carolina Fire and Rescue Commission is charged with developing certification standards for all levels of fire service and rescue personnel and coordinating the state's involvement with the Federal Emergency Management Agency and the U.S. Fire Administration.

The commission is also responsible for developing a master plan for fire prevention and control, increasing professional skills of fire protection and fire fighting personnel, serving as a central clearinghouse of information relating to the state's fire service activities, and handling federal and state grants.

Member	Organization
MEMBER	**REPRESENTING:**
C. Harley Cook, Chair	NC Society of Fire Rescue Instructors
Robert Griffin, Vice Chair	NC Firemen's Association
Doug Lowe	NC Association of Rescue and EMS, Inc.
Robert Poe	NC Association of Rescue and EMS, Inc
Ken Dilday	NC Firemen's Association
Donald Whitaker	NC Association of Fire Chiefs
Chuck Gallyon	NC Fire Marshal's Association
H. T. "Tom" Taylor	NC Association of County Commissioners
Walter M. Gardner, Jr.	NC League of Municipalities
Cloyce Anders	Public-at-Large
Marvin O. Wilson	Speaker of House Appointee
Billy Winn	President of the Senate Appointee
Brynn Thomas	Governor's Appointee
Ed Duffield	Professional Firefighters and Paramedics of NC
Mike Tapp	County Fire Marshal's Association

North Carolina Home Inspectors Licensure Board

NC General Statutes 143-151.43 Article 9F created the North Carolina Home Inspectors Licensure Board to license those who perform home inspections for compensation. A list of the eight members follows, along with the individual by whom they were appointed.

Members

Jeff Vaughn Chairman Coastal Home Inspections P. O. Box 628 New Bern, NC 28563 (252) 637-4081 (252) 633-4589 Fax	**W. Robert Schultz** Vice Chairman First South Bank 2904 Dunkirk Drive Raleigh, NC 27613 (919) 848-6007
Gerald W. Canipe Treasurer ARCHISPEC 4200 Morganton Road, Suite 200-03 Fayetteville, NC 28314 (910) 868-3086 (910) 868-7184 Fax	**Wanda Edwards, PE** Secretary N. C. Department of Insurance 322 Chapanoke Road, Suite 200 Raleigh, NC 27603 (919) 661-5880 ext. 255 (919) 662-4414 Fax
John W. Hamrick Coldwell Banker Ward & Misenheimer 6224 Fayetteville Road Suite 101 Durham, NC 27713 (919) 536-0046 (919) 361-9960 Fax	**David G. Jones** Expert Inspection Service, Inc. 1027 Beaver Dam Rd. Chapel Hill, NC 27517 (919) 933-6842 (919) 933-8928 Fax
James Liles 11504 Black Horse Run Raleigh, NC 27613 (919) 847-9993 (919) 847-9993 Fax	**T. Larry Summer** Summer Construction Co. 300 W. Main Street, Suite C Cherryville, NC 28021 (704) 435-4909 (704) 435-1219 Fax

North Carolina Manufactured Housing Board

The Board is empowered to issue and revoke licenses, require bonds, resolve complaints and promulgate rules as necessary to carry out these goals. The following is a list of members and the individual or industry they represent as of January 2005.

Members

Chairman: James E. Long

Insurance Commissioner
1202 Mail Service Center
Raleigh, NC 27699-1202

Designated Chairman: Tim Bradley

Senior Deputy Insurance Commissioner
1202 Mail Service Center
Raleigh, NC 27699-1202

Insurance Commissioner Appointees		
Representing - Public	Ms. Linda Willey PO Box 232 Manteo, NC 27954	Term (2nd): 10-01-02 to 09-30-05
Representing - Public	Ms. Lynn S. Carlson 7265 Schooner Court, B-2 Ocean Isle Beach, NC 28469 910-575-3255	Term - (Completing Vacant Term) 10-01-02 - 09-30-05
Governor Appointees		
Representing - Manufacturer	Mr. Dennis L. Jones R-Anell Housing Group P.O. Box 428 Denver, NC 28037 704-483-5511	Term (1st): 10-01-02 to 09-30-005
Representing - Dealer	Mr. Wesley Layton Layton Sales 4431 Sunset Ave. Rocky Mount, NC 27804 252-443-1121 252-443-1122(Fax)	Term (2nd): 10-01-02 to 09-30-05
Speaker Appointees		
Representing - Finance	Mr. Danny Chandler Affordable Funding, Inc. 5711 Six Forks Rd, Ste. 201 Raleigh, NC 27609 919-518-1432	Term (2nd): 10-01-03 to 09-30-06
Representing - Insurance	Mr. Clark E. Crowther American Modern Ins. Group 3317 Fielding Ave. Charlotte, NC 28211 704-365-5524	Term (2nd): 10-01-03 to 09-30-06
President Pro Tem of Senate Appointees		
Representing - Supplier	Mr. Larry Garner Holiday Comfort Heating & Air 5200 Robinwood Drive. Charlotte, NC 27215 704-536-3586 704-536-3597(Fax)	Term (1st): 10-01-04 to 09-30-07
Representing - Set-Up Contractor	Mr. Johnnie Burgess 1177 Freedom Way. Hubert, NC 28539 910-353-6612 910-353-6619(Fax)	Term (1st): 10-01-04 to 09-30-07

Public Officers and Employees Liability Insurance Commission

The Commission is given authority under North Carolina General Statutes 58-31-25 and 58-32-1 through 58-32-30 to make available a plan of professional liability insurance coverage for all law enforcement officers, public officials, and employees of any political subdivision of the State. The Public Officers and Employees Liability Insurance Commission (POELIC) is empowered to negotiate with insurance companies for the most favorable rates and coverage.

The commission also serves as liaison between the companies and those insured, to resolve any issues which may arise. The commission consists of 11 members representing city, county, and state governments, sheriffs and police departments, and the insurance industry. It meets at least four times each year, on or about the 15th of January, April, July and October. Following is a list of the members:

NC ASSN. OF COUNTY COMMISSIONERS Insurance Manager Term Expires: 6-30-2007	**Mrs. Susan Klakoff**
NC LEAGUE OF MUNICIPALITIES NCLM - Risk Management Services Term Expires: 6-30-2007	**Mr. Robert G. Haynes**
NC SHERIFFS ASSOCIATION Wilkes County Sheriff Term Expires: 6-30-2007	**Sheriff Dane Mastin**
NC POLICE CHIEFS AND NC POLICE EXECUTIVES ASSN. Greensboro Police Dept. Term Expires: 6-30-2004	**Sergeant Matthew Lojko**
INDEPENDENT INSURANCE AGENTS OF NC Insurance Center of NC Term Expires: 6-30-2007	**Mr. Bob Mays**
INDEPENDENT INSURANCE AGENTS OF NC Snipes Insurance Service Term Expires: 6-30-2004	**Mr. J. Dal Snipes**
SPEAKER OF THE HOUSE CHAIRMAN Term Expires: 6-30-2007	**Mr. Joseph R. Kluttz, CPCU**
PRESIDENT PRO TEMPORE Term Expires: 6-30-2007	**Mr. David Walker**

****** EX OFFICIO MEMBERS ******

COMMISSIONER OF INSURANCE	**Mr. J. Thomas Sutton, III**
ATTORNEY GENERAL'S OFFICE Dept. of Justice	**Mr. Robert T. Hargett**
CRIME CONTROL & PUBLIC SAFETY	**Mr. William A. Dudley**

AGENDA

Joint Appropriations Subcommittee
on
General Government

April 7, 2005

Room 425
8:30 a.m.

Chairman: Representative Roger West

Clarification of Proposed Career Banding Study

Carl Goodwin
Risk Management
Office of State Personnel

Motor Fleet Study

Tom Newsome
State Management Administrator
Office of State Budget & Management

Carlton Myrick
Deputy Secretary for Governmental Operations
Department of Administration

Study of State Funded Advertising

Tom Newsome
State Management Administrator
OSBM

Review of Proposed Adjustments to the Governor's Recommended 2005-07 Biennial Budget and Special Provisions

JOINT APPROPRIATIONS SUBCOMMITTEE ON
GENERAL GOVERNMENT
MINUTES
April 7, 2005
Room 425

Chairman West called the meeting to order and introduced the pages. Marcus Brown of Wake County; Derrick Smith of Wake County sponsored by Senator Basnight; Jerome McDonald of Fayetteville sponsored by Senator Lucas; Lutechia Griffin of Wake County sponsored by Rep. Ed Nye; Terrace Wildiron, Mecklenburg County sponsored by Rep. Pete Cunningham. Their presence was much appreciated.

Appreciation was also expressed the Sergeants at Arms (Rye, Richard Telfair) Earl Cocker and Martha Parish) and Legislative Assistant, Linda C. Johnson.

Carl Goodwin of Risk Management, Office of State Personnel presented a clarification on the Proposed Career Banding Study. Mr. Goodwin introduced Gary Wiggins, HL manager in the State Personnel Office, who has been involved in classifications and banding projects for many years and Pam Bowen. They will go thru the program and answer any questions.

North Carolina's compensation was first designed back in the 1940's and 1950's and has 6,000 different classes of work in State government. Each job description must be placed in one of the 6,000 classes. The goal of career banding is to reduce the number of classes to below 1,000 – hopefully around 700. This change would shift the focus to spend more time to determine pay rates and shift to a market based compensation system. This will provide comparison with wages outside State government and ability to better recruit employees. Employees should be paid on what they do and what they know – not how long they have been there.

A committee member asked how does the department determine how much they know? Mr. Wiggins said trained managers, monitored by the department's management, would handle the defining the knowledge of employees. An employee who comes on and stays in the same job for years will not receive much in increases in salary.

Committee members questioned the fairness of not increasing salaries over many years while hiring newer employees on a market based system. This results in inequities to long time service. Mr. Wiggins felt that the new system would help to solve pay inadequacies between employees doing similar work because it was based on an employee's knowledge and was market based.

Chairman West then introduced Tom Newsome, State Management Administrator of the Budget and Management Office. Mr. Newsome began his comments on a study of operations and possible privation of the State's Motor Fleet. This study is a directive of the General Assembly and began in 2002. The study found that the operation of the Fleet was adequate and mileage rates were lower than surrounding states and Federal mileage payments. Consequently they did not recommend privation of the fleet. The State's contracted price of gas for 2001 was $1.03 cents and has since risen to a much higher rate. Three recommendations were made for savings on the State's Motor Fleet operation: 1) that the intervals between maintenance be increased; 2) electronic reporting of motor fleet mileage; and 3) repairs be billed to a credit card, replacement of the information management system and use of performance indicators for staff.

A discussion ensued regarding payments to employees for the use of their own auto versus use of the motor fleet vehicles. The present guideline for using a state vehicle is a trip of over fifty miles; under fifty miles a private auto may be used. Reimbursement will be at 42 cents per mile – the current Federal rate. When using a state vehicle, the cost per mile is now 23 cents.

Carlton Myrick, Deputy Secretary for Governmental Operations in the Department of Administration, was introduced. Mr. Myrick proposed to answer some of the questions raised in the meeting. He discussed the program to rebuild about 750 of the state's older Caprices at a cost of about $10,000 each. Since the cost of a new automobile is approximately $20,000 this is a great savings over replacement costs.

The department continually looks for ways to reduce costs and currently is working on a tracking system. A big item right now is the cost of gas. Currently the cost is $1.60+. An evaluation is under way to determine the current mileage rate of $0.23 cents per mile and contemplate raising it to $0.26 cents per mile. This would still be a bargain when compared with other rental rates.

The questions concerning employees riding together when making lengthy trips was then addressed. Mr. Myrick felt this was an agency management decision because the motor fleet is a rental program just like Hertz and when an agency rented a vehicle, they were responsible for that automobile and must control decisions about who travels in it. Another item frequently mentioned is that of state vehicles speeding. The fleet is not an enforcement agency. The renting agency is responsible for making sure the employee follows the laws of the State of North Carolina. Reporting speeders to the number posted on the rear of the vehicle goes back to the management of the agency renting the vehicle.

Tom Newsom, State Management Administrator of OSBM. Section 19.3 of Session Law 2004, House Bill 1440, directed the Office of State Budget and Management to study the nature and costs of state agency requirements for advertisements and public

service announcements. It was found that these requirements differ extensively from one State agency to another. Ranging from job announcements, legal notices, emergency announcements, sophisticated advertisement programs such as in the Department of Commerce travel and tourism division; advertisements and announcements are developed in a variety of ways. Two major questions were emerged in this special study – 1) to what extent could advertising be developed and effectively placed and 2) whether these services should be provided by ABT, decentralized or outsourced. Our findings include that APT, a receipt supporting division of DOY, serves as a media production house for North Carolina State Government. APT charges the actual cost of in-house production and takes a 5% fee for media placement in addition to the cost. Many division use APT as shown in Schedule A. Of the over 28 million dollars spent on advertising, more than half was by the University system. 6.5 million was spent by Commerce, 4.5 by Travel and Tourism, 1 million by Agriculture, Transportation and Justice and the rest was by out-of-state agencies. It was found that agencies could place advertisements at the same discounted rates as APT. Those discounts could be as much as 50%.
APT did 3.3 million dollars in advertising with state agencies in 2004 at a savings of about 330,000, a fraction of what is available. With present staff, APT could not handle 28 million in advertising although they have the expertise and ability to handle the work. Recommendations after studying the advertisement operations: Decisions for development and procurement of advertisements should be left in the hands of the State agency. However, APT should be included in the competitive bidding processes. In conclusion, if APT did all the media buys for State agencies, the potential maximum savings would be only about $300-$4,000.

The Committee was provided with packets containing the Governor's expansion budget to be reviewed in this meeting. Requested funding for departments and proposed reduced or restored funding were noted and explained item by item.

4.6 Beginning with the potential reductions for the Department of Administration, there is about 1.5 million in the first year and 2.7 million in the second year. What would be done is transfer a portion of the escheats monies. This reverses what has been done in the past. It would take monies from appropriations and place them in receipts.

5.5 For the General Assembly – for 2004 there was a reduction of $880,000 to the contingency reserve. This was set aside to use for non-recurring items for that year.

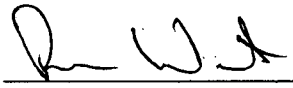
6.6 In the Department of Insurance, the $2,000,000 non-recurring reduction would be to the annual $5 million appropriation for the North Carolina Worker's Compensation Fund. This was included in the Governor's recommended adjustments.

6.8 For the Department of Revenue moving additional operations in terms of debt service cost center to receipt support, thereby freeing up general fund dollars. For agencies

managing special funds - the revenue from the Flex Program, $3,000,000 is available, at this time.
10.0 Discussion of several of the Governor's recommended adjustments, elimination of two positions (one a vacant Purchasing Agent position; the other an Asst. Director in the Governor's Advocacy Council).
13.0 For Cultural Resources: Parks Program – the Governor recommended $300,000 and the department had requested $500,000. Proposed appropriation of $400,000 would be a recurring item. The NC Awards Program recommendation of $50,000 is restoration of dollars removed in the past few years. The request for health coverage for the N.C. Symphony is a recurring item. They were covered by the State Health plan and have previously paid for the coverage. This item needs to be worked out. The Museum of Arts Programs request $280,700 in the first year and $250,000 in the second year. The Library requests funds for handicapped services and security in the amount of $500,000 each year. Discussion of other funding items for the Cultural Resources department continued – elimination of unfilled positions, requested funds for a Programmer position and related equipment and benefits were noted.

In the Department of Insurance and in the Lieutenant Governor's Office, the Governor's expansion budget recommended a part-time position become a full-time position. For the Lieutenant Governor's office, a recommendation for increasing the operating budget was noted. In the Office of Administrative Hearings, the expansion budget recommended $2 million on a non-recurring basis for software upgrades and agreements and $2,000 in the second year on a recurring basis. In the Department of Revenue - $278,000 in increased expenses the first year and $400,000 in the second year. The Governor's recommended budget was for $500,000 the first year and $800,000 in the second.

Due to time constraints, Chairman West polled members for their agreement to meet the following Tuesday at 8:30 AM (April 12, 2005) and adjourned.



Representative Roger West, Chair

ATTENDANCE

2005-2006

House Appropriations/General Government

( )

DATES 4-7-05															
HOUSE															
ALMA ADAMS, CHAIR	✓														
ROGER WEST, CHAIR	✓														
MARVIN LUCAS, VICE CHAIRMAN	✓														
MARIAN McLAWHORN, VICE CHAIRMAN	✓														
GENE WILSON, VICE CHAIRMAN	✓														
LEO DAUGHTRY															
BRUCE GOFORTH	✓														
ROBERT GRADY															
GARLAND PIERCE	✓														
RUSSELL TUCKER															
SENATE															
KATIE DORSETT, CHAIRMAN	✓														
DAVID HOYLE, VICE CHAIRMAN															
ANDREW BROCK	✓														
JANET COWELL	✓														
MALCOLM GRAHAM	✓														
JIM JACUMIN	✓														
FRED SMITH															

VISITOR REGISTRATION SHEET

General Govt. — Name of Committee

4/7/05 — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Tom Newsome	OSBM
Sally Hunter	OSBM
Kari Barsness	OSBM
Greg Piner	OSBM
George Millsaps	DOA
Carlton Myrick	DOA
John Mabry	DOA
Danny Wilks	DOA
Gary Wiggins	OSP
Pam Bowling	OSP
Carl Goodnes	OSP
David Brown	OSBM
Donna Rosefield	DCR
FRED HARTMAN	DOA

AGENDA

Joint Appropriations Subcommittee
on
General Government

April 12, 2005
Room 425
9:00 a.m.

Chairman: Representative Alma Adams

Review of Special Provisions

Joint Appropriations Subcommittee on General Government Meeting
Minutes
April 12, 2005
9:00 am

The Joint Appropriations Subcommittee on General Government met on April 12, at 9:00 am in Room 425 of the Legislative Office Building to review special provisions. In addition to Rep. Alma Adams, co chairs Rep. West and Sen. Dorsett were present. Also in attendance was Rep. McLawhorn, Rep. Wilson, Rep. Pierce, Rep. Goforth, and Rep. Lucas. On the Senate side, Sen. Smith, Sen. Cowell Sen. Brock and Sen. Graham.

Chairman Alma Adams called the meeting to order at 9:00 am, apologizing for the delay due to technical difficulties. She introduced the pages April Bowden from Montgomery County sponsored by Rep. Goodwin, Courtney Patterson from Franklin County sponsored by Rep. Colman and Rep. Wilder, Seth Williford from Wilson County, sponsored by Sen. Swindell and Chris Wilson from Caswell County sponsored by Sen. Webster. She welcomed the Sgt at arms, Leslie Wright, Richard Telfair, Martha Parrish and Bill Sullivan and the committee assistant Jamilah Sabir-Calloway. She thanked the staff, Kathie Austin, Michelle Nelson and Marilyn Chism.

Rep. Adams introduced staff, Michelle Nelson who led the discussion. She stated that they would go through the package and just explain their respective items. They began with the Department of Administration. Marilyn Chism directed everyone to page 1 of the package. The **continuation of the study of advocacy programs in the Department of Administration**. This is the study that was conducted, started during the 02-03 session and it wasn't complete. In last year's budget you authorized and directed the Secretary to continue that study and to report by May 1, 2005. Because they were not able to get someone to actually do that study, what is recommended here is that you extend the report date to May 1, 2006 to give them another to get that study completed.

On page 2, **Veterans scholarships partially funded from escheat funds**, this follows one of the money items that you saw on Thursday and appropriates money from the escheat funds to the Department of Administration to cover a portion of the veteran's scholarship program. The amount is $4.3 million in 05-06 and $4.4 million in 06-07 and those are rounded numbers.

On page 3, **State Veterans cemeteries**, this is the continuation of language that was in last year's budget bill and it authorizes the Department of Administration to use funds in the veterans' burial fund to cover cost incurred as a result of burials on Saturday and Sunday. Authorization or direction to actually conduct burials on Saturday and Sunday was included in last year's budget.

On page 4, ref. the **Office of the State Auditor**, this is a new provision and it directs the State Auditor to assign two vacant positions to non governmental audit section to assist

nonprofit organizations with statutory reporting requirements. The Auditor is to report their reassignment on December 1, 2005.

Michelle Nelson directed attention to page 5, ref. **The General Assembly**, The language on lines 12 and 15 would allow a change in mileage rate reimbursement for members of the General Assembly. This will conform to what was adopted and affected January 1st, 2005, at 40.5 cents per mile. The current rate is 29 cents and this has been in effect since 1993.

Kathie Austin directed attention to page 7, Housing finance agency home matching funds. This is boiler-plate language. It has been added each biennium and what it does is of the **Home Program match funds** that you appropriate to the Housing Finance Agency, it directs it into the prioritization of the use for the federal and state monies that they have with the home program. It says that they will report to the Joint Legislative Commission on Government Operations April 1 each year on this activity. The third it provides for is that if the monies are not used that year that they will not revert back to the general funds at the end of that fiscal year and this is boiler-plate language.

On page 8, this is a special provision that would continue the pilot program that the general assembly initiated last year for the **Home Protection Pilot Program and Loan Fund**. It specifies in the first section, line 7, that the Housing Finance Agency would administer this program in specific counties – the 8 counties that the pilot program has been started in. In line 12 it references that certain sections from last year's special provision would continue and that includes the definitions, the instructions to mortgagees, and their rule-making processes. They have direction to report back to the general assembly by May 1, 2006.

Marilyn Chism continued by referring to page 9, **Department of Insurance**. This is boiler-plate language that directs the Department of Insurance to transfer funds from the Insurance regulatory fund to the general fund on a quarterly basis. This is to repay the general fund for monies appropriated to the Department of Insurance.

Michelle Nelson directed us to page 10, the Department of Revenue. This provision is in the current appropriations bill as it was adopted in the 2004 session. The language is being repeated. It directs both the department and state budget to account for those monies that are collected and how they spend them for their administration related to debt collection. It's being repeated because lines 14 and 15 indicate that this should be an annual report and this was not codified. So, either you will codify this or either you will drop this language or you will have to repeat it each year.

Page 11, Department of State Controller on overpayments audit; this has become boiler-plate language since this initiative was started six to seven years ago. On line two it refers to you following this during the 2005-2007 bienniums. This is to be done on a yearly basis also so that the main change is to say that this now governs the 2005-2007 biennium so this is effective for both years of the biennium instead of your seeing this again during the short session, repeated for 06-07. Other than that this language is exactly the same.

The agency will retain $200,000 and they'll do so depending on what's collected and they will report as they have been to government operations.

Marylyn directed us to page 12, the Office of State Budget and Management. This is boiler-plate language. The Humanities Council receives a recurring appropriation of $100,000 in the continuation budget. This requires them to report from their program activities and their planned activities for the upcoming year.

Page 13, Secretary of State, which is a new provision which directs the Secretary of State to reassign vacant position from the Uniform Commercial Code Division to its General Administration Division to assist with investigations of trademarks and also with training other law enforcement officers with regard to trademark violations. They will also assist with investigations of violations of the Charitable Solicitation Licensing Act.

Page 14, the Department of State Treasurer; this is continuation language from the last biennium. It requires the State Treasurer to report on the status of the retirement orbits project and they are to report semi-annually by October 1 and April 1 until the enhancements are fully implemented. If you recall in the money report you saw on Thursday, you authorized them to use receipts for the final two phases of that project.

Page 15 is continuation language that directs State Budget to conduct semi-annual follow-up analysis to the staffing analysis that was completed in 03 on the Retirement System. They also are to continue that semi-annual follow-up analysis until the orbit system is fully implemented. The Retirement System is also required to maintain monthly workload statistics and productivity data.

The last provision on page 16 codifies language that was in last year's budget bill. It directs the State Treasurer to report the incentive bonus that he's authorized to pay to the Chief Investment Officer to Government Operations by October 1 of each year.

Two other provisions were distributed.

Michelle Nelson stated that this money follows the money. The Governor recommended $100,000 for the Office of State Personnel to conduct a Career Banding Study. Lines 6 through 11 emphasize what you've been discussing in regards to career banding in that you would like the study to address issues relating to inequities and disparities of job classification with respect to race and gender and that you are expecting the Office of State Personnel in it's findings to present information that might begin to minimize any of those inequities and disparities and that they should present this report to the 2006 session or it would be available at that time. They should have the report available by May 1, 2006.

Question: Sen. Dorsett
I feel the language should read (line 5) "...to conduct a study ***AND*** to determine whether to implement..."

Sen. Brock: We talked about the constitutions on difference of parties, where you have an attorney at one level in one department and then have basically the same job in a different department but the pay grade is different; does this study include that scenario?

Answer from the Chair: Yes.

Follow up: Sen. Brock: The language states "with respect to race and gender" and I want to know if this study will look into disparities that just deal with the job classification disparities that do not necessarily have a race or gender component?

Answer from the Chair: Yes.

Question from Senator Cowell: On page 14 ref. Upgrading of Department of Treasurer IT systems; the department had requested funds for upgrade of certain software. It was $400,000 and they are a receipt-based organization so is that $400,000 part of the budget recommendation?

Marilyn Chism: I'm not clear on what you mean. What was in the Governor's budget for the State Treasurer is in the money report recommendation that you saw last week. I don't recall $400,000.

Senator Cowell: On Friday, the State Treasurer's office wanted to meet with me about $400,000. It was two different items; $150,000 for a software upgrade, and another $250,000 that were not in the Governor's budget. And I just wanted to put a check on the status of that. If they are not here today, maybe we can talk off line.

Senator Dorsett: I got her letter and then I went back to our report. This non general fund and IT; we had two positions in there. I wasn't sure of the $400,000 break out but am I correct to understand there are two positions in this budget?

Michelle: Yes, there are two positions.

Senator Dorsett: But I'm not sure they are the same positions because this is for the state and local government finance divisions. They may not be the same.

Senator Cowell: Stephanie Phipps in the Treasurers office was the person who contacted me and maybe we can just clarify with her.

Kathie Austin distributed Special Provision from Information Technology Services. To put this in context in the 2003-04 session there was a proposal to have multi-year contracts whereby the office of Information Technology Services could enter a contract for a maintenance agreement with up to four of its vendors; pay for a contract for two years as opposed to just one year at a time; proposing to save money. The general assembly approved extending that for the 04-05 fiscal year; during the ITS presentation there was a reference to how this has saved $4 million. The plan is to have this language again for this biennium; notice in line 9 and 10 this would be permitted the office to have

these proposed maintenance agreements between June 30th 2005 and before July 1st 2007. So in the biennium they would be allowed to have no more than 4 infrastructure maintenance agreements; they would have the State Controller authorizing them to purchase these because this is an exception to the cash management plan.

The other exception in this that is different from last year in the previous fiscal year, is that they are asking in line 5 for this agreement period to not exceed three years. They will be making agreements and paying for them in multiple years and a year beyond this biennium. This would be paid for two years get the third year free.

Question: Rep. Goforth: Why do we limit this to only four contracts?

Kathie Austin: It is a pilot. They can come back each year and talk about the need and the success and you can make a determination.

Rep. Adams recognized Mr. Dave Rossi of ITS. We have been able to save in over seven contracts over $5 million and we have another currently in negotiations. ITS believes this has been a successful program and I encourage the subcommittee to consider an extension.

Question: Rep. Adams: What did you do with the savings?

Mr. Rossi: In the coming fiscal year we have a rate cut of approximately $8 million that is going to be past to ITS customers. Last year we had rate cuts of approximate $5 million much of which was made possible through this alternate contract vehicle.

Follow up: Rep. Goforth: You said you had seven contracts this last year?

Mr. Rossi: We've had seven to date over two so far. We had four last year and we anticipate four this year.

Follow up: Rep. Goforth: My question is why wouldn't you do the same seven?

Mr. Rossi: Those contracts we have negotiated out for a period of time so they won't come up for renewal for a while. So we're always looking for additional new customers.

Michelle Nelson: I think the only thing you might want to ask is how the state budget plans to manage the savings? Because the savings that David Rossi was referring to was not something that was address in subcommittee process in the 04 session. You have not accounted for that.

Sen. Dorsett: That is true. Does that mean we need a special provision?

Michelle Nelson: You might want to ask how state budget plans to handle it.

Chairman Adams recognized David Brown of Office of State Budget and Management to respond: Over the last several years many of the inflationary increases that we have projected for the Governor's budget and IT expenditures have not been approved by the general assembly. So some agencies are barely making their expenditures. Their IT savings in these agencies can be used to do other projects. There is always going to be an offset because we have years where there have been no increases. ITS is working with OSBM to establish the new rates for 05-06.

Sen. Dorsett: Should there be a directive to use those savings as an example to reduce the cost to the agencies or should there be some language to direct you to use those savings in some specific way?

Rep. Adams: Can we get a list of anticipated savings? What about some language for special provisions?

Michelle Nelson: The Senate may choose to include something in its version of the appropriations bill. Then the House can take a look at it and either agree with it or decide to change it at which time it would go into Conference to work out the difference.

Rep. Adams: OK we will flag that item.

Sen. Dorsett: I think we have worked well together (the House and Senate.)

Rep. West: It's been a pleasure working with the Senate.

This is the last meeting as a joint committee.

The meeting was adjourned at 10:00 a.m.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

9:00 AM

VISITOR REGISTRATION SHEET

April 12, 2005

Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
[illegible]	Capitol Page
Kevin Howell	Gov's Office
Patrick Clancy	Speaker's Office
Leslie Bwacqua Coman	NC Public Library Assoc & Library Trustee Assoc
Donna Rochelle	DCR
Margaret McBrayer	NCHFA
Gene Conan	OSC
John E Morgan	OSC
Camille L Wade	OAH
CINDY GILLIAM	OSA
JAMES L. FORTE	OSA
John Motley	Governor's
Lu Hodge	KCLH
Kari Barsness	OSBM
David Brown	OSBM
DAVE ROSSI	ITS
Danny Livesey	ITS
Greg Piner	OSBM
Faith McCombs	DOR
Harry Taylor	NCAHP
Jerry Bowmen	DST
Frank Wortham	DST
Jessica Hays	NCFPC
Angie Harris	Haupt Taylor
McKinley Wooten	DOA
Pam Reardorff	RSD/DST
Courtney A Regardorff	DOI

9:00 AM

House Pages

Name Of Committee: _____ Date: 5/12/05

1. Name: April Bowden
   County: Montgomery
   Sponsor: Representative Melinda Goodwin
2. Name: Courtney Patterson
   County: FRANKLIN
   Sponsor: Representative Linda Coleman & Thomas Wilder
3. Name: Seth Williford
   County: Wilson
   Sponsor: Senator Swindell
4. Name: Chris Wilson
   County: Caswell
   Sponsor: Senator Webster
5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: Leslie Wright
2. Name: Richard Telpluer
3. Name: Martha Pasdock
4. Name: Bill Sullivan
5. Name: _____

Joint Appropriations Subcommittee
on
General Government

Special Provisions

April 12, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

SPECIAL PROVISIONS
SENATE APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND INFORMATION TECHNOLOGY REPORT

APRIL 8, 2005

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GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-ADMIN-S1

Department of Administration
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

CONTINUATION OF THE STUDY OF ADVOCACY PROGRAMS IN THE DEPARTMENT OF ADMINISTRATION

SECTION #. The Secretary of the Department of Administration, in collaboration with appropriate entities that concentrate on public policy and business management, shall continue the study that was completed during the 2003-2004 fiscal year of the functions of the advocacy programs that are housed in the Department of Administration to determine the appropriate organizational placement of the programs within State government. The study shall include both the advocacy and service functions of the Division of Veterans Affairs, the Council for Women and the Domestic Violence Commission, the Commission of Indian Affairs, the Governor's Advocacy Council for Persons with Disabilities, the Human Relations Commission, and the Youth Advocacy and Involvement Office. The study shall also consider whether the functions of the programs could be more efficiently and effectively performed by an appropriate nonprofit organization. The Secretary shall report the findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Senate and House of Representatives Appropriations Committees by May 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-ADMIN-S2

Department of Administration
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

VETERANS SCHOLARSHIPS PARTIALLY FUNDED FROM ESCHEAT FUNDS

SECTION #. In accordance with G.S. 116B-7(b), there is appropriated from the Escheat Fund to the Department of Administration the sum of four million two hundred ninety-seven thousand five hundred forty-four dollars ($4,297,544) for the 2005-2006 fiscal year and four million three hundred fifty-eight thousand forty-six dollars ($4,358,046) for the 2006-2007 fiscal year.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-ADMIN-S3

Department of Administration
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by: Senator

STATE VETERANS CEMETERIES

SECTION #. The Department of Administration may use funds credited to the Veterans Burial Fund for the 2005-2007 biennium to cover costs incurred as a result of burials on Saturday or Sunday.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-AUD-S1

Department of State Auditor
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

AUDITOR REASSIGN VACANT POSITIONS

SECTION #. The State Auditor shall assign two vacant positions to the nongovernmental audit section to assist nonprofit organizations with statutory reporting requirements. The State Auditor shall report to the Chairs of the Appropriations Subcommittees on General Government of the Senate and House of Representatives by December 1, 2005.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-GA-S1

General Assembly
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by: Senator

CONFORM GENERAL ASSEMBLY MILEAGE ALLOWANCE TO CURRENT MILEAGE RATE SET BY THE INTERNAL REVENUE SERVICE

SECTION #. G.S. 120-3.1(a) reads as rewritten:

"(a) In addition to compensation for their services, members of the General Assembly shall be paid the following allowances:

(1) A weekly travel allowance for each week or fraction thereof that the General Assembly is in regular or extra session. The amount of the weekly travel allowance shall be calculated for each member by multiplying the actual round-trip mileage from that member's home to the City of Raleigh by the rate per mile which is the current business standard mileage rate set by the Internal Revenue Service in ~~Rev. Proc. 93-51, December 27, 1993.~~ Rev. Proc. 2004-139, November 17, 2004.

(2) A travel allowance at the rate which is the current business standard mileage rate set by the Internal Revenue Service in ~~Rev. Proc. 93-51, December 27, 1993,~~ Rev. Proc. 2004-129, November 17, 2004, whenever the member travels, whether in or out of session, as a representative of the General Assembly or of its committees or commissions, with the approval of the Legislative Services Commission.

40.5¢/mile

(3) A subsistence allowance for meals and lodging at a daily rate equal to the maximum per diem rate for federal employees traveling to Raleigh, North Carolina, as set out at 58 Federal Register 67959 (December 22, 1993), while the General Assembly is in session and, except as otherwise provided in this subdivision, while the General Assembly is not in session when, with the approval of the Speaker of the House of Representatives in the case of Representatives or the President Pro Tempore of the Senate in case of Senators, the member is:

a. Traveling as a representative of the General Assembly or of its committees or commissions, or

b. Otherwise in the service of the State.

A member who is authorized to travel, whether in or out of session, within the United States outside North Carolina, may elect to receive, in lieu of the amount provided in the preceding paragraph, a subsistence allowance of twenty-six dollars ($26.00) a day for meals,

plus actual expenses for lodging when evidenced by a receipt satisfactory to the Legislative Services Officer, the latter not to exceed the maximum per diem rate for federal employees traveling to the same place, as set out at 58 Federal Register 67950-67964 (December 22, 1993) and at 59 Federal Register 23702-23709 (May 6, 1994).

(4) A member may be reimbursed for registration fees as permitted by the Legislative Services Commission."

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-GOV-S1

Office of the Governor
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

HOUSING FINANCE AGENCY HOME MATCHING FUNDS

SECTION #.(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 Tier One, Tier Two, or Tier Three Enterprise Counties under G.S. 105-129.3; 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 United States 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.

SECTION #.(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.

SECTION #.(c) Funds appropriated in this act to match federal HOME Program funds shall not revert to the General Fund on June 30, 2006, or on June 30, 2007.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-GOV-S2

Office of the Governor
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

HOUSING FINANCE AGENCY SHALL CONTINUE THE NORTH CAROLINA HOME PROTECTION PILOT PROGRAM AND LOAN FUND ESTABLISHED TO ASSIST NORTH CAROLINA WORKERS WHO HAVE LOST JOBS AS A RESULT OF CHANGING ECONOMIC CONDITIONS IN NORTH CAROLINA WHEN THE WORKERS ARE IN NEED OF TEMPORARY ASSISTANCE TO AVOID LOSING THEIR HOMES TO FORECLOSURE

SECTION #.(a) The North Carolina Housing Finance Agency shall continue to administer a pilot program to assist North Carolina workers who have lost jobs in Cabarrus, Cleveland, Cumberland, Edgecombe, Forsyth, Guilford, Rowan, and Rutherford Counties as a result of changing economic conditions in North Carolina when the workers are in need of assistance to avoid losing their homes to foreclosure.

(b) Sections 20A.1(b), 20A.1.(d), and 20A.1.(e) of S.L. 2004-124 remain effective for the 2005-2006 fiscal year.

(c) The agency shall, no later than May 1, 2006, report to the General Assembly on the effectiveness of the Program in accomplishing its purposes, and provide any other information the Agency determines is pertinent or that the General Assembly requests.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-INS-S1

Department of Insurance
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by: Senator

INSURANCE FUND TRANSFER TO GENERAL FUND

SECTION #. The Commissioner of Insurance shall transfer funds quarterly from the Department of Insurance Fund to the General Fund to repay the funds appropriated to the Department of Insurance from the General Fund for each fiscal year, plus accrued interest at a rate determined by the State Treasurer.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-REV-S1

Department of Revenue
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by: Senator

DEPARTMENT OF REVENUE DEBT FEE FOR TAXPAYER LOCATER SERVICES AND COLLECTION

SECTION #. Funds are appropriated in this act from the collection assistance fee account created in G.S. 105-243.1 to the Department of Revenue for postage for correspondence directly and primarily relating to collecting overdue tax debts, for operating expenses for Project Collect Tax, and for expenses of the Examinations and Collections Division directly and primarily relating to collecting overdue tax debts as defined in G.S. 105-243.1. The Department of Revenue and the Office of State Budget and Management must account for all expenditures using accounting procedures that clearly distinguish costs allocable to collecting overdue tax debts as defined in G.S. 105-243.1 from costs allocable to other purposes and must demonstrate that none of the fee proceeds are used for any purpose other than collecting overdue tax debts.

The Department of Revenue must report annually to the General Assembly on its implementation of this section.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-CONT-S1

Department of State Controller
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

OVERPAYMENTS AUDIT

SECTION #.(a) During the 2005-2007 biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors as required by G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

SECTION 28.1.(b) For the each fiscal year of the 2005-2007 biennium, two hundred thousand dollars ($200,000) of the funds transferred from the Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 28.1.(c) All funds available in the Special Reserve Account 24172 on July 1 of each year of the 2005-2007 biennium are transferred to the General Fund on that date.

SECTION 28.1.(d) Any unobligated funds in the Special Reserve Account 24172 that are realized above the allowance in subsection (b) of this section are subject to appropriation by the General Assembly in the 2006 Regular Session of the 2005 Regular Session.

SECTION 28.1.(e) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into the Special Reserve Account and the disbursement of that revenue.

Michelle

DRAFT
SPECIAL PROVISION

2005-OSBM-S1

Office of State Budget and Management
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

NC HUMANITIES COUNCIL

SECTION #. The North Carolina Humanities Council shall:

(1) By January 15, 2006, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2004-2005 program activities, objectives, and accomplishments;

b. State fiscal year 2004-2005 itemized expenditures and fund sources;

c. State fiscal year 2005-2006 planned activities, objectives, and accomplishments including actual results through December 31, 2004; and

d. State fiscal year 2005-2006 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2005.

(2) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

Marilyn

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-SEC-S1

Department of Secretary of State
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

SECRETARY OF STATE TO REASSIGN VACANT POSITION

SECTION #. The Secretary of State shall reassign position 3222-0000-0000-361 from the Uniform Commercial Code Division to its General Administration Division to assist with investigations of trademark violations and training for other law enforcement personnel in the State and with investigations of violations of the Charitable Solicitation Licensing Act. The Secretary shall report to the Chairs of the Appropriations Subcommittees on General Government of the Senate and House of Representatives by December 1, 2005.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-TREAS-S1

Department of State Treasurer
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

REPORT OF THE STATUS OF THE TECHNOLOGY INFRASTRUCTURE ENHANCEMENTS

SECTION #. The Department of State Treasurer shall report to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees for the Senate and the House of Representatives on the status of the replacement of the multitude of information technology systems with an integrated system for all the retirement plans and other programs administered by the Retirement Systems Division. The Department shall report semiannually by October 1 and April 1 until the enhancements are fully implemented.

Marilyn

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-TREAS-S2

Department of State Treasurer
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

STAFFING ANALYSIS FOLLOW-UP

SECTION #.(a) The Office of State Budget and Management shall conduct semiannual follow-up analyses to the Staffing Analysis that was completed in April 2003 on the Retirement Systems Division within the Department of State Treasurer by October 1 and April 1 of each year to assure that the staffing levels remain appropriate. The semiannual analyses shall be conducted throughout the implementation of the enhancements to the information technology infrastructure within the Retirement Systems Division that were authorized by this act. The follow-up analyses shall also continue for a reasonable time after the completion of the enhancements to ensure that the staffing levels are adjusted based on the increased efficiency provided by the enhancements.

SECTION 28.4.(b) The Retirement Systems Division shall maintain monthly workload statistics and productivity data for the various functions within the Division. The Department of State Treasurer shall report the workload statistics and productivity data to the Fiscal Research Division and to the Office of State Budget and Management on a quarterly basis.

Marilyn

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-TREAS-S3

Department of State Treasurer
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by: Senator

TREASURER REPORT ON STATE INVESTMENT OFFICER POSITION INCENTIVE BONUS

SECTION #. G.S. 147-69.3 is amended by adding a new subsection to read:

"(i1) The State Treasurer shall report the incentive bonus paid to the Chief Investment Officer to the Joint Legislative Commission on Governmental Operations by October 1 of each year."

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-IT-S1

Information Technology
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

MULTIYEAR MAINTENANCE CONTRACTS

SECTION #.(a) Notwithstanding the cash management provisions of G.S. 146-86.11, the State Controller may authorize the Office of Information Technology Services (ITS) to purchase not more than four infrastructure maintenance agreements for periods not exceeding ~~two~~ three years where the terms of those maintenance agreements require payment of the full purchase price at the beginning of the maintenance period. The State Controller shall not authorize the agreements authorized by this section unless all of the following conditions are met:

(1) The proposed infrastructure maintenance agreement is entered into after June 30, 2005, and before July 1, 2007.

(2) The State Controller receives conclusive evidence that the proposed infrastructure agreement would be more cost-effective than any similar agreement that complies with G.S. 146-86.11.

(3) The State Controller verifies that the savings resulting from the proposed infrastructure agreement will be passed on to users in the form of lower rates for ITS services.

(4) The purchase of the proposed maintenance agreement complies in all other respects with applicable statutes and rules.

(5) ITS shall make adjustments of excess revenue, based on ~~IRMC-approved~~ rates approved by the Office of State Budget and Management, over allowable costs.

SECTION 21.2.(b) The State Controller shall provide full justification for any authorizations granted under this section to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the General Assembly within 60 days after the authorization is granted.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-OSP-S1

Office of State Personnel
Senate Appropriations Subcommittee on General Government and Information Technology

Requested by:

CAREER BANDING STUDY

SECTION #. Of the funds appropriated to the Department of Administration, the sum of one hundred thousand dollars ($100,000) for the 2005-2006 fiscal year shall be allocated to the Office of State Personnel to conduct a study to determine whether to implement a career-banding personnel system for all State employee job classifications. In conducting its study, the Office of State Personnel shall address issues relating to inequities and disparities of job classifications with respect to race and gender. The Office of State Personnel shall report its findings and recommendations to minimize any inequities and disparities to the Chairs of the General Government Appropriations Subcommittees of both the Senate and the House of Representatives by May 1, 2006.

Michele

AGENDA

Senate Appropriation Subcommittee
On
General Government

May 3, 2005

Room 425
1:00 p.m.

Chairman: Senator Katie Dorsett

Review and Approval of Senate Subcommittee Report

SENATE APPROPRIATIONS SUBCOMMITTEE
ON GENERAL GOVERNMENT
MINUTES

Wednesday, May 3, 2005
1:00 pm

The Senate Appropriations Subcommittee on General Government met on May 3, 2005 1:00 p.m. in room 415 of the Legislative Office Building to review and approve Senate Subcommittee Report. Senator Dorsett called the meeting to order. She welcomed the staff, Michele Nelson, Marilyn Chism and Kathie Austin, pages, clerk, agencies, and Sgt. At Arms. In addition to Chairman Katie Dorsett five Senate Members were present.

Senator Dorsett gave an extending thank you to all the staff members and Senators for their time and help throughout the meetings. Senator Dorsett then recognized Staff to begin the review of the House Budget. Michele Nelson, Marilyn Chism and Kathie Austin were recognized to give the presentation.

Page J-1, Department of Administration Item #1 is a Governor/Joint item that provides Construction Database Management System Enhancements to the HUB office.

Page J-2, Item #2 is a Governor/Joint item that provides funding for Non-Public Education, Item #3 is a Governor/Joint item that provides funding for the department's Management Information System.

Page J-3, Item 4 is from the Office of State Personnel. This is a Governor/joint decision that was modified to include $21,600 for mediation training.

Page J-4, Item # 5 provides funding for E-Procurement Personnel; that was a Governor/joint item.
Item # 6 is a joint item that transfers a portion of the funding for the Veterans scholarships to the Escheats Funds.

Page 4, Item #7 is a Senate only item that provides $3.5 million on a non-recurring basis to the city of Fayetteville for a grant-in-aid to establish a NC Veterans Park.

Item #8 is a joint item that eliminates a position in the Governor's Advocacy office. Continuing on Items #9 & #10 are Senate only items. These are items that were included in the continuation budget that should have been eliminated.

Item #9 provides funding for the transition team for the Council of State members;

Item #10 provides funding for the Governor's Inauguration. This funding is not needed in the '05-'07 biennium, thus you see the reduction here.

It was noted that at the bottom of J4, the handwritten notations. These are items that on April 7th that were not included in the Senate Package. Included is $200,000 for the State Real Property Disposal System Personnel that was recommended by the Governor. Also the elimination of a Processing Assistant in the Department of Administration; at the time that this reduction was recommended the Department advised that they were in the process of filling that position and a substitution was not given. The Governor recommended $107,000 on a non-recurring basis for the Coastal Carolina Veterans' Cemetery Equipment. But this money is actually not needed until the '06-'07 fiscal year.

It was noted that at the bottom of J4, the handwritten notations. These are items that on April 7th that were not included in the Senate Package. Included is $200,000 for the State Real Property Disposal System Personnel that was recommended by the Governor. Also the elimination of a Processing Assistant in the Department of Administration; at the time that this reduction was recommended the Department advised that they were in the process of filling that position and a substitution was not given. The Governor recommended $107,000 on a non-recurring basis for the Coastal Carolina Veterans' Cemetery Equipment. But this money is actually not needed until the '06-'07 fiscal year.

Page J-5, Cultural Resources Items # 11, 13 & 14 were Governor/Joint decisions. Item 12 was added by the Senate; it is a reduction $180,000 each year. It removes funding from the Secretary's office for Historical, Art and Cultural Grants. This is funding that was appropriated in the 2003 Session. It is related to Item #17 on page J6.

Page J6, Item #15 is a new monument for the State Capitol Visitor Services. It provides two positions at $94,000 recurring and $3,000 non-recurring for fiscal year '05'-'06 to provide two museum specialists positions. This was neither in the Governor's recommended budget nor a joint item that was discussed. The department included a request for $11,500 for temporary wages in this particular division.

Page J6, for the Museum of Art, program diversity and new security personnel; that was a Governor/Joint decision that provides $283,794 the first year and $250,000 the second year. It supports five positions as well. Item #17 is the item for the Grassroots Arts program. The $180,000 that was eliminated in the Secretary's office was added here. The result of that is that the Governor recommended an increase of $300,000 each year. That is an increase of what's in the continuation budget of $1.159 million. The joint decision was to increase that an additional $100,000 to provide $400,000 and the Senate decided to move the deduction in the Secretary's office ($180,000) to this item as well. The total increase that is recommended by the Senate is $580,000 that brings the amount for this program to $1.7 million.

Item #18 on that page (J6) provides money for Services to the Blind and Physically Handicapped.

Item 19 on Page J7, is a joint provision to provide $750,000 for Aid to Counties. The Senate modified that by increasing that by $250,000.

What was not included in the package at this time that was also reviewed jointly and agreed to was the elimination of one (1) vacant position, the equivalent of salary reserve from abolishing 4 vacant positions on March 1, 2005, and an amount equal to two (2) filled positions that was related to the First Flight administration. That would have been $380,631 that would have been on a recurring basis.

Also what was included was funding for Charlotte Hawkins Brown for $1.5 million non-recurring. That was a joint decision.

Page J8, under General Assembly is a joint decision to reduce the budget by $880,000 on a one-time basis for '05-'06.

Page J9, Item 21 is a joint decision to continue the Home Protection Pilot Program.

Page J10, Item #22, this is a Governor/Joint decision to provide Information Technology Personnel to the Department of Insurance.

Page J11, Item #23, that's a Senate item that provides one position to the Department of Insurance as well as operating costs for an insurance company examiner position that will administer and enforce the North Carolina Professional Employer Organization Act.

Page J12, Item 24, is a Governor/Joint decision to take a non-recurring reduction from the volunteer Safety Worker's Compensation Fund.

Page J13, under Lieutenant Governor, Item #25, is a Governor/Joint decision to increase office assistant position to full time; Item #26, Increase Operating Budget. Item #27, is a Senate only item and it is for a second Policy Development Analyst in the Office for a recurring amount of $51, 536 and a non-recurring of $1,700.

J-14, item for Office of Administrative Hearings. This is a software upgrade that allows the NC Register to be published on the Internet. The Governor recommended at recurring $10,000 and the joint decision modified that so that there would be $2,000 in recurring for the ongoing maintenance, support and hosting service and $9,200 for the actual purchase of the upgraded software.

Revenue, beginning on Page J15, Items 29, 30 & 31 are Governor/Joint decisions. Page J16, item #32 is for the property tax valuation specialist positions. The Governor requested one property tax valuation specialist position. The joint decision was to support that. The Senate modified that by adding two positions as well as providing an increase in the per diem for the commissioners. It changes their rate of reimbursement from $200/day to $450/day for the Chair and $400/day for members of the commission.

Item 33 on that page we need to modify somewhat. The dollar amount will remain the same. We need to change the 86 positions to 47 and the wording will be changed to indicate in the second sentence that the positions provide level-one call center support.

Items 34 & 35 are both joint decisions.

Page J17, Items 36 and 37 were both Governor/joint decisions. Page J18, Item 38 was a Senate decision to provide additional nine positions for the Revenue Tax Evasion Project that was funded initially in the 2004 Session.

Page J19, Item 39, was a Governor/Joint decision to provide $89,000 to the Secretary of State for the new lease costs for the Securities Division.

J20 is a Governor/joint decision item that provides $110,000 to State Board of Elections and J21 those items are joint decisions that provide additional funding to the State Budget and Management Office for its operating budget.

Page J22, Item 43 is a join item providing $250,000 on a non-recurring basis for Kids Voting. Item 44 is a Governor/Senate item that provides $1 million to the Fire Protection Grants-in-Aid program. This would increase this program from its current level, $4.2 million.

Page J22 the items that were not included:
To provide United Arts Council funding of $150,000 non-recurring
To provide funding for the Guilford Native American Association - $25,000 non-recurring and to provide $100,000 to the John Coltrane Music Hall/High Point Arts Council.

Page J23, State Controller, item 45, this is a Governor/Joint decision.

Page J24, Item 46 is a Senate decision that would provide $400,000 for local government operations. This money would be used to perform feasibility studies and develop systems requirements for a new document imaging system and a new debt management system. The total would be $400,000 on a non-recurring basis.

