

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Fiscal Note

BILL NUMBER: Senate Bill 10 (Sixth Edition)

SHORT TITLE: Government Reorganization and Efficiency Act.

SPONSOR(S): Senators Apodaca, Hunt, and Rabon

FISCAL IMPACT*					
(\$ in thousands)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
State Impact					
General Fund Revenues:	0.0	0.0	0.0	0.0	0.0
General Fund Expenditures:	(13.5)	(13.8)	(14.2)	(14.5)	(14.8)
Highway Fund Revenues:	0.0	0.0	0.0	0.0	0.0
Highway Fund Expenditures:	10.2	10.5	10.8	11.0	11.3
Highway Trust Fund Revenues:	0.0	0.0	0.0	0.0	0.0
Highway Trust Fund Expenditures:	(10.2)	(10.5)	(10.8)	(11.0)	(11.3)
Special Fund Revenues:	0.0	0.0	0.0	0.0	0.0
Special Fund Expenditures:	0.0	0.0	(435.0)	(440.4)	(445.1)
State Positions:	0.0	0.0	-4.0	-4.0	-4.0
NET STATE IMPACT	\$13.5	\$13.8	\$449.2	\$454.9	\$459.9
Local Impact					
Revenues:	0.0	0.0	0.0	0.0	0.0
Expenditures:	0.0	0.0	0.0	0.0	0.0
NET LOCAL IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
Administrative Office of the Courts; the Departments of Transportation, Environment & Natural Resources, Commerce, Public Instruction, Agriculture & Consumer Services, Administration; the Wildlife Resources Commission, the Office of the Governor; the General Assembly; Office of State Personnel.					
EFFECTIVE DATE: Unless otherwise noted, when the bill becomes law					
TECHNICAL CONSIDERATIONS None					
* Excludes potential severance-related benefit costs and unemployment insurance expenses.					

BILL SUMMARY:

Senate Bill 10 version 6 (S.B. 10 v.6), the Government Reorganization and Efficiency Act, eliminates or reorganizes numerous boards or commissions and addresses issues related to the State's independent occupational licensing boards.

Section 1 of S.B. 10 v.6 eliminates the following Boards and Commissions:

- The Lottery Oversight Commission;
- The Small Business Contractor Authority;
- The Committee on Dropout Prevention;
- The State Education Commission established in Chapter 116C of the General Statutes;
- The State Education Commission established in Chapter 143 of the General Statutes;
- The National Heritage Area Designation Commission;
- The Governor's Management Council;
- The Center for Nursing's Governing Board;
- The Board of Correction;
- The Board of Public Telecommunications Commissioners;
- The Board of Directors for the Certification Entity for Phase II Settlement Funds;
- The Public Funding Council of State Election Commission;
- The Legislative Commission on Global Climate Change;
- The Arts in Education Commission; and
- The North Carolina Sustainable Local Food Advisory Council.

Section 2 of the bill reorganizes or makes changes to the following entities:

- The Coastal Resources Commission;
- The Coastal Resources Advisory Council;
- The Environmental Management Commission;
- The Industrial Commission;
- The Utilities Commission;
- The Wildlife Resources Commission;
- The North Carolina Turnpike Authority;
- State Board of Elections;
- The State Board of Education;
- The North Carolina State Lottery Commission;
- The Charter School Advisory Committee;
- The Board of Transportation;
- The Dietetics/ Nutrition Board;
- The Post-release Supervision and Parole Commission;
- The Mining and Energy Commission;
- The Office of Administrative Hearings;
- The State Personnel Commission; and
- The North Carolina Criminal Justice Education and Training Standards Commission.

Section 3 of S.B. 10 v.6 addresses issues related to independent occupational licensing boards.

Generally, the changes in S.B. 10 v.6 are effective when the bill becomes law.

ASSUMPTIONS AND METHODOLOGY:

State Personnel Policies

Severance-related Benefits

The State Personnel Act provides employees, whose positions are eliminated due to “the closing of a State institution or a reduction in force (RIF) [that] will accomplish economies in the State Budget” (G.S. 126-8.5), certain severance-related benefits provided that no suitable re-employment with the State is available. ‘Economies in the State Budget’ is defined as “economies resulting from elimination of a job and its responsibilities or from a lack of funds to support the job.”¹ Employee protections include severance salary continuation or discontinued service retirement (G.S. 126-8.5) and health insurance coverage for up to 12 months (G.S. 135-48.40(d)(8)). Severance payments are calculated based on State Personnel Commission policies and consider current salary, age, and length of service. Most members of the boards and commissions eliminated or reorganized in S.B. 10 v.6 are not salaried State employees; they are voluntary board members and are not provided the protections of the State Personnel Act. Consequently, there are no severance-related benefit costs associated with eliminating or reorganizing these boards and commissions.

