

Program Evaluation Division

Division Activities and Accomplishments: 2008 - 2010



**Report to the
North Carolina General Assembly**

January 26, 2011



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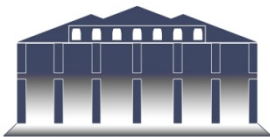
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PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

Division Activities and Accomplishments: 2008-2010

January 26, 2011

Dear Honorable Members of the General Assembly,

We are a non-partisan legislative staff unit of the Legislative Services Office established by law¹ in 2007 to determine if programs of state government are returning sufficient benefits to justify continued taxpayer investment.

We have been very active during our formative years, producing 26 reports with several having legislative action. We include recommendations in our reports for increasing the efficiency and effectiveness of North Carolina government. This publication follows up on those recommendations to determine what actions have been taken by the General Assembly or the agencies that were the subject of our evaluations.

Sincerely,

John W. Turcotte
Director

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Co-chairs Representative James Crawford (standing) and Senator Fletcher Hartsell (seated) conduct a Joint Legislative Program Evaluation Oversight Committee (JLPEOC) meeting on December 15, 2010. Senator Daniel Clodfelter and Representative Nelson Cole also chaired the JLPEOC in 2010. (Photo courtesy of Jesse Mitchell.)

Outcomes at a Glance

- Partial implementation of recommendations from the Program Evaluation Division (PED) report on the state's aircraft fleet resulted in \$1.8 million in non-recurring savings and \$808,068 in recurring savings.
- Implementation of the PED recommendation to permanently suspend the statewide high school graduation project requirement avoided an estimated \$6.6 million in implementation costs.
- The General Assembly also enacted legislation based on PED reports on the Alcohol Beverage Control system, state purchasing and contracts, private duty nursing, water and wastewater infrastructure, underground storage tanks, and agricultural research stations.
- PED's report on North Carolina's Alcohol Beverage Control system won the National Legislative Program Evaluation Society's 2010 Impact Award for its significant impact on public policy.
- In 2010, the National Conference of State Legislatures gave Notable Documents Awards to PED's report entitled *Feasibility of Restructuring Budget and Financial Management of North Carolina State Government* and PED's compendium of state statistics entitled *How North Carolina Compares*.
- The Washington D.C. Council used PED's evaluation of motor vehicle inspection programs to justify ending its safety inspection program for most private cars. Massachusetts used PED's study on regional economic development to inform a major overhaul of their state's economic development policies, including the use of performance measures.

¹ Session Law 2007-78.

2010 Joint Legislative Program Evaluation Oversight Committee (JLPEOC)

JLPEOC oversees PED, approves our work plan which specifies which programs we will evaluate, and conducts hearings on our reports.

Co-Chairs

Senator Daniel Clodfelter
 Senator Fletcher Hartsell, Jr.
 Representative Nelson Cole
 Representative James Crawford, Jr.

Members

Senator Charlie Albertson
 Senator Peter Brunstetter
 Senator Malcolm Graham
 Senator Clark Jenkins
 Senator Martin Nesbitt, Jr.
 Senator Richard Stevens
 Senator A. B. Swindell
 Representative Bruce Goforth
 Representative Larry Hall
 Representative Hugh Holliman
 Representative Carolyn Justice
 Representative James Langdon, Jr.
 Representative David Lewis
 Representative Paul Luebke

Program Evaluation Division (PED) Staff

The Legislative Services Commission authorized PED to employ 10 full-time positions. All evaluators hold advanced degrees or are certified or licensed professionals.