Item 47 was a Governor recommendation that was modified jointly. Refer to brackets: The Governor recommended $69,324 for temporary in-range adjustments for retirement system personnel who were transferred from their original positions into this new IT project. At State Budget's request, this money was not reflected here in this budget, as they decided to handle it as a budget revision instead.

Page 48, there is a Senate only item that would authorize the use of receipts from the 401-K program for its operating budget to support the administration of the 401-K program.

This funding would support one position an Administrative Officer III position whose responsibility is to oversee the 401-K plan, its investments and its third party administrator. It would also provide operating funds to provide an independent review of the investment performance of the program as well as any actuarial or legal fees that are needed.

Item #49 was a Governor/joint decision item that provided an addition debt service accounting position.

The last money item is Item 50 on page J27. It was a Senate decision to provide $400,000 to fund a $2 per month increase to the retirees of the Firemen's and Rescue Squad Workers' Pension Fund.

The meeting adjourned at 1:30 p.m.

Senator Katie Dorsett, Presiding

Phyllis Cameron, Committee Clerk

AGENDA

House Appropriations Subcommittee
on
General Government

May 12, 2005
Room 425
8:30 a.m.

Chairman: Representative Alma Adams

Review Senate Budget Adjustments and Special Provisions

House Appropriations Subcommittee on General Government
Minutes
May 12, 2005
8:30 am

The House Appropriations Subcommittee on General Government met on May 18, 2005 at 8:30 am in room 425 of the Legislative Office Building to review the Senate budget adjustments and Special Provisions. In addition to Chairman Alma Adams, also present were Reps. West, McLawhorn, Lucas, Wilson, Pierce, and Rep. Tucker. A visitor registration sheet is attached and made a part of the record. Staff present were Michele Nelson, Marilyn Chism and Kathie Young.

Representative Adams called the meeting to order. Senate Budget Adjustments document was distributed.

Michele Nelson: The package before you is the Senate version of the Budget that is SB 622. The information in the package is marked on the basis of decisions that were made when you were meeting jointly and your last joint meeting on April 7 & April 12. On April 7th you reviewed a spreadsheet, not a report and made decisions on the basis of the Governor's recommendations as well as joint decisions. On April 12th, because you did not complete all of the work on April 7th, you reviewed the Special Provisions. So that what is included in this package in terms of the money, are indications of whether or not they were Governor, joint or Senate or whether or not these were modified in some way. We are not going to read those marked as "Governor" or "Joint" decisions in detail unless there are questions. We will review all that are designated as "modified" or those that are "Senate" because you have not seen those before.

Marilyn Chism: Refer to Page J-1, Department of Administration Item #1 is a Governor/Joint item that provides Construction Database Management System Enhancements to the HUB office

Page J-2, Item #2 is a Governor/Joint item that provides funding for Non-Public Education, Item #3 is a Governor/Joint item that provides funding for the department's Management Information System

Michele Nelson: On page 3, Item 4 is from the Office of State Personnel. This is a Governor/joint decision that was modified to include $21,600 for mediation training.

Marilyn Chism: Item # 5 provides funding for E-Procurement Personnel; that was a Governor/joint item.

Item # 6 is a joint item that transfers a portion of the funding for the Veterans scholarships to the Escheats Funds.

On page 4, Item #7 is a Senate only item that provides $3.5 million on a non-recurring basis to the city of Fayetteville for a grant-in-aid to establish a NC Veterans Park.

Rep. Adams: Flag item #7.

Marilyn Chism: Item #8 is a joint item that eliminates a position in the Governor's Advocacy office. Continuing on Items #9 & #10 are Senate only items. These are items that were included in the continuation budget that should have been eliminated. Item #9 provides funding for the transition team for the Council of State members; Item #10 provides funding for the Governor's Inauguration. This funding is not needed in the '05-'07 biennium, thus you see the reduction here.

You will note at the bottom of J4, the handwritten notations. These are items that you say on April 7th that were not included in the Senate Package. Included is $200,000 for the State Real Property Disposal System Personnel that was recommended by the Governor. Also the elimination of a Processing Assistant in the Department of Administration; at the time that this reduction was recommended the Department advised that they were in the process of filling that position and a substitution was not given. The Governor recommended $107,000 on a non-recurring basis for the Coastal Carolina Veterans' Cemetery Equipment. But this money is actually not needed until the '06-'07 fiscal year.

Rep. Adams: Flag the State Real Property Disposal System and the Elimination of Processing Assistant Position.

Michele Nelson: Page J-5 Cultural Resources. Items # 11, 13 & 14 were Governor/Joint decisions. Item 12 was added by the Senate; it is a reduction $180,000 each year. It removes funding from the Secretary's office for historical, art and cultural grants. This is funding that was appropriated in the 2003 Session. It is related to Item #17 on page J6.

On page J6, Item #15 is a new monument for the State Capitol Visitor Services. I provides two positions at $94,000 recurring and $3,000 non-recurring for fiscal year '05'-'06 to provide two museum specialists positions. This was neither in the Governor's recommended budget nor a joint item that was discussed. The department included a request for $11,500 for temporary wages in this particular division.

Rep. Adams: Flag that.

On page J6, for the Museum of Art, program diversity and new security personnel; that was a Governor/Joint decision that provides $283,794 the first year and $250,000 the second year. It supports five positions as well. Item #17 is the item for the Grassroots Arts program. The $180,000 that was eliminated in the Secretary's office was added here. The result of that is that the Governor recommended an increase of $300,000 each year. That is an increase of what's in the continuation budget of $1.159 million. The joint decision was to increase that an additional $100,000 to provide $400,000 and the Senate decided to move the deduction in the Secretary's office ($180,000) to this item as well. The total increase that is recommended by the Senate is $580,000 that brings the amount for this program to $1.7 million.

Rep. Adams: We are flagging this item.

Michele Nelson: Item #18 on that page (J6) provides money for Services to the Blind and Physically Handicapped.

Item 19 on age J7 is a joint provision to provide $750,000 for Aid to Counties. The Senate modified that by increasing that by $250,000.

What was not included in the package at this time that you also reviewed jointly and agreed to was the elimination of one (1) vacant position, the equivalent of salary reserve from abolishing 4 vacant positions on March 1, 2005, and an amount equal to two (2) filled positions that was related to the First Flight administration. That would have been $380,631 that would have been on a recurring basis.

Also what is not included was funding for Charlotte Hawkins Brown for $1.5 million non-recurring. That was a joint decision.

Rep. Adams: Flag both of them.

Marilyn Chism: Page J8, under General Assembly is a joint decision to reduce the budget by $880,000 on a one-time basis for '05-'06.

Kathie Young: Page J9, Item 21 is a joint decision to continue the Home Protection Pilot Program.

Marilyn Chism: on Page J10, Item #22, this is a Governor/Joint decision to provide Information Technology Personnel to the Department of Insurance.

On Page J11, Item #23, that's a Senate item that provides one position to the Department of Insurance as well as operating costs for an insurance company examiner position that will administer and enforce the North Carolina Professional Employer Organization Act.

On page J12, Item 24, is a Governor/Joint decision to take a non-recurring reduction from the volunteer Safety Worker's Compensation Fund.

Kathie Young: Page J13, under Lieutenant Governor, Item #25, is a Governor/Joint decision to increase office assistant position to full time; Item #26, Increase Operating Budget. Item #27, is a Senate only item and it is for a second Policy Development Analyst in the Office for a recurring amount of $51, 536 and a non-recurring of $1,700.

Rep. McLawhorn: Is that the one that she was talking about that ties in with the military?

Kathie Young: I understand that this is a position that she had requested through the budget process through the Governor and it was not included in his recommendation. This is a second policy development analyst. I do not know more than that.

Rep. Tucker: Let's flag that one.

Kathie Young: J14, item for Office of Administrative Hearings. This is a software upgrade that allows the NC Register to be published on the Internet. The Governor recommended at recurring $10,000 and the joint decision modified that so that there would be $2,000 in recurring for the ongoing maintenance, support and hosting service and $9,200 for the actual purchase of the upgraded software.

Michele Nelson: Revenue, beginning on Page J15, Items 29, 30 & 31 are Governor/Joint decisions. Page J16, item #32 is for the property tax valuation specialist positions. The Governor requested one property tax valuation specialist position. The joint decision was to support that. The Senate modified that by adding two positions as well as providing an

increase in the per diem for the commissioners. It changes their rate of reimbursement from $200/day to $450/day for the Chair and $400/day for members of the commission.

Rep. Adams: Flag item #32

Michele Nelson: Item 33 on that page we need to modify somewhat. The dollar amount will remain the same. We need to change the 86 positions to 47 and the wording will be changed to indicate in the second sentence that the positions provide level-one call center support.

Items 34 & 35 are both joint decisions.

Page J17, Items 36 and 37 were both Governor/Joint decisions. Page J18, Item 38 was a Senate decision to provide additional nine positions for the Revenue Tax Evasion Project that was funded initially in the 2004 Session.

Rep. Adams: Flag it.

Marilyn Chism: Page J19, Item 39, was a Governor/Joint decision to provide $89,000 to the Secretary of State for the new lease costs for the Securities Division.

J20 is a Governor/Joint decision item that provides $110,000 to State Board of Elections and J21 those items are joint decisions that provide additional funding to the State Budget and Management Office for its operating budget.

On page J22, Item 43 is a join item providing $250,000 on a non-recurring basis for Kids Voting. Item 44 is a Governor/Senate item that provides $1 million to the Fire Protection Grants-in-Aid program. This would increase this program from its current level, $4.2 million.

Rep. Adams: Flag that.

On page J22 the items that were not included:
To provide United Arts Council funding of $150,000 non-recurring
To provide funding for the Guilford Native American Association - $25,000 non-recurring and to provide $100,000 to the John Coltrane Music Hall/High Point Arts Council.

Rep. Adams: Flag that.

Page J23, State Controller, item 45, this is a Governor/Joint decision.

Page J24, Item 46 is a Senate decision that would provide $400,000 for local government operations. This money would be used to perform feasibility studies and develop systems requirements for a new document imaging system and a new debt management system. The total would be $400,000 on a non-recurring basis.

Rep. Adams: Flag that.

Marilyn Chism: Item 47 was a Governor recommendation that was modified jointly. Refer to brackets: The Governor recommended $69,324 for temporary in-range

adjustments for retirement system personnel who were transferred from their original positions into this new IT project. At State Budget's request, this money was not reflected here in this budget, as they decided to handle it as a budget revision instead.

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The last money item is Item 50 on page J27. It was a Senate decision to provide $400,000 to fund a $2 per month increase to the retirees of the Firemen's and Rescue Squad Workers' Pension Fund.

Rep. Adams: Flag that.

Following a discussion ensued on the Special Provisions as indicated in the Special Provisions document attached to these minutes.
The meeting was adjourned at 10:00 a.m.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

VISITOR REGISTRATION SHEET

General Government — 5-12-05

Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Robert T Wilson	S.O.S
Holly Howington	intern for Representative Eddins
Pam Deardorff	Retirement / DST
Amy Bowman	DST
Kari Barsness	OSBM
Wesley Taylor	NCGA
George Millsaps	DOA
Connie Wilson	OAH
Keith McCoy	DOR
Molly Masich	OAH
Gwen Canady	OSC
John D. White	Intern Rep. Alma Adams
Courtney Crowder	NC DOI
[illegible]	[illegible]
[illegible]	Bone & Assoc
Shannon Reid	Bill Drafting
Donna Rosefield	DCR
Carl Goodwin	OSP
Greg Piner	OSBM
JAMES L. FORTE	OSA
Bill Rowe	NC Justice Ctr.
John McMillan	Gov. Office

House Pages

Name Of Committee: Ag. Gen. Govt. Date: 5. 12 - 05

1. Name: Jonathan Mestas

   County: Wake

   Sponsor: Rep. Eddins

2. Name: Amber Henline

   County: Mitchell

   Sponsor: Rep. Frye

3. Name: _____

   County: _____

   Sponsor: _____

4. Name: _____

   County: _____

   Sponsor: _____

5. Name: _____

   County: _____

   Sponsor: _____

Sgt-At-Arms

1. Name: Willie Dixon
2. Name: Martha Pavick
3. Name: _____
4. Name: _____
5. Name: _____

House Appropriations Subcommittee
on
General Government

Senate Budget Adjustments
(Unofficial Report - Revised May 5, 2005)

and

Special Provisions
(Senate Bill 622 - 4th Edition Engrossed 5/5/05)

2005-2007 Biennium

May 12, 2005

GENERAL GOVERNMENT
Section J

Administration

	GENERAL FUND			
	FY 05-06		FY 06-07	
Adjusted Continuation Budget	**$60,053,752**		**$61,483,537**	

Legislative Changes

1123 Historically Underutilized Businesses

1 Construction Database Mgm't System Enhancement	$74,915	R	$74,915	R
Provides funding to enhance the existing HUBSCO Construction Reporting System to meet the current State Technical Architecture standards and to establish one Application Analyst Programmer position. The Department developed the system to capture HUB expenditures and construction data for the HUB Office and the State Construction Office.	$250,000	NR		
	1.00		1.00	

Governor Joint

Recurring	FY 2005-06	FY2006-07
531211 Salaries	$63,000	$63,000
531511 Social Security	$4,820	$4,820
531521 Retirement	$3,663	$3,663
531561 Med Ins	$3,432	$3,432
Total Recurring	$74,915	$74,915
Nonrecurring		
532140 IT-HUBSCO Upgrades	$250,000	

1230 Non-Public Education

2 Non-Public Education Personnel

	FY 05-06		FY 06-07	
	$79,661	R	$79,661	R
	$1,900	NR		
	2.00		2.00	

Provides funding to establish an Education Program Specialist position ($30,354) and an Office Assistant IV position ($23,316). Also provides additional funding for operating cost. The additional positions and operating cost will allow the Division to expand non-public school visitation, respond to citizen complaints about specific home schools, provide more careful review of annual standardized test results, and to contract out annual mailings to the home schools.

Governor / Joint

Recurring		FY2005-06	FY2006-07
531211	Salaries	$53,670	$53,670
531511	Social Security	$4,106	$4,106
531521	Retirement	$3,121	$3,121
531561	Med Ins	$6,864	$6,864
532199	Annual Mailings	$4,100	$4,100
532714	Expanded Home Visitations	$4,350	$4,350
532840	Postage	$3,000	$3,000
532811	Telephones	$450	$450
Total Recurring		$79,661	$79,661
Nonrecurring			
534522	PC's	$1,900	

1241 Management Information Systems

3 Information Technology Security Personnel

	$81,334	R	$81,334	R
	1.00		1.00	

Provides funding to establish an IT Security Associate Analyst position ($54,811) to address the department's IT security issues that have been identified in the IT Security Assessment conducted by the Office of Information Technology Services.

Governor / Joint

Recurring		FY2005-06	FY2006-07
531211	Salaries	$54,811	$54,811
531511	Social Security	$4,193	$4,193
531521	Retirement	$3,187	$3,187
531561	Med Ins	$3,432	$3,432
534710	Computer Software	$500	$500
534522	Equipment-Computers	$3,000	$3,000
532811	Telephone Service	$600	$600
532942	Oth Emp Ed Expenses	$3,000	$3,000
532930	Registration Fees	$250	$250
532725	Meals - Out of State	$150	$150
532722	Lodging - Out of State	$625	$625
532440	Maint Agree -DP Equip	$2,565	$2,565
532441	Maint Agree - Software	$5,021	$5,021
Total Recurring		$81,334	$81,334

1311 Office of State Personnel

4 Operating Budget Increases

	FY 05-06		FY 06-07	
	$0	R	$0	R
	$121,600	NR	$0	NR
	0.00		0.00	

Appropriates funds to perform a career banding study, to purchase equipment and software for the OSP Training Center, and to continue training for mediation services.

Governor / Joint (modified)

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	$ 50,000	$ 0
532942 Oth Svs/Training	$ 21,600	$ 0
534521 Office Equipment	$ 25,000	$ 0
534711 Computer Software	$ 25,000	$ 0

1511 Purchase and Contract

5 E-Procurement Compliance Personnel

	FY 05-06		FY 06-07	
	$135,846	R	$135,846	R
	$3,800	NR	$0	NR
	2.00		2.00	

Provides funding to establish 2 compliance officer positions ($51,334 each) to provide E-procurement educational outreach, manage the E-procurement contract, and perform compliance reviews. The E-procurement contract requires a review of all direct payments for all NCAS agencies on a quarterly basis.

Governor / Joint

Recurring		FY2005-06	FY2006-07
531211	Salaries	$102,668	$102,668
531511	Social Security	$7,854	$7,854
531521	Retirement	$5,970	$5,970
531561	Med Ins	$6,864	$6,864
532714	Trans-ground	$2,200	$2,200
532727	Trans-other	$25	$25
532721	Lodging-In State	$1,800	$1,800
532724	Meals-In State	$1,000	$1,000
532811	Telephone Service	$950	$950
532814	Cellular Phones	$1,700	$1,700
532930	Registration Fees	$3,500	$3,500
533110	Gen Office Supplies	$1,315	$1,315
Total Recurring		$135,846	$135,846
Nonrecurring			
534511	Furniture Office	$1,200	
534539	Other Equipment	$2,600	
Total Nonrecurring		$3,800	

1771 Veterans Affairs Division

6 Scholarships Partially Funded From Escheats

	FY 05-06		FY 06-07	
	($1,491,106)	R	($2,679,379)	R

Transfers funding for 76.4% of the scholarships from appropriation-support to receipt-support. The receipts will come from the Escheats Funds. This funding shift continues the funding shift that was made in the 2003 Appropriations Act., S.L. 2003-284. The funding shift does not impact the total amount available for the scholarship program. The total available for scholarships is $5,625,058 for fiscal year 2005-06 and $5,704,249 for fiscal year 2006-07.

Joint

	FY 05-06		FY 06-07	
7 NC Veterans Park Funds Provides a grant-in-aid to the City of Fayetteville to establish the NC Veterans Park. The General Assembly made plans for the park in the 1990s that were never implemented.	$3,500,000	NR		
	Senate			
1811 GACPD				
8 Personnel Reduction Eliminates salary and fringe benefits equivalent to that of the Assistant Director position (4140-1540-0000-480). The Division Director's position has been vacant since November 2001. The Division also has an Administrative Secretary III position that has been vacant since January 2004. These vacancies have been allowed to remain pending the Governor's decision regarding redesignation of the Council to a non-profit status. The responsibilities of the Director have been performed by the Assistant Director. With the elimination of the salary and fringe benefits in the amount of $67,686, the Department may select which of the Council's 7.28 General Fund positions it will eliminate.	($67,686) -1.00	R	($67,686) -1.00	R
	Joint			
1881 Transition Team				
9 Operating Budget Reduction Eliminates transition funds for the Council of State members. This funding will not be needed during the 2005-07 biennium.	($120,000)	R	($120,000)	R
	Senate			
1882 Governor's Inauguration				
10 Operating Budget Reduction Eliminates funding for the Governor's Inauguration. Funding will not be needed during the 2005-07 biennium.	($205,000)	R	($205,000)	R
	Senate			
Total Legislative Changes	($1,512,036) $3,877,300	R NR	($2,700,309) $0	R NR
Total Position Changes	5.00		5.00	
Revised Budget	$62,419,016		$58,783,228	

Not Included:

✓ State Real Property Disposal System, [Personnel] -- $200,000 R
3.00
G/F

✓ Elimination of Processing Asst position -- ($36,328) R
-1.00
Joint

✓ Coastal Carolina Veterans Cemetery Equipment -- $107,700 NR
Governor/Joint

Cultural Resources

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$61,114,752**	**$59,597,482**

Legislative Changes

1110 Office of the Secretary

11 Boards and Commissions and North Carolina Awards — $50,000 R — $50,000 R

Governor / Joint

Provides funding that supports travel and work of the Director of Boards and Commissions, who serves as the departmental liaison with 39 nonprofit support groups and foundations for state historic sites and museums. Additionally, restores state funding for the North Carolina Awards Program, which has been receipt-supported for several years.

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	$ 10,000	$ 10,000
532714 Grd Trans/In-state	$ 9,000	$ 9,000
532721 Lodging/In-state	$ 8,000	$ 8,000
532724 Meals/In-state	$ 6,000	$ 6,000
532727 Misc/In-state	$ 2,000	$ 2,000
532850 Printing	$ 10,000	$ 10,000
533900 Oth Materials/Supplies	$ 5,000	$ 5,000

12 Operating Budget Reduction — ($180,000) R — ($180,000) R

Senate (refer to #17)

Eliminates funding for historical, art and cultural grants.

1120 Administrative Services

13 Information Technology Services Expansion — $50,000 R — $50,000 R

$2,500 NR

1.00 — 1.00

Governor / Joint

Appropriates funding to establish one (1) Applications Programmer I position and to purchase additional computer equipment.

	FY 05-06	FY 06-07
531112 Salaries	$ 41,000	$ 41,000
531511 Social Security	$ 3,137	$ 3,137
531521 Retirement	$ 2,384	$ 2,384
531561 Med Ins	$ 3,432	$ 3,432
532199 Misc Contractual Svs	$ 47	$ 47
534522 Equip - Computers	$ 2,500	

1241 State Historic Sites

14 Increase Operating Budget — $500,000 R — $500,000 R

Joint

Provides additional funds for maintenance of historic sites statewide.

1243 State Capitol/Visitor Services

15 New Personnel

	FY 05-06		FY 06-07	
	$94,000	R	$94,000	R
	$3,000	NR		
	2.00		2.00	

Appropriates funds for two (2) Museum Specialist positions at pay grade 66 and salary of $35,695. The total recurring expenditure is $94,000, which includes $85,597 for salaries and benefits and $8,403 for operating expenses, and non-recurring expense of $3,000 for office and computer equipment.

Senate

1320 Museum of Art

16 Program Diversity and New Security Personnel

	FY 05-06		FY 06-07	
	$283,797	R	$250,000	R
	5.00		5.00	

Provides funding to extend programming to schools and communities using computers, the Internet, and other means in order to broaden the museum's reach statewide. Also, provides funds to establish five (5) new Museum Guard positions.

Governor / Joint

	FY 05-06	FY 06-07
531112 Salaries	$104,030	$104,030
531511 Social Security	$ 7,958	$ 7,958
531521 Retirement	$ 6,049	$ 6,049
531561 Med Ins	$ 17,160	$ 17,160
532714 Grd Trans/In-state	$ 4,500	$ 4,500
532721 Lodging/In-state	$ 2,300	$ 2,300
532724 Meals/In-state	$ 1,800	$ 1,800
532727 Misc/In-state	$ 1,100	$ 1,100
533900 Oth Materials/Supplies	$ 3,000	$ 3,000
534539 Oth Equipment	$ 15,000	$ 15,000
534610 Art and Artifacts	$120,899	$ 87,102

1330 NC Arts Council

17 Grassroots Arts Program

	FY 05-06		FY 06-07	
	$580,000	R	$580,000	R

Increases funding in expenditure account 536996 for grants to local arts councils. This increase provides $1.7 million for grants to local arts councils that are awarded through the formal application process.

Governor / Joint (refer to #12)

Considered to #12

1410 State Library Services

18 Services to the Blind and Physically Handicapped

	FY 05-06		FY 06-07	
	$16,100	R	$9,100	R
	$27,300	NR		

Appropriates funds to install and maintain a new telephone system, and a card access security system for the building and the computer server room.

Joint

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	$ 8,000	$ 1,000
532811 Telephone Service	$ 7,000	$ 7,000
532812 Telecomm Data Charges	$ 1,100	$ 1,100
534539 Other Equipment	$ 27,300	

Senate Subcommittee on General Government	FY 05-06		FY 06-07	
1480 State Library Statewide Programs				
19 Aid to Counties Provides additional funds to support grants to public libraries based upon the formula for State-Aid to Libraries. The additional funding provides $15.8 million for aid to local libraries.	$1,000,000	R	$1,000,000	R
Total Legislative Changes	**$2,393,897** **$32,800**	R NR	**$2,353,100**	R
Total Position Changes	8.00		8.00	
Revised Budget	**$63,541,449**		**$61,950,582**	

Joint/Senate (modified) $750,000 = $1m

Not Included:

✓ Elimination of one (1) vacant position, the equivalent of salary reserve from abolishing 4 vacant positions on March 1, 2005, and an amount equal to two (2) filled positions -- ($38,631) R
-1.00
Joint

(*) ✓ Funding for Charlotte Hawkins Brown -- $1,500,000 NR
Joint

General Assembly

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	$43,864,588	$46,965,432
Legislative Changes		
1900 Reserves and Transfers		
20 Operating Reserves		
Reduces operating reserve funds.	($880,000) NR	
Total Legislative Changes	($880,000) NR	
Total Position Changes		
Revised Budget	$42,984,588	$46,965,432

Joint

Housing Finance Agency

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$4,750,945**	**$4,750,945**
Legislative Changes		
8104 NC Housing Foreclosure		
21 Continue the Home Protection Pilot Program Appropriates funding to continue the Home Protection Pilot Program in the existing eight counties. The pilot was established in Section 20A.1 of S.L. 2004-124.	$1,000,000 NR Joint	
Total Legislative Changes	**$1,000,000 NR**	
Total Position Changes		
Revised Budget	**$5,750,945**	**$4,750,945**

Insurance

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$27,831,701**	**$27,866,769**

Legislative Changes

1200 Company Services Group

22 Information Technology Personnel

$153,852	R	$153,852	R
$7,200	NR	$0	NR
2.00		2.00	

Governor / Joint

Provides funding to establish an Applications Analyst Programmer II position ($58,803) and a Computer Systems Analyst IV position ($64,429) in the Information Services Division. One position will be used to continue the ongoing upgrade from multiple legacy systems to the new integrated Operations Tracking and Information System (OTIS). Duties include programming and the new ongoing maintenance once the OTIS system is completed. The other position will be responsible for security issues at the Department, including implementing the ISO 17799 standard for information technology security.

Recurring		FY2005-06	FY2006-07
531211	Salaries	$123,232	$123,232
531511	Social Security	$9,427	$9,427
531521	Retirement	$7,166	$7,166
531561	Med Ins	$6,864	$6,864
5327XX	Transportation	$2,213	$2,213
5328XX	Communication	$1,200	$1,200
5329XX	Other Services	$2,500	$2,500
533110	Gen Office Supplies	$1,250	$1,250
Total Recurring		$153,852	$153,852
Nonrecurring			
534511	Furniture Office	$7,000	
5358XX	Other Admin. Exp.	$200	

The Insurance Regulatory Fund will reimburse the General Fund for the appropriation.

	FY 05-06		FY 06-07	
23 PEO Personnel and Operating Cost	$89,961	R	$89,961	R
	$5,500	NR		
	1.00		1.00	

Senate

Provides funding to establish an Insurance Company Examiner III position ($60,000) to administer and enforce the NC Professional Employer Organization Act (G.S. 58-89A). The primary emphasis of the position will be on the licensing and financial solvency of the PEOs.

		FY2005-06	FY2006-07
Recurring			
531211	Salaries	$60,000	$60,000
531511	Social Security	$4,590	$4,590
531521	Retirement	$3,489	$3,489
531561	Med Ins	$3,432	$3,432
5327XX	Transportation	$11,600	$11,600
5328XX	Communication	$1,350	$1,350
5329XX	Other Services	$500	$500
533110	General Office Supplies	$2,500	$2,500
533120	Data Processing Supplies	$2,500	$2,500
Total Recurring		$89,961	$89,961
Nonrecurring			
534511	Furniture Office	$3,000	
534543	PC/Printer Equipment	$2,500	
Total Nonrecurring		$5,500	

Fees collected with PEO applications and annual filings will be deposited into the Insurance Regulatory Fund and will be used to reimburse the General Fund for the appropriation.

Total Legislative Changes	**$243,813**	R	**$243,813**	R
	$12,700	NR	**$0**	NR
Total Position Changes	3.00		3.00	
Revised Budget	**$28,088,214**		**$28,110,582**	

Insurance - Workers' Compensation for Volunteer Firemen

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$4,500,000**	**$4,500,000**
Legislative Changes		
1900 Reserves and Transfers		
24 Volunteer Safety Workers' Compensation Fund		
Reduces the General Fund appropriation to the Volunteer Safety Workers' Compensation Fund on a non-recurring basis. This reduction will not affect the operations of the Fund. The balance in the Fund as of February 28, 2005 was $21.98 million. The average of the Fund's balances for the past 4 years is $21.47 million.	($2,000,000) NR	
Governor/Joint		
Total Legislative Changes	**($2,000,000) NR**	
Total Position Changes		
Revised Budget	**$2,500,000**	**$4,500,000**

Lieutenant Governor

	GENERAL FUND			
	FY 05-06		FY 06-07	
Adjusted Continuation Budget	$690,697		$690,697	
Legislative Changes				
1110 Administration				
25 Increase Office Assistant Position to Full Time	$8,404	R	$8,404	R
Increases an Office Assistant position (Pos # 3100-000-0016-035) from 30 to 40 hours per week.	0.25		0.25	
26 Increase Operating Budget	$2,400	R	$2,400	R
Provides funding to increase the operating budget in the following line items:				
27 Additional Personnel	$51,536	R	$51,536	R
Provides funding to establish a second Policy Development Analyst to serve as an Assistant to the Lieutenant Governor for Policy and Research.	$1,700	NR		
	1.00		1.00	
Total Legislative Changes	$62,340	R	$62,340	R
	$1,700	NR		
Total Position Changes	1.25		1.25	
Revised Budget	$754,737		$753,037	

Governor/Joint

Governor/Joint (modified)

Senate

		FY 05-06	FY 06-07
532811	Telephone service	$600	$600
532814	Cellular phone service	$1,200	$1,200
532850	Printing, Binding, Dup	$600	$600

		FY 05-06	FY 06-07
531111	Salaries	$42,307	$42,307
531511	Social Security	$3,237	$3,237
531521	Retirement	$2,460	$2,460
531561	Med Ins	$3,432	$3,432
533110	Gen Office Sup	$100	$100
534534	PC/Printer Equipment	$1,200	
534713	PC Software	$500	

Tucker asked that this be dropped

Office of Administrative Hearings

	GENERAL FUND			
	FY 05-06		FY 06-07	
Adjusted Continuation Budget	$2,976,210		$2,967,712	
Legislative Changes				
1100 Administration and Operations				
28 Software Upgrade	$2,000	R	$2,000	R
	$9,200	NR		
Provides funding for a software upgrade that allows the North Carolina Register to be published on the Internet. Recurring funds are provided for the software's on-going maintenance support and hosting service, and nonrecurring funds are provided to purchase the upgrade.	Governor/Joint (modified)			
Total Legislative Changes	$2,000	R	$2,000	R
	$9,200	NR		
Total Position Changes				
Revised Budget	$2,987,410		$2,969,712	

Revenue

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$82,817,444**	**$82,960,444**

Michele

Legislative Changes

1602 Security

29 Additional Personnel

Provides funds to establish one (1) Systems Security Analyst position. This position will address issues raised in the 2004 Statewide Security Assessment conducted by the Office of Information Technology Services.

	$79,134	R	$80,000	R
	$500,000	NR		
	1.00		1.00	

Governor / Joint

	FY 05-06	FY 06-07
531211 Salaries	$ 64,429	$ 64,429
531511 Social Security	$ 4,929	$ 4,929
531521 Retirement	$ 3,747	$ 3,747
531561 Med Ins	$ 3,432	$ 3,432
532140 Oth IT	$ 350,000	$ 2,565
532714 Trans Grd In State	$ 2,597	$ 898
534713 PC Software Purchases	$ 75,000	
534714 Server Software Purchases	$ 75,000	

1605 InformationTechnology

30 Increase IT Operating Funds

Appropriates funding to support salaries, benefits, and computer equipment for three (3) additional positions: Computing Consultant III ($38,773), Applications Analyst Programmer I ($42,307), and Senior Computer Operator ($28,038).

	$134,107	R	$134,107	R
	$28,871	NR		
	3.00		3.00	

Joint

	FY 05-06	FY 06-07
531211 Salaries	$ 109,118	$ 109,118
531511 Social Security	$ 8,348	$ 8,348
531521 Retirement	$ 6,345	$ 6,345
531561 Med Ins	$ 10,296	$ 10,296
534534 PC & Printer Purchases	$ 24,000	
534713 PC Software	$ 4,871	

1607 Tax Research

31 Personnel Adjustments

Eliminates salary and related benefits of two positions that have been vacant for more than six months: Office Assistant III, #4774-0000-0040-010 ($29,561); and Statistical Assistant V, #4774-0000-0040-315 ($29,814).

	($59,375)	R	($59,375)	R
	-2.00		-2.00	

Joint

	FY 05-06		FY 06-07	
1629 Property Tax				
32 New Personnel	$156,616	R	$179,916	R
	$12,000	NR		
	2.00		2.00	

Appropriates funds to establish two (2) Property Tax Valuation Specialist positions. Also, provides funding to increase per diem for board members with the chairman receiving $450 per day and members receiving $400 per day, effective January 1, 2006. The cost associated with the positions and increased compensation for board members will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. Property tax expenses are reimbursed by the local sales tax at 100%.

Governor / Joint / Senate (modified)

	FY 05-06	FY 06-07
531211 Salaries	$ 102,668	$ 102,668
531511 Social Security	$ 7,854	$ 7,854
531521 Retirement	$ 5,970	$ 5,970
531561 Med Ins	$ 6,864	$ 6,864
531651 Comp to Board Members	$ 19,700	$ 43,000
532448 Maint Agreement-Software	$ 460	$ 460
532714 Trans Grd In State	$ 9,000	$ 9,000
532721 Lodging In State	$ 1,200	$ 1,200
532724 Meals In State	$ 1,200	$ 1,200
532811 Telephone Service	$ 700	$ 700
533110 Gen Office Supplies	$ 1,000	$ 1,000
534511 Furniture - Office	$ 9,000	
534534 PC & Printer Purchases	$ 1,800	
534713 PC Software Purchases	$ 1,200	

~~1643~~ 1662 **Taxpayer Assistance**				
33 Operating Expense Transfer	($2,007,624)	R	($2,008,039)	R
	~~-86.00~~ -47.00		~~-86.00~~ -47.00	

Transfers ~~86~~ 47 positions from General Fund to receipt-support from the 20% Collection Assistance Fee in Budget Code 24704-2472. The positions provide ~~Level I and Level III~~ call center support for the Taxpayer Assistance and Collection Center (TACC).

Joint

1660 Examination and Collection				
34 Operating Budget Reduction	($3,664,145)	R	($3,664,145)	R

Adjusts budget with a recurring reduction that is the result of transferring General Fund operations to receipt-support in FY 04-05 using funds from the 20% Collection Assistance Fee in Budget Code 24704-2474.

Joint

35 Personnel Transfer	($75,339)	R	($75,339)	R
	-2.00		-2.00	

Transfers salaries and related benefits from General Fund to receipt-support from the 20% Collection Assistance Fee in Budget Code 24704-2472 for two (2) positions: Revenue Administrative Officer I, #4784-0000-0076-593 ($47,426); and Processing Assistant IV, #4784-0000-0076-598 ($27,913).

Joint

	FY 05-06		FY 06-07	
1663 Project Compliance				
36 Hispanic Initiative	$250,000	R	$250,000	R

Provides funding to continue the Hispanic initiative implemented in the 2004 Session that will improve tax compliance rates within the Hispanic population.

Governor / Joint

		FY 05-06	FY 06-07
532199004	Interpreter Svs	$ 50,000	$ 50,000
532714	Trans Grd In State	$ 4,000	$ 4,000
532840003	Postage	$ 71,000	$ 71,000
532850	Printing & Binding	$ 25,000	$ 25,000
532860	Advertising	$ 90,000	$ 90,000
533110	Gen Office Supplies	$ 10,000	$ 10,000

1670 Unauthorized Substance Tax				
37 Additional Personnel	$61,206	R	$61,206	R
	$6,000	NR		
	1.00		1.00	

Appropriates funds to establish one (1) Unauthorized Substance (USUB) Tax Enforcement Agent I. The cost associated with the position will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. USUB expenses are reimbursed by the local sales tax at 70% with the General Fund supporting the remaining 30% of funding.

Governor / Joint

		FY 05-06	FY 06-07
531211	Salaries	$ 43,046	$ 43,046
531511	Social Security	$ 3,293	$ 3,293
531521	Retirement	$ 4,655	$ 4,655
531561	Med Ins	$ 3,432	$ 3,432
532448	Maint Agreement-Software	$ 230	$ 230
532714	Trans Grd In State	$ 4,500	$ 4,500
532721	Lodging In State	$ 600	$ 600
532724	Meals In State	$ 600	$ 600
532811	Telephone Service	$ 350	$ 350
533110	Gen Office Supplies	$ 500	$ 500
534511	Furniture - Office	$ 4,500	
534534	PC & Printer Purchases	$ 900	
534713	PC Software Purchases	$ 600	

Michelle

1710 Fuel Tax Compliance

Senate

38 Expansion of Revenue Tax Evasion Project

Provides funding to add nine (9) positions to staff the project that was authorized in the 2004 Session, resulting in a total of nineteen (19) positions. Receipt-support continues for the project with the transfer of funding from the Highway Trust Fund. Total funding for the additional personnel is $548,633 in FY 05-06 and $470,701 in FY 06-07.

Positions

1 Processing Unit Supervisor (Gr. 61)	-	$23,251
1 Processing Assistant V (Gr. 61)	-	$23,251
1 Information Processing Tech (Gr. 63)	-	$30,684
4 Revenue Tax Auditor I (Gr. 73)	-	$148,576
1 Revenue Tax Auditor II (Gr. 75)	-	$51,334
1 Revenue Admin Officer III (Gr. 78)	-	$58,803

	FY 05-06	FY 06-07
531211 Salaries	$ 335,899	$ 335,899
531511 Social Security	$ 25,696	$ 25,696
531521 Retirement	$ 19,533	$ 19,533
531561 Med Ins	$ 30,888	$ 30,888
532448 Maint Agreement-Software	$ 0	$ 1,035
532714 Trans Grd In State	$ 32,000	$ 32,000
532721 Lodging In State	$ 4,000	$ 4,000
532724 Meals In State	$ 4,000	$ 4,000
532811 Telephone Service	$ 3,150	$ 3,150
532821 Comp Data Processing	$ 10,000	$ 10,000
533110 Gen Office Supplies	$ 4,500	$ 4,500
Total Recurring	$ 469,666	$ 470,701

532447 Maint Agree - PC/Printer	$ 2,456
532942 Oth Emp Ed Expenses	$ 12,881
534511 Furniture - Office	$ 40,500
534521 Office Equip (calculator)	$ 900
534534 PC/Printer (laptops & desks)	$ 12,380
534534 PC/Printer Equipment	$ 4,450
534713 PC Software Purchases	$ 5,400
Total Non-Recurring	$ 78,967

Total Legislative Changes	**($5,125,420)**	**R**	**($5,101,669)**	**R**
	$546,871	**NR**		
Total Position Changes	-83.00		-83.00	
Revised Budget	**$78,238,895**		**$77,858,775**	

Secretary of State

	GENERAL FUND			
	FY 05-06		FY 06-07	
Adjusted Continuation Budget	$8,568,943		$8,549,857	
Legislative Changes				
1230 Securities Division				
39 Operating Cost Increase Provides funding for new lease costs for the Department's Securities Division. The Department had to enter into a lease for space for its Securities Division when it was required to vacate the Legislative Office Building.	$89,000	R	$89,000	R
Total Legislative Changes	$89,000	R	$89,000	R
Total Position Changes				
Revised Budget	$8,657,943		$8,638,857	

Governor/Joint

State Board of Elections

GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	**$4,957,543**		**$4,959,307**	
Legislative Changes				
1200 Campaign Reporting				
40 Campaign Reporting IT Support	$110,000	R	$110,000	R
Provides funding to establish one Applications Analyst Programmer I position ($46,306) to assist in supporting and enhancing the Campaign Finance Management System.	1.00		1.00	

		FY2005-06	FY2006-07
531211	Salaries	$46,306	$46,306
531511	Social Security	$3,542	$3,542
531521	Retirement	$2,693	$2,693
531561	Med Ins	$3,432	$3,432
532143	LAN Support Services	$54,027	$54,027

Governor/Joint

Total Legislative Changes	**$110,000**	R	**$110,000**	R
Total Position Changes	1.00		1.00	
Revised Budget	**$5,067,543**		**$5,069,307**	

State Budget & Management

Marilyn

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	$4,904,371	$4,908,931

Legislative Changes

1310 Office of State Budget and Management

41 NEON Maintenance Contract — $7,000 R; $7,000 R

Provides funding to pay for an annual Shadow Web Server maintenance contract. This cost is required for the maintenance of OSBM budget-related, Web-enabled applications located on the State-owned mainframe computer system.

Governor / Joint

42 Personnel Increases — $105,864 R; $105,864 R; $2,500 NR; $0 NR; 2.00; 2.00

Provides funding to establish one Standard Level Analyst for the Justice and Public Safety (JPS) Section at a salary of $48,321 and one Standard Level Analyst for the Education and Transportation sections at a salary of $38,772. The JPS Analyst will assist in the budget preparation, administration, and oversight for the Administrative Office of the Courts and for the Departments of Crime Control and Public Safety, Justice, Correction, Indigent Defense, and Juvenile Justice. The time and effort for the second position will be devoted to the Education Section (50%) and to the Transportation Section (50%) to assist in the budget preparation, administration, and oversight for the University System, the Department of Public Instruction, the North Carolina Community College System and for the Department of Transportation, the Highway Fund, and the Highway Trust Fund.

Governor / Joint

	FY2005-06	FY2006-07
Recurring		
531211 SPA Regular Salaries	$87,093	$87,093
531511 Social Security	$6,663	$6,663
531521 Retirement	$5,064	$5,064
531561 Medical Insurance	$6,864	$6,864
Total Recurring	$105,684	$105,684
Nonrecurring		
534511 Furniture - Office	$700	
534534 PC & Printer Purchases	$1,800	

Total Legislative Changes	$112,864	R	$112,864	R
	$2,500	NR	$0	NR
Total Position Changes	2.00		2.00	
Revised Budget	$5,019,735		$5,021,795	

State Budget & Management - Special Appropriations

Marilyn

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	$3,180,000	$3,180,000

Legislative Changes

1022 2005 Special Appropriations

43 Kids Voting NC Funds — $250,000 NR

Provides funding to Kids Voting of North Carolina, Inc, a nonprofit corporation. Of the $250,000 appropriated, $50,000 shall be used to implement new Kids Voting programs in non-participating counties across the State. The remaining $200,000 shall be divided on the basis of the North Carolina Department of Public Instruction's Average Daily Membership with a minimum of $2,500 for the following counties: Buncombe, Cabarrus, Catawba, Clay, Cumberland, Durham, Greene, Guilford, Haywood, Henderson, Iredell, Jackson, Madison, Mecklenburg, New Hanover, Onslow, Randolph, and Wake to assist those counties with their Kids Voting programs (SB 690 and HB 895).

Joint

1023 Fire Protection Grant Fund

44 Fire Protection Grants-in-Aid — $1,000,000 R — $1,000,000 R

Increases funding for the Fire Protection Grants-in-Aid program. New State-owned buildings have been constructed statewide, and this increase will provide additional grants-in-aid to local fire fighting districts that provide fire protection and other services for these new facilities.

Governor / Senate

Total Legislative Changes	$1,000,000 R $250,000 NR	$1,000,000 R
Total Position Changes		
Revised Budget	$4,430,000	$4,180,000

Michele

Not Included:

- ✓ United Arts Council -- $150,000 NR
- ✓ Guilford Native American Assoc -- $25,000 NR
- ✓ John Coltrane Music Hall/Hayti PB Arts Council -- $100,000 NR

all Joint

State Controller

GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	$9,960,527		$9,966,970	
Legislative Changes				
1000 Administration				
45 Additional Personnel	$77,541	R	$77,541	R
	$5,200	NR		
	1.00		1.00	
Total Legislative Changes	$77,541	R	$77,541	R
	$5,200	NR		
Total Position Changes	1.00		1.00	
Revised Budget	$10,043,268		$10,044,511	

Appropriates funding for the addition of an Internal Control position to conduct on-site compliance reviews, prepare reports based on the findings, and perform follow-up on State property incident reports when warranted.

	FY 05-06	FY 06-07
531112 Salaries	$ 58,803	$ 58,803
531511 Social Security	$ 4,498	$ 4,498
531521 Retirement	$ 3,419	$ 3,419
531561 Med Ins	$ 3,432	$ 3,432
532447 Maint Agree-PC & Printer	$ 300	$ 300
532448 Maint Agree-PC software	$ 300	$ 300
532714 Trans Grd In State	$ 1,725	$ 1,725
532721 Lodging In State	$ 2,977	$ 2,977
532724 Meals In State	$ 1,586	$ 1,586
533110 Gen Office Supplies	$ 500	$ 500
534534 PC & Printer Purchases	$ 5,200	

Treasurer

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	$8,222,117	$8,228,365

Marilyn

Legislative Changes

1310 Local Government Operations

46 Information Technology Enhancements — $400,000 NR

Senate

Provides funding to perform feasibility studies along with the development of the requirements of a new document imaging system and a new debt management system. The funds will be used to hire consultants to: 1) document current business processes and workflows, 2) prepare business and technical requirements for the new systems, 3) prepare a request for proposals, 4) research and provide a list of potential vendors, 5) develop a high level project plan, 6) develop a high level risk analysis, and 7) develop an estimated budget for the implementation of these 2 systems. Of the total provided, $150,000 is for the document imaging system and $250,000 is for the debt management system.

1410 Retirement Systems Division

47 Information Technology Project/ 2005-07 Biennium

Governor/Joint (modified)

Authorizes the use of receipts on a nonrecurring basis from the Retirement Fund for the final two phases of the Retirement Systems Division's Information Technology project (ORBITS).

	FY2005-06	FY2006-07
ORBITS Project	$6,528,742	$4,209,349
5321XX	$1,086,838	$739,216
5324XX	$129,600	$129,600
5325XX	$596,300	$396,300
5345XX	$35,350	$35,350
5347XX	$8,376,830	$5,509,815
Total		

Did not fund request for temporary in-range adjustment of $69,324

Also authorizes the use of receipts on a recurring basis to establish two Applications Analyst Programmer II positions ($58,803 each) to help develop the new system and maintain the system once the project is completed.

	FY2005-06	FY2006-07
Salaries/Fringes	$117,606	$117,606
531212 Salaries	$8,997	$8,997
531512 Social Security	$6,839	$6,839
531522 Retirement	$6,864	$6,864
531562 Med Ins	$140,306	$140,306
Total Recurring		

No General Funds are required to fund this project.

FY 05-06 FY 06-07

Senate

48 Operating Budget to Support Administration of 401K

Authorizes the use of receipts for the salaries and benefits of one Administrative Officer III position as well as for operating cost to support the position. The position will be responsible for overseeing the 401(K) Supplemental Retirement Plan, its investments, and its third party administrator. The operating funds will also be used to provide an independent review of the investment performance of the program each year as well as actuarial and legal fees.

Recurring		FY 2005-06	FY 2006-07
531212	Salaries	$44,923	$44,923
531512	Social Security	$3,437	$3,437
531522	Retirement	$2,612	$2,612
531562	Medical Insurance	$3,432	$3,432
532120	Financial/Audit Services	$94,896	$94,896
532714	Transportation	$3,500	$3,500
532724	Meals	$1,500	$1,500
535830	Other Admin. Exp.	$3,700	$3,700
Total Recurring		$158,000	$158,000
Non-recurring			
534500	Equipment	$2,000	

Receipts to support the operating budget will come from amounts collected by the third-party administrator.

1510 Financial Operations Division

49 Personnel Increase

$67,478	R	$67,478	R
$1,000	NR		
1.00		1.00	

Governor / Joint

Provides funding to establish a Debt Service Accounting position to properly account for the increased activity in the debt service area. With the substantial increased amount of debt that the State has issued and the complexity of the debt instruments, it has become very difficult to manage the increased workload with the current staffing levels.

Recurring		FY2005-06	FY2006-07
531212	Salaries	$56,181	$56,181
531512	Social Security	$4,298	$4,298
531522	Retirement	$3,267	$3,267
531562	Med Insurance	$3,432	$3,432
533110	Gen Office Supplies	$300	$300
Total Recurring		$67,478	$67,478
Nonrecurring			
534511	Furniture-Office	$1,000	

The General Fund will be reimbursed from a non-tax revenue source for the amount of the appropriation.

Senate Subcommittee on General Government	FY 05-06		FY 06-07	
Total Legislative Changes	**$67,478** **$401,000**	**R** **NR**	**$67,478**	**R**
Total Position Changes	1.00		1.00	
Revised Budget	**$8,690,595**		**$8,295,843**	

Senate Subcommittee on General Government

Treasurer - Retirement for Fire and Rescue Squad Workers

	GENERAL FUND			
	FY 05-06		FY 06-07	
Adjusted Continuation Budget	$8,146,179		$8,146,179	
Legislative Changes				
1412 Gen. Fund Contribution to Fire Pension Fund				
50 Increase Retirement Benefits	$405,278	R	$405,278	R
Increases the benefits in the Firemen's and Rescue Squad Workers' Pension Fund from $161 to $163 per month for retirees and future retirees effective July 1, 2005.				
Total Legislative Changes	$405,278	R	$405,278	R
Total Position Changes				
Revised Budget	$8,551,457		$8,551,457	

Adams
? Does it go to full chair- "Yes"

Senate

SPECIAL PROVISIONS

PART XIX. DEPARTMENT OF ADMINISTRATION

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan** Modified

CONTINUATION OF THE STUDY OF ADVOCACY PROGRAMS IN THE DEPARTMENT OF ADMINISTRATION

SECTION 19.1. The Secretary of the Department of Administration, in collaboration with appropriate entities that concentrate on public policy and business management, shall continue the study that was completed during the 2003-2004 fiscal year of the functions of the advocacy programs that are housed in the Department of Administration to determine the appropriate organizational placement of the programs within State government. The study shall include both the advocacy and service functions of the Division of Veterans Affairs, the Council for Women and the Domestic Violence Commission, the Commission of Indian Affairs, the Governor's Advocacy Council for Persons with Disabilities, the Human Relations Commission, and the Youth Advocacy and Involvement Office. The study shall also consider whether the functions of the programs could be more efficiently and effectively performed by an appropriate nonprofit organization. The Secretary shall report the findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Senate and House of Representatives Appropriations Committees by April 1, 2006.

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan** Same as 4/12

VETERANS SCHOLARSHIPS PARTIALLY FUNDED FROM ESCHEAT FUND Follows Item #6, p. J-3

SECTION 19.2. In accordance with G.S. 116B-7(b), there is appropriated from the Escheat Fund to the Department of Administration the sum of four million two hundred ninety-seven thousand five hundred forty-four dollars ($4,297,544) for the 2005-2006 fiscal year and four million three hundred fifty-eight thousand forty-six dollars ($4,358,046) for the 2006-2007 fiscal year.

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan** Same as 4/12

STATE VETERANS CEMETERIES

SECTION 19.3. The Department of Administration may use funds credited to the Veterans Burial Fund for the 2005-2007 biennium to cover costs incurred as a result of burials on Saturday or Sunday.

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan** New

ALLOCATION OF PETROLEUM VIOLATION ESCROW FUNDS

SECTION 19.4. The unallocated balance of the funds and interest thereon received from the cases of United States v. Stripper Well, United States v.

Tucker

Exxon, United States v. Diamond Shamrock, United States v. Amoco, United States v. Chevron, and United States v. Occidental that remain in the Special Reserve for Oil Overcharge Funds is appropriated to the Department of Administration for the 2005-2006 fiscal year to be allocated for projects approved by the State Energy Policy Council.

Requested by: Senators Albertson, Jenkins, Dorsett, Garrou, Dalton, Hagan

New

INCREASED FUEL EFFICIENCY OF STATE MOTOR FLEET

SECTION 19.5.(a) The Department of Administration, Motor Fleet Management, shall develop and implement a plan to improve and increase the overall fuel efficiency of the State's motor fleet by twenty percent (20%). The Department shall implement this plan and achieve the twenty percent (20%) increase in fuel efficiency by July 1, 2006. Fuel efficiency goals may be met by petroleum displacement through the use of biodiesel, ethanol, other alternative fuels, the purchase of hybrid electric vehicles and other fuel-efficient vehicles.