However, there are reorganizations outlined in S.B. 10 v.6 that affect salaried State employees, including members of the Industrial Commission, the Utilities Commission, and the Parole Commission. Individuals appointed to these Commissions are salaried State employees and are eligible for severance-related benefits if economies in the State budget are created. No economies are created in the State budget for either the Industrial Commission or the Parole Commission. Therefore, members of these Commissions whose terms expire early receive no severance-related benefits. Conversely, the bill eliminates two Utilities Commission positions, thereby creating economies in the State budget. Each Commissioner is assigned an executive assistant. Presumably, when a Commissioner position is eliminated, the associated assistant position is eliminated as well. The Commissioners appointed to the eliminated positions and their assistants may be eligible for severance-related benefits. However, S.B. 10 v.6 does not indicate which two of the four seats vacant on July 1, 2015 will be eliminated and, consequently, severance-related benefits for the two Utilities Commissioners and their two executive assistants cannot be determined.

Unemployment Insurance (UI)

Salaried State employees whose employment is terminated through no fault of their own are entitled to UI through the Division of Employment Security. G.S. 98-8(6)(i) defines employment to exclude “service performed ... (b) as a member of a legislative body or a member of the judiciary, of a State or political subdivision thereof or of an Indian tribe” Members of the Industrial, Utilities, and Parole Commissions have, at the end of their terms, claimed and received

¹ State Personnel Manual, page 1.

http://www.osp.state.nc.us/Guide/Policies/11_Separation/Severance%20Salary%20Continuation.pdf

UI. However, since all members, regardless of changes to their terms, are eligible for UI, the State already accounts for this expense. S.B. 10 v.6 merely changes the year in which UI payments would, if claimed, be paid. Consequently, UI costs have not been included in this fiscal note.

Part I. Eliminated Boards & Commissions

Eliminating the boards and commissions listed in S.B. 10 v.6 will not have a substantial fiscal impact on the State. The majority of these boards are made up of volunteer members who receive only per diem, subsistence, and travel expense reimbursements per G.S. 138-5.² Many of the boards have already effectively been eliminated or were never operational, resulting in no fiscal savings for the State. The changes in S.B. 10 v.6 are therefore primarily technical. These boards include:

- The Lottery Oversight Commission (Section 1.1);
- The Small Business Contractor Authority (Section 1.2)
- The Committee on Dropout Prevention (Section 1.3)
- The National Heritage Area Designation Commission (Section 1.6);
- The Governor’s Management Council (Section 1.7);
- The Center for Nursing’s Governing Board (Section 1.8);
- The Board of Correction (Section 1.9);
- The Board of Public Telecommunications Commissioners (Section 1.10);
- The Board of Directors for the Phase II Settlement Certification Entity (Section 1.11);
- The Public Funding Council of State Election Commission (Section 1.12);
- The Legislative Commission on Global Climate Change (Section 1.12); and
- The Arts in Education Commission (Section 1.12);

Important considerations regarding the changes to any of these boards are detailed below.

Section 1.1: Lottery Oversight Commission

Section 1.2 repeals the Lottery Oversight Commission. While this Commission has been active in the past year, few reimbursements have been submitted and no recurring funds have been used for reimbursements. Therefore, no fiscal impact is expected from ending the Commission.

Section 1.4: The State Education Commission (G.S. 116C-2);

The State Education Commission established in G.S. 116C-2 consists of the University of North Carolina Board of Governors, the State Community College Board, and the State Board of Education. The Commission serves as “a forum for airing proposals and engaging in board-to-board dialogue about issues the Education Cabinet is addressing.” (G.S.116C-2) No fiscal impact is expected from ending the Commission.

Section 1.5: The State Education Commission (G.S. 143-261-266);

The State Education Commission established in G.S. 143-261 consists of 18 members appointed by the Governor. When created in 1947, the Commission was charged to “study all educational

²In accordance with G.S. 138-5, members of most State boards and commissions are compensated as follows: (1) \$15.00 per day for each day of service; and (2) subsistence and travel expense reimbursement at the rates of State employees per G.S. 138-6(a).

problems to the end that a sound overall educational program may be developed in North Carolina, and to report their findings and make recommendations to the Governor and the General Assembly of 1949.” (G.S. 143-261) The Commission was authorized to have a full-time executive secretary (G.S. 143-265) but there is no record of this position. The Commission has not met in recent years. Consequently, no fiscal impact is expected from ending this Commission.

Section 1.13: The North Carolina Sustainable Local Food Advisory Council

The 27-member Council was established in August 2009 and will currently sunset in July 31, 2015. SB 10 v.6 changes the sunset date to July 1, 2013. The Council has never received a direct appropriation and is funded through funds available to the Department of Agriculture and Consumer Services. Thus, eliminating this Council will create no savings for the State; there is no fiscal impact.