SECTION 19.5.(b) The Department shall report to the Joint Legislative Commission on Governmental Operations its plan for increasing and maintaining the fuel efficiency of the State's motor fleet no later than January 1, 2006.

? Adams where did this come up in 2007?

PART XX. OFFICE OF THE GOVERNOR

Same as 4/12

Requested by: Senators Dorsett, Garrou, Dalton, Hagan

follows Dorsett Hagan

HOUSING FINANCE AGENCY HOME MATCHING FUNDS

SECTION 20.1.(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 Tier One, Tier Two, or Tier Three Enterprise Counties under G.S. 105-129.3; 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 United States 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.

SECTION 20.1.(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.

SECTION 20.1.(c) Funds appropriated in this act to match federal HOME Program funds shall not revert to the General Fund on June 30, 2006, or on June 30, 2007.

Modified – Shortened Title

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

HOUSING FINANCE AGENCY SHALL CONTINUE THE NORTH CAROLINA HOME PROTECTION PILOT PROGRAM AND LOAN FUND

Follows Item moves #21

SECTION 20.2.(a) The North Carolina Housing Finance Agency shall continue to administer a pilot program to assist North Carolina workers who have lost jobs in Cabarrus, Cleveland, Cumberland, Edgecombe, Forsyth, Guilford, Rowan, and Rutherford Counties as a result of changing economic conditions in North Carolina when the workers are in need of assistance to avoid losing their homes to foreclosure.

SECTION 20.2.(b) Sections 20A.1(b), 20A.1(d), and 20A.1(e) of S.L. 2004-124 remain effective for the 2005-2006 fiscal year.

SECTION 20.2.(c) The agency shall, no later than May 1, 2006, report to the General Assembly on the effectiveness of the Program in accomplishing its purposes and provide any other information the Agency determines is pertinent or that the General Assembly requests.

PART XXI. DEPARTMENT OF INSURANCE

Modified

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

INSURANCE REGULATORY FUND TRANSFER TO GENERAL FUND

SECTION 21.1. The Commissioner of Insurance shall transfer funds quarterly from the Insurance Regulatory Fund to the General Fund to repay the funds appropriated to the Department of Insurance from the General Fund for each fiscal year, plus accrued interest at a rate determined by the State Treasurer.

New

Requested by: **Senator Swindell**

STRENGTHEN REQUIREMENTS FOR ISSUING BUILDING PERMITS

SECTION 21.2. The North Carolina Code Officials Qualification Board shall take steps to ensure that building inspectors enforce the requirements of G.S. 87-14 and shall bring disciplinary action against any building inspector who willfully or negligently issues a building permit in violation of G.S. 87-14.

PART XXII. DEPARTMENT OF REVENUE

Modified - Codified Language and inserted date to report annually

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

DEPARTMENT OF REVENUE DEBT FEE FOR TAXPAYER LOCATER SERVICES AND COLLECTION

SECTION 22.1.(a) G.S. 105-243.1(e) reads as rewritten:

"(e) Use. – The fee is a receipt of the Department and must be applied to the costs of collecting overdue tax debts. The proceeds of the fee must be credited to a special account within the Department and may be expended only as provided in this subsection. The proceeds of the fee may not be used for any purpose that is not directly and primarily related to collecting overdue tax debts. The Department may apply the proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of the fee may be spent only pursuant to appropriation by the General Assembly. The fee proceeds do not revert but remain in the special account until spent for the costs of collecting overdue tax debts. The Department and the Office of State Budget and Management must account for all expenditures using accounting procedures that clearly distinguish costs allocable to collecting overdue tax debts from costs allocable to other purposes and must demonstrate that none of the fee proceeds are used for any purpose other than collecting overdue tax debts.

Language that is Codified

The Department may apply the fee proceeds for the following purposes:

(1) To pay contractors for collecting overdue tax debts under subsection (b) of this section.

(2) To pay the fee the United States Department of the Treasury charges for setoff to recover tax owed to North Carolina.

(3) To pay for taxpayer locater services, not to exceed one hundred thousand dollars ($100,000) a year.

(4) To pay for postage or other delivery charges for correspondence directly and primarily relating to collecting overdue tax debts.

(5) To pay for operating expenses for Project Collection Tax and the Taxpayer Assistance Call Center.

(6) To pay for expenses of the Examination and Collection Division directly and primarily relating to collecting overdue tax debts."

SECTION 22.1.(b) G.S. 105-243.1(f) reads as rewritten:

"(f) Reports. – The Department must report semiannually to the Joint Legislative Commission on Governmental Operations and to the Revenue Laws Study Committee on its efforts to collect tax debts. Each report must include a breakdown of the amount and age of tax debts collected by collection agencies on contract, the amount and age of tax debts collected by the Department through warning letters, and the amount and age of tax debts otherwise collected by Department personnel. The report must itemize collections by type of tax. Each report must also include a long-term collection plan, a timeline for implementing

each step of the plan, a summary of steps taken since the last report and their results, and any other data requested by the Commission or the Committee.

The Department must report by April 1, 2006, and annually thereafter, to the Revenue Laws Study Committee and the Fiscal Research Division of the General Assembly on the use of the fee proceeds for collecting overdue tax debts."

Part of initial provisions April 1, 2006

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

New follows Item #32, p. J-16

CHANGE PROPERTY TAX COMMISSION COMPENSATION

SECTION 22.2. G.S. 105-288(d) reads as rewritten:

"(d) Expenses. – The members of the Property Tax Commission shall receive travel and subsistence expenses in accordance with G.S. ~~138-5 and~~138-5. The members of the Property Tax Commission shall receive a salary ~~of two hundred dollars ($200.00) a day~~ when hearing cases, meeting to decide cases, and attending training or continuing education classes on property taxes or judicial procedure. The salary is four hundred fifty dollars ($450.00) a day for the Chair of the Property Tax Commission and four hundred dollars ($400.00) a day for other members of the Property Tax Commission. The Secretary of Revenue shall supply all the clerical and other services required by the Commission. All expenses of the Commission and the Department of Revenue in performing the duties enumerated in this Article shall be paid as provided in G.S. 105-501."

Michele

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

New Associated w/ item #38, p. J-18

POSITIONS FOR REVENUE TAX EVASION PROJECT

SECTION 22.3. The 10 time-limited positions established in the Fuel Tax Compliance Division of the Department of Revenue for the Revenue Tax Evasion Project in S.L. 2004-124 are converted to permanent positions.

Michele

PART XXIII. SECRETARY OF STATE

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

Same as 4/12

SECRETARY OF STATE TO REASSIGN VACANT POSITION

SECTION 23.1. The Secretary of State shall reassign position 3222-0000-0000-361 from the Uniform Commercial Code Division to its General Administration Division to assist with investigations of trademark violations and training for other law enforcement personnel in the State and with investigations of violations of the Charitable Solicitation Licensing Act. The Secretary shall report to the Chairs of the Appropriations Subcommittees on General Government of the Senate and House of Representatives by December 1, 2005.

Marilyn

PART XXIV. OFFICE OF STATE BUDGET AND MANAGEMENT

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

Modified 24 reporting requirement

Marilyn

NC HUMANITIES COUNCIL

SECTION 24.1. The North Carolina Humanities Council shall:

(1) By January 15, 2006, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2004-2005 program activities, objectives, and accomplishments;

b. State fiscal year 2004-2005 itemized expenditures and fund sources;

c. State fiscal year 2005-2006 planned activities, objectives, and accomplishments, including actual results through December 31, 2005; and

d. State fiscal year 2005-2006 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2005.

(2) By January 15, 2007, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2005-2006 program activities, objectives, and accomplishments;

b. State fiscal year 2005-2006 itemized expenditures and fund sources;

c. State fiscal year 2006-2007 planned activities, objectives, and accomplishments, including actual results through December 31, 2006; and

d. State fiscal year 2006-2007 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2006.

(3) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

PART XXV. OFFICE OF THE STATE CONTROLLER

Same as 4/12

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

Miscale have Language in place for Biennium instead of having to review for short session

OVERPAYMENTS AUDIT

SECTION 25.1.(a) During the 2005-2007 biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors as required by G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

SECTION 25.1.(b) For each fiscal year of the 2005-2007 biennium, two hundred thousand dollars ($200,000) of the funds transferred from the Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 25.1.(c) All funds available in the Special Reserve Account 24172 on July 1 of each year of the 2005-2007 biennium are transferred to the General Fund on that date.

SECTION 25.1.(d) Any unobligated funds in the Special Reserve Account 24172 that are realized above the allowance in subsection (b) of this section are subject to appropriation by the General Assembly in the 2006 Regular Session of the 2005 General Assembly.

SECTION 25.1.(e) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into the Special Reserve Account 24172 and the disbursement of that revenue.

PART XXVI. OFFICE OF STATE PERSONNEL

Modified Includes language from *S 908 in (b)

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

STUDY CAREER-BANDING/FAIR PAY

SECTION 26.1.(a) Of the funds appropriated to the Department of Administration, the sum of one hundred thousand dollars ($100,000) for the 2005-2006 fiscal year shall be allocated to the Office of State Personnel to conduct a study and to determine whether to implement a career-banding personnel system for all State employee job classifications.

SECTION 26.1.(b) In conducting the study, the Office of State Personnel shall evaluate the following issues:

(1) Inequities and disparities in job classifications with respect to race and gender.

(2) Whether the minimum annual salary for State employees is a livable salary and the impact of inflationary forces on that salary.

* S 908 – State Govt Fair Wage Funds / Study Fair Pay

(3) Whether there is fair pay for equivalent jobs in State government, including the extent of wage disparities in State government employment between men and women.

(4) Any other matters relating to pay disparities in State government employment.

SECTION 26.1.(c) The Office of State Personnel shall report the findings and recommendations of the study as well as the findings and recommendations on inequities and disparities to the Chairs of the Appropriations Committees of the Senate and the House of Representatives and the Chairs of the Joint Appropriations Subcommittees on General Government by April 1, 2006

PART XXVII. DEPARTMENT OF THE STATE TREASURER

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

REPORT OF THE STATUS OF THE TECHNOLOGY INFRASTRUCTURE ENHANCEMENTS

SECTION 27.1. The Department of State Treasurer shall report to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees for the Senate and the House of Representatives on the status of the replacement of the multitude of information technology systems with an integrated system for all the retirement plans and other programs administered by the Retirement Systems Division. The Department shall report semiannually by October 1 and April 1 until the enhancements are fully implemented.

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

STAFFING ANALYSIS FOLLOW-UP

SECTION 27.2.(a) The Office of State Budget and Management shall conduct semiannual follow-up analyses to the Staffing Analysis that was completed in April 2003 on the Retirement Systems Division within the Department of State Treasurer by October 1 and April 1 of each year to assure that the staffing levels remain appropriate. The semiannual analyses shall be conducted throughout the implementation of the enhancements to the information technology infrastructure within the Retirement Systems Division that were authorized by this act. The follow-up analyses shall also continue for a reasonable time after the completion of the enhancements to ensure that the staffing levels are adjusted based on the increased efficiency provided by the enhancements.

SECTION 27.2.(b) The Retirement Systems Division shall maintain monthly workload statistics and productivity data for the various functions within the Division. The Department of State Treasurer shall report the workload statistics and productivity data to the Fiscal Research Division and to the Office of State Budget and Management on a quarterly basis.

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan** Same as 4/12

TREASURER REPORT ON STATE INVESTMENT OFFICER POSITION INCENTIVE BONUS

SECTION 27.3. G.S. 147-69.3 is amended by adding a new subsection to read:

"(il) The State Treasurer shall report the incentive bonus paid to the Chief Investment Officer to the Joint Legislative Commission on Governmental Operations by October 1 of each year."

PART XL. SET RATES FOR INSURANCE REGULATORY CHARGE AND PUBLIC UTILITIES FEES

Requested by: **Senators Hoyle, Kerr** New

INSURANCE REGULATORY CHARGE

SECTION 40.1.(a) The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for the 2005 calendar year.

SECTION 40.1.(b) This section is effective when it becomes law.

AGENDA

House Appropriations Subcommittee
on
General Government

May 18, 2005
Room 425
8:30 a.m.

Chairman: Representative Alma Adams

Flagged Budget Adjustments and Special Provisions

House Appropriations Subcommittee on General Government
Minutes
May 18, 2005
8:30 am

The House Appropriations Subcommittee on General Government met on May 18, 2005 at 8:30 am in room 425 of the Legislative Office Building to discuss the flagged budget adjustments and special provisions. In addition to Chairman Alma Adams, also present were Rep. West, Rep. McLawhorn, Rep. Lucas, Rep. Wilson, Rep. Goforth, Rep. Pierce, and Rep. Tucker. A visitor registration sheet is attached and made a part of the record.

Representative Adams called the meeting to order. Handouts were distributed.

Michelle Nelson: Last Thursday the committee made decisions about money and special provisions. We are only going to review the items that were flagged on May 12. In the left hand margin there is a reference to the items being flagged on that date.

Marilyn Chism: 1st flagged item on page J-4, item #7 NC Veterans Park Funds. Provides a grant-in-aid to the City of Fayetteville to establish the NC Veterans Park.

Question: Rep. McLawhorn: Do you have a target money figure?

Answer: Yes, it's the same as the Senate's. $355.6 million. Initially, when we started it was $350 million and the package that Senate brought back to us is at $355.6 million and that's the big chairs gave us.

Rep. Goforth: I recommend we take this item out. Are we not going to vote on this? Do we just take it out?

Rep. Adams: We will go item by item, take out what we need to then vote on the whole document at the end.

Marilyn: At the bottom of page J-4, State Real Property Disposal System expansion, which would provide $200,000 within the department of Administration it, would fund 3 positions and this would help them with the directive to identify surplus state property, real property and to dispose of it. This was included in the Governor's recommended budget and you also approved it jointly.

Rep. Goforth: Recommends that it goes back in.

Rep. Adams: We will take the flag off of that item and recommend funding it.

Marilyn Chism: The next item the Elimination of Processing Assistant position for $36,328. You had identified a position for the department to eliminate the position of being filled so the Senate did not take that reduction.

George Millsap from the Department of Administration confirmed that the position has been filled.

Rep. Goforth: Recommend that we put it back in.

Marilyn Chism: We will not take the reduction.
In the last item that was agreed upon jointly, the Coastal Carolina Veterans Cemetery Equipment, the Governor recommended a non-recurring expansion item of $107,000. The cemetery is being expanded right now and they won't actually need this money until the 06-07 fiscal year. So this does not need to be funded at this time.

Rep. Adams: I think we should take it out.

Michele Nelson: Page J-5, item 12 – Department of Cultural Resource - Operating Budget Reduction. This was a Senate reduction. It was not discussed jointly. They eliminated $180,000 in the Secretary's office. It was designated in the '03 session for both years for historical arts and cultural grants. This is related to item 17 on the next page in that the $180,000 was added to the budget to expand the Grassroots Arts Program. In your discussion, the Governor recommended $300,000 in terms of expansion. A joint decision was to increase that by an additional $100,000 and then the Senate added to that for a total of $580,000 for the Grassroots Arts Program. You flagged item 12 and item 17. You may want to consider the two of those together.

Rep. Goforth: Can someone tell me which of these two programs which would my county have an equal opportunity to get some of these funds?

Rep. Adams: You stand an equal opportunity on all of it because they are grants that the NC Arts Council provides to the local arts councils.

Michelle Nelson: Item 12 was an appropriation in the 2003 session and it was not designated in terms of how the funds would be used. It was just $180,000 that was inserted in the Office of the Secretary.

Rep. Goforth: Can someone tell us how it was used?

Michelle Nelson: We can ask the department if someone is here or we can ask for follow up information. However I think this is a reduction you can take.

Rep. McLawhorn: So this is a wash. This is not taking $180,000. It is going from one bucket to the other.

Michelle Nelson: Right. You are taking a reduction in the Secretary's office and you are moving it over to the Arts Council.

Rep. Adams: We will remove the flag on both of those items.

Rep. Goforth: Can anyone from Cultural Resources get me that answer?

Michelle Nelson: If not, I will ask them to provide it to you.

The next flag is on page J-6, item 15. This is a Senate item. This is not an item that was discussed jointly. It provides two positions for the State Capital Visitor Services division.

Rep. Adams: We flagged it. I think we should take it. They didn't ask for it.

Michelle Nelson: The Governor didn't recommend it. What the department did include on the expansion list – they had a 14-item expansion list and this was item number 11 – they requested $11,500 to restore temporary wages.

Rep. Adams: I think we should give them the $11,500 they asked for. What do you think?

Rep. Goforth & Rep. McLawhorn: "I agree."

Michelle Nelson: So we are going to remove this flag and insert an appropriation for $11,500 each year that's recurring for temporary wages.

On page J7 on the **not included** section, we flagged the $380,631 reduction. This is related to the first flight commission. This was a joint decision to eliminate vacant position, the equivalent of salaries served for four positions that were vacant but abolished on March 1 and an amount that is equal to two filled positions as well. And the filled positions they could either transfer personnel to other vacant positions or close out two vacant positions that are equivalent to the salaried two filled positions. This was a joint decision.

Rep. Adams: I think we ought to keep that one. Everybody understands that the project was finished.

Michelle Nelson: The ceremony itself, the actual commemoration was December 2003. The books were to have been closed June 30, 2004.

The other item in that category is funding for Charlotte Hawkins Brown. This is $1.5 million non-recurring. This was a joint decision as well.

Rep. McLawhorn: Was this Charlotte Hawkins Brown in the Senate Budget?

Rep. Adams: No, it was in the joint budget accepted together. They were not wise.

Michelle Nelson: The Senate did budget the $3.5 million the Fayetteville Park, which was non-recurring also.

Rep. Adams: Yes, they put $3.5 million for the park in Fayetteville, but nothing for Charlotte Hawkins Brown. Everything that is debatable will go to conference and maybe they will see the error of their ways.

We are going to keep it. We jointly decided that and I thought we made a good decision but some of the people who made the final decision were not sitting in this committee so they didn't understand the real value of that obviously. So hopefully in conference we can convince them of the importance of this funding. We should leave it there, don't you agree Rep. Tucker?

Rep. Tucker: Not unless I can have some veterans' monument work done in Jacksonville. That's new. There was a Senate bill to do that.

Rep. Adams: We talk about Charlotte Hawkins Brown being the only African-American historic site in North Carolina that's nearly falling down and never has had any attention.

Rep. Tucker: And I can agree to this if I can get a half a million dollars or so for the Vietnam Monument in Jacksonville.

Rep. Adams: We don't know about that, but we will talk about that.

Rep. Lucas: It's not going to make much difference whether we agree or don't agree until we get to conference.

Rep. Adams: You are probably right. The most we can get on the table it means it stands a chance of being discussed. If it's not in the package then it's not going to be talked about.

Marilyn Chism: The next flagged item is on page J13, Item number 27 – The establishment of a second Policy Development Analyst to serve as an Assistant to the Lieutenant Governor for Policy and Research.

Rep. Adams: I don't have a major problem with it. Are we keeping that?

Rep. McLawhorn: Was that not a joint decision?

Michelle Nelson: The Governor did not recommend this revision and this was added in the Senate package.

Rep. Adams: There was some additional money put in that budget, wasn't it?

Marilyn Chism: Your decision was to go with the Governor's recommendation to increase the office assistant position to full time and to increase their operating budget;

but that was a joint modified decision; the Governor had recommended $4400 and your recommended $2400; as you can see in line item 26. This was a new position.

Rep. Tucker: Did the Lieutenant Governor's office request this?

Marilyn Chism: The Lieutenant Governor had requested this and the Governor did not recommend it. It was not included.

Rep. Adams: The Governor is not always wise either.

Rep. Tucker: I agree

Marilyn Chism: So are we removing the flag on this one?

Rep. Adams: Yes.

Michelle Nelson: The next flagged item is on page J16 it is item 32. Under the Department of Revenue the property tax commission. This was flagged. The Governor recommended one Property Tax Valuation Specialist position. The joint decision was to fund that recommendation. The Senate modified this item by adding two positions as well as increasing the per diem for the commission members (it is a five-member commission) from $200 per day to $450 per day for the chair and from $200 to $400 per day for the members.

Rep. Adams: I think that is ridiculous.

Rep. Tucker: I totally agree with you.

Michelle Nelson: What is your position?

Rep. McLawhorn: We agreed to one position and not the per diem, correct?

Rep. Adams: Yes. And we will recommend one position and no per diem increase.

Rep. Tucker: Is that $200/day, Madame Chair?

Michelle Nelson: It will remain at $200/day without any discussion of an increase.

Rep. Adams: We are not increasing per diem.

Rep. Lucas: If I may comment, I served on this commission and concur.

Michelle Nelson: The next flagged item is on page J18, item 38, adding nine (9) positions to staff - Expansion of Revenue Tax Evasion Project.

Rep. West: I would like to have Secretary Tolson to explain to the committee what these positions would do and the revenue it would produce in the problem we are having with this fuel tax.

Secretary Tolson: These nine positions are related to another ten that were approved last year in the budget. They were approved as time limited positions. We have not been able to hire anybody into those time-limited positions. These nineteen folks are focused on a fuel tax evasion project that is designed to collect $55 - $60 million delinquent fuel taxes that we know are out there. We just don't have the people to go get them. These nine and the other ten, which are in another provision that were approved last year do not impact the budget at all. They are fee-supported positions out of the highway fund and the money that is generated does not impact the general fund. It goes directly back into the highway fund. So there is a separate bill, I assume they role into this committee for just housekeeping purposes since we are a general government agency, but there is a separate bill that Senator Jenkins and possibly Jim Crawford on the House side that are trying to authorize these nine positions.

They are fee-supported, non-general fund money, and the money goes back to the highway trust fund.

Rep. Adams: Doesn't it have to go to appropriations?

Michelle Nelson: No. As a separate bill it would have to. This way, rolling into appropriations was the appropriate way to handle it.

Rep. Tucker: Is there a category of people that is getting away with this fraud?

Secretary Tolson: We've got a somewhat rampant issue at all levels of fuel tax evasion. Some of these people are highway investigators. They are out doing highway stops and stings. Some of them are internal personnel, doing audit work on the books and the paper work that comes in from the truckers and the people the fuel. We have one actual collector who does nothing but delinquent collection work. It's a growing issue of fuel tax evasion.

Rep. McLawhorn: I recommend that we do this.

Rep. Tucker: It could increase the money in the Highway Trust Fund.

Marilyn Chism: Refer to page J-22, item 44: The Governor recommended a $million increase to the Fire Protection Grants-in Aid program. This was an item that the subcommittee did not hear jointly because it was referred up to the full chairs as a state-wide issue along with several other statewide type expansion items that were in the were in the general government portion of the budget. The Senate full chairs decided to fund this item at a $million as recommended by the Governor. This would bring the total in this program to $4.2 million.

Rep. Tucker: If we leave as the Senate has recommended does that mean that the big chairs will leave it in there? Then it won't be conditions so there won't be a need for negotiations?

Michele Nelson: Probably. So the agreement is to remove the flag and to fund this?

Rep. Adams: Yes.

Michele Nelson: There are three other items that are included under a non-included category. United Arts Council - $150,000 Non-recurring (NR), the Guilford Native American Association - $25,000 NR, the John Coltrane Music Hall/High Point Arts Council - $100,000 NR; these were all considered jointly and it was a decision jointly to fund these. Each of these items have bills associated with them.

Rep. Adams: Leave them flagged.

Marilyn Chism: The next flagged item is page J-24, the Treasurer's Office; Item 46. This provides $400,000NR to the Treasurer's office for the local government operations and with this money they would perform two feasibility studies. One for a new document management system and one for a new debt management system and as a part of the feasibility studies they would develop the requirements for those two new systems. This was not an item that was before the joint subcommittee.

Rep. Adams: Does anyone have any problems of these enhancements?

Rep. Tucker: Let's leave it.

Rep. Adams: OK, remove flag.

Marilyn Chism: The next flagged item is at the top of page J25, item # 48. This would authorize the department to use receipts that would be paid from the third-party administrator for the 401-K program (Prudential.) Those receipts would be used to fund one position, which would be an administrative officer 3 and the operating cost for that position as well as to give them some contract money for actuarial and legal fees that they incur related to the 401-K program. This was a Senate-only item. It was not an item that you heard as a joint committee.

Rep. Tucker: Was this a need that arose since we met as a joint committee?

Answer: This was presented as a request to the Governor and it was not represented in the Governor's budget.

Marilyn Chism: The original request was for $160,000. The department came back with an amendment to that would have upgraded the 6th position from an administrative officer 3 to a portfolio manager because there were concerns by staff that an administrative officer 3 might not be an adequate position to review the investment performance of

Prudential; which is what one of the responsibilities was. So, their recommendation was to fund it at an additional $20,000 to make it a portfolio manager. They are of the opinion that full-time position may not be needed for this position. Definitely the contract money for the actuarial legal services, but perhaps less than a full-time position or directing the department to use the resources of one of their investment manager positions to do this function.

Michele Nelson: So this is approved as modified.

Marilyn Chism: You would not fund the position. You would fund the $94,000 item plus you would add some additional money to cover a portion – which is 5% of the retirement fiscal director salary, the communications manager salary and some portion maybe 25% of the investment manager salary.

Rep. Adams: Yes.

Marilyn Chism: The last item on page J27, item 50 was to increase the benefits in the Firemen's and Rescue Squad Pension Fund from $2 to $3. This was an item that was added by the Senate full chairs. It was not an item that was reviewed jointly by the subcommittee. This is typically a full chair item and not a subcommittee item.

Rep. Adams: Take the flag off.

Rep. Adams: We have some additional recommendations and we would like to share them with you at this time.

If you recall, North Carolina has a displaced homemaker's program which is statewide. The General Assembly appropriated $315,000 initially when the program was first started. The program was built as a result of an increase in the divorce license fee. There has been a request to provide some dollars to expand it. What the bill proposes to do is to increase the divorce fee again. That was 10 or 11 years ago when it was done. This is an effort to expand the programs that are being offered now and to provide additional programs in the areas of the state that don't have the program. The Department of Administration administers that program.

Rep. Tucker: Do they currently have any appropriation other than the fee?

Rep. Adams: They have the $315,000, which is a recurring amount.

Rep. Tucker: This would increase it by $500,000? So $800,000 +

Marilyn Chism: Yes as a State appropriation but they also have approximately $700,000 that is generated from the divorce fee.

Rep. Tucker: How much is the divorce fee.

Marilyn Chism: $20

Rep. Tucker: Is there a bill in to increase this fee?

Rep. Adams: $50 but that will be negotiated.

Cultural Arts: $300,000 - The NC State Museum
We want for your consideration a recurring appropriation; the basic grants program that is administered through Cultural Resources. Last year there was a bill that came from Cumberland County that requested an occupancy tax for the Arts Council there. There was an issue there that was a part of that to provide some funding for this special project that they were trying to complete there. It is my understanding that an appropriation to that particular project was never made so we are trying to right a wrong and that is what that $300,000 is for.

Rep. Lucas: The provisions of the bill suggested but did not specify capital outlay, so there has been a great debate as to whether money could be expended in capital outlay for such projects.

Rep. Adams: I was a part of that debate and it was kind of a gentlemen's agreement and they did not do what was right. I think some probably knew about the technicality, the bill got passed, and I think some people were misled. So they are just left out there and this is an issue of fairness.

Rep. West: Earlier on in the session Rep. Goforth came to this committee and he also has a bill over in the House for $50,000 for the Western Carolina community and we agreed to give it to him. Somewhere it fell through the cracks and did not get into the Special Appropriations and I would like to see us add that since we committed to do it earlier on.

Rep. Tucker: I have some special provisions to add also.

Rep. McLawhorn: I also have some.

Rep. Adams: We will look at all of them.

Marilyn Chism: One of the two requests that the Secretary of State brought before the committee was to increase their appropriations and to decrease their budgeted receipts. They have a budgeted receipt line item of about $126,000 that was there when they were able to sell database tapes and they are no longer doing that. This expansion item would bring their budgeted receipts in line with their actual receipts.

Rep. Adams: Are there any questions? Then, we will now move on to the Special Provisions.

Michelle Nelson: We are only going to review those provisions that were flagged on May the 12th.

Marilyn Chism: On page one, the only section that was flagged was Section 19.4, Allocation of Petroleum Violation Escrow (PVE) Funds. This would allocate the remaining balance of the PVE funds to the department for projects that are approved by the Energy Policy Council.

Rep. Tucker: I am satisfied with that now. I lift my objection.

Marilyn Chism: On page two, Section 19.5. This was a provision that was added by the Senate, directing the department to increase the fuel efficiency of the State's motor fleet by 20%. I think the department has some concern about this provision.

Rep. West: I am concerned about the department's concern about meeting the 20%

Answered by Dept. Representative: George Millsap is part of the administration and we have been working with the provision sponsor and they are aware of our concerns and they would also like to look at modifying that. If you would keep the flag we would be able to provide an alternative.

Rep. Adams: We need to do it soon; today! We have to go upstairs tomorrow.

Dept. Rep.: OK.

Michele: Page 5 under the Department of Revenue, Section 22.2 follows the money item #32 (Page J-16) – This was related to the property tax commission and you removed the funding pre-script per diem and this language would have amended the statute. So you probably need to take this one out.

Rep. Adams: Take it out.

Michele Nelson: Section 22.3 also on that page is related to item 38 (Page J-18) and you approved the additional line positions. This language changes the status of the 10 positions that were authorized from '04 from time limited to permanent.

Page 7, Section 26.1 under the office of State Personnel. This is different from the provision as you saw this on April the 12th because it contains modified language from subsection (b) from Senate bill 908. S908 has about seven different subsections but because they duplicated the language that you already had in place (they were not added) so the sub 1,2,3, & 4 from S908 underscore the intention of the career-banding study. I think Paul Goodwin from OSP had some concern about the use of the work "determine" in this but I think if you are determining whether to implement something, and you will determine that on the basis of recommendations so I guess OSP may have some other suggested language.

State Personnel Representative: The Office of State Personnel (OSP) does want to submit language and have that ready for you. The way that read in section 8, read as

though we would determine to implement banding. We have already implemented banding.

Rep. Adams: But we haven't created that Statewide have we?

OSP Rep: Not Statewide, but we are in the process of doing that. So we just want to clarify the language.

Rep. Adams: Well we need it. The flag is held to consider the language recommended by OSP.

Rep. Tucker: We've got a huge turn over in jobs because our salaries are low. I would like to see us take a look at jobs that have been vacant for more than six months – those lapsed salaries and let's see if we can identify exactly what that is; and instead of paying those lapsed salaries, look at possibly paying an increase in order to keep the good people on the job.

Rep. Adams: Are you suggesting a study provision to do that? We need to determine how you are going to do that. Is that something you want us to take to the big chairs? I think there has been a lot of interest in that but I'm not sure what we are going to be able to do right now on it.

Rep. Tucker: We need to know how much we are talking about. Can Staff get that information for us?

Rep. Adams: Probably not as quickly as we would need it because we have to report in to the full chairs tomorrow. It might be that we can suggest it as a special provision but do you have to know the money involved? Perhaps the concept could be introduced. We will take a look at that.

The Chairman adjourned the meeting at 10:00 a.m.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

VISITOR REGISTRATION SHEET

General Government Appropriations — May 18, 2005

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jameson Marks	OSC
Gwen. Canady	OSC
Wesley Taylor	NCGA
Keith McCoobs	DOR
Greg Piner	OSBM
Kari Barsness	OSBM
Carl Goodwin	OSP
John McHugh	Gov Office
Mark Benson	Capitol Press
Robert T. Wilson	S.O.S.
JAMES L. FORTE	OSA
Lesley Cates	NCGA Speaker Black
Pam Hearndorff	Retirement / DST

VISITOR REGISTRATION SHEET

General Government Appropriations — May 18, 2005
Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Caitlin Reynolds	DOA
George Millsaps	DOA
Pam Wortham	DST
Amiee Winston	OAH
Bill Rowe	NC Tuition Ct
Al Ripley	" " "
Jessica Sage	NC Family Policy Council
Ken Melton	D.O.R.
Stephen Bowers	LLPP
Don McCorquodale	SAS
Kevin Howell	Gov's office
David Brown	OSBM
[illegible]	NCFPC

House Pages

Name Of Committee: H. Govt. Date: 5.17.05

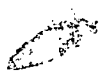
1. Name: Charis Craig
   County: Catawba
   Sponsor: Mark Hilton
2. Name: Kelly Smith
   County: Catawba
   Sponsor: Mark Hilton
3. Name: _____
   County: _____
   Sponsor: _____
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: Willie Dixon
2. Name: Martha Parrish
3. Name: _____
4. Name: _____
5. Name: _____

House Appropriations Subcommittee
on
General Government

Flagged



Budget Adjustments and Special Provisions

May 18, 2005

GENERAL GOVERNMENT
Section J

Administration

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$60,053,752**	**$61,483,537**

Legislative Changes

1123 Historically Underutilized Businesses

1 Construction Database Mgm't System Enhancement

	$74,915	R	$74,915	R
	$250,000	NR		
	1.00		1.00	

Provides funding to enhance the existing HUBSCO Construction Reporting System to meet the current State Technical Architecture standards and to establish one Application Analyst Programmer position. The Department developed the system to capture HUB expenditures and construction data for the HUB Office and the State Construction Office.

Governor Joint

Recurring	FY 2005-06	FY2006-07
531211 Salaries	$63,000	$63,000
531511 Social Security	$4,820	$4,820
531521 Retirement	$3,663	$3,663
531561 Med Ins	$3,432	$3,432
Total Recurring	$74,915	$74,915
Nonrecurring		
532140 IT-HUBSCO Upgrades	$250,000	

	FY 05-06		FY 06-07	

1230 Non-Public Education

2 Non-Public Education Personnel

	$79,661	R	$79,661	R
	$1,900	NR		
	2.00		2.00	

Provides funding to establish an Education Program Specialist position ($30,354) and an Office Assistant IV position ($23,316). Also provides additional funding for operating cost. The additional positions and operating cost will allow the Division to expand non-public school visitation, respond to citizen complaints about specific home schools, provide more careful review of annual standardized test results, and to contract out annual mailings to the home schools.

Governor / Joint

Recurring		FY2005-06	FY2006-07
531211	Salaries	$53,670	$53,670
531511	Social Security	$4,106	$4,106
531521	Retirement	$3,121	$3,121
531561	Med Ins	$6,864	$6,864
532199	Annual Mailings	$4,100	$4,100
532714	Expanded Home Visitations	$4,350	$4,350
532840	Postage	$3,000	$3,000
532811	Telephones	$450	$450
Total Recurring		$79,661	$79,661
Nonrecurring			
534522	PC's	$1,900	

1241 Management Information Systems

3 Information Technology Security Personnel

	$81,334	R	$81,334	R
	1.00		1.00	

Provides funding to establish an IT Security Associate Analyst position ($54,811) to address the department's IT security issues that have been identified in the IT Security Assessment conducted by the Office of Information Technology Services.

Governor / Joint

Recurring		FY2005-06	FY2006-07
531211	Salaries	$54,811	$54,811
531511	Social Security	$4,193	$4,193
531521	Retirement	$3,187	$3,187
531561	Med Ins	$3,432	$3,432
534710	Computer Software	$500	$500
534522	Equipment-Computers	$3,000	$3,000
532811	Telephone Service	$600	$600
532942	Oth Emp Ed Expenses	$3,000	$3,000
532930	Registration Fees	$250	$250
532725	Meals - Out of State	$150	$150
532722	Lodging - Out of State	$625	$625
532440	Maint Agree -DP Equip	$2,565	$2,565
532441	Maint Agree - Software	$5,021	$5,021
Total Recurring		$81,334	$81,334

	FY 05-06		FY 06-07	
1311 Office of State Personnel				
4 Operating Budget Increases	$0	R	$0	R
Appropriates funds to perform a career banding study, to purchase equipment and software for the OSP Training Center, and to continue training for mediation services.	$121,600	NR	$0	NR
	0.00		0.00	

Governor / Joint (modified)

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	$ 50,000	$ 0
532942 Oth Svs/Training	$ 21,600	$ 0
534521 Office Equipment	$ 25,000	$ 0
534711 Computer Software	$ 25,000	$ 0

1511 Purchase and Contract				
5 E-Procurement Compliance Personnel	$135,846	R	$135,846	R
Provides funding to establish 2 compliance officer positions ($51,334 each) to provide E-procurement educational outreach, manage the E-procurement contract, and perform compliance reviews. The E-procurement contract requires a review of all direct payments for all NCAS agencies on a quarterly basis.	$3,800	NR	$0	NR
	2.00		2.00	

Governor / Joint

Recurring	FY2005-06	FY2006-07
531211 Salaries	$102,668	$102,668
531511 Social Security	$7,854	$7,854
531521 Retirement	$5,970	$5,970
531561 Med Ins	$6,864	$6,864
532714 Trans-ground	$2,200	$2,200
532727 Trans-other	$25	$25
532721 Lodging-In State	$1,800	$1,800
532724 Meals-In State	$1,000	$1,000
532811 Telephone Service	$950	$950
532814 Cellular Phones	$1,700	$1,700
532930 Registration Fees	$3,500	$3,500
533110 Gen Office Supplies	$1,315	$1,315
Total Recurring	$135,846	$135,846
Nonrecurring		
534511 Furniture Office	$1,200	
534539 Other Equipment	$2,600	
Total Nonrecurring	$3,800	

1771 Veterans Affairs Division				
6 Scholarships Partially Funded From Escheats	($1,491,106)	R	($2,679,379)	R
Transfers funding for 76.4% of the scholarships from appropriation-support to receipt-support. The receipts will come from the Escheats Funds. This funding shift continues the funding shift that was made in the 2003 Appropriations Act., S.L. 2003-284. The funding shift does not impact the total amount available for the scholarship program. The total available for scholarships is $5,625,058 for fiscal year 2005-06 and $5,704,249 for fiscal year 2006-07.				

Joint

Senate Subcommittee on General Government

	FY 05-06		FY 06-07	
Marilyn Flagged 5/12/05				
7 NC Veterans Park Funds Provides a grant-in-aid to the City of Fayetteville to establish the NC Veterans Park. The General Assembly made plans for the park in the 1990s that were never implemented.	$3,500,000	NR Senate		
1811 GACPD				
8 Personnel Reduction Eliminates salary and fringe benefits equivalent to that of the Assistant Director position (4140-1540-0000-480). The Division Director's position has been vacant since November 2001. The Division also has an Administrative Secretary III position that has been vacant since January 2004. These vacancies have been allowed to remain pending the Governor's decision regarding redesignation of the Council to a non-profit status. The responsibilities of the Director have been performed by the Assistant Director. With the elimination of the salary and fringe benefits in the amount of $67,686, the Department may select which of the Council's 7.28 General Fund positions it will eliminate.	($67,686) -1.00	R Joint	($67,686) -1.00	R
1881 Transition Team				
9 Operating Budget Reduction Eliminates transition funds for the Council of State members. This funding will not be needed during the 2005-07 biennium.	($120,000)	R Senate	($120,000)	R
1882 Governor's Inauguration				
10 Operating Budget Reduction Eliminates funding for the Governor's Inauguration. Funding will not be needed during the 2005-07 biennium.	($205,000)	R Senate	($205,000)	R
Total Legislative Changes	($1,512,036) $3,877,300	R NR	($2,700,309) $0	R NR
Total Position Changes	5.00		5.00	
Revised Budget	$62,419,016		$58,783,228	

Marilyn Flagged 5.12.05

Not Included:

✓ State Real Property Disposal System, [Personnel] -- $200,000 R 3.00 G/F

✓ Elimination of Processing Asst position -- ($36,328) R -1.00 Not going to 7.66 Fourth - Put back in / Dept. of Admin space the position is filled Joint

✓ Coastal Carolina Veterans Cemetery Equipment -- $107,700 NR Governor/Joint

Cultural Resources

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$61,114,752**	**$59,597,482**

Legislative Changes

1110 Office of the Secretary

11 Boards and Commissions and North Carolina Awards — $50,000 R — $50,000 R

Governor / Joint

Provides funding that supports travel and work of the Director of Boards and Commissions, who serves as the departmental liaison with 39 nonprofit support groups and foundations for state historic sites and museums. Additionally, restores state funding for the North Carolina Awards Program, which has been receipt-supported for several years.

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	$ 10,000	$ 10,000
532714 Grd Trans/In-state	$ 9,000	$ 9,000
532721 Lodging/In-state	$ 8,000	$ 8,000
532724 Meals/In-state	$ 6,000	$ 6,000
532727 Misc/In-state	$ 2,000	$ 2,000
532850 Printing	$ 10,000	$ 10,000
533900 Oth Materials/Supplies	$ 5,000	$ 5,000

Michele Flagsel 5.12.05

12 Operating Budget Reduction — ($180,000) R — ($180,000) R

Senate (refer to #17)

Eliminates funding for historical, art and cultural grants.

1120 Administrative Services

13 Information Technology Services Expansion — $50,000 R — $50,000 R; $2,500 NR; 1.00 — 1.00

Governor / Joint

Appropriates funding to establish one (1) Applications Programmer I position and to purchase additional computer equipment.

	FY 05-06	FY 06-07
531112 Salaries	$ 41,000	$ 41,000
531511 Social Security	$ 3,137	$ 3,137
531521 Retirement	$ 2,384	$ 2,384
531561 Med Ins	$ 3,432	$ 3,432
532199 Misc Contractual Svs	$ 47	$ 47
534522 Equip - Computers	$ 2,500	

1241 State Historic Sites

14 Increase Operating Budget — $500,000 R — $500,000 R

Joint

Provides additional funds for maintenance of historic sites statewide.

	FY 05-06		FY 06-07	

Governor Flagged 5.12.05

1243 State Capitol/Visitor Services

15 New Personnel — $94,000 R; $3,000 NR; 2.00 — $94,000 R; 2.00

Appropriates funds for two (2) Museum Specialist positions at pay grade 66 and salary of $35,695. The total recurring expenditure is $94,000, which includes $85,597 for salaries and benefits and $8,403 for operating expenses, and non-recurring expense of $3,000 for office and computer equipment.

Senate

1320 Museum of Art

16 Program Diversity and New Security Personnel — $283,797 R; 5.00 — $250,000 R; 5.00

Provides funding to extend programming to schools and communities using computers, the Internet, and other means in order to broaden the museum's reach statewide. Also, provides funds to establish five (5) new Museum Guard positions.

Governor / Joint

	FY 05-06	FY 06-07
531112 Salaries	$104,030	$104,030
531511 Social Security	$ 7,958	$ 7,958
531521 Retirement	$ 6,049	$ 6,049
531561 Med Ins	$ 17,160	$ 17,160
532714 Grd Trans/In-state	$ 4,500	$ 4,500
532721 Lodging/In-state	$ 2,300	$ 2,300
532724 Meals/In-state	$ 1,800	$ 1,800
532727 Misc/In-state	$ 1,100	$ 1,100
533900 Oth Materials/Supplies	$ 3,000	$ 3,000
534539 Oth Equipment	$ 15,000	$ 15,000
534610 Art and Artifacts	$120,899	$ 87,102

1330 NC Arts Council

17 Grassroots Arts Program — $580,000 R — $580,000 R

Flagged 5.12.05

Increases funding in expenditure account 536996 for grants to local arts councils. This increase provides $1.7 million for grants to local arts councils that are awarded through the formal application process.

Governor / Joint (refer to #12)

1410 State Library Services

18 Services to the Blind and Physically Handicapped — $16,100 R; $27,300 NR — $9,100 R

Appropriates funds to install and maintain a new telephone system, and a card access security system for the building and the computer server room.

Joint

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	$ 8,000	$ 1,000
532811 Telephone Service	$ 7,000	$ 7,000
532812 Telecomm Data Charges	$ 1,100	$ 1,100
534539 Other Equipment	$ 27,300	

Senate Subcommittee on General Government	FY 05-06		FY 06-07	
1480 State Library Statewide Programs				
19 Aid to Counties Provides additional funds to support grants to public libraries based upon the formula for State-Aid to Libraries. The additional funding provides $15.8 million for aid to local libraries.	$1,000,000	R	$1,000,000	R
Total Legislative Changes	**$2,393,897** **$32,800**	R NR	**$2,353,100**	R
Total Position Changes	8.00		8.00	
Revised Budget	**$63,541,449**		**$61,950,582**	

Joint / Senate (modified)
$750,000 → $1m

Not Included!

- ✓ Elimination of one (1) vacant position, the equivalent of salary reserve from abolishing 4 vacant positions on March 1, 2005, and an amount equal to two (2) filled positions -- ($38,631) R, -1.00, Joint
  (Legislative 5.12.05)
- ✓ Funding for Charlotte Hawkins Brown -- $1,500,000 NR, Joint

General Assembly

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	$43,864,588	$46,965,432
Legislative Changes		
1900 Reserves and Transfers		
20 Operating Reserves		
Reduces operating reserve funds.	($880,000) NR	
Total Legislative Changes	($880,000) NR	
Total Position Changes		
Revised Budget	$42,984,588	$46,965,432

Joint

Senate Subcommittee on General Government

Housing Finance Agency

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$4,750,945**	**$4,750,945**
Legislative Changes		
8104 NC Housing Foreclosure		
21 Continue the Home Protection Pilot Program		
Appropriates funding to continue the Home Protection Pilot Program in the existing eight counties. The pilot was established in Section 20A.1 of S.L. 2004-124.	$1,000,000 NR	
Total Legislative Changes	**$1,000,000 NR**	
Total Position Changes		
Revised Budget	**$5,750,945**	**$4,750,945**

Joint

Insurance

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$27,831,701**	**$27,866,769**

Legislative Changes

1200 Company Services Group

22 Information Technology Personnel

$153,852	R	$153,852	R
$7,200	NR	$0	NR
2.00		2.00	

Governor / Joint

Provides funding to establish an Applications Analyst Programmer II position ($58,803) and a Computer Systems Analyst IV position ($64,429) in the Information Services Division. One position will be used to continue the ongoing upgrade from multiple legacy systems to the new integrated Operations Tracking and Information System (OTIS). Duties include programming and the new ongoing maintenance once the OTIS system is completed. The other position will be responsible for security issues at the Department, including implementing the ISO 17799 standard for information technology security.

Recurring		FY2005-06	FY2006-07
531211	Salaries	$123,232	$123,232
531511	Social Security	$9,427	$9,427
531521	Retirement	$7,166	$7,166
531561	Med Ins	$6,864	$6,864
5327XX	Transportation	$2,213	$2,213
5328XX	Communication	$1,200	$1,200
5329XX	Other Services	$2,500	$2,500
533110	Gen Office Supplies	$1,250	$1,250
Total Recurring		$153,852	$153,852
Nonrecurring			
534511	Furniture Office	$7,000	
5358XX	Other Admin. Exp.	$200	

The Insurance Regulatory Fund will reimburse the General Fund for the appropriation.

	FY 05-06		FY 06-07	
23 PEO Personnel and Operating Cost	$89,961	R	$89,961	R
	$5,500	NR		
	1.00		1.00	

Provides funding to establish an Insurance Company Examiner III position ($60,000) to administer and enforce the NC Professional Employer Organization Act (G.S. 58-89A). The primary emphasis of the position will be on the licensing and financial solvency of the PEOs.

Senate

Recurring	FY2005-06	FY2006-07
531211 Salaries	$60,000	$60,000
531511 Social Security	$4,590	$4,590
531521 Retirement	$3,489	$3,489
531561 Med Ins	$3,432	$3,432
5327XX Transportation	$11,600	$11,600
5328XX Communication	$1,350	$1,350
5329XX Other Services	$500	$500
533110 General Office Supplies	$2,500	$2,500
533120 Data Processing Supplies	$2,500	$2,500
Total Recurring	$89,961	$89,961
Nonrecurring		
534511 Furniture Office	$3,000	
534543 PC/Printer Equipment	$2,500	
Total Nonrecurring	$5,500	

Fees collected with PEO applications and annual filings will be deposited into the Insurance Regulatory Fund and will be used to reimburse the General Fund for the appropriation.

Total Legislative Changes	**$243,813**	R	**$243,813**	R
	$12,700	NR	**$0**	NR
Total Position Changes	3.00		3.00	
Revised Budget	**$28,088,214**		**$28,110,582**	

Insurance - Workers' Compensation for Volunteer Firemen

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$4,500,000**	**$4,500,000**
Legislative Changes		
1900 Reserves and Transfers		
24 Volunteer Safety Workers' Compensation Fund		
Reduces the General Fund appropriation to the Volunteer Safety Workers' Compensation Fund on a non-recurring basis. This reduction will not affect the operations of the Fund. The balance in the Fund as of February 28, 2005 was $21.98 million. The average of the Fund's balances for the past 4 years is $21.47 million.	($2,000,000) NR	
Governor/Joint		
Total Legislative Changes	**($2,000,000)** NR	
Total Position Changes		
Revised Budget	**$2,500,000**	**$4,500,000**

Lieutenant Governor

GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	**$690,697**		**$690,697**	
Legislative Changes				
1110 Administration				
25 Increase Office Assistant Position to Full Time	$8,404	R	$8,404	R
Increases an Office Assistant position (Pos # 3100-000-0016-035) from 30 to 40 hours per week.	0.25		0.25	
26 Increase Operating Budget	$2,400	R	$2,400	R
Provides funding to increase the operating budget in the following line items:				
532811 Telephone service	$600		$600	
532814 Cellular phone service	$1,200		$1,200	
532850 Printing, Binding, Dup	$600		$600	
27 Additional Personnel	$51,536	R	$51,536	R
Provides funding to establish a second Policy Development Analyst to serve as an Assistant to the Lieutenant Governor for Policy and Research.	$1,700	NR		
	1.00		1.00	
531111 Salaries	$42,307		$42,307	
531511 Social Security	$3,237		$3,237	
531521 Retirement	$2,460		$2,460	
531561 Med Ins	$3,432		$3,432	
533110 Gen Office Sup	$100		$100	
534534 PC/Printer Equipment	$1,200			
534713 PC Software	$500			
Total Legislative Changes	**$62,340**	R	**$62,340**	R
	$1,700	NR		
Total Position Changes	1.25		1.25	
Revised Budget	**$754,737**		**$753,037**	

Governor / Joint

Governor / Joint (Modified)

Remove flag Flagged 5.12.05

Senate

Office of Administrative Hearings

	GENERAL FUND			
	FY 05-06		FY 06-07	
Adjusted Continuation Budget	**$2,976,210**		**$2,967,712**	
Legislative Changes				
1100 Administration and Operations				
28 Software Upgrade	$2,000	R	$2,000	R
Provides funding for a software upgrade that allows the North Carolina Register to be published on the Internet. Recurring funds are provided for the software's on-going maintenance support and hosting service, and nonrecurring funds are provided to purchase the upgrade.	$9,200	NR		
Governor/Joint (modified)				
Total Legislative Changes	**$2,000**	**R**	**$2,000**	**R**
	$9,200	**NR**		
Total Position Changes				
Revised Budget	**$2,987,410**		**$2,969,712**	

Revenue

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$82,817,444**	**$82,960,444**

Legislative Changes

1602 Security

29 Additional Personnel — $79,134 R / $500,000 NR / 1.00 — $80,000 R / 1.00

Provides funds to establish one (1) Systems Security Analyst position. This position will address issues raised in the 2004 Statewide Security Assessment conducted by the Office of Information Technology Services.

Governor / Joint

	FY 05-06	FY 06-07
531211 Salaries	$ 64,429	$ 64,429
531511 Social Security	$ 4,929	$ 4,929
531521 Retirement	$ 3,747	$ 3,747
531561 Med Ins	$ 3,432	$ 3,432
532140 Oth IT	$ 350,000	$ 2,565
532714 Trans Grd In State	$ 2,597	$ 898
534713 PC Software Purchases	$ 75,000	
534714 Server Software Purchases	$ 75,000	

1605 InformationTechnology

30 Increase IT Operating Funds — $134,107 R / $28,871 NR / 3.00 — $134,107 R / 3.00

Appropriates funding to support salaries, benefits, and computer equipment for three (3) additional positions: Computing Consultant III ($38,773), Applications Analyst Programmer I ($42,307), and Senior Computer Operator ($28,038).

Joint

	FY 05-06	FY 06-07
531211 Salaries	$ 109,118	$ 109,118
531511 Social Security	$ 8,348	$ 8,348
531521 Retirement	$ 6,345	$ 6,345
531561 Med Ins	$ 10,296	$ 10,296
534534 PC & Printer Purchases	$ 24,000	
534713 PC Software	$ 4,871	

1607 Tax Research

31 Personnel Adjustments — ($59,375) R / -2.00 — ($59,375) R / -2.00

Eliminates salary and related benefits of two positions that have been vacant for more than six months: Office Assistant III, #4774-0000-0040-010 ($29,561); and Statistical Assistant V, #4774-0000-0040-315 ($29,814).

Joint

FY 05-06 | FY 06-07

1629 Property Tax

Michele Flagged 5.12.05

32 New Personnel

$156,616 R | $179,916 R
$12,000 NR
2.00 | 2.00

Appropriates funds to establish two (2) Property Tax Valuation Specialist positions. Also, provides funding to increase per diem for board members with the chairman receiving $450 per day and members receiving $400 per day, effective January 1, 2006. The cost associated with the positions and increased compensation for board members will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. Property tax expenses are reimbursed by the local sales tax at 100%.

Governor/Joint/Senate (Modified) FUND 1 POSITION NO per diem INCREASE (remain @ 200/day)

	FY 05-06	FY 06-07
531211 Salaries	$ 102,668	$ 102,668
531511 Social Security	$ 7,854	$ 7,854
531521 Retirement	$ 5,970	$ 5,970
531561 Med Ins	$ 6,864	$ 6,864
531651 Comp to Board Members	$ 19,700	$ 43,000
532448 Maint Agreement-Software	$ 460	$ 460
532714 Trans Grd In State	$ 9,000	$ 9,000
532721 Lodging In State	$ 1,200	$ 1,200
532724 Meals In State	$ 1,200	$ 1,200
532811 Telephone Service	$ 700	$ 700
533110 Gen Office Supplies	$ 1,000	$ 1,000
534511 Furniture - Office	$ 9,000	
534534 PC & Printer Purchases	$ 1,800	
534713 PC Software Purchases	$ 1,200	

1662 ~~1643~~ ~~Taxpayer Assistance~~ Call Centers

33 Operating Expense Transfer

($2,007,624) R | ($2,008,039) R
-47.00 | -47.00
~~-86.00~~ | ~~-86.00~~

Transfers ~~86~~ 47 positions from General Fund to receipt-support from the 20% Collection Assistance Fee in Budget Code 24704-2472. The positions provide ~~Level II and Level III~~ call center support for the Taxpayer Assistance and Collection Center (TACC).

Joint

1660 Examination and Collection

34 Operating Budget Reduction

($3,664,145) R | ($3,664,145) R

Adjusts budget with a recurring reduction that is the result of transferring General Fund operations to receipt-support in FY 04-05 using funds from the 20% Collection Assistance Fee in Budget Code 24704-2474.

Joint

35 Personnel Transfer

($75,339) R | ($75,339) R
-2.00 | -2.00

Transfers salaries and related benefits from General Fund to receipt-support from the 20% Collection Assistance Fee in Budget Code 24704-2472 for two (2) positions: Revenue Administrative Officer I, #4784-0000-0076-593 ($47,426); and Processing Assistant IV, #4784-0000-0076-598 ($27,913).

Joint

	FY 05-06		FY 06-07	

1663 Project Compliance

36 Hispanic Initiative — $250,000 R — $250,000 R

Provides funding to continue the Hispanic initiative implemented in the 2004 Session that will improve tax compliance rates within the Hispanic population.

Governor / Joint

		FY 05-06	FY 06-07
532199004	Interpreter Svs	$ 50,000	$ 50,000
532714	Trans Grd In State	$ 4,000	$ 4,000
532840003	Postage	$ 71,000	$ 71,000
532850	Printing & Binding	$ 25,000	$ 25,000
532860	Advertising	$ 90,000	$ 90,000
533110	Gen Office Supplies	$ 10,000	$ 10,000

1670 Unauthorized Substance Tax

37 Additional Personnel — $61,206 R — $61,206 R

$6,000 NR

1.00 — 1.00

Appropriates funds to establish one (1) Unauthorized Substance (USUB) Tax Enforcement Agent I. The cost associated with the position will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. USUB expenses are reimbursed by the local sales tax at 70% with the General Fund supporting the remaining 30% of funding.

Governor / Joint

		FY 05-06	FY 06-07
531211	Salaries	$ 43,046	$ 43,046
531511	Social Security	$ 3,293	$ 3,293
531521	Retirement	$ 4,655	$ 4,655
531561	Med Ins	$ 3,432	$ 3,432
532448	Maint Agreement-Software	$ 230	$ 230
532714	Trans Grd In State	$ 4,500	$ 4,500
532721	Lodging In State	$ 600	$ 600
532724	Meals In State	$ 600	$ 600
532811	Telephone Service	$ 350	$ 350
533110	Gen Office Supplies	$ 500	$ 500
534511	Furniture - Office	$ 4,500	
534534	PC & Printer Purchases	$ 900	
534713	PC Software Purchases	$ 600	

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1710 Fuel Tax Compliance

38 Expansion of Revenue Tax Evasion Project

Senate Fully Fee Supported

Provides funding to add nine (9) positions to staff the project that was authorized in the 2004 Session, resulting in a total of nineteen (19) positions. Receipt-support continues for the project with the transfer of funding from the Highway Trust Fund. Total funding for the additional personnel is $548,633 in FY 05-06 and $470,701 in FY 06-07.

Positions

1 Processing Unit Supervisor (Gr. 61)	-	$23,251
1 Processing Assistant V (Gr. 61)	-	$23,251
1 Information Processing Tech (Gr. 63)	-	$30,684
4 Revenue Tax Auditor I (Gr. 73)	-	$148,576
1 Revenue Tax Auditor II (Gr. 75)	-	$51,334
1 Revenue Admin Officer III (Gr. 78)	-	$58,803

	FY 05-06	FY 06-07
531211 Salaries	$ 335,899	$ 335,899
531511 Social Security	$ 25,696	$ 25,696
531521 Retirement	$ 19,533	$ 19,533
531561 Med Ins	$ 30,888	$ 30,888
532448 Maint Agreement-Software	$ 0	$ 1,035
532714 Trans Grd In State	$ 32,000	$ 32,000
532721 Lodging In State	$ 4,000	$ 4,000
532724 Meals In State	$ 4,000	$ 4,000
532811 Telephone Service	$ 3,150	$ 3,150
532821 Comp Data Processing	$ 10,000	$ 10,000
533110 Gen Office Supplies	$ 4,500	$ 4,500
Total Recurring	$ 469,666	$ 470,701

532447 Maint Agree - PC/Printer	$ 2,456
532942 Oth Emp Ed Expenses	$ 12,881
534511 Furniture - Office	$ 40,500
534521 Office Equip (calculator)	$ 900
534534 PC/Printer (laptops & desks)	$ 12,380
534534 PC/Printer Equipment	$ 4,450
534713 PC Software Purchases	$ 5,400
Total Non-Recurring	$ 78,967

Total Legislative Changes	**($5,125,420)**	**R**	**($5,101,669)**	**R**
	$546,871	**NR**		
Total Position Changes	-83.00		-83.00	
Revised Budget	**$78,238,895**		**$77,858,775**	

Secretary of State

	GENERAL FUND			
	FY 05-06		FY 06-07	
Adjusted Continuation Budget	**$8,568,943**		**$8,549,857**	
Legislative Changes				
1230 Securities Division				
39 Operating Cost Increase Provides funding for new lease costs for the Department's Securities Division. The Department had to enter into a lease for space for its Securities Division when it was required to vacate the Legislative Office Building.	$89,000	R	$89,000	R
Total Legislative Changes	**$89,000**	**R**	**$89,000**	**R**
Total Position Changes				
Revised Budget	**$8,657,943**		**$8,638,857**	

Governor/Joint

State Board of Elections

GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	**$4,957,543**		**$4,959,307**	
Legislative Changes				
1200 Campaign Reporting				
40 Campaign Reporting IT Support	**$110,000**	**R**	**$110,000**	**R**
Provides funding to establish one Applications Analyst Programmer I position ($46,306) to assist in supporting and enhancing the Campaign Finance Management System.	1.00		1.00	

		FY2005-06	FY2006-07
531211	Salaries	$46,306	$46,306
531511	Social Security	$3,542	$3,542
531521	Retirement	$2,693	$2,693
531561	Med Ins	$3,432	$3,432
532143	LAN Support Services	$54,027	$54,027

Governor/Joint

Total Legislative Changes	**$110,000**	**R**	**$110,000**	**R**
Total Position Changes	1.00		1.00	
Revised Budget	**$5,067,543**		**$5,069,307**	

State Budget & Management

	GENERAL FUND			
	FY 05-06		FY 06-07	
Adjusted Continuation Budget	**$4,904,371**		**$4,908,931**	
Legislative Changes				
1310 Office of State Budget and Management				
41 NEON Maintenance Contract	$7,000	R	$7,000	R
Provides funding to pay for an annual Shadow Web Server maintenance contract. This cost is required for the maintenance of OSBM budget-related, Web-enabled applications located on the State-owned mainframe computer system.	Governor / Joint			
42 Personnel Increases	$105,864	R	$105,864	R
	$2,500	NR	$0	NR
	2.00		2.00	
Provides funding to establish one Standard Level Analyst for the Justice and Public Safety (JPS) Section at a salary of $48,321 and one Standard Level Analyst for the Education and Transportation sections at a salary of $38,772. The JPS Analyst will assist in the budget preparation, administration, and oversight for the Administrative Office of the Courts and for the Departments of Crime Control and Public Safety, Justice, Correction, Indigent Defense, and Juvenile Justice. The time and effort for the second position will be devoted to the Education Section (50%) and to the Transportation Section (50%) to assist in the budget preparation, administration, and oversight for the University System, the Department of Public Instruction, the North Carolina Community College System and for the Department of Transportation, the Highway Fund, and the Highway Trust Fund.	Governor / Joint			

Recurring	FY2005-06	FY2006-07
531211 SPA Regular Salaries	$87,093	$87,093
531511 Social Security	$6,663	$6,663
531521 Retirement	$5,064	$5,064
531561 Medical Insurance	$6,864	$6,864
Total Recurring	$105,684	$105,684
Nonrecurring		
534511 Furniture - Office	$700	
534534 PC & Printer Purchases	$1,800	

Total Legislative Changes	**$112,864**	R	**$112,864**	R
	$2,500	NR	**$0**	NR
Total Position Changes	2.00		2.00	
Revised Budget	**$5,019,735**		**$5,021,795**	

State Budget & Management - Special Appropriations

	GENERAL FUND			
	FY 05-06		FY 06-07	
Adjusted Continuation Budget	$3,180,000		$3,180,000	
Legislative Changes				
1022 2005 Special Appropriations				
43 Kids Voting NC Funds Provides funding to Kids Voting of North Carolina, Inc, a nonprofit corporation. Of the $250,000 appropriated, $50,000 shall be used to implement new Kids Voting programs in non-participating counties across the State. The remaining $200,000 shall be divided on the basis of the North Carolina Department of Public Instruction's Average Daily Membership with a minimum of $2,500 for the following counties: Buncombe, Cabarrus, Catawba, Clay, Cumberland, Durham, Greene, Guilford, Haywood, Henderson, Iredell, Jackson, Madison, Mecklenburg, New Hanover, Onslow, Randolph, and Wake to assist those counties with their Kids Voting programs (SB 690 and HB 895).	$250,000 NR Joint			
1023 Fire Protection Grant Fund				
44 Fire Protection Grants-in-Aid Increases funding for the Fire Protection Grants-in-Aid program. New State-owned buildings have been constructed statewide, and this increase will provide additional grants-in-aid to local fire fighting districts that provide fire protection and other services for these new facilities.	$1,000,000 R Governor / Senate		$1,000,000 R	
Total Legislative Changes	$1,000,000 R $250,000 NR		$1,000,000 R	
Total Position Changes				
Revised Budget	$4,430,000		$4,180,000	

Maintenance
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Not Included:
Flagged
5.12.05
✓ United Arts Council -- $150,000 NR
✓ Guilford Native American Assoc -- $25,000 NR
✓ John Coltrane Music Hall/High Pt Arts Council -- $100,000 NR
all Joint

State Controller

GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	**$9,960,527**		**$9,966,970**	
Legislative Changes				
1000 Administration				
45 Additional Personnel	$77,541	R	$77,541	R
Appropriates funding for the addition of an Internal Control position to conduct on-site compliance reviews, prepare reports based on the findings, and perform follow-up on State property incident reports when warranted.	$5,200	NR		
	1.00		1.00	

Governor Joint

	FY 05-06	FY 06-07
531112 Salaries	$ 58,803	$ 58,803
531511 Social Security	$ 4,498	$ 4,498
531521 Retirement	$ 3,419	$ 3,419
531561 Med Ins	$ 3,432	$ 3,432
532447 Maint Agree-PC & Printer	$ 300	$ 300
532448 Maint Agree-PC software	$ 300	$ 300
532714 Trans Grd In State	$ 1,725	$ 1,725
532721 Lodging In State	$ 2,977	$ 2,977
532724 Meals In State	$ 1,586	$ 1,586
533110 Gen Office Supplies	$ 500	$ 500
534534 PC & Printer Purchases	$ 5,200	

Total Legislative Changes	**$77,541**	R	**$77,541**	R
	$5,200	NR		
Total Position Changes	1.00		1.00	
Revised Budget	**$10,043,268**		**$10,044,511**	

Treasurer

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	**$8,222,117**	**$8,228,365**

Moved to removed flagged 5.12.05

Legislative Changes

1310 Local Government Operations

46 Information Technology Enhancements

Provides funding to perform feasibility studies along with the development of the requirements of a new document imaging system and a new debt management system. The funds will be used to hire consultants to: 1) document current business processes and workflows, 2) prepare business and technical requirements for the new systems, 3) prepare a request for proposals, 4) research and provide a list of potential vendors, 5) develop a high level project plan, 6) develop a high level risk analysis, and 7) develop an estimated budget for the implementation of these 2 systems. Of the total provided, $150,000 is for the document imaging system and $250,000 is for the debt management system.

$400,000 NR

Senate

1410 Retirement Systems Division

47 Information Technology Project/ 2005-07 Biennium

Authorizes the use of receipts on a nonrecurring basis from the Retirement Fund for the final two phases of the Retirement Systems Division's Information Technology project (ORBITS).

Governor/Joint (modified)

ORBITS Project	FY2005-06	FY2006-07
5321XX	$6,528,742	$4,209,349
5324XX	$1,086,838	$739,216
5325XX	$129,600	$129,600
5345XX	$596,300	$396,300
5347XX	$35,350	$35,350
Total	$8,376,830	$5,509,815

Also authorizes the use of receipts on a recurring basis to establish two Applications Analyst Programmer II positions ($58,803 each) to help develop the new system and maintain the system once the project is completed.

Did not fund request for temporary in range adjustment of $69,324

Salaries/Fringes	FY2005-06	FY2006-07
531212 Salaries	$117,606	$117,606
531512 Social Security	$8,997	$8,997
531522 Retirement	$6,839	$6,839
531562 Med Ins	$6,864	$6,864
Total Recurring	$140,306	$140,306

No General Funds are required to fund this project.

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Senate

Joint

48 Operating Budget to Support Administration of 401K

Authorizes the use of receipts for the salaries and benefits of one Administrative Officer III position as well as for operating cost to support the position. The position will be responsible for overseeing the 401(K) Supplemental Retirement Plan, its investments, and its third party administrator. The operating funds will also be used to provide an independent review of the investment performance of the program each year as well as actuarial and legal fees.

Recurring	FY 2005-06	FY 2006-07
531212 Salaries	$44,923	$44,923
531512 Social Security	$3,437	$3,437
531522 Retirement	$2,612	$2,612
531562 Medical Insurance	$3,432	$3,432
532120 Financial/Audit Services	$94,896	$94,896
532714 Transportation	$3,500	$3,500
532724 Meals	$1,500	$1,500
535830 Other Admin. Exp.	$3,700	$3,700
Total Recurring	$158,000	$158,000
Non-recurring		
534500 Equipment	$2,000	

Receipts to support the operating budget will come from amounts collected by the third-party administrator.

1510 Financial Operations Division

49 Personnel Increase

$67,478	R	$67,478	R
$1,000	NR		
1.00		1.00	

Governor / Joint

Provides funding to establish a Debt Service Accounting position to properly account for the increased activity in the debt service area. With the substantial increased amount of debt that the State has issued and the complexity of the debt instruments, it has become very difficult to manage the increased workload with the current staffing levels.

Recurring	FY2005-06	FY2006-07
531212 Salaries	$56,181	$56,181
531512 Social Security	$4,298	$4,298
531522 Retirement	$3,267	$3,267
531562 Med Insurance	$3,432	$3,432
533110 Gen Office Supplies	$300	$300
Total Recurring	$67,478	$67,478
Nonrecurring		
534511 Furniture-Office	$1,000	

The General Fund will be reimbursed from a non-tax revenue source for the amount of the appropriation.

Senate Subcommittee on General Government	FY 05-06		FY 06-07	
Total Legislative Changes	**$67,478** **$401,000**	**R** **NR**	**$67,478**	**R**
Total Position Changes	1.00		1.00	
Revised Budget	**$8,690,595**		**$8,295,843**	

Senate Subcommittee on General Government

Treasurer - Retirement for Fire and Rescue Squad Workers

	GENERAL FUND			
	FY 05-06		FY 06-07	
Adjusted Continuation Budget	$8,146,179		$8,146,179	
Legislative Changes				
1412 Gen. Fund Contribution to Fire Pension Fund				
50 Increase Retirement Benefits	$405,278	R	$405,278	R
Increases the benefits in the Firemen's and Rescue Squad Workers' Pension Fund from $161 to $163 per month for retirees and future retirees effective July 1, 2005.				
Total Legislative Changes	$405,278	R	$405,278	R
Total Position Changes				
Revised Budget	$8,551,457		$8,551,457	

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5.12.05

Senate

SPECIAL PROVISIONS

PART XIX. DEPARTMENT OF ADMINISTRATION

Modified

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

CONTINUATION OF THE STUDY OF ADVOCACY PROGRAMS IN THE DEPARTMENT OF ADMINISTRATION

SECTION 19.1. The Secretary of the Department of Administration, in collaboration with appropriate entities that concentrate on public policy and business management, shall continue the study that was completed during the 2003-2004 fiscal year of the functions of the advocacy programs that are housed in the Department of Administration to determine the appropriate organizational placement of the programs within State government. The study shall include both the advocacy and service functions of the Division of Veterans Affairs, the Council for Women and the Domestic Violence Commission, the Commission of Indian Affairs, the Governor's Advocacy Council for Persons with Disabilities, the Human Relations Commission, and the Youth Advocacy and Involvement Office. The study shall also consider whether the functions of the programs could be more efficiently and effectively performed by an appropriate nonprofit organization. The Secretary shall report the findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Senate and House of Representatives Appropriations Committees by April 1, 2006.

Same as 4/12

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

VETERANS SCHOLARSHIPS PARTIALLY FUNDED FROM ESCHEAT FUND

Follows Item #6, p. J-3

SECTION 19.2. In accordance with G.S. 116B-7(b), there is appropriated from the Escheat Fund to the Department of Administration the sum of four million two hundred ninety-seven thousand five hundred forty-four dollars ($4,297,544) for the 2005-2006 fiscal year and four million three hundred fifty-eight thousand forty-six dollars ($4,358,046) for the 2006-2007 fiscal year.

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

Same as 4/12

STATE VETERANS CEMETERIES

SECTION 19.3. The Department of Administration may use funds credited to the Veterans Burial Fund for the 2005-2007 biennium to cover costs incurred as a result of burials on Saturday or Sunday.

Marilyn

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5.12.05

New

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

ALLOCATION OF PETROLEUM VIOLATION ESCROW FUNDS

SECTION 19.4. The unallocated balance of the funds and interest thereon received from the cases of United States v. Stripper Well, United States v.

Exxon, United States v. Diamond Shamrock, United States v. Amoco, United States v. Chevron, and United States v. Occidental that remain in the Special Reserve for Oil Overcharge Funds is appropriated to the Department of Administration for the 2005-2006 fiscal year to be allocated for projects approved by the State Energy Policy Council.

Requested by: Senators Albertson, Jenkins, Dorsett, Garrou, Dalton, Hagan

INCREASED FUEL EFFICIENCY OF STATE MOTOR FLEET

SECTION 19.5.(a) The Department of Administration, Motor Fleet Management, shall develop and implement a plan to improve and increase the overall fuel efficiency of the State's motor fleet by twenty percent (20%). The Department shall implement this plan and achieve the twenty percent (20%) increase in fuel efficiency by July 1, 2006. Fuel efficiency goals may be met by petroleum displacement through the use of biodiesel, ethanol, other alternative fuels, the purchase of hybrid electric vehicles and other fuel-efficient vehicles.

SECTION 19.5.(b) The Department shall report to the Joint Legislative Commission on Governmental Operations its plan for increasing and maintaining the fuel efficiency of the State's motor fleet no later than January 1, 2006.

PART XX. OFFICE OF THE GOVERNOR

Requested by: Senators Dorsett, Garrou, Dalton, Hagan

HOUSING FINANCE AGENCY HOME MATCHING FUNDS

SECTION 20.1.(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 Tier One, Tier Two, or Tier Three Enterprise Counties under G.S. 105-129.3; 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 United States 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.

SECTION 20.1.(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.

SECTION 20.1.(c) Funds appropriated in this act to match federal HOME Program funds shall not revert to the General Fund on June 30, 2006, or on June 30, 2007.

Modified – Shortened Title

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

HOUSING FINANCE AGENCY SHALL CONTINUE THE NORTH CAROLINA HOME PROTECTION PILOT PROGRAM AND LOAN FUND

SECTION 20.2.(a) The North Carolina Housing Finance Agency shall continue to administer a pilot program to assist North Carolina workers who have lost jobs in Cabarrus, Cleveland, Cumberland, Edgecombe, Forsyth, Guilford, Rowan, and Rutherford Counties as a result of changing economic conditions in North Carolina when the workers are in need of assistance to avoid losing their homes to foreclosure.

SECTION 20.2.(b) Sections 20A.1(b), 20A.1(d), and 20A.1(e) of S.L. 2004-124 remain effective for the 2005-2006 fiscal year.

SECTION 20.2.(c) The agency shall, no later than May 1, 2006, report to the General Assembly on the effectiveness of the Program in accomplishing its purposes and provide any other information the Agency determines is pertinent or that the General Assembly requests.

PART XXI. DEPARTMENT OF INSURANCE

Modified

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

INSURANCE REGULATORY FUND TRANSFER TO GENERAL FUND

SECTION 21.1. The Commissioner of Insurance shall transfer funds quarterly from the Insurance Regulatory Fund to the General Fund to repay the funds appropriated to the Department of Insurance from the General Fund for each fiscal year, plus accrued interest at a rate determined by the State Treasurer.

New

Requested by: **Senator Swindell**

STRENGTHEN REQUIREMENTS FOR ISSUING BUILDING PERMITS

SECTION 21.2. The North Carolina Code Officials Qualification Board shall take steps to ensure that building inspectors enforce the requirements of G.S. 87-14 and shall bring disciplinary action against any building inspector who willfully or negligently issues a building permit in violation of G.S. 87-14.

PART XXII. DEPARTMENT OF REVENUE

Modified - Codified Language and inserted date to report annually.

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

DEPARTMENT OF REVENUE DEBT FEE FOR TAXPAYER LOCATER SERVICES AND COLLECTION

SECTION 22.1.(a) G.S. 105-243.1(e) reads as rewritten:

"(e) Use. – The fee is a receipt of the Department and must be applied to the costs of collecting overdue tax debts. The proceeds of the fee must be credited to a special account within the Department and may be expended only as provided in this subsection. The proceeds of the fee may not be used for any purpose that is not directly and primarily related to collecting overdue tax debts. The Department may apply the proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of the fee may be spent only pursuant to appropriation by the General Assembly. The fee proceeds do not revert but remain in the special account until spent for the costs of collecting overdue tax debts. The Department and the Office of State Budget and Management must account for all expenditures using accounting procedures that clearly distinguish costs allocable to collecting overdue tax debts from costs allocable to other purposes and must demonstrate that none of the fee proceeds are used for any purpose other than collecting overdue tax debts.

The Department may apply the fee proceeds for the following purposes:

(1) To pay contractors for collecting overdue tax debts under subsection (b) of this section.

(2) To pay the fee the United States Department of the Treasury charges for setoff to recover tax owed to North Carolina.

(3) To pay for taxpayer locater services, not to exceed one hundred thousand dollars ($100,000) a year.

(4) To pay for postage or other delivery charges for correspondence directly and primarily relating to collecting overdue tax debts.

(5) To pay for operating expenses for Project Collection Tax and the Taxpayer Assistance Call Center.

(6) To pay for expenses of the Examination and Collection Division directly and primarily relating to collecting overdue tax debts."

SECTION 22.1.(b) G.S. 105-243.1(f) reads as rewritten:

"(f) Reports. – The Department must report semiannually to the Joint Legislative Commission on Governmental Operations and to the Revenue Laws Study Committee on its efforts to collect tax debts. Each report must include a breakdown of the amount and age of tax debts collected by collection agencies on contract, the amount and age of tax debts collected by the Department through warning letters, and the amount and age of tax debts otherwise collected by Department personnel. The report must itemize collections by type of tax. Each report must also include a long-term collection plan, a timeline for implementing

each step of the plan, a summary of steps taken since the last report and their results, and any other data requested by the Commission or the Committee.

The Department must report by April 1, 2006, and annually thereafter, to the Revenue Laws Study Committee and the Fiscal Research Division of the General Assembly on the use of the fee proceeds for collecting overdue tax debts."

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

New follows Item #32, p. J-16

Michelle Flagged 5.12.05 Take out

CHANGE PROPERTY TAX COMMISSION COMPENSATION

SECTION 22.2. G.S. 105-288(d) reads as rewritten:

"(d) Expenses. – The members of the Property Tax Commission shall receive travel and subsistence expenses in accordance with G.S. ~~138-5 and~~138-5. The members of the Property Tax Commission shall receive a salary ~~of two hundred dollars ($200.00) a day~~ when hearing cases, meeting to decide cases, and attending training or continuing education classes on property taxes or judicial procedure. The salary is four hundred fifty dollars ($450.00) a day for the Chair of the Property Tax Commission and four hundred dollars ($400.00) a day for other members of the Property Tax Commission. The Secretary of Revenue shall supply all the clerical and other services required by the Commission. All expenses of the Commission and the Department of Revenue in performing the duties enumerated in this Article shall be paid as provided in G.S. 105-501."

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

New Associated w/ item #38, p. J-18

Remove Flagged 5.12.05

POSITIONS FOR REVENUE TAX EVASION PROJECT

SECTION 22.3. The 10 time-limited positions established in the Fuel Tax Compliance Division of the Department of Revenue for the Revenue Tax Evasion Project in S.L. 2004-124 are converted to permanent positions.

PART XXIII. SECRETARY OF STATE

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

Same as 4/12

SECRETARY OF STATE TO REASSIGN VACANT POSITION

SECTION 23.1. The Secretary of State shall reassign position 3222-0000-0000-361 from the Uniform Commercial Code Division to its General Administration Division to assist with investigations of trademark violations and training for other law enforcement personnel in the State and with investigations of violations of the Charitable Solicitation Licensing Act. The Secretary shall report to the Chairs of the Appropriations Subcommittees on General Government of the Senate and House of Representatives by December 1, 2005.

PART XXIV. OFFICE OF STATE BUDGET AND MANAGEMENT

Requested by: Senators Dorsett, Garrou, Dalton, Hagan

Modified 24 reporting requirement

NC HUMANITIES COUNCIL

SECTION 24.1. The North Carolina Humanities Council shall:

(1) By January 15, 2006, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2004-2005 program activities, objectives, and accomplishments;
   b. State fiscal year 2004-2005 itemized expenditures and fund sources;
   c. State fiscal year 2005-2006 planned activities, objectives, and accomplishments, including actual results through December 31, 2005; and
   d. State fiscal year 2005-2006 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2005.

(2) By January 15, 2007, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2005-2006 program activities, objectives, and accomplishments;
   b. State fiscal year 2005-2006 itemized expenditures and fund sources;
   c. State fiscal year 2006-2007 planned activities, objectives, and accomplishments, including actual results through December 31, 2006; and
   d. State fiscal year 2006-2007 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2006.

(3) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

PART XXV. OFFICE OF THE STATE CONTROLLER

Same as 4/12

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

OVERPAYMENTS AUDIT

SECTION 25.1.(a) During the 2005-2007 biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors as required by G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

SECTION 25.1.(b) For each fiscal year of the 2005-2007 biennium, two hundred thousand dollars ($200,000) of the funds transferred from the Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 25.1.(c) All funds available in the Special Reserve Account 24172 on July 1 of each year of the 2005-2007 biennium are transferred to the General Fund on that date.

SECTION 25.1.(d) Any unobligated funds in the Special Reserve Account 24172 that are realized above the allowance in subsection (b) of this section are subject to appropriation by the General Assembly in the 2006 Regular Session of the 2005 General Assembly.

SECTION 25.1.(e) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into the Special Reserve Account 24172 and the disbursement of that revenue.

PART XXVI. OFFICE OF STATE PERSONNEL

Modified Includes language from *S908 in (b)

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan**

Flagged 5.12.05

Hold to consider the levels

STUDY CAREER-BANDING/FAIR PAY

SECTION 26.1.(a) Of the funds appropriated to the Department of Administration, the sum of one hundred thousand dollars ($100,000) for the 2005-2006 fiscal year shall be allocated to the Office of State Personnel to conduct a study and to determine whether to implement a career-banding personnel system for all State employee job classifications.

SECTION 26.1.(b) In conducting the study, the Office of State Personnel shall evaluate the following issues:

(1) Inequities and disparities in job classifications with respect to race and gender.

(2) Whether the minimum annual salary for State employees is a livable salary and the impact of inflationary forces on that salary.

*S908 – State Govt Fair Wage Funds / Study Fair Pay

(3) Whether there is fair pay for equivalent jobs in State government, including the extent of wage disparities in State government employment between men and women.

(4) Any other matters relating to pay disparities in State government employment.

SECTION 26.1.(c) The Office of State Personnel shall report the findings and recommendations of the study as well as the findings and recommendations on inequities and disparities to the Chairs of the Appropriations Committees of the Senate and the House of Representatives and the Chairs of the Joint Appropriations Subcommittees on General Government by April 1, 2006.

PART XXVII. DEPARTMENT OF THE STATE TREASURER

Same as 4/12

Requested by: Senators Dorsett, Garrou, Dalton, Hagan

REPORT OF THE STATUS OF THE TECHNOLOGY INFRASTRUCTURE ENHANCEMENTS

SECTION 27.1. The Department of State Treasurer shall report to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees for the Senate and the House of Representatives on the status of the replacement of the multitude of information technology systems with an integrated system for all the retirement plans and other programs administered by the Retirement Systems Division. The Department shall report semiannually by October 1 and April 1 until the enhancements are fully implemented.

Requested by: Senators Dorsett, Garrou, Dalton, Hagan Same as 4/12

STAFFING ANALYSIS FOLLOW-UP

SECTION 27.2.(a) The Office of State Budget and Management shall conduct semiannual follow-up analyses to the Staffing Analysis that was completed in April 2003 on the Retirement Systems Division within the Department of State Treasurer by October 1 and April 1 of each year to assure that the staffing levels remain appropriate. The semiannual analyses shall be conducted throughout the implementation of the enhancements to the information technology infrastructure within the Retirement Systems Division that were authorized by this act. The follow-up analyses shall also continue for a reasonable time after the completion of the enhancements to ensure that the staffing levels are adjusted based on the increased efficiency provided by the enhancements.

SECTION 27.2.(b) The Retirement Systems Division shall maintain monthly workload statistics and productivity data for the various functions within the Division. The Department of State Treasurer shall report the workload statistics and productivity data to the Fiscal Research Division and to the Office of State Budget and Management on a quarterly basis.

Requested by: **Senators Dorsett, Garrou, Dalton, Hagan** Same as 4/12

TREASURER REPORT ON STATE INVESTMENT OFFICER POSITION INCENTIVE BONUS

SECTION 27.3. G.S. 147-69.3 is amended by adding a new subsection to read:

"(i1) The State Treasurer shall report the incentive bonus paid to the Chief Investment Officer to the Joint Legislative Commission on Governmental Operations by October 1 of each year."

PART XL. SET RATES FOR INSURANCE REGULATORY CHARGE AND PUBLIC UTILITIES FEES

Requested by: **Senators Hoyle, Kerr** New

INSURANCE REGULATORY CHARGE

SECTION 40.1.(a) The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for the 2005 calendar year.

SECTION 40.1.(b) This section is effective when it becomes law.

House Appropriations Subcommittee on General Government		
Additional Items for Consideration		
2005 Session		
	FY 2005-06	
	Recurring	Non-recurring
Administration		
1. Displaced Homemaker Program	$500,000	
Subtotal	**$500,000**	**$0**
Cultural Resources		
1. NC Symphony- Increased Operating Cost		$250,000
2. Museum of Arts Program	$100,000	
3. Basic Grants Program	$396,133	
4. Greensboro Symphony		$50,000
Subtotal	**$496,133**	**$300,000**
OSBM-Special Appropriations		
1. Cumberland County MLK Park		$300,000
Subtotal	**$0**	**$300,000**
Secretary of State		
1. Decrease Budgeted Receipts	$126,075	
Subtotal	**$126,075**	**$0**
Total	**$1,122,208**	**$600,000**

AGENDA

House Appropriations Subcommittee
on
General Government

June 10, 2005

Room 425
8:30 a.m.

Chairman: Representative Alma Adams

Review and Approval of House Subcommittee Report

House Appropriations Subcommittee on General Government
Minutes
June 10, 2005
8:30 am

The House Appropriations Subcommittee on General Government met on June 10, 2005 at 8:30 a.m. in room 425 of the Legislative Office Building to review and approve House Subcommittee Report. In addition to Chairman Alma Adams, also present were Reps. Tucker, Lucas, Goforth, and McLawhorn along with Fiscal Research staff, Michelle Nelson, Marilyn Chism and Kathie Young. A visitor registration sheet is attached and made a part of the record.

Chairman Adams called the meeting to order at 8:30 a.m.

Rep. Adams: A copy of the Rules are being distributed and we will go over them before beginning. The Chairman read the four rules. A copy is attached and made a part of the record.

Rep. Tucker: Will we vote on each individual item or will we hear it all and vote on all of it at the end?

Rep. Adams: We will hear all of the presentations and then vote on the final document.

Rep. Lucas: Given the rules restrictions, we don't have a whole lot of latitude to doing much of anything.

Rep. Adams: Well, these are your rules. You are probably right and that's why they are probably written the way they are to control what it is that we can and cannot do. They are the rules and that is what we have to be guided by.

Rep. McLawhorn: What is the total amount of funding?

Michele Nelson: The House Subcommittee on General Government's target was the same as the spending in the Senate for General Government; $355, 684, 496. The package before you spends $359,679,417. So that you've spent about $3.9 million over the target.

Having said that, this morning this package is not significantly different from what you've seen in the recent past meetings on May 18th that we came to you and brought recommendations that you thought were agreeable. We are only going to highlight them this morning. The money items and the special provision that differ from that review about two weeks ago.

The first of those occurred in Cultural Resources on page J6, Item 14 under Archives & Records – The Edenton Signers Memorial Funds (HB 1680) provides funding to establish a Signers Memorial on the grounds of the Chowan County courthouse to honor Hugh Williamson, a signer of the United States Constitution at $350,000 non-recurring.

Also on that page, Item 17 – the Roanoke River Lighthouse Restoration Funds (HB 1679) provides funds for the Edenton Historical Commission to acquire, relocate, and restore the lighthouse at $350,000 non-recurring.

Item 18 – the Historic Bandon Building Restoration Funds (HB 1774) appropriates funding to acquire, move and restore the 1827 kitchen building of the former Bandon Plantation for location to the State Historic Site in Edenton. - $300,000 non-recurring.

Page J7, Item 23, the NC Symphony. When you saw this item a couple of weeks ago, it included $50,000 for the Greensboro Symphony and $300,000 for the NC Symphony on a non-recurring basis. The funding before you this morning is to provide a grant-in-aid only to the NC Symphony for fiscal '05-'06 and it is the same amount the Governor recommended in his budget but it is for one year whereas the Governor's recommendation was to have this on a recurring basis. So this is a House-modified item.

Item 24 is new. It provides a grant-in-aid for FY 2005-06 of $200,000 to the Carolina Ballet.

Rep. Adams: Are they based out of Raleigh? Is there anyone here from Cultural Resources that can answer that question?

Donna Rosefield: They are based out of Raleigh and they are working to establish a program in conjunction with some other companies around the State to start doing some touring around the State as well. They had a $100,000 non-recurring appropriation from last year's budget.

Rep. Goforth: They said last year they had $100,000 and this year they have $200,000.

Donna Rosefield: That's because they are going to start working on this collaborative program.

Rep. Goforth: Do they do fundraising on their own? Yes, they do. They are not a state entity. So I can only speak to their involvement as being under the umbrella of Cultural Resources, but they have a very active 501 (c) 3 and they do a lot of fundraising and support as well as community outreach.

Michele Nelson: The next item is under the Department of Revenue, beginning on Page J17, Item 41 and going through Page J19 – It's a Revenue Enhancement which appropriates funding in this item and also in item 43 that you will see to provide a total of 75 position. The 56 in this particular item are appropriated for the purpose and the others to enhance compliance enforcements and debt collection services. These positions will be in the examination and collection division. It appropriates in this particular item $2.9million in recurring, about $485,000 in non-recurring and it continues the recurring amount the second year. The record is lengthy only because it identifies the positions in terms of where they will be working in terms of the area of collection in IT, in processing which are support positions and also in personnel services.

The companion to that is on Page J20, Item 43, which provides and Additional 19 positions that makes up the 75, and these are for 19 Processing Assistant IV positions that will just provide support to the professional-level positions in the other item. These are House-only items. The total of the two records is $3.9 million for FY 2005-06 which includes $3.4 million in recurring and the $484, 647 in non-recurring and continues the $3.4 million recurring the second year, FY 2006-07.

Rep. McLawhorn: Do we have an estimate as to how much money these positions will bring in?

Michele Nelson: My understanding is that they would generate about $100 million. The department is here and can speak to that better than I can.

Morris Tolson, Dept. of Revenue: The commitment that we made to the staff is that it would be $1 million per collector. So 75 positions generate $75 million, not $100 million. The second thing I would like to point out, Madame Chairman, is that – I assume that these positions are being paid for by fee money.

Michelle Nelson: No, this is appropriated money. That was a decision that was made – not to have these fee supported.

Tolson: It seems to me that that's $2.5 million that you did not have to spend and that it could have come out of the fee money. The $3.9 million could have come out of the fee budget, which is just sitting there with money in it to pay for this kind of activity.

Rep. Adams: That decision was made pass this level. That information was carried forth and they have it so they knew it and that is the decision that was made.

Rep. Goforth: It seems like if we are $3.5 million over our target that would be a lot of money that could get us back to the baseline that we need to be.

Michele Nelson: That's true but they have also included that $75 - $100 million into their availability. So it comes out in the figure overall, not just for the General Government subcommittee, but overall. If we net that $3.9 from what's in their availability then they still have money to spend.

Item 44 is a reference change. The dollar amount does not change from what you've seen previously, from what was in the Senate package. It removes the ethnic reference to Hispanic initiatives and refers to it as a tax information initiative. It provides funding to continue that tax information initiative implemented in the 2004 Session. Otherwise the wording and the intent is the same.

Marilyn Chism: The change is on Page J22 under the Department of the Secretary of State. Items 47 and 48 provides $61,900 and $64,175 to the Secretary of State to help them with the imbalance in their budget. They had budgeted receipts in their budget for years that resulted from the sale of data tape; and they are no longer actually selling those tapes but the budget was never adjusted to reflect actual receipts. So this is just an adjustment to their budget to make it more in line with actual.

The next change is on Page J25, Item 54; it's a new item. It was in the Governor's recommended budget but it was an item that the subcommittee did not consider because it was considered a statewide item, just not germane to General Government. The full chairs have made a decision to fund a grant reserve for those agencies that have office space in the Polk Building and they are in the process of relocating. The amount of the rented space is estimated to be $1.1 million on a recurring basis. It also provides $1.1 million non-recurring money to help with their relocation expenses and that pot of money will also be used to assist with those state agencies that are in Blount Street properties that will have to relocate when that property is sold.

The next item on Page J28; this item was modified somewhat. The department had requested and the Senate had included in its package an authorization for them to spend up to $160,000 as receipts from the 401-K program to support the administration budget for the 401-K program. This authorizes the use of receipts of up to $118,381. These receipts are to be used to cover administrative expenses that include the independent review of the investment performance of the program and the development of the review of RFP's at $94,000. The receipts will also fund the proportionate share of the existing costs that are attributable to the 401-K program.

Rep. Adams: That concludes the money portion of the Budget Adjustments.

Marilyn Chism: The first Special Provision with a change is on Page 4 – the allocation of Petroleum Violation Escrow (PVE) Funds. The Senate included a provision that allocated the remaining balance of the PVE funds to the department. That remaining balance was about $4 million. This House provision allocates $1.5 million of that balance to the department for projects that have been approved by the State Energy Policy Council.

Kathie Young: On Page 6, you have a new provision, a House-only provision on Multiyear Maintenance Contracts. It is a pilot program. It is an exception to the State Tax Management Policy and therefore it requires that the State Controller authorize ITS before ITS can enter into these contracts for up to four infrastructure maintenance agreements and in this instance for a period that would not be above three years. So they would have the State Controller authorize after the conditions in lines 9 through 21 are met. Those include for the biennium that the State Controller receive evidence that the infrastructure agreement would be more cost effective than other arrangements. The Office of State Budget and Management (OSBM) would verify that these results of the proposed infrastructure agreements would be passed on to the user in the forms of reduced or lowered rates for internal services and that you will have in section 20.3. (b) OSBM verifying that these agreements result in these lower rates and for the services and therefore reduces the appropriate State agency budgets by the project rate reduction amounts. In the last section, OSBM will report these authorizations to Government Operations and Fiscal Research within 30 days after the authorization is granted. In Session 2003 and 2004 you had pilot programs similar to this. Now Senate Bill 991 is in place where OSBM is responsible for approving rates. You now have the involvement of OSBM whereas before it was only the State Controller who was involved in authorizing.

Michele Nelson: The next provision that was not included in your earlier package is on Page 11. This language accompanies the additional funding of the department of Revenue, Items 41 and 43 in terms of the revenue enhancement. It says that on or before April 1, 2006 the Department will report to Governmental Operations and to the Revenue Laws Study Committee on its enhanced compliance, enforcement and collection efforts. It is detailed here in items 1-4 that they will provide a detailed description of the programs and methodologies and a detailed accounting of the additional revenues collected as a result of the use of those specific program methodologies. Item 2 says that the department will provide in the report an analysis of the effectiveness and cost efficiency of the various programs and methodologies in regards to each type of tax. Item 3 states that they will provide a description of the efforts to coordinate these enhanced compliance, enforcement, and collection efforts with what they do that is an existing effort for them. And Item 4 states that they will provide any recommendations for specific, non-budgetary legislative actions to further enhance compliance, enforcement, and collection efforts.

And the last provision that is new follows Item 58 on Page J28 that dealt with the administrative support for the 401(k) program. This directs the Treasurer to reallocate 25% if the timing effort of an existing Portfolio Manager position to oversee the investment performance if the third-party administration for the 401(k) program. That 25% is to be paid from some of the proceeds from the 401(k) program.

Rep. Adams: These are all of the new and modified items in our budget. Do we have any questions?

Rep. Goforth: Would you accept an amendment to put this back in the fee budget – the $3.1 million that we were going to put on personnel for the Dept. of Revenue?

Rep. Adams: I don't think we can do that.

Rep. Tucker: Did we decide to do anything? I don't remember voting on this.

Rep. Adams: It is my understanding that we sent those recommendations forward and that there was a consensus to do so.
Rep. Tucker: I remember the consensus. I don't remember the vote.

Rep. Adams: We may not have voted, but even so, it is clear that there was a consensus to send forward what we did. It is clear that what we sent forward has to some degree been somewhat modified. I'm not happy with all of it either, but this is what is before us today and it is expected that we will either vote for this package or not.

Rep. Tucker: What happens if we vote "not" for it?

Rep. McLawhorn: We know that there is a target that we are working with - $3.9 million. If we go through and vote within the next couple of weeks for a cigarette tax and bring some more money in, this does not figure that, or does it? I know the package that we past this week, we are not sure of what kind of revenue is coming in. Is there going to be an opportunity for us to come back to look at new items that perhaps were not included in here?

Rep. Adams: We have not been given any specific instructions as to how that will be done. If there are some concerns and issues that you have, you probably need to have some conversations with the Speaker. You notice that this budget is different from what we sent. All of the changes that you see before you today that create that additional amount did not happen here. So I suspect that even the overage – someone above us has thought about it and have a way to resolve it. We did not create it. The budget we sent was $355 million. Any adjustments to that were made outside of this committee. And any provision for making that balance out will be decided somewhere else.

Rep. Lucas: It seems to me that the adjustments were obviously made outside this committee and made at a level that supersedes the authority of this committee. So as I understand it here now, our task is to concur with what they've done, since it was done above our heads and/or not to concur and to just send it back. Either way, it's not going to affect what they are going to do.

Rep. Adams: You are probably right. There is an expectation that we will vote today, and I think we will do that along with any messages that we want to send.

Michele Nelson: I would like to reiterate what I've said about availability. That there is an appropriations side and a finance side and our understanding as staff throughout this process this session is that to handle the fiscal deficiency that there would be an approach from both the appropriations side as well as finance in terms of taxation. If in fact, this particular subcommittee spending is over what your target was when you started to consider your package, then it is not something that in fact they are holding you responsible for because in the overall availability, they have determined that this particular subcommittee's overage will be covered.

Rep. Goforth: I wonder if we have addressed any of these vacant positions that have been vacant more than 6 months? We talked about this in committee and we wanted to take them out of the budget.

Rep. Adams: I can tell you that we did discuss that with them. We can only present it and it is up to them as to whether they adopt our suggestions.

Rep. Goforth: Do we know if they did anything with that?

Michele Nelson: In this package and the Senate package you did. Cultural Resources had a list of vacant positions, 35 all together, and 15 of those had been vacant for over 180 days. They sent back a response that said that many of them had been filled or where getting ready to offer so that by the time we were looking at removing any of those positions, with the exception of what is in this package, and that is the adjustment related to the First Flight Commission, those positions were off the table. Revenue, in this package and the Senate package there were positions that were vacant more than 180 days that have been removed. So we looked at that.

Rep. Lucas: It seems to me that the two major changes from what we accomplished by May 18th and what we have here on June 10th would be first of all, the changes in the Department of Revenue. I think we concluded that was a decision that was made above

our heads. The other issue that I want to raise a question about is the $1million for the project over in Edenton. Was that also above our heads?

Rep. Adams: Yes Sir. My first time seeing it, was this morning.

Rep. Lucas: And there is little we can do about that?

Rep. Adams: Well, I think if we took it out that we would end up seeing it again. That did not come from this committee, so I suspect that whatever we did would not make very much difference. It's probably why we do have an overage when you look at the amount.

Rep. Lucas: Madame Chair is it safe to say that we need to cease to dissipate our energy here.

Michele Nelson: The rent reserve that is under special appropriations, that was an item that was a recommendation from the Governor. Also included in the overall availability was the net from the from the sale of the Polk Building, which is about $4.7 million, therefore what they are doing in that instance is netting the appropriates against the proceeds from the sale. They still have about $2million left on the table in availability from that after deducting the money that you see here for the trip.

Respectfully submitted,

Representative Alma Adams, Ph.D., Chair

ATTEST:

Jamilah Sabir-Calloway, Committee Clerk

RULES FOR HOUSE APPROPRIATIONS SUBCOMMITTEES

June 10, 2005

When amendments are offered, the following rules must be met in order for the amendment to be eligible for consideration.

1. Amendments cannot increase total spending within the draft subcommittee report presented by the subcommittee chairs.

2. Amendments can only affect appropriations within the departments, agencies, or programs within the jurisdiction of the subcommittee.

3. Amendments cannot spend reversions.

4. Nonrecurring reductions cannot be used to fund recurring items.

VISITOR REGISTRATION SHEET

Approp. Gov. — 6/10/05

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	Parker Poe Adams & Bernstein LLP
C Perine	OSBM
George Millsaps	DOA
Robert Powell	OSC
Jameson Marks	OSC
Gwen Canady	OSC
Kari Burgess	OSBM
Cindy Gillian	OSA
Camjee Winston	OA/A
[signature]	Gov's office

VISITOR REGISTRATION SHEET

Approp. Gods — 6/10/08

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Amy Bowman	DST
Robert W Wilson	S.C.S
Ann K. Harris	SDS
Carl Goodwin	OSP
Fred Bone	Bone & Asso.
Danny Lindsey	ITS
Jim Newman	DOI
Courtney A Crowder	NCDOI
David C Brown Jr	OSBM
Karen Wells	arts North Carolina
Keith McCombs	NCDOR

Jonathan's copy

House Appropriations Subcommittee on General Government

Budget Adjustments and Special Provisions

2005-07 Biennium

June 10, 2005

Administration

GENERAL FUND

	FY 05-06	FY 06-07
Recommended Budget	**$60,053,752**	**$61,483,537**

Legislative Changes

1123 Historically Underutilized Businesses

1 Construction Database Mgm't System Enhancement

	$74,915	R	$74,915	R
	$250,000	NR		
	1.00		1.00	

Provides funding to enhance the existing HUBSCO Construction Reporting System to meet the current State Technical Architecture standards and to establish one Application Analyst Programmer position. The Department developed the system to capture HUB expenditures and construction data for the HUB Office and the State Construction Office.

Recurring	FY 2005-06	FY2006-07
531211 Salaries	$63,000	$63,000
531511 Social Security	$4,820	$4,820
531521 Retirement	$3,663	$3,663
531561 Med Ins	$3,432	$3,432
Total Recurring	$74,915	$74,915
Nonrecurring		
532140 IT-HUBSCO Upgrades	$250,000	

	FY 05-06		FY 06-07	

1230 Non-Public Education

2 Non-Public Education Personnel	$79,661	R	$79,661	R
	$1,900	NR		
	2.00		2.00	

Provides funding to establish an Education Program Specialist position ($30,354) and an Office Assistant IV position ($23,316). Also provides additional funding for operating cost. The additional positions and operating cost will allow the Division to expand non-public school visitation, respond to citizen complaints about specific home schools, provide more careful review of annual standardized test results, and to contract out annual mailings to the home schools.

Recurring		FY2005-06	FY2006-07
531211	Salaries	$53,670	$53,670
531511	Social Security	$4,106	$4,106
531521	Retirement	$3,121	$3,121
531561	Med Ins	$6,864	$6,864
532199	Annual Mailings	$4,100	$4,100
532714	Expanded Home Visitations	$4,350	$4,350
532840	Postage	$3,000	$3,000
532811	Telephones	$450	$450
Total Recurring		$79,661	$79,661
Nonrecurring			
534522	PC's	$1,900	

1241 Management Information Systems

3 Information Technology Security Personnel	$81,334	R	$81,334	R
	1.00		1.00	

Provides funding to establish an IT Security Associate Analyst position ($54,811) to address the department's IT security issues that have been identified in the IT Security Assessment conducted by the Office of Information Technology Services.