Part II. Reorganization of Certain Boards & Commissions

Section 2.1: Coastal Resources Commission (CRC)

Section 2.1 reduces the number of appointments to the CRC by two from 15 members to 13 members. This is roughly a 13 percent reduction in membership. Using the Commission’s actual expenses from the last four fiscal years to estimate an annual average cost, the reduction in membership will generate savings of \$850. These savings are generated from reduced costs associated with per diem, travel and subsistence. This section also changes the appointing authority to include four appointments by the General Assembly and reduces the number of Governor appointments by six (previously Governor appointed all 15 members). It ends the terms of the current members when the subsection becomes law except for four members who will continue to serve until June 30, 2014, and establishes a staggered appointment process.

Section 2.2: Coastal Resources Advisory Council (CRAC)

Section 2.2 reduces the membership of the CRAC by 25, from 45 members to 20 members. This is roughly a 56 percent reduction in membership. Using the Advisory Commission’s actual expenses from the last four fiscal years to estimate an annual average cost, the reduction in membership will generate a savings of \$9,880. These savings are generated from reduced costs associated with per diem, travel and subsistence. This section also eliminates the designated appointments and directs the CRC to appoint the advisory members, all of whom must be North Carolina residents and reside or own property in the coastal area. Also ends the terms of the current members on June 30, 2013, and sets the new two-year terms beginning on July 1, 2013.

Section 2.3: Environmental Management Commission (EMC)

Section 2.3 reduces the number of EMC members from 19 to 15 by reducing Governor appointments by four, from 13 to nine, and leaving General Assembly appointments unchanged at six members. The total change is roughly a 21 percent reduction in membership. Using the EMC’s actual expenses from the last four fiscal years to estimate an annual average cost, the reduction in membership will generate a minimal savings of \$2,428. The EMC is supported entirely from receipts. This section also ends the terms of the current members when the bill becomes law except for four members who will continue to serve until June 30, 2015. It establishes a new staggered appointment process, and changes the Governor’s and the General Assembly’s appointment terms to four years, making them consistent with one another.

Section 2.4: Industrial Commission

Section 2.4 ends the terms of existing appointees on the Industrial Commission effective April 15, 2013, reduces Commissioners' terms from six to four years, requires Commissioners to have North Carolina law licenses and staggered terms, mandates that at least two Commissioners be Board Certified in workers' compensation law, and modifies the General Assembly's role regarding Commissioners' appointments. There is no fiscal impact to Commission operations resulting from these changes and no severance-related expenses since replacing all existing members does not create economies in the State budget; for additional information on severance-related benefits and costs see the State Personnel Policies section of this fiscal note.

Section 2.5: Utilities Commission

Section 2.5 shortens the terms of Commissioners whose terms expire June 30, 2017 under current law to June 30, 2015. Upon the conclusion of terms ending June 30, 2015, two Commissioner positions are eliminated to reduce the total number of Commissioners from seven to five. Each Commissioner is also provided an executive assistant position. Executive assistants will no longer be necessary for the two eliminated Commissioner positions. It is uncertain which executive assistant positions would be eliminated.

The severance-related benefits for the eliminated Commissioners and executive assistants cannot be determined. Severance-related benefits are employee specific, and S.B. 10 v.6 is ambiguous as to which Commissioner positions will be eliminated on July 1, 2015. Likewise, it is not known which executive assistants will be eliminated. For additional information on severance-related benefits and costs see the State Personnel Policies section of this fiscal note. It is estimated that the elimination of two Utilities Commissioner positions and two executive assistant positions in FY 2015-16 will result in a first-year personnel expenditure savings of \$434,975, excluding potential severance-related costs.

Section 2.6: Wildlife Resources Commission (WRC)

Section 2.6 reduces the term lengths for the nine Commissioners appointed by the Governor from six-year to four-year terms. The terms of all members serving on the Commission as of January 1, 2013 end on June 30, 2013. It also establishes a new staggered appointment process. There is no net change in membership and therefore no fiscal impact.

Section 2.7: North Carolina Turnpike Authority

Section 2.7 transfers the responsibility assigned to the Authority Board of the North Carolina Turnpike Authority to the Board of Transportation. The elimination of the Turnpike Authority Board will reduce the Turnpike Authority budget, saving the Highway Trust Fund \$10,000. The Board of Transportation meets monthly. Any costs incurred by the Board of Transportation to include a new subcommittee with jurisdiction over Turnpike Authority matters will be absorbed within the existing Board of Transportation budget.

Section 2.9: State Board of Elections

Section 2.9 makes changes to the timing of appointments and length of service and will have no fiscal impact.