Recurring		FY2005-06	FY2006-07
531211	Salaries	$54,811	$54,811
531511	Social Security	$4,193	$4,193
531521	Retirement	$3,187	$3,187
531561	Med Ins	$3,432	$3,432
534710	Computer Software	$500	$500
534522	Equipment-Computers	$3,000	$3,000
532811	Telephone Service	$600	$600
532942	Oth Emp Ed Expenses	$3,000	$3,000
532930	Registration Fees	$250	$250
532725	Meals - Out of State	$150	$150
532722	Lodging - Out of State	$625	$625
532440	Maint Agree -DP Equip	$2,565	$2,565
532441	Maint Agree - Software	$5,021	$5,021
Total Recurring		$81,334	$81,334

1311 Office of State Personnel

4 Operating Budget Increases

$71,600 NR

Appropriates funds to purchase equipment and software for the OSP Training Center, and to continue training for mediation services.

	FY 05-06	FY 06-07
532942 Oth Svs/Training	$ 21,600	$ 0
534521 Office Equipment	$ 25,000	$ 0
534711 Computer Software	$ 25,000	$ 0

1511 Purchase and Contract

5 E-Procurement Compliance Personnel

$135,846 R | $135,846 R

$3,800 NR | $0 NR

2.00 | 2.00

Provides funding to establish 2 compliance officer positions ($51,334 each) to provide E-procurement educational outreach, manage the E-procurement contract, and perform compliance reviews. The E-procurement contract requires a review of all direct payments for all NCAS agencies on a quarterly basis.

Recurring	FY2005-06	FY2006-07
531211 Salaries	$102,668	$102,668
531511 Social Security	$7,854	$7,854
531521 Retirement	$5,970	$5,970
531561 Med Ins	$6,864	$6,864
532714 Trans-ground	$2,200	$2,200
532727 Trans-other	$25	$25
532721 Lodging-In State	$1,800	$1,800
532724 Meals-In State	$1,000	$1,000
532811 Telephone Service	$950	$950
532814 Cellular Phones	$1,700	$1,700
532930 Registration Fees	$3,500	$3,500
533110 Gen Office Supplies	$1,315	$1,315
Total Recurring	$135,846	$135,846

Nonrecurring	
534511 Furniture Office	$1,200
534539 Other Equipment	$2,600
Total Nonrecurring	$3,800

1771 Veterans Affairs Division

6 Scholarships Partially Funded From Escheats

($1,491,106) R | ($2,679,379) R

Transfers funding for 76.4% of the scholarships from appropriation-support to receipt-support. The receipts will come from the Escheats Funds. This funding shift continues the funding shift that was made in the 2003 Appropriations Act., S.L. 2003-284. The funding shift does not impact the total amount available for the scholarship program. The total available for scholarships is $5,625,058 for fiscal year 2005-06 and $5,704,249 for fiscal year 2006-07.

	FY 05-06		FY 06-07	
1811 GACPD				
7 Personnel Reduction	($67,686)	R	($67,686)	R
Eliminates salary and fringe benefits equivalent to that of the Assistant Director position (4140-1540-0000-480). The Division Director's position has been vacant since November 2001. The Division also has an Administrative Secretary III position that has been vacant since January 2004. These vacancies have been allowed to remain pending the Governor's decision regarding redesignation of the Council to a non-profit status. The responsibilities of the Director have been performed by the Assistant Director. With the elimination of the salary and fringe benefits in the amount of $67,686, the Department may select which of the Council's 7.28 General Fund positions it will eliminate.	-1.00		-1.00	
1881 Transition Team				
8 Operating Budget Reduction	($120,000)	R	($120,000)	R
Eliminates transition funds for the Council of State members. This funding will not be needed during the 2005-07 biennium.				
1882 Governor's Inauguration				
9 Operating Budget Reduction	($205,000)	R	($205,000)	R
Eliminates funding for the Governor's Inauguration. Funding will not be needed during the 2005-07 biennium.				
Total Legislative Changes	**($1,512,036)**	R	**($2,700,309)**	R
	$327,300	NR	**$0**	NR
Total Position Changes	5.00		5.00	
Revised Budget	**$58,869,016**		**$58,783,228**	

Cultural Resources

GENERAL FUND

	FY 05-06	FY 06-07
Recommended Budget	**$61,114,752**	**$59,597,482**

Legislative Changes

1110 Office of the Secretary

10 Boards and Commissions and North Carolina Awards — $50,000 R — $50,000 R

Provides funding that supports travel and work of the Director of Boards and Commissions, who serves as the departmental liaison with 39 nonprofit support groups and foundations for state historic sites and museums. Additionally, restores state funding for the North Carolina Awards Program, which has been receipt-supported for several years.

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	$ 10,000	$ 10,000
532714 Grd Trans/In-state	$ 9,000	$ 9,000
532721 Lodging/In-state	$ 8,000	$ 8,000
532724 Meals/In-state	$ 6,000	$ 6,000
532727 Misc/In-state	$ 2,000	$ 2,000
532850 Printing	$ 10,000	$ 10,000
533900 Oth Materials/Supplies	$ 5,000	$ 5,000

11 Operating Budget Reduction — ($180,000) R — ($180,000) R

Eliminates funding for historical, art and cultural grants.

1120 Administrative Services

12 Information Technology Services Expansion — $50,000 R — $50,000 R

Appropriates funding to establish one (1) Applications Programmer I position and to purchase additional computer equipment. — $2,500 NR — 1.00

	FY 05-06	FY 06-07
531112 Salaries	$ 41,000	$ 41,000
531511 Social Security	$ 3,137	$ 3,137
531521 Retirement	$ 2,384	$ 2,384
531561 Med Ins	$ 3,432	$ 3,432
532199 Misc Contractual Svs	$ 47	$ 47
534522 Equip - Computers	$ 2,500	

	FY 05-06		FY 06-07	
1210 Historic Resources				
13 Operating Budget Adjustment Makes adjustment in the budget to comply with completion of the First Flight Centennial Commission's work on December 31, 2003. Eliminates salary and fringes of one (1) vacant position, #4802-0100-0002-023; eliminates an equivalent amount of salary reserve and fringes as a result of abolishing four (4) vacant positions on March 1, 2005 -- #4802-0100-0002-022, #4802-0100-0002-026, #4802-0100-0002-028, and #4802-0100-0002-029; and eliminates an amount equal to salary and fringes of two (2) filled positions that are not being abolished.	($380,631) -1.00	R	($380,631) -1.00	R
1230 Archives & Records				
14 Edenton Signers Memorial Funds Provides funding to establish a Signers Memorial on the grounds of the Chowan County Courthouse to honor Hugh Williamson, a signer of the United States Constitution. (HB1680) House, Only	$350,000	NR		
1241 State Historic Sites				
15 Increase Operating Budget Provides additional funds for maintenance of historic sites statewide.	$500,000	R	$500,000	R
16 Charlotte Hawkins Brown Historic Site Provides additional funds for the restoration of Charles W. Eliot Hall on the historic campus.	$1,500,000	NR		
17 Roanoke River Lighthouse Restroation Funds Provides funds for the Edenton Historical Commission to acquire, relocate, and restore the lighthouse. (HB1679) House, Only	$350,000	NR		
18 Historic Bandon Building Restoration Funds Appropriates funding to acquire, move, and restore the 1827 kitchen building of the former Bandon Plantation for location to the State Historic Site in Edenton. (HB1774) House, Only	$300,000	NR		
1243 State Capitol/Visitor Services				
19 Increase Operating Budget Appropriates funds to restore temporary wages that provide personnel for continued visitation and services seven days a week.	$11,500	R	$11,500	R

	FY 05-06		FY 06-07	
1320 Museum of Art				
20 Program Diversity and New Security Personnel	$283,797	R	$250,000	R
	$100,000	NR		
	5.00		5.00	

Provides funding to extend programming to schools and communities using computers, the Internet, and other means in order to broaden the museum's reach statewide. Also, provides funds to establish five (5) new Museum Guard positions. Additionally, appropriates funding in FY 05-06 to update art conservation resources to preserve and protect art.

	FY 05-06	FY 06-07
531112 Salaries	$104,030	$104,030
531511 Social Security	$ 7,958	$ 7,958
531521 Retirement	$ 6,049	$ 6,049
531561 Med Ins	$ 17,160	$ 17,160
532714 Grd Trans/In-state	$ 4,500	$ 4,500
532721 Lodging/In-state	$ 2,300	$ 2,300
532724 Meals/In-state	$ 1,800	$ 1,800
532727 Misc/In-state	$ 1,100	$ 1,100
533900 Oth Materials/Supplies	$ 3,000	$ 3,000
534539 Oth Equipment	$ 15,000	$ 15,000
534610 Art and Artifacts	$120,899	$ 87,102

1330 NC Arts Council

21 Basic Grants Program — $396,133 R — $396,133 R

Increases funding in expenditure account 536990 for grants to individuals and organizations in the categories of arts in education, visual arts, folklife, folk heritage, general and program support, organizational development, outreach, and touring/presenting. This increase provides $2.9 million and restores funding to the FY 2000-01 level for grants that are awarded through a formal application process.

22 Grassroots Arts Program — $580,000 R — $580,000 R

Increases funding in expenditure account 536996 for grants to local arts councils. This increase provides $1.7 million for grants to local arts councils that are awarded through the formal application process.

Michelle

1340 NC Symphony

23 Grant-in-Aid — $543,268 NR

Provides grant-in-aid to the NC Symphony for FY 2005-06.

House, modified

24 Carolina Ballet — $200,000 NR

Provides a grant-in-aid for FY 2005-06

House, only

	FY 05-06		FY 06-07	
1410 State Library Services				
25 Services to the Blind and Physically Handicapped	$16,100	R	$9,100	R
Appropriates funds to install and maintain a new telephone system, and a card access security system for the building and the computer server room.	$27,300	NR		

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	$ 8,000	$ 1,000
532811 Telephone Service	$ 7,000	$ 7,000
532812 Telecomm Data Charges	$ 1,100	$ 1,100
534539 Other Equipment	$ 27,300	

1480 State Library Statewide Programs				
26 Aid to Counties	$1,000,000	R	$1,000,000	R
Provides additional funds to support grants to public libraries based upon the formula for State-Aid to Libraries. The additional funding provides $15.8 million for aid to local libraries.				
Total Legislative Changes	**$2,326,899**	R	**$2,286,102**	R
	$3,373,068	NR		
Total Position Changes	5.00		5.00	
Revised Budget	**$66,814,719**		**$61,883,584**	

General Assembly

	GENERAL FUND	
	FY 05-06	FY 06-07
Recommended Budget	**$43,864,588**	**$46,965,432**
Legislative Changes		
1900 Reserves and Transfers		
27 Operating Reserves		
Reduces operating reserve funds.	($880,000) NR	
Total Legislative Changes	**($880,000) NR**	
Total Position Changes		
Revised Budget	**$42,984,588**	**$46,965,432**

Insurance

GENERAL FUND

	FY 05-06	FY 06-07
Recommended Budget	**$27,831,701**	**$27,866,769**

Legislative Changes

1200 Company Services Group

28 Information Technology Personnel

	$153,852	R	$153,852	R
	$7,200	NR	$0	NR
	2.00		2.00	

Provides funding to establish an Applications Analyst Programmer II position ($58,803) and a Computer Systems Analyst IV position ($64,429) in the Information Services Division. One position will be used to continue the ongoing upgrade from multiple legacy systems to the new integrated Operations Tracking and Information System (OTIS). Duties include programming and the new ongoing maintenance once the OTIS system is completed. The other position will be responsible for security issues at the Department, including implementing the ISO 17799 standard for information technology security.

Recurring		FY2005-06	FY2006-07
531211	Salaries	$123,232	$123,232
531511	Social Security	$9,427	$9,427
531521	Retirement	$7,166	$7,166
531561	Med Ins	$6,864	$6,864
5327XX	Transportation	$2,213	$2,213
5328XX	Communication	$1,200	$1,200
5329XX	Other Services	$2,500	$2,500
533110	Gen Office Supplies	$1,250	$1,250
Total Recurring		$153,852	$153,852
Nonrecurring			
534511	Furniture Office	$7,000	
5358XX	Other Admin. Exp.	$200	

The Insurance Regulatory Fund will reimburse the General Fund for the appropriation.

	FY 05-06		FY 06-07	
29 PEO Personnel and Operating Cost	$89,961	R	$89,961	R
	$5,500	NR		
	1.00		1.00	

Provides funding to establish an Insurance Company Examiner III position ($60,000) to administer and enforce the NC Professional Employer Organization Act (G.S. 58-89A). The primary emphasis of the position will be on the licensing and financial solvency of the PEOs.

Recurring	FY2005-06	FY2006-07
531211 Salaries	$60,000	$60,000
531511 Social Security	$4,590	$4,590
531521 Retirement	$3,489	$3,489
531561 Med Ins	$3,432	$3,432
5327XX Transportation	$11,600	$11,600
5328XX Communication	$1,350	$1,350
5329XX Other Services	$500	$500
533110 General Office Supplies	$2,500	$2,500
533120 Data Processing Supplies	$2,500	$2,500
Total Recurring	$89,961	$89,961

Nonrecurring	
534511 Furniture Office	$3,000
534543 PC/Printer Equipment	$2,500
Total Nonrecurring	$5,500

Fees collected with PEO applications and annual filings will be deposited into the Insurance Regulatory Fund and will be used to reimburse the General Fund for the appropriation.

Total Legislative Changes	**$243,813**	R	**$243,813**	R
	$12,700	NR	**$0**	NR
Total Position Changes	3.00		3.00	
Revised Budget	**$28,088,214**		**$28,110,582**	

Insurance - Workers' Compensation for Volunteer

GENERAL FUND

	FY 05-06		FY 06-07
Recommended Budget	**$4,500,000**		**$4,500,000**
Legislative Changes			
1900 Reserves and Transfers			
30 Volunteer Safety Workers' Compensation Fund			
Reduces the General Fund appropriation to the Volunteer Safety Workers' Compensation Fund on a non-recurring basis. This reduction will not affect the operations of the Fund. The balance in the Fund as of February 28, 2005 was $21.98 million. The average of the Fund's balances for the past 4 years is $21.47 million.	($2,000,000)	NR	
Total Legislative Changes	**($2,000,000)**	**NR**	
Total Position Changes			
Revised Budget	**$2,500,000**		**$4,500,000**

Lieutenant Governor

GENERAL FUND

	FY 05-06		FY 06-07	
Recommended Budget	**$690,697**		**$690,697**	
Legislative Changes				
1110 Administration				
31 Increase Office Assistant Position to Full Time	$8,404	R	$8,404	R
Increases an Office Assistant position (Pos # 3100-000-0016-035) from 30 to 40 hours per week.	0.25		0.25	
32 Increase Operating Budget	$2,400	R	$2,400	R
Provides funding to increase the operating budget in the following line items:				

		FY 05-06	FY 06-07
532811	Telephone service	$600	$600
532814	Cellular phone service	$1,200	$1,200
532850	Printing, Binding, Dup	$600	$600

33 Additional Personnel	$51,536	R	$51,536 R
Provides funding to establish a second Policy Development Analyst to serve as an Assistant to the Lieutenant Governor for Policy and Research.	$1,700	NR	
	1.00		1.00

		FY 05-06	FY 06-07
531111	Salaries	$42,307	$42,307
531511	Social Security	$3,237	$3,237
531521	Retirement	$2,460	$2,460
531561	Med Ins	$3,432	$3,432
533110	Gen Office Sup	$100	$100
534534	PC/Printer Equipment	$1,200	
534713	PC Software	$500	

Total Legislative Changes	**$62,340**	R	**$62,340**	R
	$1,700	NR		
Total Position Changes	1.25		1.25	
Revised Budget	**$754,737**		**$753,037**	

Office of Administrative Hearings

GENERAL FUND

	FY 05-06		FY 06-07	
Recommended Budget	**$2,976,210**		**$2,967,712**	
Legislative Changes				
1100 Administration and Operations				
34 Software Upgrade Provides funding for a software upgrade that allows the North Carolina Register to be published on the Internet. Recurring funds are provided for the software's on-going maintenance support and hosting service, and nonrecurring funds are provided to purchase the upgrade.	$2,000 $9,200	R NR	$2,000	R
Total Legislative Changes	**$2,000** **$9,200**	**R** **NR**	**$2,000**	**R**
Total Position Changes				
Revised Budget	**$2,987,410**		**$2,969,712**	

Revenue

GENERAL FUND

	FY 05-06	FY 06-07
Recommended Budget	**$82,817,444**	**$82,960,444**

Legislative Changes

1602 Security

35 Additional Personnel

Provides funds to establish one (1) Systems Security Analyst position. This position will address issues raised in the 2004 Statewide Security Assessment conducted by the Office of Information Technology Services.

	$79,134	R	$80,000	R
	$500,000	NR		
	1.00		1.00	

	FY 05-06	FY 06-07
531211 Salaries	$ 64,429	$ 64,429
531511 Social Security	$ 4,929	$ 4,929
531521 Retirement	$ 3,747	$ 3,747
531561 Med Ins	$ 3,432	$ 3,432
532140 Oth IT	$ 350,000	$ 2,565
532714 Trans Grd In State	$ 2,597	$ 898
534713 PC Software Purchases	$ 75,000	
534714 Server Software Purchases	$ 75,000	

1605 InformationTechnology

36 Increase IT Operating Funds

Appropriates funding to support salaries, benefits, and computer equipment for three (3) additional positions: Computing Consultant III ($38,773), Applications Analyst Programmer I ($42,307), and Senior Computer Operator ($28,038).

	$134,107	R	$134,107	R
	$28,871	NR		
	3.00		3.00	

	FY 05-06	FY 06-07
531211 Salaries	$ 109,118	$ 109,118
531511 Social Security	$ 8,348	$ 8,348
531521 Retirement	$ 6,345	$ 6,345
531561 Med Ins	$ 10,296	$ 10,296
534534 PC & Printer Purchases	$ 24,000	
534713 PC Software	$ 4,871	

1607 Tax Research

37 Personnel Adjustments

Eliminates salary and related benefits of two positions that have been vacant for more than six months: Office Assistant III, #4774-0000-0040-010 ($29,561); and Statistical Assistant V, #4774-0000-0040-315 ($29,814).

	($59,375)	R	($59,375)	R
	-2.00		-2.00	

	FY 05-06		FY 06-07	

1629 Property Tax

38 New Personnel

	$68,458	R	$68,458	R
	$6,000	NR		
	1.00		1.00	

Appropriates funds to establish one (1) Property Tax Valuation Specialist position. The cost associated with the position will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. Property tax expenses are reimbursed by the local sales tax at 100%.

	FY 05-06	FY 06-07
531211 Salaries	$ 51,334	$ 51,334
531511 Social Security	$ 3,927	$ 3,927
531521 Retirement	$ 2,985	$ 2,985
531561 Med Ins	$ 3,432	$ 3,432
532448 Maint Agreement-Software	$ 230	$ 230
532714 Trans Grd In State	$ 4,500	$ 4,500
532721 Lodging In State	$ 600	$ 600
532724 Meals In State	$ 600	$ 600
532811 Telephone Service	$ 350	$ 350
533110 Gen Office Supplies	$ 500	$ 500
534511 Furniture - Office	$ 4,500	
534534 PC & Printer Purchases	$ 900	
534713 PC Software Purchases	$ 600	

1660 Examination and Collection

39 Operating Budget Reduction

	($3,664,145)	R	($3,664,145)	R

Adjusts budget with a recurring reduction that is the result of transferring General Fund operations to receipt-support in FY 04-05 using funds from the 20% Collection Assistance Fee in Budget Code 24704-2474.

40 Personnel Transfer

	($75,339)	R	($75,339)	R
	-2.00		-2.00	

Transfers salaries and related benefits from General Fund to receipt-support from the 20% Collection Assistance Fee in Budget Code 24704-2472 for two (2) positions: Revenue Administrative Officer I, #4784-0000-0076-593 ($47,426); and Processing Assistant IV, #4784-0000-0076-598 ($27,913).

	FY 05-06		FY 06-07	
41 Revenue Enhancement	$2,960,008	R	$2,960,008	R
	$484,647	NR		
	56.00		56.00	

House only

Appropriates funds to employ fifty-six (56) positions to enhance compliance, enforcement, and debt collection services.

Collection Personnel

5	Information Processing Tech (CCU-Raleigh)	- $125,180
13	Revenue Officer I (Charlotte)	- $445,692
5	Revenue Officer I (Durham)	- $171,420
3	Revenue Officer I (Fayetteville)	- $102,852
5	Revenue Officer I (Greensboro)	- $171,420
3	Revenue Officer I (Hickory)	- $102,852
8	Revenue Officer I (Raleigh)	- $274,272
3	Revenue Officer II (Charlotte)	- $111,432
1	Revenue Officer II (Durham)	- $ 37,144
1	Revenue Officer II (Greensboro)	- $ 37,144
2	Revenue Officer II (Raleigh)	- $ 74,288
1	Revenue Officer II (CCU-Raleigh)	- $ 37,144

	FY 05-06	FY 06-07
531211 SPA Regular Salaries	$1,690,840	$1,690,840
531521 Retirement Cont	$ 98,322	$ 98,322
531511 Soc Security Cont	$ 128,757	$ 128,757
531561 Med Insurance	$ 171,600	$ 171,600
532446 Maint - LAN (switch) Charlotte (1)	$ 300	$ 300
532446 Maint - LAN (switch) Fayetteville (1)	$ 300	$ 300
532446 Maint - LAN (switch) Greensboro (2)	$ 600	$ 600
532447 Maint - PC & Printer (desktop)	$ 1,542	$
532447 Maint - PC & Printer (laptop)	$ 15,708	$
532448 Maint - PC Software (desktop)	$ 600	$ 600
532448 Maint - PC Software (laptop)	$ 4,400	$ 4,400
532448 Maint - PC Software (licenses)	$ 4,440	$ 4,440
532512 Rent/Lease - Office Bldgs (A)	$ 46,240	$ 46,240
532714 Tran/Grd - In - State	$ 90,000	$ 90,000
532814 Cellular Svs (smart phone)	$ 16,800	$ 16,800
532811 Telephone Svs	$ 17,500	$ 17,500
532817 Internet Service Provider	$ 7,200	$ 7,200
532818 Data Wiring Svs Charge	$ 25,000	$
532819 Telephone Wiring Svs Chg	$ 25,000	$
532821 Computer Data Process	$ 420,000	$ 420,000
533110 Gen Office Supplies	$ 25,000	$ 25,000
534521 Office Equip (calculator)	$ 5,000	$
534511 Furniture - Office	$ 225,000	$
534528 Voice Comm Equip (phone)	$ 10,000	$
534528 Voice Comm Equip (smart phone)	$ 5,000	$
534533 LAN Equip (switch) - Charlotte (1)	$ 5,000	$
534533 LAN Equip (switch) - Greensboro (2)	$ 10,000	$
534533 LAN Equip (switch) - Fayetteville (1)	$ 5,000	$
534534 PC & Printer Pur (desktop)	$ 1,854	$

534534	PC & Printer Pur (laptop)	$ 43,120	$
534534	PC & Printer Pur (travel carr)	$ 4,400	$
534534	PC & Printer Pur (monitor)	$ 10,450	$
534713	PC Software Pur (software)	$ 20,000	$
534713	PC Software Pur (license)	$ 30,000	$

IT Support Personnel

1 Computing Consultant III - $ 38,773

		FY 05-06	FY 06-07
531211	SPA Regular Salaries	$ 38,773	$ 38,773
531511	Soc Security Cont	$ 2,953	$ 2,953
531521	Retirement Cont	$ 2,255	$ 2,255
531561	Med Insurance	$ 3,432	$ 3,432
532447	Maint - PC & Printer (laptop)	$ 357	$
532448	Maint - PC Software	$ 100	$ 100
532714	Tran/Grd - In - State	$ 500	$ 500
532811	Telephone Svs	$ 350	$ 350
532817	Internet Service Provider	$ 144	$ 144
534528	Voice Comm Equip (phone)	$ 200	$
533110	Gen Office Supplies	$ 500	$ 500
534534	PC & Printer Pur (laptop)	$ 980	$
534534	PC & Printer Pur (monitor)	$ 209	$
534713	PC Software Pur (Software)	$ 400	$
534534	PC & Printer Pur (travel carr)	$ 100	$

Processing Support Personnel

1 Information Processing Tech - $ 25,036

1 Processing Assistant IV - $ 21,576

		FY 05-06	FY 06-07
531211	SPA Regular Salaries	$ 46,612	$ 46,612
531511	Soc Security Cont	$ 3,550	$ 3,550
531521	Retirement Cont	$ 2,710	$ 2,710
531561	Med Insurance	$ 6,864	$ 6,864
532447	Maint - PC & Printer (laptop)	$ 514	$
532448	Maint - PC Software	$ 200	$ 200
532811	Telephone Svs	$ 700	$ 700
532817	Internet Service Provider	$ 288	$ 288
534511	Furniture - Office	$ 9,000	$
533110	Gen Office Supplies	$ 1,000	$ 1,000
534528	Voice Comm Equip (phone)	$ 400	$
534534	PC & Printer Pur (desktop)	$ 618	$
534534	PC & Printer Pur (monitor)	$ 570	$
534713	PC Software Pur (software)	$ 800	$
534534	PC & Printer Pur (printer)	$ 3,600	$
534521	Office Equip (calculator)	$ 200	$

Taxpayer Assistance Personnel

2 Revenue Officer I (Durham) - $ 68,568

		FY 05-06		FY 06-07
531211	SPA Regular Salaries	$ 68,568	$	68,568
531511	Soc Security Cont	$ 5,221	$	5,221
531521	Retirement Cont	$ 3,987	$	3,987
531561	Med Insurance	$ 6,864	$	6,864
532447	Maint - PC & Printer (laptop)	$ 514	$	
532446	Maint - LAN Equip (switch)	$ 300	$	300
532448	Maint - PC Software	$ 200	$	200
532512	Rent/Lease - Office Bldgs (A)	$ 2,720	$	2,720
532811	Telephone Svs	$ 700	$	700
532817	Internet Service Provider	$ 288	$	288
533110	Gen Office Supplies	$ 1,000	$	1,000
534511	Furniture - Office	$ 9,000	$	
534521	Office Equip (calculator)	$ 200	$	
534528	Voice Comm Equip (phone)	$ 400	$	
534533	LAN Equip (switch)	$ 5,000	$	
534534	PC & Printer Pur (desktop)	$ 618	$	
534534	PC & Printer Pur (monitor)	$ 418	$	
534713	PC Software Pur	$ 800	$	
534534	PC & Printer Pur (printer)	$ 1,800	$	

HR Support Personnel
1 Personnel Technician II - $ 28,038

		FY 05-06		FY 06-07
531211	SPA Regular Salaries	$ 28,038	$	28,038
531511	Soc Security Cont	$ 2,135	$	2,135
531521	Retirement Cont	$ 1,630	$	1,630
531561	Med Insurance	$ 3,432	$	3,432
532447	Maint - PC & Printer (desktop)	$ 257	$	
532448	Maint - PC Software	$ 100	$	100
532811	Telephone Svs	$ 350	$	350
532817	Internet Service Provider	$ 144	$	144
533110	Gen Office Supplies	$ 500	$	500
534511	Office Furniture	$ 4,500	$	
534534	PC & Printer Pur (desktop)	$ 309	$	
534534	PC & Printer Pur (monitor)	$ 209	$	
534713	PC Software Pur (software)	$ 400	$	
534528	Voice Comm Equip (phone)	$ 200	$	

1662 Taxpayer Call Center

42 Operating Expense Transfer	($2,007,624)	R	($2,008,039)	R
Transfers 47 positions from General Fund to receipt-support from the 20% Collection Assistance Fee in Budget Code 24704-2472. The positions provide Level I call center support for the Taxpayer Assistance and Collection Center (TACC).	-47.00		-47.00	

	FY 05-06		FY 06-07	
43 Additional Revenue Enhancement Personnel	$538,644	R	$538,644	R
Appropriates funding for 19 Processing Assistant IV positions to support work of the new compliance, enforcement, and debt collection personnel in the Examination and Collection Division.	19.00		19.00	

House only

	FY 05-06	FY 06-07
531211 SPA Regular Salaries	$ 409,944	$ 409,944
531511 Soc Security Cont	$ 31,218	$ 31,218
531521 Retirement Cont	$ 23,838	$ 23,838
531561 Med Insurance	$ 65,208	$ 65,208
532817 Internet Service Provider	$ 2,736	$ 2,736
532523 Rent/Lease-Voice Comm Eq (ITS Lease)	$ 5,700	$ 5,700

1663 Project Compliance

44 Tax Information Initiative – Reference Charge	$250,000	R	$250,000	R
Provides funding to continue the tax information initiative implemented in the 2004 Session that will improve tax compliance rates.				

1670 Unauthorized Substance Tax

45 Additional Personnel	$61,206	R	$61,206	R
	$6,000	NR		
Appropriates funds to establish one (1) Unauthorized Substance (USUB) Tax Enforcement Agent I. The cost associated with the position will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. USUB expenses are reimbursed by the local sales tax at 70% with the General Fund supporting the remaining 30% of funding.	1.00		1.00	

	FY 05-06	FY 06-07
531211 Salaries	$ 43,046	$ 43,046
531511 Social Security	$ 3,293	$ 3,293
531521 Retirement	$ 4,655	$ 4,655
531561 Med Ins	$ 3,432	$ 3,432
532448 Maint Agreement-Software	$ 230	$ 230
532714 Trans Grd In State	$ 4,500	$ 4,500
532721 Lodging In State	$ 600	$ 600
532724 Meals In State	$ 600	$ 600
532811 Telephone Service	$ 350	$ 350
533110 Gen Office Supplies	$ 500	$ 500
534511 Furniture - Office	$ 4,500	
534534 PC & Printer Purchases	$ 900	
534713 PC Software Purchases	$ 600	

1710 Fuel Tax Compliance

46 Expansion of Revenue Tax Evasion Project

Provides funding to add nine (9) positions to staff the project that was authorized in the 2004 Session, resulting in a total of nineteen (19) positions. Receipt-support continues for the project with the transfer of funding from the Highway Trust Fund. Total funding for the additional personnel is $548,633 in FY 05-06 and $470,701 in FY 06-07.

Positions

1	Processing Unit Supervisor (Gr. 61)	- $23,251
1	Processing Assistant V (Gr. 61)	- $23,251
1	Information Processing Tech (Gr. 63)	- $30,684
4	Revenue Tax Auditor I (Gr. 73)	- $148,576
1	Revenue Tax Auditor II (Gr. 75)	- $51,334
1	Revenue Admin Officer III (Gr. 78)	- $58,803

		FY 05-06	FY 06-07
531211	Salaries	$ 335,899	$ 335,899
531511	Social Security	$ 25,696	$ 25,696
531521	Retirement	$ 19,533	$ 19,533
531561	Med Ins	$ 30,888	$ 30,888
532448	Maint Agreement-Software	$ 0	$ 1,035
532714	Trans Grd In State	$ 32,000	$ 32,000
532721	Lodging In State	$ 4,000	$ 4,000
532724	Meals In State	$ 4,000	$ 4,000
532811	Telephone Service	$ 3,150	$ 3,150
532821	Comp Data Processing	$ 10,000	$ 10,000
533110	Gen Office Supplies	$ 4,500	$ 4,500
Total Recurring		$ 469,666	$ 470,701

532447	Maint Agree - PC/Printer	$ 2,456
532942	Oth Emp Ed Expenses	$ 12,881
534511	Furniture - Office	$ 40,500
534521	Office Equip (calculator)	$ 900
534534	PC/Printer (laptops & desks)	$ 12,380
534534	PC/Printer Equipment	$ 4,450
534713	PC Software Purchases	$ 5,400
Total Non-Recurring		$ 78,967

Total Legislative Changes	**($1,714,920)**	**R**	**($1,714,469)**	**R**
	$1,025,518	**NR**		
Total Position Changes	30.00		30.00	
Revised Budget	**$82,128,042**		**$81,245,975**	

Secretary of State

GENERAL FUND

	FY 05-06		FY 06-07	
Recommended Budget	**$8,568,943**		**$8,549,857**	
Legislative Changes				
1210 Corporations Division				
47 Decrease Budgeted Receipts Reduces budgeted receipts for sale of data tapes to reflect actual receipts. The demand for bulk data through the purchase of data tapes has significantly decreased over the past several years. The budgeted requirements for producing the tapes has been reduced but there has been no corresponding decrease in budgeted receipts. The decrease in budgeted receipts to reflect actual receipts requires a corresponding increase in appropriations.	$61,900	R	$61,900	R
1220 Uniform Commercial Code Division				
48 Decrease Budgeted Receipts Reduces budgeted receipts for sale of data tapes to reflect actual receipts. The demand for bulk data through the purchase of data tapes has significantly decreased over the past several years. The budgeted requirements for producing the tapes has been reduced but there has been no corresponding decrease in budgeted receipts. The decrease in budgeted receipts to reflect actual receipts requires a corresponding increase in appropriations.	$64,175	R	$64,175	R
1230 Securities Division				
49 Operating Cost Increase Provides funding for new lease costs for the Department's Securities Division. The Department had to enter into a lease for space for its Securities Division when it was required to vacate the Legislative Office Building.	$89,000	R	$89,000	R
Total Legislative Changes	**$215,075**	R	**$215,075**	R
Total Position Changes				
Revised Budget	**$8,784,018**		**$8,764,932**	

State Board of Elections

GENERAL FUND

	FY 05-06		FY 06-07	
Recommended Budget	**$4,957,543**		**$4,959,307**	
Legislative Changes				
1200 Campaign Reporting				
50 Campaign Reporting IT Support	$110,000	R	$110,000	R
Provides funding to establish one Applications Analyst Programmer I position ($46,306) to assist in supporting and enhancing the Campaign Finance Management System.	1.00		1.00	

		FY2005-06	FY2006-07
531211	Salaries	$46,306	$46,306
531511	Social Security	$3,542	$3,542
531521	Retirement	$2,693	$2,693
531561	Med Ins	$3,432	$3,432
532143	LAN Support Services	$54,027	$54,027

Total Legislative Changes	**$110,000**	R	**$110,000**	R
Total Position Changes	1.00		1.00	
Revised Budget	**$5,067,543**		**$5,069,307**	

State Budget & Management

GENERAL FUND

	FY 05-06		FY 06-07	
Recommended Budget	**$4,904,371**		**$4,908,931**	
Legislative Changes				
1310 Office of State Budget and Management				
51 NEON Maintenance Contract	$7,000	R	$7,000	R
Provides funding to pay for an annual Shadow Web Server maintenance contract. This cost is required for the maintenance of OSBM budget-related, Web-enabled applications located on the State-owned mainframe computer system.				
52 Personnel Increases	$105,864	R	$105,864	R
	$2,500	NR	$0	NR
	2.00		2.00	
Provides funding to establish one Standard Level Analyst for the Justice and Public Safety (JPS) Section at a salary of $48,321 and one Standard Level Analyst for the Education and Transportation sections at a salary of $38,772. The JPS Analyst will assist in the budget preparation, administration, and oversight for the Administrative Office of the Courts and for the Departments of Crime Control and Public Safety, Justice, Correction, Indigent Defense, and Juvenile Justice. The time and effort for the second position will be devoted to the Education Section (50%) and to the Transportation Section (50%) to assist in the budget preparation, administration, and oversight for the University System, the Department of Public Instruction, the North Carolina Community College System and for the Department of Transportation, the Highway Fund, and the Highway Trust Fund.				

Recurring	FY2005-06	FY2006-07
531211 SPA Regular Salaries	$87,093	$87,093
531511 Social Security	$6,663	$6,663
531521 Retirement	$5,064	$5,064
531561 Medical Insurance	$6,864	$6,864
Total Recurring	$105,684	$105,684
Nonrecurring		
534511 Furniture - Office	$700	
534534 PC & Printer Purchases	$1,800	

Total Legislative Changes	**$112,864**	R	**$112,864**	R
	$2,500	NR	**$0**	NR
Total Position Changes	2.00		2.00	
Revised Budget	**$5,019,735**		**$5,021,795**	

State Budget & Management - Special Appropriati

GENERAL FUND

	FY 05-06		FY 06-07	
Recommended Budget	**$3,180,000**		**$3,180,000**	
Legislative Changes				
1022 2005 Special Appropriations				
53 Kids Voting NC Funds				
Provides funding to Kids Voting of North Carolina, Inc, a nonprofit corporation. Of the $250,000 appropriated, $50,000 shall be used to implement new Kids Voting programs in non-participating counties across the State. The remaining $200,000 shall be divided on the basis of the North Carolina Department of Public Instruction's Average Daily Membership with a minimum of $2,500 for the following counties: Buncombe, Cabarrus, Catawba, Clay, Cumberland, Durham, Greene, Guilford, Haywood, Henderson, Iredell, Jackson, Madison, Mecklenburg, New Hanover, Onslow, Randolph, and Wake to assist those counties with their Kids Voting programs (SB 690 and HB 895).	$250,000	NR		
1900 Reserves and Transfers				
54 Reserve for Rent Expenses	$1,131,429	R	$1,131,429	R
Provides funding to establish a reserve for rent for State agencies with office space in the Polk Building in Charlotte. The Polk Building has been sold and the agencies in that building are required to relocate. Also provides nonrecurring funding to cover the relocation expenses of the agencies moving from the Polk Building as well as for the relocation expenses of State agencies that will be affected by the anticipated sale of the Blount Street properties in Raleigh.	$1,125,000	NR		
Total Legislative Changes	**$1,131,429**	R	**$1,131,429**	R
	$1,375,000	NR		
Total Position Changes				
Revised Budget	**$5,686,429**		**$4,311,429**	

House, only

State Controller

GENERAL FUND

	FY 05-06		FY 06-07	
Recommended Budget	**$9,960,527**		**$9,966,970**	
Legislative Changes				
1000 Administration				
55 Additional Personnel	$77,541	R	$77,541	R
Appropriates funding for the addition of an Internal Control position to conduct on-site compliance reviews, prepare reports based on the findings, and perform follow-up on State property incident reports when warranted.	$5,200	NR		
	1.00		1.00	

	FY 05-06	FY 06-07
531112 Salaries	$ 58,803	$ 58,803
531511 Social Security	$ 4,498	$ 4,498
531521 Retirement	$ 3,419	$ 3,419
531561 Med Ins	$ 3,432	$ 3,432
532447 Maint Agree-PC & Printer	$ 300	$ 300
532448 Maint Agree-PC software	$ 300	$ 300
532714 Trans Grd In State	$ 1,725	$ 1,725
532721 Lodging In State	$ 2,977	$ 2,977
532724 Meals In State	$ 1,586	$ 1,586
533110 Gen Office Supplies	$ 500	$ 500
534534 PC & Printer Purchases	$ 5,200	

Total Legislative Changes	**$77,541**	R	**$77,541**	R
	$5,200	NR		
Total Position Changes	1.00		1.00	
Revised Budget	**$10,043,268**		**$10,044,511**	

Treasurer

GENERAL FUND

	FY 05-06	FY 06-07
Recommended Budget	**$8,222,117**	**$8,228,365**

Legislative Changes

1310 Local Government Operations

56 Information Technology Enhancements $400,000 NR

Provides funding to perform feasibility studies along with the development of the requirements of a new document imaging system and a new debt management system. The funds will be used to hire consultants to: 1) document current business processes and workflows, 2) prepare business and technical requirements for the new systems, 3) prepare a request for proposals, 4) research and provide a list of potential vendors, 5) develop a high level project plan, 6) develop a high level risk analysis, and 7) develop an estimated budget for the implementation of these 2 systems. Of the total provided, $150,000 is for the document imaging system and $250,000 is for the debt management system.

1410 Retirement Systems Division

57 Information Technology Project/ 2005-07 Biennium

Authorizes the use of receipts on a nonrecurring basis from the Retirement Fund for the final two phases of the Retirement Systems Division's Information Technology project (ORBITS).

ORBITS Project	FY2005-06	FY2006-07
5321XX	$6,528,742	$4,209,349
5324XX	$1,086,838	$739,216
5325XX	$129,600	$129,600
5345XX	$596,300	$396,300
5347XX	$35,350	$35,350
Total	$8,376,830	$5,509,815

Also authorizes the use of receipts on a recurring basis to establish two Applications Analyst Programmer II positions ($58,803 each) to help develop the new system and maintain the system once the project is completed.

Salaries/Fringes	FY2005-06	FY2006-07
531212 Salaries	$117,606	$117,606
531512 Social Security	$8,997	$8,997
531522 Retirement	$6,839	$6,839
531562 Med Ins	$6,864	$6,864
Total Recurring	$140,306	$140,306

No General Funds are required to fund this project.

58 Operating Budget to Support Administration of 401K

Authorizes the use of up to $118,381 in receipts from amounts collected by the third party administrator of the 401(K) Supplemental Retirement Plan to support the administration of the Plan.

House modified

The receipts will be used to cover administrative expenses including an independent review of the investment performance of the program, development and review of RFPs, and actuarial and legal fees ($94,896).

The receipts will also fund a proportionate share of existing costs that are attributable to the 401(K) Plan. Specifically, the Department shall shift 5% of the salary and benefits of the Retirement Systems Divisions Director and its Communication Manager from Retirement System receipts 401(K) Plan receipts ($8,604). It shall also shift 25% of the salary and benefits of an existing Portfolio Manager to 401(K) Plan receipts ($14,881).

1510 Financial Operations Division

59 Personnel Increase

	$67,478	R	$67,478	R
	$1,000	NR		
	1.00		1.00	

Provides funding to establish a Debt Service Accounting position to properly account for the increased activity in the debt service area. With the substantial increased amount of debt that the State has issued and the complexity of the debt instruments, it has become very difficult to manage the increased workload with the current staffing levels.

Recurring	FY2005-06	FY2006-07
531212 Salaries	$56,181	$56,181
531512 Social Security	$4,298	$4,298
531522 Retirement	$3,267	$3,267
531562 Med Insurance	$3,432	$3,432
533110 Gen Office Supplies	$300	$300
Total Recurring	$67,478	$67,478
Nonrecurring		
534511 Furniture-Office	$1,000	

The General Fund will be reimbursed from a non-tax revenue source for the amount of the appropriation.

Total Legislative Changes	**$67,478**	R	**$67,478**	R
	$401,000	NR		
Total Position Changes	1.00		1.00	
Revised Budget	**$8,690,595**		**$8,295,843**	

Treasurer - Retirement for Fire and Rescue Squad

GENERAL FUND

	FY 05-06		FY 06-07	
Recommended Budget	**$8,146,179**		**$8,146,179**	
Legislative Changes				
1412 Gen. Fund Contribution to Fire Pension Fund				
60 Increase Retirement Benefits Increases the benefits in the Firemen's and Rescue Squad Workers' Pension Fund from $161 to $163 per month for retirees and future retirees effective July 1, 2005.	$405,278	R	$405,278	R
Total Legislative Changes	**$405,278**	R	**$405,278**	R
Total Position Changes				
Revised Budget	**$8,551,457**		**$8,551,457**	

SPECIAL PROVISIONS

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-ADMIN-H1(S19.1)i-P

Department of Administration
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

CONTINUATION OF THE STUDY OF ADVOCACY PROGRAMS IN THE DEPARTMENT OF ADMINISTRATION

SECTION 19.1. The Secretary of the Department of Administration, in collaboration with appropriate entities that concentrate on public policy and business management, shall continue the study that was completed during the 2003-2004 fiscal year of the functions of the advocacy programs that are housed in the Department of Administration to determine the appropriate organizational placement of the programs within State government. The study shall include both the advocacy and service functions of the Division of Veterans Affairs, the Council for Women and the Domestic Violence Commission, the Commission of Indian Affairs, the Governor's Advocacy Council for Persons with Disabilities, the Human Relations Commission, and the Youth Advocacy and Involvement Office. The study shall also consider whether the functions of the programs could be more efficiently and effectively performed by an appropriate nonprofit organization. The Secretary shall report the findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Senate and House of Representatives Appropriations Committees by April 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-ADMIN-H2(S19.2)i-P

Department of Administration
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

VETERANS SCHOLARSHIPS PARTIALLY FUNDED FROM ESCHEAT FUND

SECTION 19.2. In accordance with G.S. 116B-7(b), there is appropriated from the Escheat Fund to the Department of Administration the sum of four million two hundred ninety-seven thousand five hundred forty-four dollars ($4,297,544) for the 2005-2006 fiscal year and four million three hundred fifty-eight thousand forty-six dollars ($4,358,046) for the 2006-2007 fiscal year.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-ADMIN-H3(S19.3)i-P

Department of Administration
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

STATE VETERANS CEMETERIES

SECTION 19.3. The Department of Administration may use funds credited to the Veterans Burial Fund for the 2005-2007 biennium to cover costs incurred as a result of burials on Saturday or Sunday.

Marilyn

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

House Modified

DRAFT
SPECIAL PROVISION

2005-ADMIN-H4(S19.4)-P

Department of Administration
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

ALLOCATION OF PETROLEUM VIOLATION ESCROW FUNDS

SECTION 19.4. Of the unallocated balance of the funds and interest thereon received from the cases of United States v. Stripper Well, United States v. Exxon, United States v. Diamond Shamrock, United States v. Amoco, United States v. Chevron, and United States v. Occidental that remain in the Special Reserve for Oil Overcharge Funds, there is appropriated to the Department of Administration the sum of one million five hundred thousand dollars ($1,500,000) for the 2005-2006 fiscal year to be allocated for projects approved by the State Energy Policy Council.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-GOV-H1(S20.1)i-P

Office of the Governor
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

HOUSING FINANCE AGENCY HOME MATCHING FUNDS

SECTION 20.1.(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 Tier One, Tier Two, or Tier Three Enterprise Counties under G.S. 105-129.3; 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 United States 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.

SECTION 20.1.(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.

SECTION 20.1.(c) Funds appropriated in this act to match federal HOME Program funds shall not revert to the General Fund on June 30, 2006, or on June 30, 2007.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

House, only

DRAFT
SPECIAL PROVISION

2005-IT-H1-P

Information Technology
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

MULTIYEAR MAINTENANCE CONTRACTS

SECTION 20.3.(a) Notwithstanding the cash management provisions of G.S. 147-86.11, the State Controller may authorize the Office of Information Technology Services (ITS) to purchase not more than four infrastructure maintenance agreements for periods not exceeding three years where the terms of those maintenance agreements require payment of the full purchase price at the beginning of the maintenance period. The State Controller shall not authorize the agreements authorized by this section unless all of the following conditions are met:

(1) The proposed infrastructure maintenance agreement is entered into after June 30, 2005, and before July 1, 2007.

(2) The State Controller receives conclusive evidence that the proposed infrastructure agreement would be more cost-effective than any similar agreement that complies with G.S. 147-86.11.

(3) The Office of State Budget and Management (OSBM) verifies to the State Controller that the savings resulting from the proposed infrastructure agreement will be passed on to users in the form of lower rates for ITS Internal Service Fund services.

(4) The purchase of the proposed maintenance agreement complies in all other respects with applicable statutes and rules.

(5) ITS shall make adjustments of excess revenue, based on rates approved by OSBM, over allowable costs.

SECTION 20.3.(b) OSBM shall verify that each proposed infrastructure agreement results in lower ITS rates for Internal Service Fund services, and subsequently reduces the appropriate State agencies' budgets by the same amount of the projected rate reductions.

SECTION 20.3.(c) OSBM shall report on budget reductions and provide full justification for any authorizations granted under this section to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the General Assembly within 30 days after the authorization is granted.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-INS-H1(S21.1)i-P

Department of Insurance
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

INSURANCE REGULATORY FUND TRANSFER TO GENERAL FUND

SECTION 21.1. The Commissioner of Insurance shall transfer funds quarterly from the Insurance Regulatory Fund to the General Fund to repay the funds appropriated to the Department of Insurance from the General Fund for each fiscal year, plus accrued interest at a rate determined by the State Treasurer.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-REV-H1(S22.1)i-P

Department of Revenue
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

DEPARTMENT OF REVENUE DEBT FEE FOR TAXPAYER LOCATER SERVICES AND COLLECTION

SECTION 22.1.(a) G.S. 105-243.1(e) reads as rewritten:

"(e) Use. – The fee is a receipt of the Department and must be applied to the costs of collecting overdue tax debts. The proceeds of the fee must be credited to a special account within the Department and may be expended only as provided in this subsection. The proceeds of the fee may not be used for any purpose that is not directly and primarily related to collecting overdue tax debts. The Department may apply the proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of the fee may be spent only pursuant to appropriation by the General Assembly. The fee proceeds do not revert but remain in the special account until spent for the costs of collecting overdue tax debts. The Department and the Office of State Budget and Management must account for all expenditures using accounting procedures that clearly distinguish costs allocable to collecting overdue tax debts from costs allocable to other purposes and must demonstrate that none of the fee proceeds are used for any purpose other than collecting overdue tax debts.

The Department may apply the fee proceeds for the following purposes:

(1) To pay contractors for collecting overdue tax debts under subsection (b) of this section.

(2) To pay the fee the United States Department of the Treasury charges for setoff to recover tax owed to North Carolina.

(3) To pay for taxpayer locater services, not to exceed one hundred thousand dollars ($100,000) a year.

(4) To pay for postage or other delivery charges for correspondence directly and primarily relating to collecting overdue tax debts.

(5) To pay for operating expenses for Project Collection Tax and the Taxpayer Assistance Call Center.

(6) To pay for expenses of the Examination and Collection Division directly and primarily relating to collecting overdue tax debts."

SECTION 22.1.(b) G.S. 105-243.1(f) reads as rewritten:

"(f) Reports. – The Department must report semiannually to the Joint Legislative Commission on Governmental Operations and to the Revenue Laws Study Committee on its efforts to collect tax debts. Each report must include a breakdown of the amount and age of tax debts collected by collection agencies on contract, the amount and age of tax debts collected by the Department through warning letters, and the amount and age

of tax debts otherwise collected by Department personnel. The report must itemize collections by type of tax. Each report must also include a long-term collection plan, a timeline for implementing each step of the plan, a summary of steps taken since the last report and their results, and any other data requested by the Commission or the Committee.

The Department must report by April 1, 2006, and annually thereafter, to the Revenue Laws Study Committee and the Fiscal Research Division of the General Assembly on the use of the fee proceeds for collecting overdue tax debts."

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-REV-H2(S22.3)i-P

Department of Revenue
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

POSITIONS FOR REVENUE TAX EVASION PROJECT

SECTION 22.3. The 10 time-limited positions established in the Fuel Tax Compliance Division of the Department of Revenue for the Revenue Tax Evasion Project in S.L. 2004-124 are converted to permanent positions.

Michelle

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

House, only

DRAFT
SPECIAL PROVISION

2005-REV-H3A

Follows 8 items 41 & 43 on pp J17-J19, J20

Department of Revenue
Appropriations Subcommittee on General Government

Requested by: Representatives Clary, Crawford, Earle, Nye, Owens, Sherrill

REPORT ON ENHANCED COMPLIANCE, ENFORCEMENT, AND COLLECTION EFFORTS

SECTION 22.4. On or before April 1, 2006, the Department must report to the Joint Legislative Commission on Governmental Operations and to the Revenue Laws Study Committee on its enhanced compliance, enforcement, and collection efforts. The report must include the following:

(1) A detailed description of enhanced compliance, enforcement, and collection programs and methodologies and a detailed accounting of additional revenues collected as a result of each of those specific programs and methodologies.

(2) An analysis of the effectiveness and cost-efficiency of the various programs and methodologies with respect to each type of tax.

(3) A description of efforts to coordinate these enhanced compliance, enforcement, and collection efforts with existing compliance and collection efforts and recommendations for streamlining these various efforts.

(4) Recommendations for specific, non-budgetary legislative actions to further enhance compliance, enforcement, and collection efforts.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-SEC-H1(S23.1)i-P

Department of Secretary of State
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

SECRETARY OF STATE TO REASSIGN VACANT POSITION

SECTION 23.1. The Secretary of State shall reassign position 3222-0000-0000-361 from the Uniform Commercial Code Division to its General Administration Division to assist with investigations of trademark violations and training for other law enforcement personnel in the State and with investigations of violations of the Charitable Solicitation Licensing Act. The Secretary shall report to the Chairs of the Appropriations Subcommittees on General Government of the Senate and House of Representatives by December 1, 2005.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-OSBM-H1(S24.1)i-P

Office of State Budget and Management
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

NC HUMANITIES COUNCIL

SECTION 24.1. The North Carolina Humanities Council shall:

(1) By January 15, 2006, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2004-2005 program activities, objectives, and accomplishments;
   b. State fiscal year 2004-2005 itemized expenditures and fund sources;
   c. State fiscal year 2005-2006 planned activities, objectives, and accomplishments, including actual results through December 31, 2005; and
   d. State fiscal year 2005-2006 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2005.

(2) By January 15, 2007, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2005-2006 program activities, objectives, and accomplishments;
   b. State fiscal year 2005-2006 itemized expenditures and fund sources;
   c. State fiscal year 2006-2007 planned activities, objectives, and accomplishments, including actual results through December 31, 2006; and
   d. State fiscal year 2006-2007 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2006.

(3) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-CONT-H1(S25.1)i-P

Department of State Controller
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

OVERPAYMENTS AUDIT

SECTION 25.1.(a) During the 2005-2007 biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors as required by G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

SECTION 25.1.(b) For each fiscal year of the 2005-2007 biennium, two hundred thousand dollars ($200,000) of the funds transferred from the Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 25.1.(c) All funds available in the Special Reserve Account 24172 on July 1 of each year of the 2005-2007 biennium are transferred to the General Fund on that date.

SECTION 25.1.(d) Any unobligated funds in the Special Reserve Account 24172 that are realized above the allowance in subsection (b) of this section are subject to appropriation by the General Assembly in the 2006 Regular Session of the 2005 General Assembly.

SECTION 25.1.(e) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into the Special Reserve Account 24172 and the disbursement of that revenue.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-TREAS-H1(S27.1)i-P

Department of State Treasurer
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

REPORT OF THE STATUS OF THE TECHNOLOGY INFRASTRUCTURE ENHANCEMENTS

SECTION 27.1. The Department of State Treasurer shall report to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees for the Senate and the House of Representatives on the status of the replacement of the multitude of information technology systems with an integrated system for all the retirement plans and other programs administered by the Retirement Systems Division. The Department shall report semiannually by October 1 and April 1 until the enhancements are fully implemented.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-TREAS-H2(S27.2)i-P

Department of State Treasurer
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

STAFFING ANALYSIS FOLLOW-UP

SECTION 27.2.(a) The Office of State Budget and Management shall conduct semiannual follow-up analyses to the Staffing Analysis that was completed in April 2003 on the Retirement Systems Division within the Department of State Treasurer by October 1 and April 1 of each year to assure that the staffing levels remain appropriate. The semiannual analyses shall be conducted throughout the implementation of the enhancements to the information technology infrastructure within the Retirement Systems Division that were authorized by this act. The follow-up analyses shall also continue for a reasonable time after the completion of the enhancements to ensure that the staffing levels are adjusted based on the increased efficiency provided by the enhancements.

SECTION 27.2.(b) The Retirement Systems Division shall maintain monthly workload statistics and productivity data for the various functions within the Division. The Department of State Treasurer shall report the workload statistics and productivity data to the Fiscal Research Division and to the Office of State Budget and Management on a quarterly basis.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

DRAFT
SPECIAL PROVISION

2005-TREAS-H3(S27.3)i-P

Department of State Treasurer
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

TREASURER REPORT ON STATE INVESTMENT OFFICER POSITION INCENTIVE BONUS

SECTION 27.3. G.S. 147-69.3 is amended by adding a new subsection to read:

"(i1) The State Treasurer shall report the incentive bonus paid to the Chief Investment Officer to the Joint Legislative Commission on Governmental Operations by October 1 of each year."

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

Marilyn
House only

DRAFT
SPECIAL PROVISION

2005-TREAS-H4-P

Follows Item 58 on P J28.

Department of State Treasurer
Appropriations Subcommittee on General Government

Requested by: Representatives Adams, West

STATE TREASURER/REALLOCATION OF EXISTING PORTFOLIO MANAGER POSITION

SECTION 27.4. The State Treasurer shall reallocate twenty-five percent (25%) of the time and effort of one existing Portfolio Manager position to oversee the investment performance of the third-party administration for the 401(k) Supplemental Retirement Plan. In reimbursing the General Fund for the appropriation for the Portfolio Manager position, the State Treasurer shall allocate a proportionate share of the cost of the position to the 401(k) Plan.

JOINT

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2006

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2005-2006

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2005-2006

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Telephone numbers that begin with 3-(733 prefix) Example: Alma Adams (733-5758)
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Subcommittee on General Government
2005-2006
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Senator Fred Smith	Office 520	733-5748

February 23, 2005

General Government Agencies:

Department of Administration - Gwynn T. Swinson, Secretary

Office of the State Auditor – Leslie W. Merritt, State Auditor

Department of Cultural Resources – Lisbeth C. Evans, Secretary

General Assembly – George R. Hall, Legislative Services Officer

Office of the Governor – Susan Rabon, Senior Assistant

Housing Finance Agency – Robert Kucab, Director

Information Technology Services – George Bakolia, Chief Information Officer

Department of Insurance – James E. Long, Commissioner

Office of the Lieutenant Governor – Beverly Perdue, Lieutenant Governor

Office of Administrative Hearing – Julian Mann, III, Dir-Chief Admin Law Judge

Department of Revenue – E. Norris Tolson, Secretary

Office of the Secretary of State – Elaine F. Marshall, Secretary of State

State Board of Elections – Gary Bartlett, Director

Office of State Budget & Management – David McCoy, State Budget Officer

Office of the State Controller – Robert Powell, Controller

Office of State Personnel – Thomas Wright, Director

Department of State Treasurer – Richard H. Moore, State Treasurer

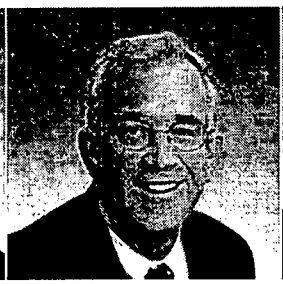
Fiscal Research Division
General Government Team

NORTH CAROLINA GENERAL ASSEMBLY

APPROPRIATIONS/ GENERAL GOVERNMENT
2005 – 2006 SESSION



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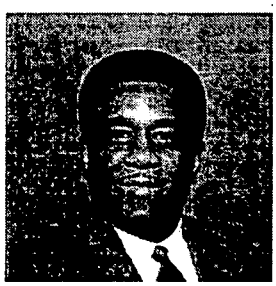
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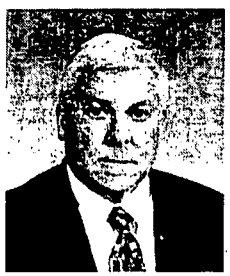
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JOINT APPROPRIATIONS GENERAL GOVERNMENT
MINUTES

March 16 2006
8:30 am

The Joint Appropriations Subcommittee on General Government met March 16, 2006 at 8:30 am. Senator Dorsett called the meeting to order. She welcomed Senators Brock, Cowell, Graham, and Jacumin as well as Representatives West, Tucker and Goforth. Staff member Michele Nelson and Amna Cameron were also in attendance.

Senator Dorsett decides to begin discussion on the Subcommittee decisions for the 2006-2007 budget adjustments and asks staff member Michele Nelson to explain the information.

Michele Nelson
What you have before you is a spread sheet based on the items that were recognized by the governor with the four adjustments that you've made so far. I am going to go over them agency by agency and tell you what they are and get to your bottom line. We have a little bit of money on the table right now that you can work with but then you have other decision to make as well. Beginning with the General Assembly, and we're following the order of agencies as they appear in the governors recommended budget, you all have copies of that still. You all remember that Tony Goldman has said that the general assembly could use seventy thousand dollars, less than what the governor recommended, so this request is $168,346 as a reserve for utility and a few costs for general assembly.

Amna Cameron
The office of the governor includes operating support for one hundred thousand dollars recurring and this is the same request that was in the governor budget. For the Office of State Budgeting Management, they are requesting three positions; the first is a senior budget analyst. One is for an administrative office support to cover two of their divisions and the third is to convert a temporary position to permanent for the justice and public safety division.

Senator Dorsett
Is that one position?

Amna Cameron
Yes.

Michele Nelson
For housing finance the governor's requesting five million dollars on a recurring basis to boost the housing trust fund, this will draw out some additional funding as well, but this is on a recurring basis for 2005/2006. He did appropriate an additional five million dollars on a nonrecurring basis.

Amna Cameron
For the Office of State Budgeting Management the reserve for special appropriations on this deals with the properties on Blount Street and is a change from the governor's budget to include space for the Office of Administrative Hearings.

Michele Nelson
For the Lieutenant Governor this provides a small increase for travel expenses.

Senator Dorsett
I want to come back to the reserve moving and renting expenses. I know we have recurring and nonrecurring. The nonrecurring is for the actual expense of moving. What is the recurring money for?

Amna Cameron
It is for the lease.

Senator Dorsett
Thank you?

Amna Cameron
For the Secretary of State, Corporations Division, they're requesting staff extension of three positions for the LLC Notifications Group; first of all, in administration they are seeking one facility planner in one position and an internal auditor in another position. Lobbyist registration division is seeking four additional employees to assist with Senate Bill 612. They're requesting that Senate Bill 612, the nine positions that were awarded changed and they were awarded a director position at grade seventy five and this is requested to change to a grade eighty-two. They are awarded eight positions at a grade sixty-five and they're requesting that the salary change from the minimum to the mid-point for those eight positions.

Senator Dorsett
Now we're going to have to go back and revisit that. Is that correct?

Amna Cameron
Yes, this afternoon. For the office of State Auditor, they have three requests. They're requesting that the lease for the Fayetteville branch office be changed. They're currently receiving free rent form the court system that they audit so they feel this is a conflict of interest and they're seeking trouble shooting software and they are requesting information from the business software and data warehousing company. For the Department of State Treasurer, the retirement systems division is seeking six new positions and they're requesting an annual fee of eighty thousand dollars for the Bloomberg portfolio order management system. The escheats division is requesting three new positions and the information services division is seeking recurring funds to maintain their core banking system. For the Department of Insurance, in the interim meetings they were awarded three new positions that are receipt funded. The Department of Insurance is requesting that in these three positions, the funding support change from receipt funding to appropriations funding.

Senator Dorsett
If you all have questions as we move along please bring them forward.

Amana Cameron
The Department of Insurance is also requesting a communications specialist. This is to work the Medicare part; it also has several other responsibilities. It has been the decision of the sub chairs to, at this point award one of the four positions to that they have requested and go back and review the amount of calls that come into the bank. Once the deadline has past and you can evaluate what that call volume is. As a reminder yesterday was the deadline to sign up Medicare program.

Senator Dorsett
You have a question from Representative Tucker.

Representative Tucker
Is there some reason when you have receipt positions to move them to funding by the General Assembly?

Senator Dorsett
You mean for the Fire Marshall? Staff, can you respond to that?

Amna Cameron
It is my understanding that they have ten positions now and the positions that are in this division are all funded in the same manner so this to make sure that positions are funded in the same manner and it is a process for them that will streamline their accounting, if the positions are funded in the same manner.

Representative Tucker
What happens to the receipts that they have been using to fund these?

Amna Cameron
I don't know. This is something that the Department of Insurance refunds the general fund at the end of the year for all the money that they are going to spend on these positions.

Senator Dorsett
So the question then is whether or not those receipts come back to the general fund.

Representative Tucker
There's no need for the general assembly to pay for a position if there's money coming in to pay for it.

Senator Dorsett
We need to flag that. I guess if it comes back to the general fund it's a wash but we need to know that.

Amna Cameron
Starting with the Department of Administration, most every was in the governor's budget; there was a request for the historically underutilized business contractor academies. There's a communicator position for state capital police and the facility management position there is a request for additional HBHC positions, to reestablish a paint shop with two employees. There is money for building repairs and supplies and the increase for utility and fuel expenses. The subcommittee decided yesterday that we would remove the ethics board positions from the current consideration until such time that the legislation makes headway. The State Property Office has a four hundred thousand non-recurring request for the surplus property disposal system. The council for women, the domestic violence coalition has three requests. The first request is for domestic violence staffing. This is for five new staff members that will be located regionally. There is an additional appropriation for the Domestic Violence Center fund and, based on the subcommittee's request, we have added one new position that will staff the council for women.

Unidentified committee member
Silly question, but I am assuming that if there is domestic violence from the prospective that we don't normally consider that men would be eligible for this too?

Senator Dorsett
I am sure they are but we have a young woman here. Mrs. Pell... (Senator Dorsett relinquished the floor to an audience member, Mrs. Pell, to answer the question at hand.)

Mrs. Pell
I'm sorry what was the question?

Senator Dorsett
The question was whether or not men are eligible for service through the domestic violence.

Mrs. Pell
They are. The domestic programs, located in areas in each of your counties serve domestic violence victims whether they are male or female.

Amna Cameron
The Division of Veteran Affairs requests funding inquiries for the veteran's scholarship program. Each year there are more students who request this funding. The amount requested is 1,584,000. 1.2 million will be paid for in receipts, which leaves a general fund appropriation of 373,824. They are also requesting three additional physicians.

Senator Dorsett
Before you continue, the question always comes up of why some of this has to be paid for through general fund appropriations. Could you just briefly explain why you have this 373 thousand and the other is coming through receipts.

Amna Cameron
The veteran's scholarship program receives 76.4% of its funding through the escheats fund. The escheats fund has two requirements. It requires need-based, all the veteran's scholarships are awarded on a need-based criteria, it also requires that it be used for a public university or college within the state and some of the scholarships that are awarded are for private colleges and universities and that 24% or 373,000 cannot be funded through the escheats fund. h positions, economic developers around the state. The last provision, for the Department of Administration, deals with the shift of the governor's advocacy council for persons with disabilities to non-profit status. This will take effect on January 1, 2007. The 846,114 will be used as severance package for the twenty-six employees that are on salary. Coincidently, if you remember, a little over six positions are paid by the state. The remaining twenty positions are funded through federal funds.

Michele Nelson
From the office of state personnel, the first request is for an international employment specialist. This is actually an agency legal specialist, someone who will assist with the federal laws and regulations regarding the employment of foreign nationals. This is actually an initiative that was started in the 2004 session that involved OSP and OSC in terms of keeping track of foreign nationals who were employed with the state. The second item is an EEO and special emphasis project manager. This is a position that will work with agencies and universities promoting diversity efforts with their agencies. The third item is the State Business Infrastructure Program to integrate personnel. There is a major project that is going to implement a new human resources payroll system. And this is support for that from the office of state personnel. The $250,000 is in the wrong column, it is a nonrecurring item. The fourth item is the mediation training of staff. This would provide a position within the office for this purpose. For the past two to three sessions this general assembly has authorized funding for training purposes but not for personnel. This provides a position in the office of state personnel for that purpose and the last item for that agency is a receipt supported position for the North Carolina Flex program to respond to its growth into some of these other state and local agencies.

Senator Dorsett
Where do the receipts come from?

Michele Nelson
Its part of the administrative costs that the office of State Personnel receives from the flex program. OCS receives some of that as well. – Revenue: There are two positions requested under information technology, one is for two positions in IT. I think you remember the secretary said that in the 2005 session they had requested six to nine positions and we could only fund three based on the rules in 2005. So they took the additional requests to the governor's office and they

funded two of those. So that is what is before you now. They are also responding to the security initiative related to IT and requesting 750,000 in nonrecurring money. In personal taxes, they are requesting a position to respond to Project Collect Tax and Project Tax Compliance Initiatives, for about $65,000 in costs. In Documents and Payments, there is additional support requested for that position in that division as well. They are also requesting four positions to help in the processing of payments related to their collection activity. This would be appropriation and not receipt supported. In the William S. Lee tax credit program, this would provide an additional two positions and you've heard the discussion about the receipts as they relate to these items, there is something doming forward that I guess you'll need to consider, about how to discuss this, based on yesterdays decision. For the Call Center, this item is receipted. We have forty seven positions and a request for seventeen new positions and converting thirty from temporary to permanent status, utilizing the receipt from the twenty percent assistance fee. In unauthorized substance tax, we have a request for one position there, new and law enforcement tax agent in that division. For Cultural Resources, in the office of the Secretary, they are requesting an additional personnel analyst, for about forty-five thousand dollars. There is a request for a facility construction engineer position, a little over forty nine thousand, and an attorney 3 position with salary and benefits, about $107,000. I administrative services, there is a request for an accountant position a little over $42,000. In Archives and History, there is a request for two million dollars that would support the Cultural Sharing and Caring Program. And State Historic Sites, the request is for approximately $202,000 for fire and burglary protection. To get this on sound footing, we've experience with companies going out of business and not having the support that they need to maintain security. Under Historic Preservation, there's a small request of fourteen thousand dollars for the eastern office, the Umber House. In the Office of State Archeology, there is a request for permanent funding which would be needed for about five years for continued excavation of Queen Anne's Revenge. In the Museum of Art, there are requests for nonrecurring funds as the fee required by the state to bring the Monet and Egyptian Treasures to the State. There are recurring funds requested to expand the Symphony Education Program, the program that takes the symphony to various schools throughout the state.

Senator Dorsett
This is apart of the Sharing and Caring Program. We did have some questions as whether these two could not be rolled in together. However, I think the Secretary wants to make some comments and we can do that at a later time.
Michele Nelson: Under Department Life there is a need to convert temporary positions to permanent status and the cost related to that is about $673,000. There is a reserve also for that agency for utility and fuel costs of about $124,000. Statewide programs and grants, the request is for $200,000 for the Digital Preservations program.

Amna Cameron
Moving on to the State Board of Elections, in the Administration Division, they are requesting that a contract position, a project director, that is overseeing the new voting systems, be converted from contract to appropriation full time support. And they are requesting that one receipt funded position be converted to appropriation support. This is the position that works with the public campaign financing fund. This will require a law change because the public campaign financing law requires that any employees that are associated with that fund will be prohibited from general fund appropriations. And speaking to the State Board of Elections,

which is represented here today, the fund did not have enough money to mail the primary guide to judicial elections this year and so the fund is running a little low.

Senator Dorsett
(Recognizes Rep. Tucker)

Representative Tucker
And the money for that comes from where?

Amna Cameron
It currently comes from the three dollar check off on the tax return and this year they will begin receiving money from the fifty dollar fee for lawyers.

Representative Tucker
My opinion on that is, we need to leave the law like it is and there evidently aren't enough people out there in the public who what publicly financed elections. So I would be violently opposed to general fund paying for anything of ours.

Senator Dorsett
I guess the other question is, we are going from receipt supported to general fund we have to change the law? So where does that leave us. They are making this request. (Directed to the audience) Where are the members of the Board of Elections?

Joan McLean, Board of Election
We don't look to do anything that violates the law but we would like permission to move to convert these receipts, before this commission, to general fund appropriation to make it consistent with the other provisions in our office.

Senator Dorsett
How does that justify our having to break the law?

Joan McLean
I was hoping that a change in the law would be possible.

Senator Dorsett
We probably need to flag that. (Senator Dorsett recognizes Senator Brock)

Senator Brock
Just a follow up to the State Board of Elections, with the Judicial Finance Committee and the new Emergency Catch Up Funds for judicial candidates, is there enough money for them to catch up now or are we going to be called back in November for the "catch up" fund?

Joan McLean
I think I can answer that. I think that we believed that because we did not mail out the primary voter guide that we will not have enough money to fund all of the candidates even if there are emergency funds or revenue funds.

Senator Brock
What is the revenue fund up to now?

Joan McLean
It is all in one fund. We currently have about $2.2 million in the fund that will be appropriated out to each candidate who qualifies.

Amna Cameron
Moving on to State Board of Elections' request that nineteen time-limited positions be converted to permanent status. This is where we have heard about the Maintenance of Effort funds. We've received clarification that the Maintenance of Effort funds can be used for this purpose so there will be no general fund appropriation. The time limited temporary positions are currently paid for with Maintenance of Effort funds and the conversion to permanent status will also be paid for by the Maintenance of Effort funds and this is the same way that the Governor's budget treated the (inaudible)

Michele Nelson
From the Office of Administrative Hearings there are two items, the first is to provide funding that is needed because of a lost receipt related to unrealized receipts in terms of the publication of the register. This is not quite the amount that was requested, this is probably about eighty percent. And then there is a request for administrative law judges for two positions, and this request has been reduced by $100,000. That was also included here, initially for moving expenses and that's been transferred to the reserve and that has been transferred to the Office of State and Local Government. At this point what you are spending is a little over twenty million dollars and what you have on the table now is $647,720 and that includes the adjustments you have made, reducing the request of the General Assembly, adding the position in the Department of Administration for the community specialists. But you have also set aside funding for several items as well. Going back to page three of your spreadsheet, under the Department of Insurance you have set aside a little over $200,000 dollars under technical services and also for the board of ethics for that funding. At this point you've set aside about $422,000 there. That is your difference. You have a bit more than you set aside because you also gained some what of a little over ten thousand dollars in the difference between the seventy thousand dollar reduction and adding the position in administration. This is the state of your affairs at this point. You also received requests for other ways of handling requests to so you need to know how you'd like to receive that.

Senator Dorsett
First of all, are there any questions? (Senator Dorsett recognizes Representative Goforth)

Representative Goforth
Madame Chair, we talked about the North Carolina Financing Agency, last year they got eight million dollars nonrecurring, this year they've got five million dollars. We need to make up the

three million dollars. I don't know where we are going to put it but I know we need to, at least, fund what we did last year.

Michele Nelson
You'll have to fund it within your target. You have $647,000 dollars on the table at this minute and you have not allocated any of it in any way.
There is also pending legislation related to the (inaudible) that would give them $250,000,000 over a five year period, So, I leave that in your hands but if you increase this by three you'll have to find it within this budget as we understand it.

Senator Dorsett
Yes and there's another request that I think we need to consider and that is the Home Protection Program which is not in the Governor's budget. But I think given the success of this program we need to continue. We started with about eight counties and then we expanded it by nineteen and now we have a total of twenty –six and each year we have funded that it has been nonrecurring money. (Senator Dorsett recognizes Senator Jacumin).

Senator Jacumin
I wonder if we couldn't do something to deal with this turn over program and auditors. (Inaudible)

Senator Dorsett
Well as we spoke yesterday, we recognized that that is a problem not just with the auditor's office but, as I mentioned, with engineers we have the same problem, and with IT people as well. I think we agreed to carry that issue to the full appropriations chairs for consideration because whatever that is needs to be statewide. It is not just that one area. (Senator Dorsett recognizes Amna Cameron)

Amna Cameron
Madame Chair, Courtney Crowder with the Department of Insurance has now come in. We had the question earlier about what happens to the receipts for the three positions they are requesting to have converted to appropriations.

Senator Dorsett
It's on page three Courtney, what you've asked was to, in the Office of the Fie Marshal, convert receipt supported positions to General fund supported.

Courtney Crowder
Yes ma'am. Essentially, I'm not sure that the community is aware that the Department of Insurance is completely receipt supported. We receive an appropriation and then with the receipts we reimburse the general fund. We received these positions, in February, through the Governmental Operations Committee. So what we're asking is that we treat these positions as we treat the other positions within the Department of Insurance, that they are appropriated and we then reimburse the general fund.

Senator Dorsett

So what you're saying is that even though these are appropriations funded positions, the money that comes in will go to the general fund.

Michele Nelson
I guess the question that probably needs to be clarified for the committee is, when you went to Gov Ops and you were handling them as a receipt supported item, what receipt did you tell Gov Ops you were utilizing to support the three positions?

Courtney Crowder
There was a fund available there, up until the time when we could, hopefully, have them switched over. I would expect that we would have a Fire Protection Fund for engineers, who are responsible for reviewing many of the plans submitted for the new constructions, many of which came from the construction bonds for universities and community colleges, which, a number of years ago, that that was an appropriate fund to handle that cost, up until the time that we were able to treat them like the other positions.
Senator Dorsett: Maybe we need to get more details on this for our meeting this afternoon. Are there any more questions? I know that Secretary Evans from Cultural Resources is here and she wanted to offer a little bit of explanation on the item that we had on the agenda, the 2 million Sharing and Caring Program.

Secretary Lisbeth Evans
I understand that yesterday there were some questions about our working with DPI on this program. As you well know we have been working with the governor for the past six months on cultural resources and the budget came out and we agreed to take the program on what we knew we could perform for the state the first year. What we have in this program are already existing programs in the public schools of North Carolina there are not any new programs. Our goal is that by the time they enter public school in North Carolina to the time they leave to go to middle school will have had experience with three major performing arts. They would have opera, ballet and they would have the symphony. As you know the symphony is already in place and every three years the students would get one or the other of these programs. So, in third grade a student may get ballet, in fourth the symphony, and in fifth the opera. The reason this program is called Cultural Caring and Sharing is because these programs already exist in the metropolitan area. And we feel that it is imperative to move these programs out into the rural areas of North Carolina. For instance Piedmont Opera which is Winston-Salem performs, probably, in Guilford County and Forsyth County and maybe other counties close by. But because they don't have the resources for gas and staging and no one can afford to afford to buy their services and take them out to Yadkin, Wilkes, Surrey and Stokes, because those schools don't have enough money, this program make the program consistent, performances of the same quality all over the state, in every school. We would prepare supplemental educational material and share it with the schools. We work with DPI on a regular basis and The Arts Council. We provide programs in the public schools on an annual basis, arts and performance programs. So this is not a new program, it is an extension of preexisting programs to more areas of the public school system. And the reason that the program consists of ballet and opera projects is because this is what we thought we could

manage and maybe by next spring, a year from now, some of these programs would be in the public schools. We have a great partner in the Keenan Arts Trust who's going to help us get this project moving forward.

(Tape turn over)

Secretary Lisbeth Evans
This program provides education in the public schools, culture for the local community and a great opportunity for economic development. We are increasingly attracting foreign companies, especially European companies, to get them to come to the United States and perform in these rural communities. One of the deficiencies they see is in culture in these small communities. There are accustomed to their small European town where these programs are regularly available. And usually when these performances take place during the day there are opportunities offered in the evening at community colleges so that more people can participate in the experience.

Representative Lucas
We now can be assured that DPI is well aware of your proposal?

Secretary Lisbeth Evans
Lieutenant Atkinson is well aware of the proposal. We had spoken about it and decided to bring our groups together.

Representative Tucker
Madame Secretary, if you get one million instead of two, how will you handle it?

Secretary Lisbeth Evans
You would have to choose one, opera or ballet.

Representative Tucker
Can I have you choose?

Secretary Lisbeth Evans
If you look at this in terms of the state budget, the two million dollars for Caring and Sharing is like two to three hours of Medicaid. When you see the magic of art... I'll just give you one statistic about the arts in schools. The Dana Foundation, of New York, does lots of research and has proven, and this has been in all of the medical journals, that if you have the right DNA and you get training in the arts before you're eight years old you can have perfect pitch. So if you have the right DNA but you don't get arts training you can never have perfect pitch. So we have to give these student the opportunity to develop whatever their skills I. You know, like with math, every child can go to the public School of the Arts for free. But we've got to prepare them at the low level so that we can them into the North Carolina School of the Arts.

Senator Dorsett
You have another question here.

Unidentified committee member
Would $500,000 work as a pilot program and see if this thing can't come to Burnett County or out in Cherokee County?

Secretary Evans
Let me tell you why it won't work. The way this program works is through existing opera and ballet companies. That's why we're asking for two million dollars rather than eight million dollars because the symphony takes about $2.5 million and we send then all over the state. With the existing organizations to entice them to join our program, they have to rent vans and buy ballet floors, we have to provide funds up front in order to prepare them to go. The first year, the first half of the money would be to prepare them to go and then they would get a contract from the state to operate with us for the next period of time.

Senator Cowell
My question actually had to do with some diversity issues. All of these programs, and I am a big supporter of the ballet and the symphony, are European and expensive forms of art. Kids can be exposed to art but why not different kinds of art, African dance, Indian arts, and Native American arts.

Secretary Lisbeth Evans
You know we wanted a more extensive program. We asked for seven million dollars and we would have done opera, ballet, North Carolina traditions, theatre, and then provide public speakers, like Colin Powell, Dave McCullough, and bring them into communities, hire them one time and take them all over the state and provide all of the curriculum. And we also wanted to help move available art from the art museum to communities on a regular rotating basis, every kind of art that was available. We know the break points of what we can get. You've asked me to whittle and I have and also I can tell you, after five years at the Cultural Resources Center, that it is much better to hire companies than to own them. We own the North Carolina symphony.

Senator Cowell
Follow up. What would the cost of, say, NC Traditions be versus the ballet, symphony and opera, which are some of the most expensive forms of art.

Secretary Lisbeth Evans
It would be the same because the cost of this would be a million dollars to get all one hundred counties and we don't have the curriculum for the NC Traditions. We only have a curriculum for the Junior Appalachian Music and we needed to have it for the African dance and all those other things. You'd have to build it in every single county, whatever your tradition is, so it would be more expensive. I am, sort of, with you, Senator Cowell, about opera but, opera is one of the biggest growing art forms in America today which is why we chose it and we already have two excellent opera companies in North Carolina who already do educational programs and are all ready to go out and do it.

Senator Dorsett

Okay. Are there any other questions? Thank you Madame Secretary. I think we need to come back, unless someone wants to make a great contribution to the general fund, we need to make some tentative decisions. So I want to start at the very beginning and see what we can, together agree one. Looking back at your first page to the General Assembly Reserve to Utility and Fuel Costs, is everybody in agreement to funding that? It is nonrecurring money. Is see heads nodding. Okay. We'll move along. The Office of the Governor, $100,000 recurring for operating support. How do we feel about that? Are we in agreement? Okay. The Office of State Budget and Management, there are several positions in there. Under number one there are three positions, budget and management, the Administrative office of Support Position and the Budget Analyst - $135,000 recurring and $166,000 nonrecurring. Do we have agreement on that? Yes. Okay. The housing program, I gather from the discussion that everyone is in agreement with the five million. Next, State Budget and Management, this item includes the moving expense and includes the Office of Administrative Hearing. We agree? So we will move ahead. Our Lieutenant Governor's Operating Budget, $206,000, do we agree with that? Okay. Moving on to The Secretary of State and the LCC Notification and Staff expansion, that's in Corporate Division, are we in agreement with this? Okay. Moving on, the Facility Planner and the Internal Auditor, are we in agreement with this? (Based on comments made by Senator Cowell, the item of funding the Facility Planner is tabled for the time being). When state construction came in, I gathered that you have people with expertise within the agencies but there is ongoing communication with the state construction office and that satisfied my concern, but, we'll put it to the side, the $42,000 and the $7,000. And lobbyist reform, we have some other questions about that so we're going to have the Secretary of State group to come back at one o'clock. Next we will hear from The Office of the State Auditor, Cindy Gilliam.

Cindy Gilliam, State Auditor's Office
One standard that we have to follow is independence and lately in the accounting industry, with problems like Enron, these standards have been enhanced so it has become very important that we remain independent in appearance and facts and because these standards have been strengthened, when we issues an auditor on the clerk's office, who provides us free space, we have to qualify the report and disclose problems. Therefore, when people get our reports with the qualifications in them the reports look questionable.

Senator Dorsett
Are there any questions? You heard what she said, that when they issue the report it must then be qualifies, I assume by showing that the space is leased from them at no fee and that it might give the appearance of a conflict of interest.

Michele Nelson
Is this a rule? Is it in law? Is there an APA?

Cindy Gilliam
It's in the governmental auditing standards.

Senator Dorsett
Can you get us a copy of that? We'll be meeting again at one.

Michele Nelson
Madame Chair, can we go back to the Housing Finance Agency? They brought fourth the request for the pilot yesterday and we have the revised request.

Senator Dorsett
They've changed there request from two million to $1.5 million, nonrecurring, and I think that's money well spent. Also another concern I know we talked about is eligibility based on various factors. I don't know if this is something that can be dealt with during the short session.

Michele Nelson
Madame Chair, we also probably need to have another special provision, as we have in the past two sessions, because we need the recommendations from the HFA about how to address the administration differently.

Senator Dorsett
Members of the committee are we in agreement to include the $1.5 million dollars, nonrecurring, to support the of the Home Protection Program?

Senator Brock
Madame Chair, is this an addition to the five million?

Senator Dorsett
These are two different funds. This is a loan program that provides mortgage assistance to individuals.

Senator Brock
My concern is, don't we have only about $600 thousand dollars to work with?

Senator Dorsett
That's true but we still have some more shifting to do but at this point, is this item agreeable. Okay. We're still on the Auditor's Office, page two, the troubleshooting software and the Business Intelligence Software and Data Warehousing. Are we in agreement with that? Alright. Moving on: the Treasurer's Office, these are nonrecurring positions, Retirement Systems Division, The Bloomberg Portfolio, Order of Management System, eighty thousand dollars; and the Escheats Fund Administration, that of course is receipt supported, and we have the Core Banking System Maintenance for $201 thousand. We are in agreement with all of these. We're going to have to start making some money somewhere. We're going to hold this Fire Marshal Insurance, there's a flag on that. The Communications Specialists, I think they requested four positions and we're recommending one. You remember that's the Medicare part D, which is new and the applications had to be in last night, Monday night, so I think there's some concern about the level of continued activity after this, but it might level off. The recommendation from the chairs is that we fund one position and see how that goes. If the future shows that we need to increase that then we can review it at a later date. The Department of Administration: The Contractor Academies. Are we in agreement with that $400 thousand? The State Capital Police

telecommunications position? The Facility Management, additional HBAC, four positions. The increase for utility and fuel expenses, a nonrecurring item. The Board of Ethics, we decided not to do anything with that right now. I don't know what was done in the House, I know you discussed it, but it still has to go through the Senate and I think there was a feeling that it might be premature to do something right now and we would just wait and see during the long session. (Senator Dorsett recognizes Senator Cowell for a question.)

Senator Cowell

I wanted to go back to the Increase Utility and Fuel item, that's a pretty big number and I just wonder if there would be some incentive for them to more aggressively pursue efficient fuels, if that's a way for us to get more money.

Senator Dorsett

For sometime they've been trying to offer some incentives but the effects, positive of negative, are not showing themselves.

Michele Nelson

This is not only gasoline expense but also utilities for electrics and heating of your state buildings. So it's not so much your motor car as it is trying to keep up warm or keep us cool.

Senator Cowell

My thought was, the General Assembly building gave us back $70 thousand dollars based on the assessment.

Michele Nelson

Yes. David Brown, from State Budget is here, maybe he can provide some additional thought about the assessment of the $1.3, but this is, of course, all of the state buildings.

McKinley Wooten

Our only other option would be to begin having other state agencies pay their own electric bills.

Senator Dorsett

What we've found over the years is that the billing for utilities is just uncontrollable. There's been a central billing. I don't think it's a wise idea to have individual agencies to pay their own bill.

Senator Cowell

Could I just request information on how you work with the state energy office and what sort of improvements have been made, genre rally speaking, over the last two to three years in state government.

Senator Dorsett

Yes, McKinley, would you share that with all of the committee? For now we'll leave that in. The Property Office, the Surplus Property Disposal, is a one-time item. Can you explain how that works?

McKinley Wooten

Our goal with that system is that at any point that any of the members wants to know whether or not property is in their county, is there state property that can be sold, information can be found to answer such questions.

Representative Goforth
I'm just concerned, how many requests to you have? Do you have enough requests to justify the $400 thousand?

McKinley Wooten
Absolutely, the property office feels that it's part of their mission to provide that information. But we don't have a system.

Senator Cowell
Would the system be put out for bid?

McKinley Wooten
It would be.

Senator Dorsett
If this passes the General Assembly before you get the system up and running there would be a bid process.

Representative Goforth
May I ask what the process is now? How long does it take to get the information? Isn't there a website?

McKinley Wooten
In many cases we would have to send the property agent if you wanted to find out if there was any available state property in a given county.

Michele Nelson
You may remember several sessions back, there was a discussion of whether or not an inventory of state property should be kept, and this is the response to that. And this is nonrecurring funding to establish the system and DOA would be able to maintain it.

Senator Dorsett
But at one time the general assembly set up a commission that found state property and priced it. What is the difference between that and this?

McKinley Wooten
That commission is still in place. It is my understanding that in the several meetings that they've had there have only been two or three people to profit.

Senator Dorsett

That's not connected at all to the Department of Administration? It was set up by the General Assembly? Is there a need for both? Do you know how much money was put into that? (Senator takes a question from an unidentified committee member) The question is, if that is a $200 thousand item can this system be established. So we're cutting the funding in half. Let's go down to the Domestic Violence Staffing, to convert temporary offices to permanent offices. We have a question of what will be done to fund this change and what will happen to the money used to fund the temporary position?

McKinley Wooten
We've had to move funds to pay temps all of this time.

Senator Dorsett
So you've never had any money? Are any of thee regions close enough to share an administrative position?

McKinley Wooten
Actually the regional director for the Raleigh area is housed in the central office so that person has never had federal mandate.

Senator Dorsett
Is that one of the five? Oh actually there are six?

McKinley Wooten
Yes.

Senator Dorsett
Where are those regional offices?

McKinley Wooten
There's a regional office in Newbern, Greenville, Raleigh, Greensboro, Asheville, and Charlotte.

Senator Dorsett
Are there any other offices located in these same areas that could share a staff person?

McKinley Wooten
Actually, we already do that in Asheville, our Asheville person is house in the same place as the Governor's western office. That's one of the five but it's a temporary person so even in sharing those duties they are only operating on a temporary basis.

Senator Dorsett
Okay, so we will leave that in for now. The Domestic Violence Center Fund: $350 thousand dollars, nonrecurring. Can you speak to us about that?

McKinley Wooten

This item increases the amount of money that will be given directly to shelters. It is divided equally. In the past we've had about $48 thousand per program and with the $300 thousand we would be increasing funds per program by about three thousand.

Senator Cowell
Speaking for Wake County, we have a shortage of beds for victims of domestic violence and we are trying to build a new shelter and raise the money locally but anything helps.
Senator Dorsett
My question is do they all need it at the same level? Some programs are more active than others and I know we all feel that we should give equally to all, however, the need is the same with all.

McKinley Wooten
Madame Chair, I will add that some of the issues that we get very often is that in smaller places this amount of money can start-up or build a program and in larger counties this amount of money can enhance a program.

Senator Brock
Are there areas where there is more than one program in one area? Are there similar organizations in one county? Last year we were funding several places in one county and it seemed like we were paying more in administrative costs than we would have if we'd just taken one administrator to pay for more beds.

McKinley
We only fund one.

Senator Dorsett
To my knowledge, the major bill that was passed, on domestic violence, spoke to activity in all one hundred counties and we were mandated to do that. The state only funds one program per county from this funding.

Amna Cameron
There are two counties, Gates and Guilford that have two programs, the Guilford programs are appropriated equally and the two programs in Gates County receive half of one appropriation. There is equal appropriation among one hundred three entities with the exception of Gates County.

Senator Brock
If we're funding through NGO's and the State we have to make sure we put the money into the beds and blankets and not pay for administrators to have a job.

Senator Dorsett recognizes Anne Winter from a domestic violence organization.

Anne Winter, Domestic Violence
I want to make sure that all of these programs are NGO's, this is a function that nonprofit handles for the state. State money comes through the Council for Women, paying for any over head.

Senator Brock
Couldn't we combine some of these for a more efficient system?

Anne Winter
There are some regional shelters because the individual counties don't have enough community support.
Senator Dorsett
So we will leave that in. Moving on, the Council for Women staff. This money is to carry out the originally intended function of the council, to advise the governor on issues impacting women like health care, education, and child care. This would be a great concurrent power with the Domestic Violence Council.

Representative Tucker
My wife says that women have now reached that point where they are now equal or superior to men and I believe her because I'm an idiot. Maybe it was necessary twenty years ago.

Senator Dorsett
You can look right here in state government and witness the inequities between men and women. Then, you have women heading household while going into the workforce and meeting biased employment standards.

Representative Tucker
But what can the governor do about this?

Senator Dorsett
This organization is will serve to advise the governor on certain points of legislation. For instance, right now women pay higher for insurance than do men. That issue has not been resolved. Women make only eighty-five cents to every dollar that a man makes. There are many things that have not been resolved.

Representative Tucker
I agree. I'm and idiot. But I still don't see what the governor can do about it.

(End of tape)

Senator Dorsett
Division of Veterans Affairs: The item calls for $330 thousand, for scholarships and individuals who go to private schools and we cannot use the escheat fund money for that. We have looked for the three additional positions in the division. Are there any questions or concerns? Okay.

Commission on Indian Affairs: The economic development initiative, $172 thousand. What is that to be used for, three positions? Any questions?

Amna Cameron

Currently this function is being performed through grants. This would be the first time Dept. of Administration has attempted to bring this function in house.

Senator Dorsett
Is it possible to do this with fewer personnel?

McKinley Wooten
The problem is that we don't have the staff. (Inaudible)
Senator Dorsett
But could you operate initially with two?

McKinley Wooten
It would be a struggle.

Representative West
They're asking for an executive director and two specialists.

Senator Dorsett
Why do you need an executive director? Isn't this coming under the Division of Indian Affairs?

McKinley Wooten
Yes but this has always been funded, money has been given to do the initiative but there hasn't been any staff.

Representative West
If they've been getting the money in the past what have they been doing with it?

McKinley Wooten
We haven't had staff we've had volunteers. If this money is flowing to the department then we need to have staff handling it.

Representative West
But if you've been using volunteers then what have you done with the money?

McKinley Wooten
The money has been used for program activities such as workshops.

Senator Dorsett
Can we just flag this for further discussion? I do understand the initiative and the need for it but I wonder whether we can do the same with a slower gear-up of the staff.

New Designations: This is nonrecurring money for separation of state government and long term employees.
Office of State Personnel: The International Employment Specialists, the EEO Diversity and Special Emphasis Project Management. Let's hear what that's about.

Representative from the Office of State Personnel
The team will be involved with handling diversity issues and smaller projects.

Senator Dorsett
The Office of State Personnel is the central office to conduct the investigations with EEO compliance, not the agency itself?

Representative from the Office of State Personnel
EEO compliance, which we have to report to the general assembly each year, is a responsibility of our office.

Senator Dorsett
Yesterday we someone spoke with us about the need for a legal council to look at these kinds of issues within their agencies.

Representative from the Office of State Personnel
There is an agency that deals with EEO compliance but that's on a statewide basis.

Senator Dorsett
This infrastructure is apart of a Human Resources project but it is nonrecurring.

Michele Nelson
I question whether this $250 thousand can be apart of that $41 million.

Senator Dorsett
I thought that the controller's $41 million was rolling in the participation from all the agencies.

Representative from the Office of State Personnel
This is data warehouse management and it's the existing information that we have in Human Resources system for all state employees. We have to collect all of that data into a system which can be converted to a data warehouse system and thus integrate into the new HRS payroll system.

Senator Dorsett
So the controller's office project did not do that?

Michele Nelson
Perhaps you might want to transfer this to the full chairs and see what it is they might incorporate this into the $41 million initiative since you're talking about the Human Resources system.

Senator Dorsett
And the records of all the agencies. Why don't we do that?

Michele Nelson

If that's the case, take a look again at the auditor's requests also because that's for data warehousing as well.

Senator Dorsett
That's right. That's $352 thousand. Why don't we try and transfer both of those since it is apart of the overall system.

Michele Nelson
I'm not exactly sure what that will mean for the auditor's office.
James Forest of the Auditor's Office
This $150 thousand and $200 thousand is for us to gather data from all of the agencies.

Michele Nelson
If this is part of the data warehousing, I think we need to recommend that you transfer both of those over.

Senator Dorsett
We can take this to be handled by the full appropriations chairs.

The Mediation Training Staff: I think there is a great need for mediation within state government and I think we could help ourselves a lot by doing this. Now, would the actual staff be responsible for training rather than contracting out.

Representative from the Office of State Personnel
This is for the full positions to help us coordinate the mediators and get them to the right location,

Senator Dorsett
How many positions are included in this?

Representative from the Office of State Personnel
This is just one position as if there was $15 thousand for training.

Senator Dorsett
Okay.

Receipt-supported Deflexed Program: The Department of Revenue. We need to revisit that which was brought to us yesterday.

Michele Nelson
That recommendation or request did not change anything that the governor pursued with the exception of looking at the William S. Lee credit, otherwise they are talking about transferring the fifteen positions to receipts and utilizing that general fund for the initiatives that they mentioned yesterday. It's related to the William S. Lee, in that they want to try to do something related to receipts. The governor's package did address using the receipts.

Senator Dorsett
We need to explain the William S. Lee.

Representative of the Department of Revenue
The problem that we've had in the past is that the receipt comes in as part of the application fee when companies apply for credit and the fee is not a static number each year so we originally approved more positions but we never actually been able to pay for all four people because of the fluctuation within the receipt. We'd like to switch some of these positions to appropriations so that we may have a more static number versus having a person already approved but not be able to hire them.

Michele Nelson
You're going from appropriations to receipts instead of the reverse?

Representative of the Department of Revenue
Yes ma'am.

How does this then affect the $112,624 that's in the governor's fund as a recurring?

Representative of the Department of Revenue
As a recurring the two positions that would be covered through the fee would still be covered through the fee and instead of the four we would be able to cover we would leave two there and transfer the other two over to the general fund.

Representative of the Department of Revenue
We did pass the Will Lee Act and we keep asking for more and more reports as we should. But for them to get them to us we need the people and if the fee doesn't do it then we should pat for it.

Senator Dorsett
Would your fee support three and appropriations pay for one?

Representative of the Department of Revenue
One of the things I think Keith has talked to Michele about is possibly we could switch one of the positions so that one of the higher paid positions that is covered by the fee could be moved to appropriations and one of the lower paid positions can be covered by the fee.

Senator Dorsett
Let's just put a flag there and see what we can do. Okay, the next one we are looking at is receipt supported and the last one is Unauthorized Substance Abuse, looking at additional tax enforcement agency and lease space of $94 thousand and $11 thousand, any questions? All right.

Department of Cultural Resources: The personnel analyst, the facility construction engineer and the attorney three. Are we in agreement with those? Okay. The accountant position: $42 thousand. And we're down to the Cultural Sharing and Caring.

Representative Goforth
Madame Chair, I would like to take that two million and put it in housing because we're going to satisfy a lot more kids with better housing than with cultural resources.

Senator Dorsett
Are there others [who feel the same]? Representative Wilson. I would disagree with that. I certainly support the housing but I think this is an excellent program that we need to begin. I do, however, wonder we could do it with less money and the outset.
Representative Tucker
I don't think we need to take cultural resources over poverty. I enjoy opera and ballet but I also enjoy living in a good house. I could see cutting this $2 million to $1 million but I wouldn't also say, dump it all into housing.

Senator Dorsett
I agree, there may be some other possibilities. I don't think we're denying people their opportunity for good housing. We're making a good faith effort and if the bond becomes reality that'll be greater than an opportunity to provide the housing.

Michele Nelson
Madame Chair, however, you have $1.5 million that's on the table for the pilot project.

Senator Brock
I think we could go with the $1.5 million and not to cut it all together. We're talking about now whether they can hear the symphony once every three years. Maybe we can cut back to where they hear each the ballet, opera, and symphony in three year and put some money into housing.

Michele Nelson
The symphony is a separate item and they're asking for increased funding, $325 thousand, for that, independent of the ballet/opera.

Senator Dorsett
So we're only talking about ballet/opera.

Representative West
We could fund them $500 thousand, let's get there heads together with DPI and take the other $1.5 million and put it in the Home Protection Pilot Program.

Unidentified Committee Member
I've heard the secretary say that any one program is $1 million so we either need to leave a million or take it all out.

Donna Rosefield, Cultural Resources
I know Representative Lucas has asked about that $325 thousand, which is a separate line item for the symphony. The symphony has not received a recurring appropriation increase from the legislature since the late 1990's and it has gotten by in the past few years with nonrecurring appropriations or special grants and while I don't agree with the secretary where she said that it

costs two million dollars a year for symphony, in fact the $2,100,000 dollars that the symphony gets each year and has gotten this year, including nonrecurring money, and the legislature covers 26% of the cost of the NC Symphony the rest is paid for through private fundraising. So I would just commend to you, as we discuss these two programs we hold that $325 thousand apart because it does has a separate purpose.

Senator Dorsett
Well then back now to the $2 million, what I hear from several of you is that we should do $1 million and at this point allocate the other million to the Home Protection Program, we'll still be $500 thousand short, is that something we'd like to do?

Michele Nelson
I'd like to hear from the department again. I know the secretary said that we couldn't do anything for less than a million per program but what could they do for five hundred thousand?

Donna Rosefield
Can we respond to that at the one o'clock meeting?

Senator Dorsett
Yes, we can hold it. And I believe that we are saying that whatever we don't put there will be placed in the Home Protection Program.

Fire and Burglary Protection: Okay.
The Eastern Office: Okay
Queen Anne's Revenge, the archeological project: Okay.

Unidentified Committee member
The Queen Anne's Revenge is nonrecurring?

Donna Rosefield
Since the discovery of the shipwreck that we believe to be the Queen Anne's Revenge we have been without recurring funding from the state. It has functioned over the last few years on a combination of Save America's Treasures Grants, other fund-raising, and one hundred thousand here, two hundred thousand there. One of the problems we have faced with that is we've had really qualified people who have been working as temporary employees with no benefits or permanent positions and we keep loosing them to other facilities. We need a recurring appropriation, now ten years after the discovery, so that we can move forward and keep some of these people. We have about ten years worth of work to do in order to continue the salvage effort.

Senator Dorsett
One of the things we've heard from the secretary is that you'd only need these funds for about five more years.

Donna Rosefield
Five years or more, at the conservation lab at ECU and some of these cannons come up totally encrusted that it can take at least five years to clean an artifact properly so that it can be presented in open air.

Senator Brock
Do we know whose ship it is? Is it Blackbeard's?

Donna Rosefield
The materials that have come up are consistent with the period all though nothing has been conclusive.

Representative West
Initially wasn't much of the work performed down there under contract and not performed by our people.

Donna Rosefield
We had a contract with a company who helped in the initial discovery but now we are performing most of the work ourselves. Because this is the states property and we need to be able to protect that property. It is popular and attractive. There will be on going surveillance costs, we have contract with the local law enforcement out there. We need a recurring appropriation. We have the $325 thousand Save America's Treasures Grant, which was supposed to cover two years and we eked it over about three and a half but we are in essence, by June thirtieth, about ready to shut down.

Senator Dorsett
Let's flag this until one o'clock. The next items are Monet and Egyptian Treasures, nonrecurring, and Symphony Education $325 thousand. We have had some discussion, are you willing to appropriate the requested amount? Okay. The next items are the conversion of twenty temporary positions to permanent positions, and the Reserve for Utility Cost. Alright. Next, the Digital Preservation Program, the State Library, $200 thousand, recurring, and the State Board of Elections, which we have a question about, regarding a contract position that would be converted from an appropriated position to a receipt supported position.

Amna Cameron
No, the second position requires a law change.

Senator Dorsett
So what are we going to do about that? We may take it out and they will continue to have it receipt supported. Moving on to Computer Voter Registration, which is receipt supported and we are within the law to do that.