Section 2.11: State Board of Education

Section 2.11 provides that the Governor shall appoint the Chair of the State Board of Education and that the Chair serves in the role at the pleasure of the Governor. The State Board will continue to elect the vice-chair. This change has no fiscal impact on the State.

Section 2.12: North Carolina State Lottery Commission

Section 2.12 ends the terms of existing appointees on the State Lottery Commission, which is supported entirely from lottery receipts. New initial appointments are structured to provide staggered terms in the future. The number of Commissioners remains unchanged at nine. As a result, there is no fiscal impact to Commission resulting from these changes.

Section 2.13: The Charter School Advisory Committee

Section 2.13 repeals G.S. 115C-238.29I(d), which allows the State Board of Education to establish a Charter School Advisory Committee. The Committee currently has 15 appointees. Reimbursements to appointees are funded through discretionary funds available to the State Board of Education. There are no staff positions related to the Committee. There is no fiscal impact related to the elimination of the Committee. Any savings related to the Committee's elimination would be redirected by the State Board to alternative initiatives.

Section 2.14: The Board of Transportation

Sec. 2.14 adds two additional appointees to the Board of Transportation, for a total of 21 members. Using the average FY 2012-13 per diem cost per board member, the estimated fiscal impact on the Highway Fund is \$10,000 (\$5,000 per board member).

Section 2.15: Dietetics/ Nutrition Board

The Dietetics/ Nutrition Board is the licensing board for North Carolina dietitians and nutritionists. It is an independent entity that is authorized through Article 25 of Chapter 90 to regulate and license practitioners. S.B. 10 v.6 reduces the number of board members from seven to five. As an independent licensing board, the State is not involved in the collection of fees or the operations of the Board; employees of the Board are not State employees. Therefore, no fiscal impact to State revenues or expenditures is expected due to the changes to this Board.

Section 2.16: Post-release Supervision and Parole Commission (Parole Commission)

The bills ends the terms of all Parole Commission members who were serving on January 1, 2013 when SB 10 v.6 becomes law. The Governor shall appoint new members in accordance with G.S. 143B-721(a). This change has no fiscal impact on the operations of the Parole. Moreover, while Commission members are paid State employees since there are no economies to the State budget related to the replacement of Parole Commission members, they are not expected to be eligible for severance-related benefits. For additional information on severance-related benefits and costs see the State Personnel Policies section of this fiscal note. Consequently, there is no fiscal impact associated with the changes to the Parole Commission.

Section 2.17: Mining and Energy Commission

Section 2.17 adds a new section to existing law to allow members on the Mining and Energy Commission to serve on the Commission while concurrently holding other elective or appointed offices. This change has no fiscal impact.

Section 2.18: Office of Administrative Hearings

Section 2.18 establishes a term of four years for each administrative law judge appointed after passage of this Bill. Judges may be reappointed for additional terms. Administrative law judges appointed after passage of this bill will be exempt from the State Personnel Act. These changes have no fiscal impact.

Section 2.19: State Personnel Commission

S.B. 10 v.6 leaves the number of members of the State Personnel Commission unchanged at nine but makes changes to the appointing authorities, term lengths, and the terms of existing members. S.B. 10 v.6 gives the Governor five appointments, down from seven, and increases the General Assembly appointments to four, up from two. The terms of all members will be four years. The terms of five of the existing members as of January 1, 2013 will or shall end effective June 30, 2013; the remaining four members' terms will or shall end June 30, 2014. These changes have no fiscal impact.

Section 2.20: North Carolina Criminal Justice Education and Training Standards Commission

S.B. 10 v.6 changes the appointing authority of two members of the Criminal Justice Education and Training Standards Commission to give one criminal justice officer appointment to the North Carolina Association of Chiefs of Police and one appointment to the North Carolina Sheriff's Association. Under current law, the North Carolina Law Enforcement Officers' Association appointed two criminal justice officers. These changes have no fiscal impact.

Part III. Independent Occupational Licensing Boards

Section 3.1 of S.B. 10 v.6 adds a new section to Chapter 93B of the General Statutes that provides for the denial of an occupational license after consideration of certain factors or if an applicant refuses to consent to a criminal history record check or the use of fingerprints or other identifying information required for a background check. This policy has no fiscal impact on the State.

Sections 3.2 and 3.3 direct the Program Evaluation Division to study the structure, organization, and operation of the various independent occupational licensing boards and to submit its findings to two General Assembly Oversight Committees at a date to be determined by the Joint Legislative Program Evaluation Oversight Committee. This study falls within the normal duties of the Program Evaluation Division and will have no fiscal impact on the State.

SOURCES OF DATA:

Fiscal Research Division
Office of State Personnel
Research Division
BEACON HR Payroll System

TECHNICAL CONSIDERATIONS: None

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