Amna Cameron
We heard a revision yesterday that removes one position from a sixty-five and reclassifies that, increasing the deputy directorial position to the eighty-two and adds five new staff. This is the campaign funding that is in charge of auditing all of the reports and they are two years behind so

they're requested six new staff members and they also requested, in order to handle the back plug, it will take three employees two years.

Representative Tucker
She presented two proposals and one is $400 recurring and another $186 nonrecurring.

Amna Cameron
The old staff believes that in order to meet all of their needs they will need ten positions instead of the six they are requesting for a total of $641 recurring and $186 nonrecurring.

Representative Tucker
I would suggest that we have ourselves audited and do the things that the law requires and that we take the cheaper of the two methods.

Senator Dorsett
We will have to add that in, $402,900 recurring and $186,000 nonrecurring. Lastly, we have The Office of Administrative Hearings, Administrational Support and Reduction of Unrealized Receipt, who have requested the administrative law judge positions at $212 thousand.

Michele Nelson
In addition to that, the $45 thousand didn't meet the entire request that they made to the governor, therefore, they requested, yesterday, an additional $21 thousand plus to add to the $45 thousand.

Senator Dorsett
(Senator Dorsett recognizes Camille Winston to clarify a point of discussion)

Camille Winston
The additional $21 thousand will enable us to eliminate that receipt run item which is a little over $65 thousand and it would contract with a publisher to publish and handle the sales of the register.

Senator Dorsett
What is the pleasure of the group? There is an expression that we stay this item until the long session and leave it at $45 thousand. Alright. Moving on, we have a question from Senator Cowell about the Facility Planner position and questions about lobbyist reform and registration. We will hear the Secretary of State at one o'clock. For the Office of the State Auditor we will be getting some additional information on the lease from the Fayetteville branch office and discuss the transfer of item 3, business intelligence to the full chairs.

Next, from the Office of the Fire Marshall, we have asked insurance to come back and tells us what happens to the receipts. We have reduced the property disposal system by $200 thousand. The Commission on Indian Affairs will return and discuss the possibility of funding two

positions as opposed to three and we will hear from the Department of Revenue about the William S. Lee fund and we will hear, again, from Cultural Resources.

JOINT APPROPRIATIONS GENERAL GOVERNMENT
MINUTES

March 16 2006
1:00 pm

The Joint Appropriations Subcommittee on General Government met March 16, 2006 at 1:00 pm, a follow up session to that held at 8:30 am. Senator Dorsett called the meeting to order. She welcomed Senators Brock, Cowell, Graham, and Jacumin as well as Representatives West, Tucker and Goforth. Staff member Michele Nelson and Amna Cameron were also in attendance.

Senator Dorsett
This afternoon we're going to hear from the agencies that we have some questions for. I'll begin first with the Office of the State Auditor.

James Forester, Office of the State Auditor
We passed our information regarding the lease of the Fayetteville branch office. That office is housed in the clerk course and we have been there for about twenty years, rent free, and to move out allows us to comply with the revised yellow book standards which state the need to exercise independence in our work, keeping us in that position bars us from exercising that independence.

Senator Dorsett
We are still talking about state funded agencies but if we're collocated with another agency that's being funded by the state, is that in fact a violation of the independence standard.

James Forester
We'd like to think that it would be a violation because we have to provide an audit and being there requires that we submit a qualify statement we need to maintain independence in order not to have to do that.

Representative Tucker
Madame Chair, that space is not provided by the state that space is provided by the county through the core facility council. As a former accountant, it is necessary that it be independent.

Senator Dorsett
Are there any other questions of comments? Okay, for Cultural Resources I have three questions. Who's representing Cultural Resources, the secretary?

Secretary Lisbeth Evans, Secretary of Cultural Resources
Yes, and I have brought a few people with me.

Stacy Mayer, Cultural Resources
I am here to answer questions regarding the Attorney 3 position. Yesterday, you raised some questions about the number of contract attorneys and there is a handout being circulated right now. The services the state agency section was in, the Department of Justice represents a number of agencies, at the bottom of the first page of the handout it describes thirty-two positions in the sub section of the Attorney General's Office and gives the classifications for those. Commerce has an attorney 4, the Controllers, Utility and Elections have an attorney 4, DCR shares an attorney 3 with the Department of Justice and ITS which also has a full time attorney 2 and 3 position funded by the agency. There are several attorney 4's, the Banking Commission has an attorney 4, 3 and paralegal, which are all contract funded by the Banking Commission. Agriculture has an attorney 1 position, which is contract funded and attorney 3 position and attorney 2 positions, which are both funded by the Department of Justice. The Retirement System has an attorney 4 and 3 position, one funded by contract, another funded by the department of justice. The Treasurer has an attorney 4, funded, by statute, by the client. The Department of Juvenile Justice has an attorney 4 and 3 position contracted funded by the Department of Juvenile Justice. The Collections Program has an attorney position there that offers its services but has a Programs Assistant and Collections Program Assistance funded by the Collections section. OSP has a contract attorney position that's funded by the Office of State Personnel. AOC has a position that has been in the Department of Justice for years and that position is DOJ funded. The Lottery has a new attorney 4 position funded by the Lottery. Wildlife Resources Commission is a contract position funded by Wildlife. Justice has provided me with a total, 11 Department of Justice funded positions and 21 client funded positions. Most all of those are attorney 4 positions, any situation where there are attorney 2 or 1 those are being supervised by an attorney 3 or 4.

The Bill of Rights case has occupied two attorneys for the better part of three years now and we still have three pending actions, one in the Fourth Circuit Court of Appeals, one in the state of Connecticut, and another here in Wake County. This litigation is expected to go on for some time. We have numerous "friends" groups and commissions throughout the department that the Department of Justice helps us with. We work on all kinds of issues regarding boards and commissions and how they interface with the department; a lot of legal consultation is required. Reviewing the status of these groups the information with DPR administrators and formulating appropriate policies has tied up two senior attorneys, an attorney 4 and an attorney supervisor 1 over the past two years. The new recording requirements for grants also take up our legal resources to draft contracts and get measures in place for appropriate monitoring with the new statute.

The Currituck Light House and Battle Ship cases are two artifact cases. There has been a battle flag case and a Jefferson Davis case, both requiring over one hundred hours of attorney 3 times. The battle flag and battle ship cases are both pending, in addition to the ones I have already mentioned.

As for the Attorney Generals office, it is safe to say a more detailed listing of their undertakings would reveal more than a full-time senior attorney devoted to meeting their client's needs. If I can provide any answers I'd be happy to do so. This information was provided to me by section head of the Services to State Agents section of the Attorney General's office.

Senator Dorsett
Are there any questions?

Senator Brock
Over a period of five years, how many billable hours would you say that cultural resources needs.

Stacy Mayer
Over the last five years the requirements have increased. I did that job for three years and it took most all of my time. It required night and weekend time and my position was being paid for by Juvenile Justice. I was working and doing Cultural Resources as well. I cannot pin point an average but I'd say there's plenty of full time work there, much of the work cannot be done because we don't have full time service. If we had dedicated representation it would be easier for us to do things sooner and better. Some of the problems we have had are issues with regard to Historic Tax Credit Preservation.

Senator Dorsett
Are there any other questions? Okay, the next item is Caring and Sharing, the specific questions being, what can be done with one million and what can be done with five hundred thousand.

Secretary Lisbeth Evans
With one million we can provide for one performance company. For five hundred thousand we could not provide for any performances. We could provide education for the west, advanced curriculum for history day as well as for museums. I'll take questions.

Senator Dorsett
Are there any questions? Alright. Queen Anne's Revenge

Steve Clay, Head of Department of Archeology
I am the state archeologist and the head of the Department of Archeology. I understand that there are questions regarding our request for recurring funds to support this project. This is not only one of the more important and historical archeological sites in North Carolina but across the nation and even internationally. It is also one of the most highly threatened archeological site in our state because of what we have learned about the effects of hurricane action. We are very interested in being able to sustain efforts to recover and conserve artifacts from that site. I'll be happy to take any questions.

Senator Dorsett
Are there any questions?

Unidentified Committee Member
I've visited the site over the last three or four years. There have been times when we haven't had any funding at all. It's very popular and has been written up in National Geographic. I believe it would be in our best interest to provide them with recurring funds.

Senator Dorsett
Are there any other questions?

Unidentified Committee Member
At what time do you think you will have this project completed?

Steve Clay
Of course it depends on funding. Because of uneven funding, over the last ten years, we have only had limited recovery on the site, only about five percent has been excavated and brought up. Given the threat that I mentioned we need a sustained effort. We have estimated that the bulk of the material can be brought up in five years. That is however the just the field effort and not the ongoing conservation at our lab, which is in partnership with East Carolina University. That could take ten years or more because of how complex of a situation it is.

Unidentified Committee Member
Follow Up. Is the $247 thousand the five year plan?

Steve Clay
That would address the field operations within five years.

Senator Dorsett
Are there any other questions? Given our limited recurring funds we have tried to fund as many items as possible nonrecurring but we all do see the value of your project. I just wanted you to know that. Our next presentation is the Secretary of State office. We requested that they better justify their requests for the facility planner and the lobbyist registration reform.

Senator Cowell
I'm trying to find the compelling return on investment, the business reason for requesting this facility planner position. It's fairly administrative so I realize that it makes it a harder thing to justify.

Representative from the Secretary of State's office
There are a number of compliance issues that we have to deal with day to day that relate to employee safety and health. We have to operate an effective employee safety committee that involves employee participation, make inspections of our worksite (all of our buildings), keep records and make reports of OCEA and OSB regarding safety and health issues, and we try to

maintain an active workers compensation cost control program where we deal with those worker's compensation related injuries, rehabilitation, light duty, try to control those costs. We administer an Americans with Disabilities act programming policy where we look through the accommodations and compliance issues there. These are all things that I would rely on this position to take a lead role in doing. These functions, of the Secretary of State office are required by law or by procedural policy.

Senator Cowell
Do you have any labor intensive positions for Secretary of State?

Representative from Secretary of State's office
No, these are mostly desk jobs. We do have some law enforcement, most of whom are involved in administrative type duties. But we do deal with life safety issues. This position would oversee the departmental energy plan; we're required to maintain an energy conservation plan. All of these take time, when you add them all together you have a significant administrative undertaking. The choice of facility planner was more of a secondary issue, I was looking at the training and experience that I thought was appropriate to get the skill set and I looked at the states inventory of job titles and the corresponding responsibilities, to get the kind of person who would have the background experience, we had OCEA, fire safety, life safety procurement, an assortment of duties that we could bring internally to help manage these programs and be hands on.

Representative Tucker
How many outside agencies reside in your facilities and who are they?

Representative from the Secretary of State's office
There are three tenant agencies in the four building complex, the Department of Labor, the Office of the State Auditor and the Secretary of State are collocated there. We are on the first and the top floor and the Auditor and Labor are in between. We share the facility and need to coordinate our building evacuations, emergency response, storage warehousing, building use, security, etc.

Senator Dorsett
The Secretary of State takes the lead role in this coordination?

Representative from the Secretary of State's office
We share it as a team. We are the ones doing it now.

Senator Dorsett
Do they have a similar facility planner?

Representative from the Secretary of State's office
They have building coordinators with whom we have been working. How that position is classified and how the duties are assigned I cannot say.

Senator Dorsett

But they each would have an equivalent of this?

Representative from the Secretary of State's Office
Yes.

Senator Dorsett
Okay. Who will handle the lobbyist registration?

Rodney Maddox, Chief Deputy Secretary for the Secretary of State Office
I have with me our budget director Anne Harris and our director Gayle Holder who are both knowledgeable about various aspects of this.

Senator Dorsett
I believe there is a specific question.

Amna Cameron
If I may, in the 2005 budget, based on a preliminary guess of what the end result of Senate Bill 612 would have been, the budget passed before the bill passed. The Secretary of State was awarded nine positions. Is it possible for this committee to reallocate the sum of those positions to accommodate their current requests?

Rodney Maddox
We do not view that as such a good idea and I would like a moment to explain why. At the time that the S614 funding was enacted, and the funding did not arrive until July 1 of this year, the agency was looking for eighteen positions and the appropriation and the bill went through, so there were different duty assignments there. We have not come back to ask for eighteen positions. The original nine were allocated based on a direct comparison on the fiscal note with the Board of Elections and how they process paper. I'm sure you already know of the situation with Board of Elections and the additional staff that they needed. The staffing formula was based on a comparison with the Board of Elections. The projected number of reports that we received was several thousand low based upon what actually happened in calendar '05. The formula was conservative. The numbers were low because the session went longer and the longer the session the more reports come in, several thousand each month during session that have to be filed under S612. There were a few other things that were not really factored in from our point of view. There was the, quite frankly, high number of forms left uncompleted. We are basically dealing with first amendment rights because we are looking for a way to get information into a system where it will then be available for folks to look at it. The incomplete report issue was not adequately stamped at all. The last point that I would like to speak to is, of those eighteen we were originally seeking, there was an assistant director, we were asking for a seventy-three but we are back asking for a grade seventy, and we asked for investigative staff, we were given subpoena authority to that magnitude but we don't have an investigator so we are here again asking for that. The time sets the bill was enacted gave us opportunity to identify three zones, that we did not get staffed in, where there appears to be a level of customer service request. One of those is the educational component, to make sure that the principals, the accountants and their

lobbyists, and related people who compile these reports are adequately educated about what it is they have to do. We really need staff to do that. The second piece is the advisory opinion need and we put much discussion in the parallel committee that has a house select committee on this that has a desire for a tailored Safe Harbor provision. I wouldn't be surprised about which one of those ends up being enacted but there is already an Advisory Opinion Statute within the law which will be bound, if there is not a more specific one, and enacted by you all this year, chapter 150B section 4 where any interested party can come in and ask the agency for an advisory opinion. We are going to get a large number of advisory opinion requests that we are going to have to deal with, hence the request this time for the agency legal specialist. The original appropriation was a conservative one, the numbers more than supported that. The Governor's recommendation this year is more than adequately supported by the work that we are going to have to do. I will take any questions.

Amna Cameron
Madame Chair, I have some clarification for the committee. The S612 requests were based on the Board of Elections, however, they have four positions that fulfill the comparable roles of the eight positions. Of their current requests there includes no additional staff, there request is for filled auditors and training specialists. Actually the requests they brought forward replaces one of those positions and increases that to the audit so that it would only come to three positions to perform these functions.

Senator Dorsett
So you are asking for the positions offered in S612 and four other positions in addition to that, which is a total of thirteen? Next we will hear from insurance and respond to the request to convert a receipt supported funding to general appropriation.

Insurance Commissioner
We entered this spring with three additional positions being funded by the State Property Fire Insurance Fund where we cover all state owned buildings where we cover all state owned building around the state. But those monies need to be left in as a reserve because sooner or later that big hurricane is going to hit us and we are going to have some major losses in North Carolina to cover. The request is to have three new engineering positions funded so that we will have someone to do the plan review in a timely fashion. We are actually funded by a surcharge on premium taxes and not directly by the general fund. The request is for permanent funds so that we no longer have to take money from the State Properties Fire Fund.

Senator Dorsett
I know we had questions this morning. Has he answered the questions?

Representative Goforth
What is our turn around now and what will it be once we add the residuals?

Insurance Commissioner
Month by month, we have gotten the back law, pre-law caught up, we were still righting, assuming the plans come in clean to meet the state building code requirements. Part of our problem is that so much of the design has been sent out of state to architectural engineers in

places that don't look at the requirements for the North Carolina building codes. We have to check it and send it back to them. A good example is the new hospital at Chapel Hill, the plans on that project alone were about twenty-seven pounds of paper.

Representative Goforth
So your volume is continuing to increase?

Insurance Commissioner
Yes, and seeing some of the proposals from the short session budget report, there will be even more.

Unidentified committee member
I guess this is a process question for the staff. Help me understand what the commissioner means when he says that the revenue he gets goes into the general fund.

Amna Cameron
He is requesting that this be shifted to appropriations support. At the end of the fiscal year the Department of Insurance refunds any appropriation made by the general fund from receipts. The money that is currently being used to pay for these three positions, from the State Property Fire fund, would be used to help maintain the stability of this fund so that when a future claim is filed they will have enough money to pay for it.

Unidentified committee member
Even though we are reimbursed for it, his budget falls within the percent of the amount of money that we have to stay within?

Michele Nelson
That's correct.

Amna Cameron
In your packets you do have the requests that the commissioner is talking about, on the statistics of the State Property Plan, on a monthly basis since 2001.

Insurance Commissioner
The General Operations approved this a few months ago, with this temporary funding, but we still feel concerned, with the hurricane season approaching and we're trying to buy reinsurance for the state by July 1 but we're not sure that we're going to get it. The other issue is the Seniors Health Information Program. The deadline for Medicare prescription part D was last night at midnight. Missing the deadline brings a penalty of one percent per month before you can enroll starting in November of this year which amounts to a seven percent penalty. To deal with the Medicaid eligible's we will need to replace to the fifteen temporary positions we've lost since last year and many volunteers.

Senator Dorsett
Are there any questions? Okay, we are now to hear from administration. Philosophy

(End of Tape)

Senator Dorsett
The Queen Anne's Revenge, should that be recurring or nonrecurring? At this point it is recurring. How many would be in favor of making it nonrecurring? We have more in favor for that, though we have the option of bringing this back. Moving on, would you all prefer Symphony education to be recurring or nonrecurring? It has always been nonrecurring.

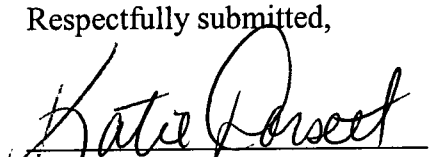
Senator Cowell
I would suggest that we make it recurring since we are not supporting the other programs.
Senator Dorsett
The majority wants recurring. Moving on, we need to decide about the State Board of elections, $402,900 recurring and $186,000 nonrecurring. I believe that is all on our list.

Unidentified committee member
Where does that leave us on our target?

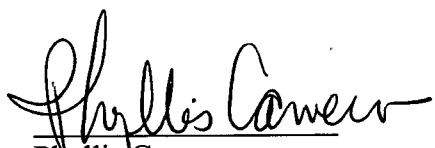
Senator Dorsett
They haven't calculated it out.

Michele Nelson
You started out with $647,720 on the table. You reduced the disposal system by $200 thousand and then reinstated that. You removed the $40,980 from the receipt supported position conversion on the State Board of Elections on page six, you added the $600 thousand by transferring the data warehouse initiatives in the offices of the Auditor and State Personnel, so we are at $1,488,700 less the $200 thousand. Then add the Sharing and Caring $2 million which is $3.2 million and now you want to finance about $550 thousand for the computerized voting positions. (Muffled side discussion). Okay, we will meet back here in the morning at eight thirty.

Respectfully submitted,



Senator Katie Dorsett
Presiding Chair



Phyllis Cameron
Committee Assistant

MINUTES
JOINT COMMITTEE ON
GENERAL GOVERNMENT

Wednesday, March 31st, 2006

House Committee on General Government met on March 31st, 2006 in room 425 of the Legislative Office Building at 8:30 AM. The following members were present: Representative Adams, West, Lucas, McLawhorn, Wilson, Goforth, and Tucker. Senators Brock and Jacumin were also in attendance. Staff in attendance included Michele Nelson and Amna Cameron. A visitor registration list is attached and made part of these minutes.

Chairman Roger West called the meeting to order and recognized the pages and sergeant at arms.

Chairman West introduces an agent from the office of the State Auditor to give a report on the zero based budget. There is a handout attached to these minutes outlining the report. The report explained the itemized budget requests from the office of the State Auditor.

Representative Adams was recognized for a question as to why the office of the State Auditor has a problem retaining staff. It was explained that the difference in private sector pay and the pay the State Auditor can pay is great. Representative Adams also asked State Auditor Merritt several questions pertaining to budget requests adding positions in his department. Auditor Merritt explained their necessity.

Senator Smith is recognized by the chair to voice his support of the budget request being made by the Auditors Office.

Another agent of the State Auditors Office is recognized by the Chair to explain the necessity of adding more staff positions to deal with the monitoring of non-profit organizations operational in the state. There is a handout pertaining to this attached and made a part of these minutes.

State Auditor Merritt is recognized to answer Representative Adams question pertaining to whether or not even small non profit organizations are going to receive better help from the office. Mr. Merritt explained that if the new staff is funded they would be able to help all non profit organizations better. He stated that currently unless the non profit received more than three hundred thousand dollars they essentially go unchecked until something comes up some how and there is no way to know if they have a problem with their auditing.

Chairman West asks if there are any more questions. There are no more questions for the Auditor.

Chairman West now recognizes Secretary Tolson on the Department of Revenue. There is a hand out attached to these minutes pertaining to his report. Secretary Tolson explains how his department spends over ninety percent of its budget on salary or salary related expenses. Secretary Tolson speaks about employee turnover statistics. The department's largest turnover is in the exam section and field auditing sectors. Secretary Tolson says the department is between three and six thousand dollars below the private sector salaries. Secretary Tolson asks for questions and receives none from members.

A representative from the office of State Personnel is recognized by Chairman West for an explanation of the department's budget requests. The representative's explanation was accompanied by a handout that is attached to these minutes. He explains the lap salary uses. He also explains how if there wasn't the money left in the lap salary fund services would not me provided. He explained the importance of keeping that extra money in the fund to deal with unforeseen accidents that would require the state to pay workman's compensation which his department is responsible for.

Representative Goforth expresses how he doesn't support building a budget based on lap salaries. He feels that if those employees are not needed then don't put them in the budget and fund what is needed.

Senator Smith is recognized to express how he agrees with Representative Goforth about the building of a budget based on lap salaries.

Rep. Adams is recognized by the Chair and states that this practice has always been used to help make a balanced budget in state government.

The Chair asks if there are any more questions for the department of personnel. There are none.

There being no further business before the committee, Chairman West adjourns the meeting at 10 AM.

Respectfully submitted,

Representative Roger West
Presiding Chair

Linda Johnson
Committee Assistant

VISITOR REGISTRATION SHEET

Gen Gov — 5-31-06

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kathy Crosbie	DOA
Jeff Wolfe	Daily Bulletin
Cameron Convizano	Daily Bulletin
Martha Harris	Daily Bulletin
McKinley Wooten	DOA
Ken Wood	Gov's office
Carl Goodson	OSP
Teresa Pell	DOA
Keir Morton	NCHFA
Sperro Pleggo	DOA
Suzanne Beasley	SEANC
[illegible]	CWMTF
[illegible]	SOS

VISITOR REGISTRATION SHEET

Gen Gov
Name of Committee

5-31-06
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Michael Peeler	SOS
Joal Brown	SOS
Ann K. Harris	SOS
Rodney Maddox	SOSNC
Johnnie McLean	SBE
Wayne Goodwin	DOI
Barbara Morales Barbara	DOT
Courtney Crowder	DOI
Hadley Montgomery	SOS
Dennis Patterson	NCOSC
Beth Rucker	Representative Adams
	Partnership for NC

Minutes of the General Government Joint Appropriations Meeting
May 10th 2006
1:15pm, Room 425

The Joint Appropriations Subcommittee on General Government met on May 10th 2006 at 1:15 in room 425 in the Legislative Office Building. Senator Dorsett called the meeting to order. She welcomed the staff, pages, and Sgt. of Arms. Four Senate members: Senators Malcolm Graham,. Janet Cowell, Jim Jacumin and Andrew Brock were present and Representatives Alma Adams, Roger West, Marvin Lucas, Marian McLawhorn, Rep Tucker and Rep. Goforth were also present.

Secretary of State

Haley Montgomery, Deputy Secretary

Good afternoon thank you for allowing me to speak today. My name is Haley Montgomery Dept Sec of State. Her are here to report on SB 612. Thank you to the committee for the confidence in the Secretary of State for implementing 9 new positions under SB 612. This body passed a solid and good piece of legislation. Now let me share what we have done with SB 612. We have submitted rules to the office of Administrative Hearings and they are on track to be adopted by Oct 1st. Giving us 3 months to educate the regulated communities. We are getting request for classes. There is a lot of desire out there to understand how to comply with the law. We have begun work on position descriptions so that the positions we are set to have beginning on July 1st can be hired. We have begun to look for lease space. There were various materials given to you and you will see the progress we have made on the Technological front. Now I would like to see what we have learned since SB 612. In the bill we were given 9 positions, a director and 8 clerical positions all funded at the minimum. That would mean that we would be hiring the lobbyist director at 45,000 dollars a year that was all that we were allotted. Due to the interest of the public we are in need of an upgrade of that position. I will speak on this at another time. There is an expectation among the public that our database is going to be a highly comprehensive database. I want to explain how we want it to work in the future. When we get a paper filling we scan the image and input what we can. Right now our database is only able to searchable for lobbyist name and principle name only. There is an expectation for other means of searching. We expect the number of fillings to go up dramatically. When some one files in a paper way those files will not be filled, our staff would have to do that.

Question Senator Dorsett
Will there be that many request for paper filings?

Ms Montgomery
I can tell you that as long as you offer paper filing the majority of people will continue to paper file. Not that they don't have the capacity

Rep Adams
But you have to make that available for those who don't have the technology.

Rep Tucker
You said we have to make paper available, why? There smart enough to be a legislator or a lobbyist they should be smart enough to file their forms. Every public library in this sate has Access. Who is it that is pressing these more than two kinds of searches?

Ms Montgomery
The main interest is from public and media and some members. Thank you.

Senator Dorsett
Any questions?

Rep Lucas Question
Can you update us on the North Carolina economy and trademark violations?

Ms Montgomery
If I could I would like to call on sec Marshal

Secretary Marshal
It is a growing impact not just in NC but in America as well, on legitimate enterprises, we have brought in many counterfeit items. The other entity that this hurts is the state. We have been seeing porno drugs and weapons. What we halled in was not illegal but the real thing. It is a serious problem here in NC

Rep Adams Question
So what is the impact of additional staff that can handle this?

Secretary Marshal
We have talked with the counterfeiting coalition to see what exactly the effect is in NC. This year we have already recovered 3.5 million dollars worth of counterfeit goods. We are way ahead of last year. There are a lot of people who think that this is a 300 billion dollar problem in America.

Rep Adams question
Just one follow up, so you think 5 positions will work?

Secretary Marshal
Yes

Sen Dorsett
Our next report is from the board of elections

State Board of Elections

Johnnie McLean, Deputy Director of Administration

We have four items for the committee. The first is campaign finance auditing. We currently have a staff of 4. Last session we received one new position. This division in our office has direct supervision or oversight of 5,444 committees. This is an increase of 400 committees since 2002. Also was having gone from 3 to 6 reports during a 2 year cycle. The number of discloser reports in a cycle is about 10,000 and the average is about 25 pages. The range is anywhere from 2 pages to 1500 pages. Half our time is for support for the county board of elections, the other half is enforcement. The complaints and investigations in campaign reporting have grown. For instance since 2000, there has been a steady 20% increase a year in complaints or questions. We currently have 50 complaints. Because of the workload and low wages we see this group of workers as a training ground. Since 2001 we have had turnover 9 times. What we are asking is to have for is to have 5 auditors and 3 processing assistants. There is one thing that I have reported to this committee every time and that is we have a mandate to audit reports within 4 months of the election and we have never met it. They other issue, currently we have 4 seats on the Supreme Court and 2 seats on the court of appeals. There are 14 of the 17 candidates. Our revenue currently stands at 2,245,650. Our projected income is hopefully 3.2 million. When we pay the money out to the candidates who qualify and we add 625,000 for voter guide and rescue money for the Supreme Court chef justice we have expenditures of 2.7 million. That will leave us with about half a million for anything that could trigger rescue funds. The most extreme example of needing money would be an additional 2.9 million; we have approximately 500,000 to go toward what is triggered. The other item I would like to report on in HAVA. North Carolina is proud to say that we have met timely with all the timelines of the HAVE legislation. You will see in your notebooks what we have completed and what is in process. What we are doing now is our NC plan that was adopted by the state board of elections. We have 27.2 million dollars left. About 7.7 million will be dedicated for voting equipment and another 7.7 million will be dedicated to the state wide computer system. We have about 9.5 million for precincts to become more modern. We want to find more automated process. We have a thirty percent turnover from one election to the other. We would like more safeguards in the systems so we can avoid mistakes. The final report is the overview of the voting equipment. Starting in February we where able to move over 9,000 pieces of equipment out to the counties. We had limited training but it carried through the elections. We want to go back and fully train individuals to fully understand how to use the voting equipment. Certain things that were successful the state did all the coding of the ballots and this cut down on a lot if errors and time. We also know that orders from counties are at about 16,000 more units put in. The counties will receive 39.3 million dollars, because

of counties not having an adequate infrastructure the state board put in an additional 5.3 million in grant money. That is just a snapshot of what this is about.

Senator Dorsett
Are there any questions?

Senator Cowell Question
Do you have a summary of existing and new positions, what is your current number?

Mr. McLean
We have about 30, we

Senator Cowell Question
How many are time limited

Mr. McLean
We have 21

Senator Cowell
And the time limited is all HAVA?

No, 11 positions are directly related to senate bill 223, that must meet parts of HAVA. The other is HAVA.

Rep. Tucker
You make a database of campaign reports and it is available on the computer. How many ways can you access the data you have?

Senator Dorsett Question
Do you have enough experience to determine the effectiveness of the paper trail?

Mr. Mclean
As I was leaving we were having the staff come up with all the reports for the hundred counties. As of this moment we have not heard of any anomaly.

Rep Adams
The positions that you were asking for, will they be used to review the report

Mr. Mclean
Yes

Rep Adams Question
It takes a while now; we used to hear back pretty quickly, but not now. Is that why you do that now? I think that if you are able to do that in timely manor I think that some of the problems reported on could have been caught.

Mr. Mclean
I agree, preventive measures are the best way to do biasness.

Senator Dorsett Question
Will some of the 8 you requested fix this problem.

Mr. Mclean
Yes, the closest to our system is Kentucky. They have 16, we have 4

Sen Dorsett
Thank you very much; our next report is from the office of State Personnel.

Office of State Personnel

Thomas Wright, Director

I have been asked to report in three items. The first is to give an update on carrier banding. The occupational areas that have been developed are information technology, campus police, scientific research etc. At IGS and NC State they have reported a 6% reduction turnover as a result of carrier banding. In 2002 we did a survey and 89% of the participants favored the new system over the old system. And we will be sending out a new survey in May. The second area is what is our approach to employment practices; age race and gender. Back in 2002 our focus was on black American males. There were 9 initiatives that were enacted and as a result a statewide mentoring policy was put in place. We have a training program called "managing differences" for African American males and we recently had a reunion of all the participants. Twenty have been promoted. In April 2004 we began a special focus on females we have 9 initiatives that are currently underway. We also have a special emphasis on workers like me, who are older. That is geared toward the work force planning initiative were a lot if our intellectual capital is trying to retire. This report is looking at what will happen in the coming years as many of these workers start to retire. You have heard of the Deacon Project, out of the controller's office, the work force planning prototype, and you will see that in our expansion as well. The third area is what is adopted for fair wage practices. In 1982 our office did a study called pattern to pay. We were working with Duke to update that study. From 2000 to 2004 32%of our adjustments have been given to white males, 36% given to white females, 11% to black males and 17% to black females. There are more men in some occupations and we plan to do a study on why there is little movement in these jobs. We are paying attention to unequal wages between males and females.

Senator Dorsett Question
When you came to us last year there was a great discussion about carrier banning and the study but then we have heard from people in our institutions who say it is already going on and I wanted to know are you already doing it?

Thomas Wright

Yes, it is already being done in occupational areas

Senator Dorsett
I've heard a lot of people say that it is not something that is a benefit to the state or employee and the last time you said how great it was (tap ended)

Thomas Wright
A lot if it is a funding issue, this whole system is dealing with employee confidence as well as the job and making it match. And we're looking at the number skills and abilities between the manager and supervisor to deal with carrier development issue. So we're drying to go up a vertical, it more horizontal system.

Senator Dorsett
What I did understand, I was told that some groups of people were not included in that, is that true?

Thomas Wright
Every one who was making bellow 2,112 that were moved to it? What we did was we took those salaries and moved them up.

Senator Dorsett
We have one more group to report and that is with Mr. Wood

Mr. Wood
In 1975 there was legislation passed that created the North Carolina council for woman. There was a 20 member board appointed by the governor. And that board operated with a staff or 14 people. In 1999 the domestic violence commission was created with a staff of 3 people and an executive director to other positions. This created a 39 member board that was appointed by the governor and the legislation set out what areas these members would serve. In 2001, most of you will recall, at the time of dire straight financial at state government, the council of women and the domestic violence commission was merged by the governor. What was merged was two divisions not two councils. So we still have legislation that creates two separate bodies on board. In 2003 the governor's office noted the council for women had become inactive. See in 2001 when the merger of the divisions took place they attendance at the council of women meetings went down. The two merging with each other kind of diluted each other and we did not want the domestic violence commission to be only for women. So still today we have the two separate councils. At this point it would just require the governor reappointing the 20 member board at the council for women.

Senator Dorsett

I wanted to clarify in my own mind, I thought that there was one division and that was the council for women and when the domestic violence commission was created they were both under that one division.

Mr. Wood
No, they were separate

Rep Adams
I was on this committee when that change was made and I had some concern about what the real stress was going to be and I still have those concerns. I am curious why the board was not appointed.

Mr. Wood
Because those were the governor's appointees so our staff was in place to conduct any meeting.

Rep Adams
Follow up, is there a break down of the makeup of those 20 members

Mr. Wood
The statue sets out that we have a someone from the medical field, you will have a practicing attorney, and the legislation just says that we have 20 members

Rep Adams
I think that we need to look at that, The question I would have is what past domestic violence what have you all been doing to address the other issues.
(Responder in back of the room comments)

Rep Adams
It still sounds like your focus in domestic violence and I guess that's....

Mr. Wood
I think that one of the realities for domestic violence over the years is that funding has been about 4 million grants for domestic violence; we have not seen that kind of energy, if you will, for issues concerning women only.

Rep Adams
If the commission were reestablished permission does what?

Senator Dorsett
They advise the governor. I have been a part of that history and served on the domestic violence commission and know the various slots. I was secretary for displaced homemaker, at the same time I think there was been some concern that as we have focused on domestic violence, and this general assembly has been very generous to give money to domestic violence and sexual assault, and I think that those two commission

should be combined. There are still issues of women's health that needs a continued focus. I think as we have put more focus on one we have put less on the others.

Rep Adams
How are we going to direct that?

Rep McLawhorn
I do serve on the domestic violence committee. People who are on that committee come from all different parts of the state and from different occupations. I really think that we need to make a board for other women issues. Is the staff there putting those people back on that council and making it viable?

Mr. Wood
I would say no, we don't have adequate staff in place to do what you all are saying you would like us to do

Rep McLawhorn
I would hope that you all would get a proposal in the next few months.

Rep Adams
Thank you for that question. I wanted to ask in terms of involvement in displaced homemakers, who is managing that?
(Responder in back comments)

Senator Dorsett
I believe that complete our reports, and now we are going to have our agency presentations. I have an announcement that we need detail beyond what the governor has in his budget so we can consider all the information available.

General Assembly

Tony Goldman, Director of Administration Division

Thank you, we have one item dealing with increase in electricity cost. What we did is take the certified budget cost for 2006-2007 and what we would like to see is the energy cost for the general assembly and what the budget might do. So you're looking at a cost of 200,038 dollars more. I would like to say that this doesn't reflect some things that we have been able to do here at the general assembly as far as operations are concerned. We have been able to do some things over in the legislative building and in this building as well to reduce the cost. We have a lower number then what we got here. We would like to reduce this down by about 70,000 or so. Just to give you idea, over in the legislative building where we have ten lights, there are 480 of those and we were able to take out a 65 watt and change it to a 15 watt. And when we did the renovations in this building we were able to change out the light fixtures. I am not here trying to brag but I am glad that we are only here asking for a number reduced to 70,000 dollars.

Senator Cowell
I just want to thank Mr. Goldman

Staff
So instead of the 238,346dollars we are going to give 168,346 dollars.

Office of State Budget and Management

David Brown, Assistant Budget Officer

Recommendation for the governor's office is 100,000 dollars in recurring funds. These funds are distributed 15,000 for transportation cost 25,000 for data services, 10,000 for registration fees 5,000 for office supplies 20,000 for IT equipment and 25,000 for security services for the mansion. On page 67 we have the office of State budget and Management, we have 3 items here, and the first item is to begin the process and implementation of results base budgeting. Programs will mirror the budget funds that we have now and there will probably be some changes in that structure. The development of this now system will have to be done prior to the state infrastructure being completed. We are planning to get our changes made before that happens. The budget includes recurring cost for budget analysis that totals 95,430 dollars, 40,000 recurring funds for software and hardware. We have none recurring cost for PCs and training for staff and we have 110, 00 which will be used for contracting to redevelop our budget document and to make our website more user friendly. The second item we have is to add an office support position and that position will help provide support for economic research area and the information technology section. These persons will also be involved with data services but they are in our office. The recurring cost will be 43,919 dollars the nonrecurring cost for 1,500 for a personal computer. The last request is for a budget analysis. We have a time limited position which is being funded by the hurricane Floyd funds that we used to help monitor disaster relief throughout the state. That includes 61,089 dollars in recurring cost for the position and 1,500 for a personal computer. On page 71 as you know the dept in the Blunt street area would have to relocate. That is going to happen in the next fiscal year, the handout you have list all that will need to be moved, the nonrecurring cost and 656,000 for the leaks payments that these agencies will occur. The nonrecurring should be 599,000 the recurring should be 656,000.

Rep Goforth
Where are we projected to get out of the settlement funds?

Senator Dorsett
We will follow up on that tomorrow.

(Side discussion was had about a technicality)

Rep Goforth
Is this property already sold?

David Brown
It is currently being sold

Sectary of State
I recall the transaction has been developed, the permission was granted to sell as that master plan comes in to place. So I don't that it's the entire lump some but the developers working through that master plan.

Senator Dorsett
We will follow up on that. Let's go back and get a feel for the previous, one the governor's office for a request for 100,000 dollars, you have the detail for what the 100, 00 is for. Any discussion on that?

(All heads nod yes)

Then the next amount in the state budget. There is a total of 3 positions. It is a total of 240,000 dollars for recurring and 169,500 for nonrecurring and you see the detail. What is the difference in 0 based budgeting and results base budgeting?

(Response given from the back of the room)

Senator Cowell
I just wanted to put my word of support for that, one of the key things in government is information technology and we can not have a sound one without a sound business plan.

Senator Dorsett
Two is the support position and three is the budget analysis position. Are there any comments, I see all heads nodding. Next we will hear from Housing Finance.

Housing Finance Agency

Margaret Matrone, Manager of Communications

If you will look on page 69 the governor's budget recommends an addition al 5 million dollars in recurring funds for the North Carolina Housing Trust Funds. It had 5 million as none recurring and 3 million as recurring and this recommendation would move the none recurring to the recurring. The Housing Trust Fund is the only state designed resource for finance affordable housing. Our agency pays all of they administrative cost for the Housing trust fund sot all of the 5 million would go into building affordable housing. It will build the states economy and it will produce 600 affordable homes. It will allow 375

jobs, increase state and local tax revenues by 3.7 million and leverage 20 million of housing development and preservation. The need for affordable housing exceeds the demand. The Housing Trust fund is created with a clear focus, actuality more than 80% of the housing it produces benefits very low income (tape ended)
It has financed 17,000 homes and apartments with a value of half a billion dollars. The trust fund is the states most flexible housing resource. It is able to finance home ownership, rental and supportive apartments. It provides the state largest source of financing for emergency repairs. It allows elderly people with very low income to live in an affordable resident. The trust fund leverages an additional 3 dollars for every one dollar of state funds.

Senator Dorsett
The home protection fund, that was not include?

Ms. Matrone
No, it was not

Rep Goforth
I think we need to double the amount of money

Staff
There is legislation that would pursue a bond of about 250 million. That would provide 50 million for about 5 years.

Senator Cowell
Do we know what are targets are and would this be include in our target?

Senator Dorsett
I am sure that it is a target for overall general government and I would suggest that we approve this at this time and move on. And we can make adjustments as we see what our exact targets are.

Lieutenant Governor Office

Zach Ambrose, Chief of Staff

Thank you, the governor recommended a single expansion item so I can be brief, 2,600 hundred dollars for travel expenses. The lieutenant governor provides the travel vehicle herself and she covers the cost of gas.

Senator Dorsett
Are there any questions, 2,600 dollars is the request,

Office of the Secretary of State

Elaine Marshall, Secretary of State

What we have provided to you is the back up information that I will not read to you but will summarize. The first item in our expansion budget is in the corporation division to get additional assistance in the LLC liability. Back a few years ago the General Assembly required us to send out notices of delinquency but did not fund the printing and posting for that except on a one time basis. So we are asking for the appropriate money to do that and also to have 3 annual reports personal with an upgrade of part time to full time. To be able to handle this, if you remember there is a 200 fee that comes in with each one of them. Many come in at March or April because the deadline is April 15th. That gives us I tremendous peak period. At one point we did have the annual report fee spread out over the year. We found that the delinquency rate was incredibly high cause never could remember when it was supposed to be done. So when it became attached to tax filing date then they are more aware. We have somewhere in the high 200 thousand coming in manually. That is why the timely process, A. getting the money into the state fund and B. those business decisions need to be out there so that folks who make subsequent business decisions can note if entities are in good standing or not. The second request is a facility planer position, we have found that we have tremendous land lording issues, moving issues we are co-tenants with a number of other agencies and all this is very time consuming aspects. This has been done by folks in our administrative staff and when you add on that compliance on other things like the ADA and other statues, we are finding that it is a big drain on our officer. So moving people is a tremendous drain on people who are already stretched as much as possible. The third item is an internal auditor, we feel like we need this position. We process 50 million dollars and that is a growing number. We really feel like we do need to be the best Stewart possible of the publics money, get it were it needs to be. We just need the oversight of an auditor to be as efficient as can be. The next item is the lobbyist registration the governor is recommending the upgrade for the leader of this position from a pay grade 75 to a pay grade 82. We are based upon a very weak lobbying law and even when we have the need to do a very high profile investigation we have some complications. So the position, 9 were created before the law. Now we are in better position because we do have the law, to know and have the experience. Without appropriate staff to do lobbyist investigations that the situations we find ourselves in. There is also an attorney position in here. The hope of the lobbying community is that we will be able to give advisory opinions which they can use as a safe harbor. We are finding that the need for a trainer and educator, and

was you expand the number of people under the lobbying law, there is going to be a tremendous education effort. As I stated we want a simple understandable law. The interpretations of the law need to be out there in advance. That flushes out the additional lobbyist request here. The more sophisticated you require reporting to be, at some point there is an infringement upon the chilling effect of the constitutionally protected right for folks to address government. So far the 3 and a half million in goods taken as counterfeit would generate at sales tax 245,000 dollars. And we know that these people are not paying income tax either.

Senator Dorsett
Any questions?
One of the positions is for an attorney, one for an investigator, and the others would be increasing the staff from one salary rang to another.

Sen Jacumin
It looks like we are looking at a 9% growth this year how does that compare to other praetors.

Ms. Marshal
Its wonderful, no it's, I mean I don't know the percentage. It is all due to the change in the law.
The peaks and valleys have been through various changes, the uniform advisors have come along with when registered of deeds function with the commercial loan was moved to a state wide database, that's when we had a major surge. See there is no staff for lobbying

Rep McLawhorn
I really think you said it, there is no staff for lobbying and this is new and I think it is necessary, and if we do pass further legislation your going to be looking at a lot more. And just for informational purposes, supposed we case something in the short session that says you're going to need more staff and we don't go back in to finalize a budget to the middle of next year, how do you abide by the law we have without enough staff?

Ms. Marshal
Well it is incredibly difficult

Senator Cowell
I wanted to ask you about the trademark positions as apposed the other two, its interesting to me the governor chose more internally focused administrative positions over that trademark; can you give me your opinion on that?

Ms Marshal
Well trademark was our number one request, and to this day lobbying is kind of an unknown area, unknown what are resources are going to be it is unknown what the law is actually going to require. So I look at the as kind of an open ended situation.

Senator Cowell
How much the data entry would positions cost?

Ms. Marshal
It's almost impossible to know, it could be a huge number of reports being filed.

Rep Goforth
What you expect the ethics reform acts to cost us.

Ms Marshal
We have not done that analysis because ever time we talk with some folks the scope expands and expands. If there were 20,000 state employees and all were covered and all the entities I would be coming her asking for a whole lot more positions.

(Staff asked a clarifying question)

Senator Dorsett
I wanted to ask about the facility planner, is there any possibility that a facility could serve as several different agencies. Is that a possibility?

Ms. Marshal
There are some aspects of what a facility planner does that could be but they are basically represented by state property.

Senator Dorsett
Well where I am going with this that I think the loyalty should be serving the needs every agency. And if you have one facility planner where there are several agencies I don't think he or she would but an agency over another. It just seems to me that it is a direction we could move in.

Ms. Marshal
In an ideal world that is probably correct but even as we have in the past dealt with people assigned to us outside of the agency, we have got some unacceptable responses.

Senator Cowell
I think having the Lobbyist reform be successful is critical to everyone, I feel like we need to be realistic about what it is going to take and I wonder if there is an example of another state that has more stringent lobbying laws to see what the size of their budget is so we can get a feeling for what we need.

Ms Marshal
I know in many states there is a ban, and where there is a ban there can be exceptions that eat up the rules and at that point you still need staff.

Rep Tucker

I am assuming that what is in this proposal from the governor is to enforce the laws that are currently on the books. Then let's address it when and if it happens.

Senator Dorsett
Are there any feelings about what are in here, the positions, do we want to give the nod as it stands, then we will proceed. Next is the state auditor

Office of State Auditor

Cindy Gilliam, Budget Officer

The first item we are asking for 19,064 which is the lease for our Fayetteville branch office. Because government auditing on independence has been expanded and enhanced we actually need have to do a qualification when we issue that report, so we are asking for funding there. We have a space assessment done by state property and they have told us they amount of space and where to put it. The second item is for agency network troubleshooting software and this is a service that is offered by ITS that we want to buy from them and it will allow us to determine difficulties in our networking. And the last item is our business intelligence software and data warehousing. This money will improve the way we update information on nonprofits, it will help us with the DEACON project and it will help us our auditing. Originally we had asked for more money that was in the governor's budget and the difference is in the consulting services (tape ended)

Sen Jacumin
What the equivalent full time for 9 or 10 part time?

Courtney Crowder
No these are full time people

Sen Jacumin
You said you are using 9 or ten part time people to do this job, what are they equivalent to?

Courtney Crowder
Well no these nine to ten people are working 40 hours a week. Its jus the fact that we do recognize that this is the peak time right now and for the past several months. We do not consider having the same very high level of calls that we have today. But we feel that it will be evermore higher than it was in the past.

Staff
I have a question concerning the payment for the temporary positions, it is my understanding that this funding is through grant appropriations

Courtney Crowder

It's a combination; we have six positions that are under grant.

Staff
Is the grant renewable?

Courtney Crowder
It came from a North Carolina Senior care, so those are not recurring funds.

Rep Tucker
What was plan for continuing the position?

Courtney Crowder
We certainly new that there would be this heightened level of activity with the adoption of Medicare part D. With the understanding that was not a continuing source of funds.

Rep Tucker
The workers compensation that's in here is this additional workers compensation or is the same amount?

Courtney Crowder
There was an annual appropriation of 4.5 million that we were receiving every year, that number was reduced was reduced.

Senator Dorsett
I really would have you folks look again at the four positions. In my mind I just can't visualize you being at the peak of activity. And then be requesting four positions for what will be continuing activity at a lower level, so will you just look at that again.

Courtney Crowder h
Certainly, but we have four positions and that is six less than what we originally had. But we can give it some figures as well.

Senator Dorsett
Ok, now we have the department of administration and Kathy Cooke will be presenting

Department of Administration

Kathy Cooke, Chief Fiscal Officer

Thank you, the first item on our list is the hub academy. The department wishes to establish this as an educational program to help firms develop fuels. This program is an outreach program. 400,000 dollars as recurring for on position and we will have other operating cost in there. This hub academe teaches minority contactors to learn strategic

participation in public construction. The second request is for a telecommunicator position for 31,843 recurring. This is an additional position to support state wide alarm systems that is managed by the state capital police. Currently it is being maintained by a law enforcement officer. Facility manager maintains the state wide alarm system. It reaches all state facilities from east to the west. Basically when there is an emergency it goes back to facility management. We can put that law enforcement officer back on the street with this new position. The third request is a facility management position, additional four positions in HBOC division. These are requested to support existing office space doing repairs. We only have 14 positions maintaining that large space. So it is 5.5 million square feet of office space. This cuts down on the work load. Next request is 80,117 dollars to support two positions, these positions are painting positions. They will paint 15 million square feet of wall. The consequence of this is very bad need of repair. The next item is building repair. We need money for small repair on deterioration if the building. This 321,552 dollars requested would support some of that. Once again for the facility managers' position we need utility cost to be covered. This is a 1.3 million dollar increase to help support our deficit. The next item is the North Carolina ethics board; we are requesting 401,871 dollars recurring and 21,000 nonrecurring. This is for four new positions. Next item is the state property office; we want to make sure that this service is being used in the most efficient way possible. This 400,000 and it is nonrecurring. The next item is the council for women, 148,175 recurring; it is for 5 new positions. The next item is North Carolina Council for women it is 350,000 nonrecurring, this is to fund additional moneys to the domestic violence programs that are already established. The next item is division of veteran affairs. The total request is 1.5 million. Of that the recite is 1.2 the appropriations is 373,000. This is being used to increase the veteran scholarship funds. The next item is for the veteran affairs is 120,671 recurring, this is for 3 positions in the field. With the growing community of veterans these positions are much needed to serve the veterans that are coming into the office seeking help. The next request is the commission on Indian Affairs; it is 172,989 dollars for 3 positions that would be recurring. The North Carolina economic initiative is set a goal to provide for the needs of many tribes in North Carolina. Six of these tribes are east of North Carolina. Currently this program is not funded; we received a grant aid last year.

Rep Adams
So you have no positions now?

Kathy Cooke
Not in this particular outreach group. The next items belong to OSP. It is recommended for those with disabilities is shifted to non governmental organization. This request funds severance pay and vacation pay if they move to. Of course that request is nonrecurring for 846,114 dollars

Senator Doersett
Now what happens if the don't move?

Kathy Cooke
They have an appropriation and they would simple operate at the housing they are at.

Senator Dorsett
This has been and issue in the committee that has been going on for at least twenty years. And they get closer and closer and there is a real concern for some of those who have lung service to the state. That they move out to non profit their jobs will be at risk and that been the real issue. That is a real concern about where those people will go.

I had one more question, during the time for council of women we had these regions and we had these people in the region, and I know that one of the mandates was that we have some visibility in the 100 counties to make them aware and I think we were supposed to have some people in the region there, where are we with that?

Person in the back
There has always been one set

Senator Dorsett
So what happened...

Person in back
Well their roles were expanded to monitor these grants so I won't say there was a conversion but their job description was expanded so that these 4 plus million dollars in grants that we were sending out were going to these programs. So they are not duplicating people

Rep Adams
So those regional offices, there are five of them. So one of the staff persons will be put into these.

Person in back
Those are for support, because right now they are part time folks and we need full time people to do that work. So the regional offices remain where they are.

Senator Dorsett
I have another questions about the state property disposal system, how is that different the time that the general assembly created a type of commission to sell off the property.

Kathy Cooke
Basically the state property has been antiquated system. They are trying to get it to capture more accurate data state wide.

Senator Dorsett
So this is a technology to take care of the disposal state property.

Senator Cowell

Is there recites that would cover that or do the money from the sale property go into a different pot? And I am very interested in energy efficiency and being a role model across the state so I am curious what you guys have done?

Kathy Cooke
The money goes back to the general fund and is not going back to the agencies. The department is certainly working on energy conservation. You might notice the discussion in the chiller, which will save about 25% in utility cost. So this is a projection of what the utility cost will be.

Staff
Does the General Assembly complex was include in the chiller development. There is some indication it was not included.

Senator Jacumin
Observation, again we are looking at a growth rate of 9.7% and the resources for funding that is 5%. Those kinds of things I think should concern us.

Staff
The funding by the governor's office only include salary, there was an additional request for supplies.

Senator Dorsett
What is the pleasure of this group?

Senator Cowell
I would like the option if making adjustments, there are a lot of programs here a lot if scatted positions, it seems challenging when you have 5 here 1 here and to add that many people at once and be able to oversee them and make sure it is all working effectively. It gives me a little concern.

Senator Dorsett
Well then let's move ahead with the option of returning at a late time and looking at this again. We are going to call on Carl now

Office of State Personnel

Thomas Wright, Director

I am going to refer you back to page 90. The first two positions really tie into a key issue when we are talking about the need for diversity and demographics within state government. The first position deals with the employment of legal aliens. There is a growing population within the state and in the state work force that we have a need for. This is an agency legalist 2 position, needed back in last session. There were 300,000 dollars that was one time appropriated to both the controls office and our office to

address this issue and start the process. He have hired the specialist and dealt with this, so this is request to make this continuing the position in our office. The agency university has expressed a great need for this and have been very receptive. So this position will be dealing with that. The next position is one that will help us in dealing with investigation, specifically along the lines of diversity issues, as you know when you read these articles in the paper about what state employees have done, or they worked and not have been paid. Our office has to go out and investigate these issues, we feel like it is the time to have a position specifically for that. He or she will be the lead person on investigations. In addition to the position there is 30,000 dollars requested within that money for that position and the Roads Program. The next position then deals with mediation, with the grievances process in the state system we are provided trained mediators to go out and help the agencies and the employees. This is a staff position that will just help us in the training and coordination getting mediators to the right place. In the position there is 15,000 asked for training purposes. The last position to the NC Flex Program is a position just for growth. It has grown in addition we are now expanding into community colleges a lot of them do not have programs and come to us, as a result we now have about 150,00 participants now in the program and this position would help in the expansion. The last item, this should be nonrecurring the 250,000 dollars that's for the Beaken project. What this is for is for an integration management system, we have a lot of data on employees. This to help us to a data management warehouse program to build all that information on that database so we can have all that information to pull form. This money is used for development.

Senator Dorsett
I have a question that has to do with the mediation; I thought we put that in the budget last year.

Carl
We did but it was not recurring

Senator Cowell
846, 00 removing the nonprofit, it was just a very large number

Senator Dorsett
Oh, that is not under OSP. It is a large department. They have a lot of employees

Staff
The severance package is not only for the six but for all, because a lot of that is federal funded. **Johnnie McLean, Deputy Director of Administration**

Senator Dorsett
Ok let's come back to state personnel, as the hour (tape ended)

Senator Dorsett

We would like to apologize and would ask other agencies to join us in the morning at 8:30. So lets first call on the office of administrative hearings and then we will have the board of elections

Office of Administrative Hearings

Julian Mann, Director-Chief Law Judge

Thank you madam chair, I will be brief, I am going to address the need for administrative law positions in the governors budget. You all have seen the handouts from the administrative hearings, when I came to this office in 1989 there were 9 administrative law judges, now we have 8 while our case load as gone from 1,073 to 2,341. This is an upper trend and in the last couple years we have lost a number of positions in our clerk's office from 20 to 16. We are trying to restore ourselves to the levels of 1989. When I came here I was the director of 3 divisions and being able to manage them. Now I am a full administrative law judge that hears cases all over the state. So we are requesting funding for one additional position as an administrative law judge committed to special education. The Administrative oversight committee has approved these requests and were reviewed in detail.

Camel Winston
Our request in item one, this budget is 65,000 dollars and we have not received these funds in years because the federal register keeps declining. We want to operate at the level of other states and to do this we have to eliminate that receipt line item from our budget. And that's what this is for. Our total request is for 66,384 dollars and the governors office has recommended 45,000 which leaves us short of our ability to do this. The shortage is 21,000 dollars

Senator Dorsett
Any questions? We talked about the empty space, were you here when we talked about that?

Carl
I was not here at the time but I have been involved.

Senator Cowell
I think that since this has been mentioned by so many different people I am more convinced for the need for this then some of these other permits.

Senator Dorsett
So we are in agreement to move ahead. And the final one is the board of elections

Johnnie McLean reports for the board of elections

Thank you so much, In keeping with the chairs statement I will be brief but in doing so I don't want to under stress the need necessity for the governors recommendation. The recommendations include a total of 21 positions. The first recommendation is to convert a contract position to a regular position. State ITS is in the process of moving from contract positions to permanent positions we have worked with them and they are aware and approve. Then the receipt supported position is conversion this is the position created to help in the administration of the public campaign fund. The funding for this position comes from the receipt for that fund. If it was state appropriated I guess you would have more allocated for that fund. And then you will see the next item is computerized voter registration. This would include all the positions in the document that was provided to you last week, it's the one that has the spread sheet. What it would amount to is 8 district elections technicians the project manager the business analysis 2 technology support positions, 2 office assistants 1 certification outreach coordinator. I came the board of elections in 1985, we had three persons in administration we had 2 in finance. We have had additional legislation. We have managed by resourcefulness and determination but if we don't see some of these positions we are not going to be able to perform to the expectations of the voters. I will also point out only two positions contain appropriations. These positions can be funded by where they are currently being funded, mainly effort money. There is no such thing as free money.

Senator Cowell
I feel that we have passed a lot of legislation what your saying is sound that you have a lot more on your hands

(Question from staff)

Ms McLean
What is recommended are 21 positions but only two positions had appropriations. It is our expectation that that money could come from money that has already been set aside.

Senator Dorsett ends the meeting

Respectfully submitted,

Senator Katie Dorsett
Presiding Chair

Phyllis Cameron
Committee Assistant

MINUTES
JOINT SUB COMMITTEE ON
GENERAL GOVERNMENT

Thursday, May 11th, 2006

House Committee on General Government met on May 11th, 2006 in room 425 of the Legislative Office Building at 8:30 AM. The following members were present: Representatives Adams, West, Lucas, McLawhorn, Wilson, Daughtry Tucker and Goforth, Senators Dorsett, Brock and Cowell. Staff in attendance included Michele Nelson and Amna Cameron. A visitor registration list is attached and made part of these minutes.

Chairman Roger West called the meeting to order and recognized the pages and sergeant at arms.

Chairman West introduces Stacey Phipps from the Department of the State Treasurer. She explained the recommended adjustments for the department's budget. Representative Adams was recognized for a question as to why the department has a problem retaining staff. It was explained that the difference in private sector pay and the pay the State can pay is great. Representative Adams also asked Ms. Phipps several questions pertaining to budget requests adding positions in the department. Ms. Phipps explained their necessity.

There being no further questions for Ms. Phipps, Chairman West recognized Secretary of the Department of Revenue Norris Tolson. Secretary Tolson explains how his department spends over ninety percent of its budget on salary or salary related expenses. Secretary Tolson speaks about employee turnover statistics. The department's largest turnover is in the exam section and field auditing sectors. Secretary Tolson says the department is between three and six thousand dollars below the private sector salaries. Secretary Tolson asks for questions and receives none from members

Chairman West now recognizes Staci Meyer, Chief Deputy Secretary of the Department of Cultural Resources. She gives a few examples of the type of budgeting her department uses and talks about the importance of continued funding for the arts and for historic preservation. There were no member questions of Ms. Meyer.

The committee then reviewed, with the help of staff, the funding for the Housing Finance Agency. It was determined that the use of non-recurring funds may have to be used.

The committee also discussed several administrative positions with in the Secretary of States office and decided they'd be important to fund. The Insurance and Administration Departments along with the Board of Elections also received review from the committee as to their personnel needs.

There being no further business before the committee, Chairman West adjourns the meeting at 9:45 AM to reconvene later that day at 1 PM after session.

At 1 PM Chairman Adams reconvenes the meeting. Chairman Adams then recognizes Staff Attorney Erika Churchill to give a review of the findings and recommendations of the Select Committee on Ethics and Governmental Reform. Ms. Churchill explained the importance of registration of lobbyists. The committee made recommendations towards the registration and ways in which lobbyists may pay it.

Representative Lucas is recognized to ask of question as to when the proposed legislation would take effect. It is proposed to take effect January 1st, 2007.

After review of the proposed lobbyist registration reform proposals the committee then reviewed several requests from the Administration department for personnel in their budget.

Next, Chairman Adams recognized Kim Starch, Deputy Director of Campaign Finance at the Board of Elections. She reviews several proposed bills and how they might impact her departments budgeting needs. She explained how any bill creating more restrictions on campaign committees will result in a need for more staff and funding.

After Ms. Starch's thorough review of the proposed campaign finance reform bills from her department's perspective Chairwoman Adams opens the floor for any questions for members. There were none.

There being no further business before the committee Chairwoman Adams adjourned the meeting for the day at 2:30 PM

Respectfully submitted,

Representative Roger West
Presiding Chair

Linda Johnson
Committee Assistant

VISITOR REGISTRATION SHEET

Gen Govt — Name of Committee

5-11-06 — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jeffrey J Crow	DCR
Staci Meyer	DCR
Greg Piner	DCR
Keith McCaskey	NCDOR
Margaret Patrone	NCHFA
Brett Joyal	DST
Starla McKinney	DST
Michael Williamson	DST
Kara Wells	Arts North Carolina
David Brown	OSBM
Celia Cox	OSBM
Kathy Wilson	SBE
Rodney Bass	General Assembly
Ken Melton	D.O.R.

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS COMMITTEE ON EDUCATION
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
James L. Forte	OSA
Lee Holz	KCLH
Hewan Hutapea	N.C.S.D.H.
David C Reavis	Office State Controller
Dennis Patterson	NCOSC
McKinley Wooten	DOA
Joal Broun	NC SOS
David Sheridan	NC SOS
Ann K. Harris	SOS
Gayle P. Holder	SOS
Elaine J. Marshall	SOS

House Pages

Name Of Committee: Gen. Govt Date: 5-11-06

Senate: Anthony Powell
sen: Basnight

1. Name: Jackie Cubine
   County: Cumberland
   Sponsor: Rick Glazier
2. Name: Claire Judd
   County: Guilford
   Sponsor: John Blust
3. Name: Emily McVey
   County: Alamance
   Sponsor: Senator Webster
4. Name: [illegible]
   County: Nash
   Sponsor: [illegible]
5. Name: Hunter Story
   County: Halifax
   Sponsor: Senator Basnight

Sgt-At-Arms

1. Name: Richard Telphair
2. Name: Chester White
3. Name: Martha Pannell
4. Name: Toniant Grant
5. Name: Leslie Wright

MINUTES
JOINT SUB COMMITTEE ON
GENERAL GOVERNMENT

Monday, May 15th, 2006

House Committee on General Government met on May 11th, 2006 in room 425 of the Legislative Office Building at 3:30 AM. The following members were present: Representatives Adams, West, Lucas, McLawhorn, Wilson, Daughtry Tucker and Goforth, Senators Dorsett, Brock and Cowell. Staff in attendance included Michele Nelson and Amna Cameron. A visitor registration list is attached and made part of these minutes.

Chairman Roger West called the meeting to order and recognized the pages and sergeant at arms.

Chairman West introduces a representative from the State Auditor in order to explain several very important budget requests not already included in the budget. The representative explains the high staff turnover due to the lack of salary. The Auditors office is requesting more money to give a bonus to employees passing the CPA exam. Representative Adams asks how many positions would be entitled to this bonus. Her question is answered. It would be about sixty positions.

The Auditors representative then discusses the importance of new technology in the office to improve productivity.

Chairman West introduces an agent from the Housing Finance Agency. He is requesting funding for the home protection pilot program and loan fund. He speaks to the previous appropriations of years past. He also says that the purpose of this program is to prevent home foreclosures of manufacturing employees who have been laid off. Senator Brock is recognized to ask a question. He wanted to know the numbers of people who might need this program since the economy is rebounding. The Housing Agency's agent says that there is no way to know.

Chairman West now introduces an agent from the Lieutenant Governor's Office. He explains the request for a new research position.

Chairman West now introduces a representative from the State Board of Elections. She makes her requests for more budget funding than the Governor's Budget recommends. She also discusses the importance of having the necessary amount of staff in order to get the finance records in line.

Secretary Tolson of the Department of Revenue is recognized to give his budget requests. There are no member questions following his presentation.

Chairman West then introduces an agent of the Cultural Resources Department. She speaks to the importance of facilities improvements. She discusses how with out money to do these repairs many state historic sites such as the Battleship North Carolina and museums may fall into disrepair. She also speaks to the need for funding for lawyers to handle various litigation that comes up in the department.

The agent from the Department o Cultural Resources explains how they would like money to fund an arts program in the schools. Several members were concerned about how this would actually mesh with current lesson plans and art education already in the schools.

Representative Adams suggested that the Department of Cultural Resources sit down with the Department of Instruction to fine tune how the program would work prior to funding.

Chairman West now recognizes Secretary Tolson from the Department of Revenue. Secretary Tolson only has one issue that he disagrees with the Governors recommendations on. It has to do with technology in the department. The agency would like to shift money to provide for better technology. There are no questions for Secretary Tolson.

There being no further business before the committee Chairman West adjourned the meeting for the day at 5 PM

Respectfully submitted,

Representative Roger West
Presiding Chair

Linda Johnson
Committee Assistant

VISITOR REGISTRATION SHEET

Appropriation Gen. Bill. 5/15/06

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Vinnie McLean	SBE
Ike Steacy	SBE
Alan Meyer	DCR
Greg Piner	DCR
Donna Rosefield	DCR
[illegible] Price	DPI
Paula McKenney	DST
Keith McCombs	DOR
Norris Tolson	✓
John Bowdish	Astra Zeneca
Spence Flagg	DOA

VISITOR REGISTRATION SHEET

Appropriation Gen Govt 5/15/06

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jeff Mixon	Civitas Inst.
Ashley Lambclin	Civitas Institute
[illegible]	Civitas Inst
James L. Forte	OSA.
Sarah Owen	Jacumin Intern
[illegible]	DOA
David Broom	OSBM
Patrick Buffkin	Alley Assoc, Inc.
Irene Peel	DOA
Bill Rowe	NC Justice Center
Ed Rega	NCRGEA
John Mabe	GOO ONICS
[illegible]	Gov office

VISITOR REGISTRATION SHEET

Appropriations Gen. Gov. 5/15/06

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
BOB KUCAB	NCHFA
Keir Morton	NCHFA
al ripley	NC justice center
Zach Ambrose	LT Gov.
Carl Goodwin	OSP
Doug Heron	NC Bar Assoc
Robert Wilson	S.O.S.
Thomas Cheek	OSBM
Dennis Patterson	NCOSC
Celia Cox	OSBM
Leslie Merritt	OSA
Sandy Gilliam	OSA
Dion Terry	Civitas Institute

MINUTES
JOINT COMMITTEE ON
GENERAL GOVERNMENT

Wednesday, May17, 2006

House Committee on General Government met on May 31st 2006 in room 425 of the Legislative Office Building at 8:30 AM. The following members were present: Representative Adams, West, Lucas, McLawhorn, Goforth and Tucker, Senator Brock Dorsett Jacumin Graham and Cowell.. Staff in attendance included Michele Nelson and Amna Cameron. A visitor registration list is attached and made part of these minutes.

Chairman Roger West called the meeting to order and recognized the pages and sergeant at arms.

Chairman West introduces an agent from the Secretary of State Office to discuss salary concerns about positions that would be created under the new lobbying laws considered by the legislature. He explained the necessity of the employees requested in keeping check on the lobbyists registering and filing reports with the office.

Representative Adams is recognized to ask a question as to the difference of salary between the Director of the new agency and the Assistant Director. The speaker answered her question explaining that the Assistant Director will not actually be in charge of day to day operations, the Director will play a larger role than might be expected in other departments in state government.

Staff was recognized and reviewed all of the Secretary of States Office's requests for members. They included requests for more money in order to keep their office space for the upcoming year.

Staff now explained personnel requests from the Department of the Treasury and the Department of Revenue.

Chairman West asks if members have any questions on the reports. There are none.

Representative Goforth is recognized and simply comments on the amount of money that is being added to the budget through these reports. It is around 3 million dollars.

Chairman West seeks a motion for passage of the report and receives one. The motion to accept passes.

There being no further business before the committee Chairman West adjourns the meeting at 9:40 AM.

Respectfully submitted,

Representative Roger West
Presiding Chair

Linda Johnson
Committee Assistant

Gen. Govt. VISITOR REGISTRATION SHEET

~~JOINT APPROPRIATIONS COMMITTEE ON EDUCATION~~ May 17-06

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Vicky Young	DOI
Courtney Crowder	DOI
[illegible]	Gov. office
Libba Evans	DCR
Donna Rosefield	DCR
Greg Piner	DCR
Cully Wiggins	office of Gov.
Karen Wells	arts NC
[illegible]	Capitol Broadcasting
Molly Masich	OAH
Camille Winston	OAH

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS COMMITTEE ON EDUCATION
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rodney Maddox	NC SOS
Selena Berrin	Child Fatality Task Force
Don McCorquodale	SAS
Stella McKenney	DST
John McKay	Cooperica
Jeff Mixon	Civitas Institute
Gwen Canady	OSL

MINUTES
JOINT COMMITTEE ON
GENERAL GOVERNMENT

Wednesday, May 31st, 2006

House Committee on General Government met on March 31st, 2006 in room 425 of the Legislative Office Building 15 minutes after session concluded. The following members were present: Representative Adams, West, Lucas, McLawhorn, Daughtry, Wilson, Goforth, and Tucker. Senator Jacumin, Cowell, Brock and Dorsett were also present. Staff in attendance included Michele Nelson and Amna Cameron. A visitor registration list is attached and made part of these minutes.

Chairman Roger West called the meeting to order and recognized the pages and sergeant at arms.

Chairman West introduces an agent from the office of the Department of Cultural Resources to give a report on salaries throughout the agency. She spoke of the necessity of completely funding all employee positions, and made her request for additional staff funding.

She spoke of how temporary staff money has to be used in order to keep sites across the state open.

Russell Tucker then added that the money used for temporary employees should be then cut after funding the fulltime employees. He also noted how nice it must be for temporary salaries to be used in order to account for increased visitation based on season.

The representative from the department explained that that is why she would need that money also.

Representative Adams makes a motion to fund the department's requests. It is seconded by Representative Wilson and passes the committee.

The Chair recognizes a representative from the Department of Insurance. She explains why four communication specialist positions need to be added to help with a seniors program answering questions from seniors across the state with problems about Medicare.

The Chair recognizes a representative from the Insurance Department to explain how they need new engineer positions (3) in order to inspect the plans of all new state government buildings being built. He respectfully requests that these positions get put back in the budget since it was left out by the Senate.

The Chair recognizes a representative from the Lieutenant Governors office. He is requesting a new research position to help with all office responsibilities.

Representative Daughtry asked what kind of research would be done. The presenter explained that they would be working on any and all projects assigned by the office that needed in depth review.

An agent of the State Auditors Office is recognized by the Chair to explain the necessity of adding more staff positions to deal with the monitoring of non-profit organizations operational in the state.

The State Board of Elections sent an agent to explain the necessity of more positions in order to keep track with the election law requirements.

The agent also spoke about how many employees already hired and working need to be reclassified as permanent personnel instead of contract personnel.

Another agent from the Board of Elections is recognized in order to further explain how the new positions will be filled and what they will do. They will be auditors and clerical positions mostly.

Representative Goforth moves that the committee recommend funding of the above mentioned requests. It is seconded and passes.

There being no further business before the committee the Chair adjourns the meeting.

Respectfully submitted,

Representative Roger West
Presiding Chair

Linda Johnson
Committee Assistant

VISITOR REGISTRATION SHEET

General Government — 5/31/06
Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Bill Wilson	AARP
[illegible]	[illegible]
Zach Ambrose	Lt. Gov
Wayne Goodwin	NC DOT
Barbara Morales Burke	NCDOT
JAMES L. FORTE	OSA
Carl Goodwin	OSP
Ken Melton	D.O.R.
[illegible]	OSBM
Celia Cox	OSBM
Bob Hall	Democracy North Carolina
Lyn Steach	SBE
Johnnie McLean	"
Glenda McKinney	NC DST
Pam Wortham	DST
Pam Heardorff	NCRSP
Deintry O'Brien	Kids Voting NC
Rodney Bass	NCGA
Ed Regan	NCEGEA
[illegible]	S.O.S
Jo Ann Williford	DCR
John McCoy	Governor's
Nancy TROVILLION	DCR
Greg Pyner	DCR
Norma Rosefield	DCR
Al [illegible]	NC Justice Ctr.
Michael Williamson	DST

MINUTES
JOINT COMMITTEE ON
GENERAL GOVERNMENT

Thursday, June, 1, 2006

House Committee on General Government met on June 1st 2006 in room 425 of the Legislative Office Building at 8:30 AM. The following members were present: Representative Adams, West, Lucas, McLawhorn, Pierce and Tucker. Senators in attendance were Graham, Jacumin Cowell and Dorsett. Staff in attendance included Michele Nelson and Amna Cameron. A visitor registration list is attached and made part of these minutes.

Chairman Roger West called the meeting to order and recognized the pages and sergeant at arms.

Chairman West introduces an agent from the office of the State Budget and Analysis. He reviewed several flagged items left over from the Committee's meeting on May 30th. Those flagged items are attached and made a part of these minutes.

Mr. Goodwin, from the Department of Insurance, was recognized to request that the committee fund three engineers to inspect college campuses across the state. Representative McLawhorn voiced her support for funding this program. The request was pacified.

Chairman West next recognized an agent from the Department of Cultural Resources, Donna Rosefield. She went over several items from her department's budget. The items included adding staff and providing money for securing facilities.

The Committee then heard from an agent from the Department of Insurance. The flagged items included the need for communications specialists for the department. Also they requested three new positions for Fire Marshalls. The committee recommended that they hold off on funding those three new Fire Marshall positions.

The Chair now recognizes an agent from the Lt. Governor's office to explain the necessity to expand staff. The Request totaled eighty five thousand dollars. The committee decided that they would recommend approving that request. Representative Adams voiced her support of the addition of staff.

The Chair now recognized Secretary Tolson from the Department of Revenue. He requested an additional one hundred and twelve thousand dollars to provide funding for the Bill Lee Tax Credit Program. After some debate from the Committee they decided unanimously to recommend approval.

Chairman West now recognized an agent from the Secretary of State's Office. They made their request for additional funding to expand the Lobbyist Registration Division. The Committee granted their approval.

The Committee now reviewed the request made from the Board of Elections and the State Treasurers Office and decided to approve their budget requests. Those requests are covered in the *Items Flagged* attachment made apart of these minutes.

A handout entitled *House Appropriations Subcommittee on General government Governor and Subcommittee Proposed Budget Adjustments for FY 2006-07* was distributed for the members review at their leisure. That report is attached and made a part of these minutes.

There being no further business before the committee the Chair, Representative Roger West, adjourned the meeting at 10:15 AM.

Respectfully submitted,

Representative Roger West
Presiding Chair

Linda Johnson
Committee Assistant

VISITOR REGISTRATION SHEET

Gen. Govt — 6-1-06

Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Don McCorquodale	SAS
Robert Wilson	S.O.S.
Rodney Boss	NCGA
Carl Goodwin	OSP
Norma Rossfield	DCR
Celia Cox	OSBM
McKinley Wooten, Jr.	DOA
Teresa Peel	DOA
K. Stroer	SBE
Bob Hall	Democracy NC
Johnnie McLean	SBE
Nicky Young	DOI
Robert Powell	OSC
Pam Wootan	DST
Keith Nicols	DOR
Gwen Canady	OSC
Camille Winston	OAH
Dawn Burns	OSBM
James L. Forte	OSA
Ken Melton	D.O.R.
Patrick Buffkin	Alley Assoc, Inc.
Stella Mickens	NC DST
Kristin Kelly	gov. office
Bill Rowe	NC Justice Center
Anne Wine	AP

Joint Appropriations Subcommittee on General Government
Governor and Subcommittee Proposed Budget Adjustments for FY 2006-07
2006 Session

				Items Not Fund	
FY 2006-07 Certified Continuation Budget			**$359,991,373**		
Governor's Recommended Adjustment			**$20,944,565**		
FY 2006-07 JOINT SPENDING TARGET			**$380,935,938**		
	FY 06-07				
	Recurring	**Non-recurring**		**Recurring**	**Non-recurring**
Agency Expenditures					
General Assembly p. 63					
1. Reserve for Utility and Fuel Costs	$0	$168,346			
Subtotal	**$0**	**$168,346**	**$168,346**		
Office of the Governor p. 65					
1. Operating Support	$100,000	$0			
Subtotal	**$100,000**	**$0**	**$100,000**		
Office of State Budget and Management p. 67-68					
1. Results-Based Budgeting (including one Sr. Budget Analyst)	$135,430	$166,500			
2. Administrative Office Support Position	$43,919	$1,500			
3. Budget Analyst Position	$61,089	$1,500			
Subtotal	**$240,438**	**$169,500**	**$409,938**		
North Carolina Housing Finance Agency p. 69					
1. Housing Programs	$5,000,000	$0			
2. Continue funding for foreclosure pilot project.		$1,500,000			
Subtotal	**$5,000,000**	**$1,500,000**	**$6,500,000**		
OSBM - Reserve for Special Appropriation p. 71					
1. Reserve for Moving and Rent Expenses	$755,232	$598,021			
Subtotal	**$755,232**	**$598,021**	**$1,353,253**		
Office of the Lieutenant Governor p. 73					
1. Increase in Operating Budget	$2,600	$0			
Subtotal	**$2,600**	**$0**	**$2,600**		

Joint Appropriations Subcommittee on General Government Governor and Subcommittee Proposed Budget Adjustments for FY 2006-07 2006 Session					
				Items Not Fund	
Department of Secretary of State p. 75-76					
Corporations Division					
1. LLC Notifications and Staff Expansion	$197,527	$12,900			
General Administration					
1. Facility Planner I Position	$42,125	$7,000			
2. Internal Auditor Position	$65,945	$6,950			
Lobbyist Section					
1. Lobbyist Registration Reform	$220,620	$0			
Subtotal	**$526,217**	**$26,850**	**$553,067**		
Office of the State Auditor p. 78					
Field Audit Division					
1. Lease for Fayetteville Branch Office	$19,064	$0			
2. Agency Network Troubleshooting Software	$38,500	$0			
3. Business Intelligence Software and Date Warehousing - referred to full	$0	$0		$150,000	$200,000
chairs as part of the HR/Payroll Project.					
Subtotal	**$57,564**	**$0**	**$57,564**		
Department of State Treasurer pp. 80-81					
Retirement Systems Division					
1. Additional Staff Positions	$0	$0			
[Receipts: $228,523 R, $8,000 NR = No General Fund Appropriation]					
Investment Management Division					
1. Bloomberg Portfolio Order Management System (POMS)	$80,000	$0			
Escheat Fund Administration					
1. Staffing Request	$0	$0			
[Receipts: $135,671 R, $4,000 NR = No General Fund Appropriation]					
Information Services					
Core Banking System Maintenance	$201,784	$0			
Subtotal	**$281,784**	**$0**	**$281,784**		

Joint Appropriations Subcommittee on General Government Governor and Subcommittee Proposed Budget Adjustments for FY 2006-07 2006 Session					
				Items Not Fund	
Department of Insurance p. 84					
Office of the Fire Marshal					
1. Receipts Supported Positions Conversion	$295,789	$18,000			
Technical Services					
1. Communication Specialist (two of four positions funded)	$130,058	$12,000		$130,058	$12,000
Subtotal	**$425,847**	**$30,000**	**$455,847**		
Department of Administration/OSP pp. 87-91					
State Construction					
1. HUB Contractor Academies	$400,000	$0			
State Capital Police					
1. Telecommunicator Position	$31,843	$0			
Facility Management Division					
1. Additional HVAC Positions	$198,331	$0			
2. Paint Shop Establishment	$80,117	$0			
3. Building Repairs	$321,552	$0			
4. Increase for Utility and Fuel Expenses	$0	$1,330,000			
North Carolina Ethics Board					
1. Program Expansion	$0	$0		$401,871	$21,000
State Property Office					
1. State Property Surplus Property Disposal System	$0	$400,000			
NC Council for Women/Domestic Violence Commission					
1. Domestic Violence Staffing	$148,175	$0			
2. Domestic Violence Center Fund	$350,000	$0			
3. Council for Women Staffing	$55,983	$4,000			
Division of Veterans Affairs					
1. Increase Funding for Veterans Scholarship Program	$373,824	$0			
[Receipts:$1,210,176 R = General Fund Appropriation of $373,824]					
2. Request Three Additional Positions for Division of Veteran Affairs	$120,671	$5,175			

Joint Appropriations Subcommittee on General Government Governor and Subcommittee Proposed Budget Adjustments for FY 2006-07 2006 Session					
				Items Not Fund	
Commission on Indian Affairs					
1. Economic Development Initiative	$115,732	$0			
Governor's Advocacy Council for Persons with Disabilities					
1. Redesignation to Non-Profit Organization	$0	$846,114			
Energy Office					
1. Funding to support recommendation to update Emergency Mgmt Plan.		$40,000			
Office of State Personnel					
1. International Employment Specialist	$78,915	$0			
2. EEO Diversity and Special Emphasis Project Management	$106,596	$0			
3. State Business Infrastructure Program--Integrate Personnel Information	$0	$0		$250,000	$0
(Referred to full chairs as part of HR/Payroll Project.)					
4. Mediation Training Staff	$54,645	$0			
5. Receipt Supported Position - NC Flex Program	$0	$0			
Subtotal	**$2,436,384**	**$2,625,289**	**$5,061,673**		
Department of Revenue pp. 93-94					
Information Technology					
1. IT Staffing: fund two (2) positions Governor's recommendations; four (4) additional positions recommended by the subcommittee and supported with state funds derived from the transferring 15 positions in the TACC to receipts from the 20% Collection Assistance Fee; and funding to adjust salaries and benefits of three (3) Business Tech Application Analysts due to recommendation of banding.	$543,417	$0			
2. Security for Taxpayer Operating System per 2004 Statewide Security Assessment.	$0	$750,000			
Personal Taxes					
1. Staffing for Tax Hearings.	$59,484	$4,581			
Documents and Payments					
1. Additional Support for Division	$161,444	$0			

Joint Appropriations Subcommittee on General Government Governor and Subcommittee Proposed Budget Adjustments for FY 2006-07 2006 Session				Items Not Fund	
William S. Lee Tax Credit Program					
1. Additional Support for William S. Lee Tax Credit Program:	$171,390	$0			
Total Requirements - $229,310					
Receipts ---------- ($57,920)					
Appropriation --------- $171,390					
Taxpayer Call Center					
1. Taxpayer Assistance and Collection Center Staffing Conversion - transfers 30	$0	$0			
temporary positions to PMFT and adds 17 new permanent positions with					
receipts from 20% Collection Assistance Fee. Total requirements are $1,241,036					
of which $1,139,201 is recurring and $101,835 is non-recurring.					
2. Transfer remaining 15 positions in the division to receipt support from the	($494,402)	$0			
20% Collection Assistance Fee.					
Unauthorized Substance Tax					
1. Additional Tax Enforcement Agent and Lease Space	$94,319	$11,907			
Subtotal	**$535,652**	**$766,488**	**$1,302,140**		
Department of Cultural Resources pp. 96-98					
Office of the Secretary					
1. Additional Personnel Analyst	$44,909	$0			
2. Facility Construction Engineer Position	$49,210	$0			
3. Attorney III Position	$106,578	$0			
Administrative Services					
1. Accountant Position	$42,533	$0			
Archives and History Administration					
1. Cultural Sharing and Caring Program	$0	$0			
State Historic Sites					
1. Fire and Burglary Protection	$201,832	$0			
Historic Preservation					
1. Eastern Office-Humber House	$13,940	$0			

Joint Appropriations Subcommittee on General Government Governor and Subcommittee Proposed Budget Adjustments for FY 2006-07 2006 Session				Items Not Fund
Office of State Archaeology				
1. Queen Anne's Revenge Archaeology Project	$247,040	$0		
Arts Council				
1. Additional funding for Grassroots Arts program.		$300,000		
2. Funding for John Coltrane - High Point Arts Council.		$300,000		
3. African American Atelier, Inc.		$12,000		
Museum of Art				
1. Monet and Egyptian Treasures Exhibits	$0	$225,000		
North Carolina Symphony				
1. Symphony Education Program	$325,000	$0		
State Library				
1. Additional State Aid funding for local libraries.		$350,000		
Museum of History				
1. Funding for Civil Rights Museum.		$500,000		
Department-wide				
1. Conversion of Temporary Positions to Permanent Positions	$672,816	$0		
2. Reserve for Utility and Fuel Costs	$0	$123,744		
Statewide Programs and Grants				
1. Digital Preservation Program (State Library)	$200,000	$0		
Subtotal	**$1,903,858**	**$1,810,744**	**$3,714,602**	

Joint Appropriations Subcommittee on General Government Governor and Subcommittee Proposed Budget Adjustments for FY 2006-07 2006 Session					
				Items Not Fund	
State Board of Elections p. 101					
Administration					
1. Contract Position to Appropriation Conversion	$102,299	$0			
2. Receipts Supported Position Conversion	$0	$0		$40,980	
Campaign Finance					
1. New Staffing (6 positions); one position reallocation; one position upgrade	$402,900	$186,000			
Computerized Voter Registration					
1. Time Limited Position (TLP) Conversion	$0	$0			
[Maintenance of Effort funds used: $223,755 = No General Fund Appropriation]					
Subtotal	**$505,199**	**$186,000**	**$691,199**		
Office of Administrative Hearings p. 103					
Administration and Operations					
1. Operational Support and Reduction of Unrealized Receipts	$57,578	$3,789			
2. Administrative Law Judge Positions	$212,000	$8,000			
Subtotal	**$269,578**	**$11,789**	**$281,367**		
Grand Total	**$13,040,353**	**$7,893,027**	**$20,933,380**		
				$1,030,166	**$233,000**
Difference			**$11,185**		
Balance to Target			**$380,924,753**		

General Government Appropriations Meeting
June, 6th 2006
8:30 am

The Joint Appropriations Subcommittee on General Government met on June 6h 2006 at 8:30am in room 425 in the Legislative Office Building. Senator Dorsett called the meeting to order. She welcomed the staff, pages, and Sgt. of Arms. Four Senate members were present Senators Malcolm Graham,. Janet Cowell, Jim Jacumin and Andrew Brock and Representatives Alma Adams, Roger West, Marvin Lucas, Marian McLawhorn, Rep Tucker and Rep. Goforth were also present.

Senator Dorsett
Today we are going to hear the staff tell us the differences between the House and Senate Budget.

Michelle Nelson (Staff)
You have two documents you have handout that includes the special provisions that are in controversy. Then you have a spreadsheet and it targets the differences in the money report differences. On the last page you will see a total for the differences. As we go through the money report you will see the corresponding item on the spreadsheet, you will notice that for some of the items one is on one page and the other on another, that is because of the detail of that particular item. There are some items that are Senate only an House only.

I will begin on page JJ1 of the budget report. The House discussed in a little more detail and the program is currently operated and ran by the UNC system and it is the intent to use these space that has been used to host these academes. The only change is to remove 50,000 dollars that was included in rent in the Senate budget but not in the House budget. . The next item is on page JJ2, spacer reallocation of old revenue buildings. To bring you up to date on this early in the budget process they sub-chairs sent a letter to the program administration to see the space utilization study of the old revenue buildings. It did not become available until they House was meeting. We found quit a bit of unused space, the new law, being improved, will become in effect on July 1, for the secretary of state. This transfers the 85,000 dollars, 54,000 that was included in the last years budget and 31,000 dollars that has been in the budget this year that was removed and we are transferring this to the department of administration to pay for the cost of redesigning the building as a result of the law being improved.

Moving on to page JJ3. I will skip to the paint shop establishment; the Senate funded two positions, the House decided not to fund these positions. As a result 75,000 dollars has been removed because that was for the paint supplies. Moving down to number 7, the rap crisis center is being funded at a 100,000 dollars, this is new to the House budget. Also new to the House budget, an increase in the number of youth involvement internship

summer program. This will bring the number back up to the 2000 level. The state auditor, the lease of the Fayetteville's office, this item was funded in the House budget but not the Senate budget.

Under cultural resources on page JJ5, item 10 for the office of the secretary, this was an item recommended by the governor. It is in the Senate budget but not in the House budget. Item 11 is the same. Item 12 was recommended by the governor on a recurring basis and it was included in the Senate budget but not endorsed by the joint sub committee. Page JJ6, items 13 and 14, item 13 follows the governor's recommendations to provide two mechanics to work with historic sites. As part of the House discussion it was modified to increase the number of positions by 3 to add 3 security positions as well. On page JJ7, item 15, the Queen Anne's Revenge was recommended on a recurring basis and is included in the Senate package but not as a recurring package by the House. Item 16 is the same. Item 17 is a basic grants that is only include din the House budget that adds 150,000 dollars ion a nonrecurring basis to the basic grants program. Item 18 and 19, the House reduced the 325,000 dollar recommendation by the governor and placed that 100,000 in the department of administrations in item number 7. That is the only that supports the domestic violence/ rap crisis program. On JJ8, item 20, there is a difference between the nonrecurring amount recommended in the House and Senate budget. There is a difference of 622,000 dollars for state aid to libraries. Items 21 and 22 are going to be decided in the Health and Human Services subcommittee. This item was placed in both packages.

On page JJ9 under insurance the communication specialist Medicare phone back, the governor funded four positions and the Senate funded two positions and the House funded one position. On JJ10 the last item is the conversion of receipt support to appropriation support, the Senate chose to keep these three positions in the office of the fire marshal as receipt supported and the House chose to convert these on a time limited basis to appropriations support.

Items for revenue are on page JJ11. They governor recommended 112,000 dollars to support two new positions the subcommittee endorsed an adjustment for allowing them to transfer 15 positions from general fund to receipt supported thereby allowing to use the 171,390 dollars so support two new positions. This was endorsed by the House but not by the Senate

Page JJ12, On the lobbyist registration includes that money for rent. This related to item 3 on JJ2. On JJ13, the state board of elections, it came to our attention that maybe some effort funds could fund the item of project manager position and the house chose to fund that with this. On page JJ14, the campaign finance group they Senate funded 10 positions and an additional 3 time limited positions that will only work backlog. They House chose to fund six new positions, transfer a grade 65 to a compliance specialist and also included the 3 audit specialist that are included in the time limited basis. Those are the differences in the money. You will see that the differences for the House are a little over 4 million and for the Senate 5.1. These are the not targets, these are just the differences.

Senator Dorsett
Are there any questions? Then lets proceed to the special provisions.

(Staff)
The first special provision is on page 312 of your money report package. Both the House and Senate included a version; this is to examine the capability of combining the rap center grants with the domestic violence center grants. They only change is the reporting. On page 313 it was determined that a study should be conducted to determine what functions the energy division performing at the end of the next fiscal year. This is a report that will come forward to the chairs of the Senate and the House in February. In discussing the money report it was notified that we removed 50,000 in rent for the Historic Academy Program. This program as the UNC system continue to support those spaces for the program. This was in the House version only. There is a lot of duplication in the building and the House would like a new study done for November. Another House only special provision is to transfer 250,000 of the department of administration funds to the commission on state property. On page 317, the provision related to the office of administrative hearing, the money that you have replaced is a receipt that you have replaced in OHH' s budget. By replacing the lost receipt you also allowed them to transfer the publication of the North Carolina register to a private company. The distinction between the House and Senate is that the House has concern that if in the future the agency needs to return to some form of publication and it is no longer online that whoever is responsible for that publication that they would not do so for profit. You have agreed to the money.

On 319 is the first provision for the department of revenue, the Senate included this and the House did not. The 3 million had come from the 20% for the assistance fee. There was about 369,000 dollars left and the request was to utilize that through June 2007. The House wants this money to just be allocated as part of their division expenses. On page 321 there is a difference in the dollar amount for the locator service, 147,000 dollars a year and in the House version there would be 150,000 dollars and the more appropriate amount would be in the House version, which would allow them to take care of what they need. This came fro the Agency report. On page 322, the distinction between the Senate and the House is that the Senate indicated that it wanted the department to repay and wanted those agencies who had erroneously received payments between July and December to repay those amounts. The decision in the House was to try to come to some understanding how this would be done. It is the charge of this committee to come up with a means of handling this problem.

Speaker
There are 375 law enforcement agencies that will receive penalties for the department of revenue and the total amount will be 2.4 million dollars. What the department is saying is that we have already paid that money to whoever needed in it the state, They spent that money and we need to know if we nee to us our credit balance to pay that fund and if you try to recover that money it might take 10 years. We do not wan to take the money out of future payments because we feel this would be too much of a burden to the divisions.

(Staff)
The bottom line is that the 2.4 million will still be repaid, it is a matter if it is refunded through the local agencies.

Moving on to page 323, during the second reading on the House floor, this special provision was added and it addresses a bill to establish a high risk health insurance pool. It transfers a million dollars from the volunteer workers compensation fund. It is anticipated that the federal funds will be used to reimburse members for paying the premiums. In the even that federal funds are not awarded the volunteer committee will be held conference.

On page 327, this is the government audience language. It directed in the Senate package the General Assembly would utilize a million dollars to contract for another G-pack. One question that was asked is what was the cost of the performance audit 15 years ago. That price tag was 3.5 million dollars. In today's market that would range about 5 million dollars. There needs to be a decision if the million is sufficient.

Senator Cowell
What about the special provision in the House budget to eliminate the carrier banning?

(Staff)
It is salary and benefits.

Senator Dorsett
That completes our review, are there any questions? We have a meeting later today then.

Respectfully submitted,

Senator Katei Dorsett
Presiding Chair

Phyllis Cameron
Committee Assistant

General Government Appropriations Meeting
June, 22 2006 3:00 pm

The Joint Appropriations Subcommittee on General Government met on June 22 2006 at 3:00 pm in room 425 in the Legislative Office Building. Senator Dorsett called the meeting to order. She welcomed the staff, pages, and Sgt. of Arms. Four Senate members were present Four Senate members were present Senators Malcolm Graham. Janet Cowell, Jim Jacumin and Andrew Brock , Fred Smith and Representatives Alma Adams, Roger West, Marvin Lucas, Marian McLawhorn, Rep Tucker and Rep. Goforth were also present.

Senator Dorsett
We have been asked to come back and re-look at the Caring and Sharing item in the budget.

Staff
We could not come to terms about the 500,000 dollar allocation for the Caring and Sharing program. The sub conferees were directed to revisit that item and figure out if that is how we want to proceed.

Rep Adams
When we last met I think we had 100,000 dollars on the table and we looked at it and increased it to 500,000. That is half of the million that the program was asking for originally. We had some discussion in the committee on what you could do with the million dollars, and we asked the program to pick either ballet or opera. We left here without deciding, leaving it the department. It was my thought that if it took 6 months to plan that 500,000 would be sufficient. I will receive any comments from the committee.

Rep Tucker
Is our direction that we need more money into the ballet?

Rep Adams
Our direction is to revisit it. Those were the instructions.

Rep Tucker
When I left I was under the impression that there was some money left. What was the finding of that?

Staff
There was 500,000 dollars deducted from the nearly 900,000 that we had left. The items the items related to Housing Finance increased.

Rep Tucker

It was my understand that what was left over, whether it be 100,000 dollars or a million dollars it was going to go into the caring and sharing program.

Staff
The 500,000 dollars was plugged into the expenditures. There was an increase again from 10.6 to 10.9 for the Housing Finance item and then there was an increase in the state aid to libraries by 65,000 dollars. There was an increase for the youth involvement office for the summer slot. Those were the changes and it balanced the package. The 393,000,000 plus spending for general government included spending for that project. You had to account for the two agencies who had adjustments in their budget which was the Roanoke island commission and the office of the state controller.

Senator Dorsett
I was just going to say to representative tucker that when we put in our figures the other day we had the 10.6 instead of the 10.9. We had to make that adjustment. So we really didn't have the 900,000 dollars left over.

Rep Tucker
So how much did we put into the housing?

Staff
About 300,000 dollars.

Rep Tucker
I don't understand how another session can understand how to spent our money

Rep Adams
Representative Tucker that's just the way it is. We had to make the adjustment; we did not have a choice about it.

Senator Dorsett
It was also include in our target. Our target increased from the other times to this time.

Rep Adams
Some decisions we could not make. That is the process and the way it is. The question today is; are we going to keep in the 500,000 dollars for Caring and Sharing.

Senator Cowell
In terms of the Caring and Sharing beyond this room there is a lot of support from people that want to see this happen. Whatever decision we make I think we nee to keep in mind that there is a lot of support for this program and I recommend that we put find it with the million dollars. If we have to find money I am willing to do that.

Rep Adams
The question is, is everybody on board for that. Let's hear from other members.

Senator Cowell
Are some of these items added last night, is that mandatory?

Staff
Yes

Rep Goforth
I want to hear what can be done for 500,000 dollars.

Director from Caring and Sharing
Without the million everything will have to be cut in half. What the state is doing in this program is modeling it after the symphony program that was developed in the 50's. What we decided when the governor came to us and said, "do transformational programming with the extra money this year", this is what we though could be done that was transformational. So our agencies program with half of the money is to get the materials and curriculum material ready. We are going to contract with the counties to do one of the programs. We are making them go to all the counties in the state. So with 2 million dollars we can cover 80 counties. With 500,000, much less.

Rep Goforth
If we start taking money away from other positions we are going to be back in the same spot. It was not be fair to start taking money away from others as they are not here. I put forth a motion to keep it the way it is and take it back up with the big chairs.

(The motion passed and meeting was adjourned)

Respectfully submitted,

Senator Katie Dorsett
Presiding Chair

Phyllis Cameron
Committee Assistant

General Government Appropriations Meeting
June 23rd 2006
3:30 pm

The Joint Appropriations Subcommittee on General Government met on June 23rd 2006 at 3:30 pm in room 425 in the Legislative Office Building. Senator Dorsett called the meeting to order. She welcomed the staff, pages, and Sgt. of Arms. Four Senate members were present Senators Malcolm Graham. Janet Cowell, Jim Jacumin and Andrew Brock Fred Smith and Representatives Alma Adams, Roger West, Marvin Lucas, Marian McLawhorn, Rep Tucker and Rep. Goforth were also present.

Senator Dorsett
The only thing that we are doing in today's meeting is to review our report. I am going to let staff take us through it.

Staff
We will highlight items that have not changed. With administration, items under the office of state personal, there is 3 items on J1. These items are the same. The hub contractor was 400,000 all recurring but several items have been moved to non recurring. The state property office is the same. The paint ship is the same. The telecommunication specialist is the same. The council for woman's three inclusions are the same. The veteran's scholarship program is the same. The economic development under Indian Affairs is also the same.

One item has been removed from the auditor office has been removed, the leas for the Fayetteville's office is no longer include. The agency networking trouble shooting software is the same.

The cultural resources are the same as the governor recommended. Archive and history administration, the cultural sharing and caring program, the governor recommended 2 million on a recurring basis and this was modified for 2 million on a non recurring basis.

Under the Arts Council the grassroots funding, the committee suggested 300,000 dollars and this was increased to a million. For the symphony the governor recommended 325,000 but is was changed from recurring to nonrecurring. For the state library the subcommittee suggested 350,000 dollars on a nonrecurring basis for state aid.

In cultural resources what is not funded is the Queen Ann's Revenge. There is a recommendation for 247,000 in a recurring basis and that is not in the Senate's budget. The Monee and Egyptian treasures exhibits, there is 225,000 dollars recommended by the governor and that is not in your budget.

For the General Assembly, the governor recommended 238,346 dollars to help with the electricity utilities cost. The committee modified this based on recommendations from the General Assembly staff to provide 168,346.

For the Governor, this is the same that was in the governors budget

For Housing and Finance, the 5 million dollars for the Housing Trust Fund is continued for 2006. This is on a nonrecurring basis
Item 36 is new to the committee. It provides 11.2 million dollars to the housing trust fund for 400 apartment complex. For item 37, the committee allowed 1.5 million dollars in a nonrecurring basis.

For insurance, the governors package recommended four communication specialists for the cost center for Medicare questions. They committee agreed to fund two of these positions. Removed from the insurance budget is receipt support to appropriations supported for 3 positions.

Question
Medicare I thought that was federal and Medicaid was for the state. Are we just trying to help some of our citizens who can't get help in Washington?

Staff
Correct. They need to support these new positions stemmed from the Medicare part D plan.

Senator Dorsett
The ship program took on this responsibility of going throughout the state trying to assist communities in understanding Medicare part D. That is the overload for the dept. of insurance. This will continue because as people become 65 the will be eligible and they will need guidance.

Staff
For the lieutenant governor, 2, 600 dollars was recommended for travel expenses. Item 40 provides funding for a position for a salary of 70,000 plus benefits for a total of 85,833 dollars. It was recommended by the governor for an appropriation of 45,000 dollars to assist with covering the budget receipts that had been lost from the sale of North Carolina register. This recommends a little over 7,500 dollars for employment education but it does allow them to recover the lost amount of 65,155 so you are providing an appropriations of 57,578 in a recurring basis to cover that loss. Also giving the agency 3,789 dollars on a nonrecurring basis to handle the publication for the next year. Item 42 provides funding for two administrative law judges.

For the dept. of revenue, begging with item 43 under information technology, the governor recommended 174,024 dollars for two positions, what the committee has done as added an additional four for a total of six. This also is to provide 19,604 dollars plus

the benefits to provide increase salaries for IT positions. You have a total of six positions at a cost of 521,059 dollars. Item 44, the security board operating system is the same.

Under item 45 the governor recommended one position and this was modified in making changes on the basis of that increase of 494,000 dollars.

For unauthorized substance tax, this is a recommendation form the governor.
Item 41 the governor recommended four positions at a cost of 152,947 and again with the adjustment related. In this package there is no funding for adjustments relating to the bill we have.

Moving on to page J23, the Secretary of States office, the secretary is receiving everything in the recommendations. The lobbyist registration reform the governor recommended four additional positions. What the committee decided was to shift the positions around so that they would have the three positions they were asking for. The secretary of state is also asking for 3 additional positions and an additional position which will bring .75 positions up to a full time.

For the Board of Elections their shifting a contract positions to a support position and the salary was downgraded for this positions.

The subcommittee gave the campaign finance their full request. They will receive 10 positions and an upgrade of a director.

The state budget and management office is receiving the same appropriation that was recommended by the governor for 3 positions.

For the treasurer, the governor's budget recommended additional positions for the sheets positions. The are receiving recurring funds for the core banking system maintenance. The committee removed six positions asked for the retirement commissions.
In addition, this increases the monthly benefit of the fire pension fund.

Senator Dorsett
That completes our budget and much of it was the same as the committee recommended, is there any further discussion? We need to do special provisions now.

Staff
On page 129, there will be one special provision that examines combining the funding sources for the domestic violence grant. For the dept of revenue its extends the call center fee used, there was 3 million dollars that was appropriated in 2003 session and there is a little over 369,000 left and you are allowing them to utilize that money till June 2007.

Section 19.3 allows for consolidation of project reports theses are reports for project collect tax clients and the tax payer call center.
Item 19.4 is a new item that you did not discuss. What occurred in response to addressing the court order that fines go the school system and in trying to really accommodate 8

separate systems in the department? What they realized that for payments going to the locals is that 2.4 million dollars had been included as reimbursement to the locals. So that the remedy to this is to allow the dept. to utilize unencumbered for this purpose at the end of the current fiscal year to send that money into the penalty fund.

Senator Dorsett
In that transfer you will notice that the board stays. I will accept a motion. She ends the meeting

Respectfully submitted,

Senator Katie Dorsett
Presiding Chair

Phyllis Cameron
Committee Assistant

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