Director

John Turcotte

Principal Evaluators

Carol Ripple
 Carol Shaw
 Larry Yates

Statistician

Pamela Taylor

Senior Evaluators

Michelle Beck
 Kiernan McGorty
 Catherine Moga Bryant

Evaluator

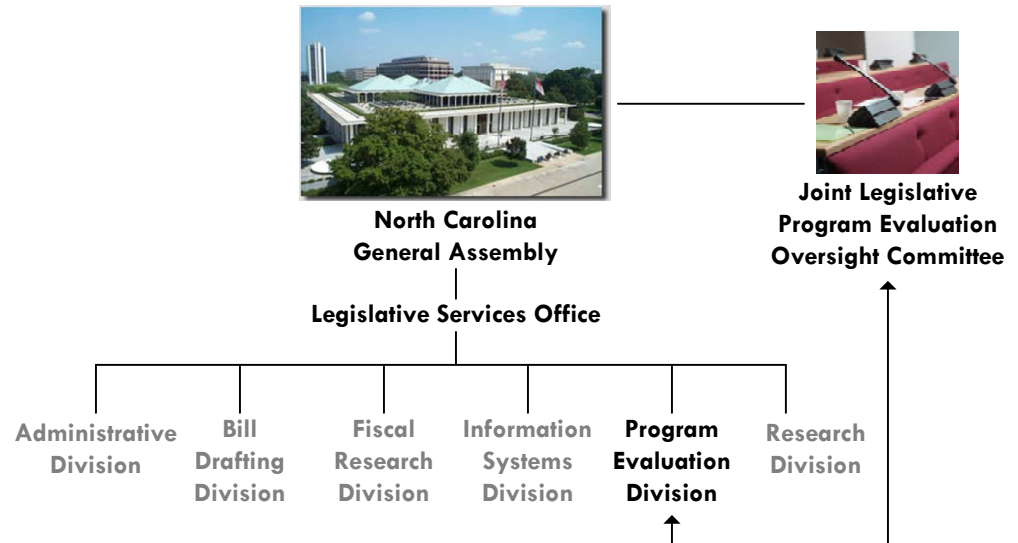
Sean Hamel

Administrative Assistant

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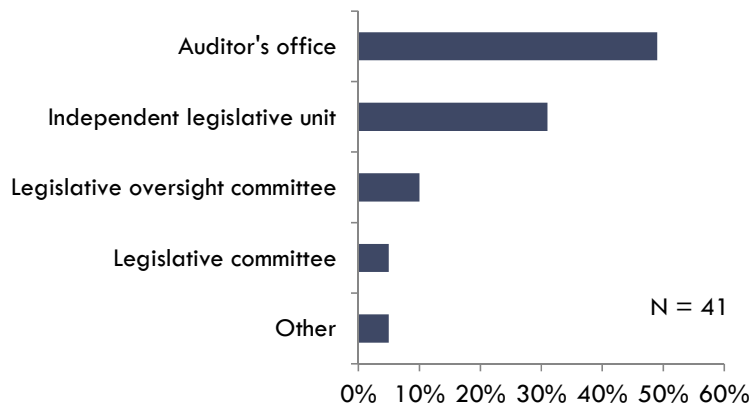
Legislative Oversight Organization in North Carolina

The Program Evaluation Division (PED) assists the General Assembly in fulfilling its responsibility to oversee government functions. PED primarily supports legislative oversight by conducting independent evaluations of state government as directed by the Joint Legislative Program Evaluation Oversight Committee (JLPEOC). As legislators perform their oversight function, they often have questions about how policies are being implemented, how money is being spent, and what results are being achieved. PED addresses those questions from an unbiased perspective through program evaluations.



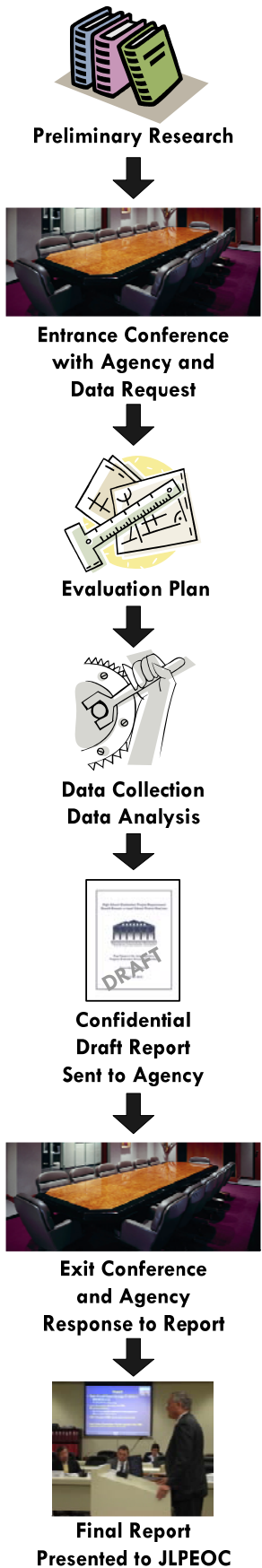
Legislative Oversight Organization Across the Country

North Carolina was one of the last states to create a legislative program evaluation unit. The organizational placement of legislative evaluation units varies across the country (see figure below).² Approximately one-third of states, including North Carolina, have evaluation offices that operate as independent legislative units. Almost half of states have evaluation offices that are part of the legislative auditor's office, whereas only a few states have evaluation offices within a legislative oversight or other committee. About two-thirds of states have a separate office that also conducts audits, typically a state auditor that conducts mainly financial audits as part of the executive branch.

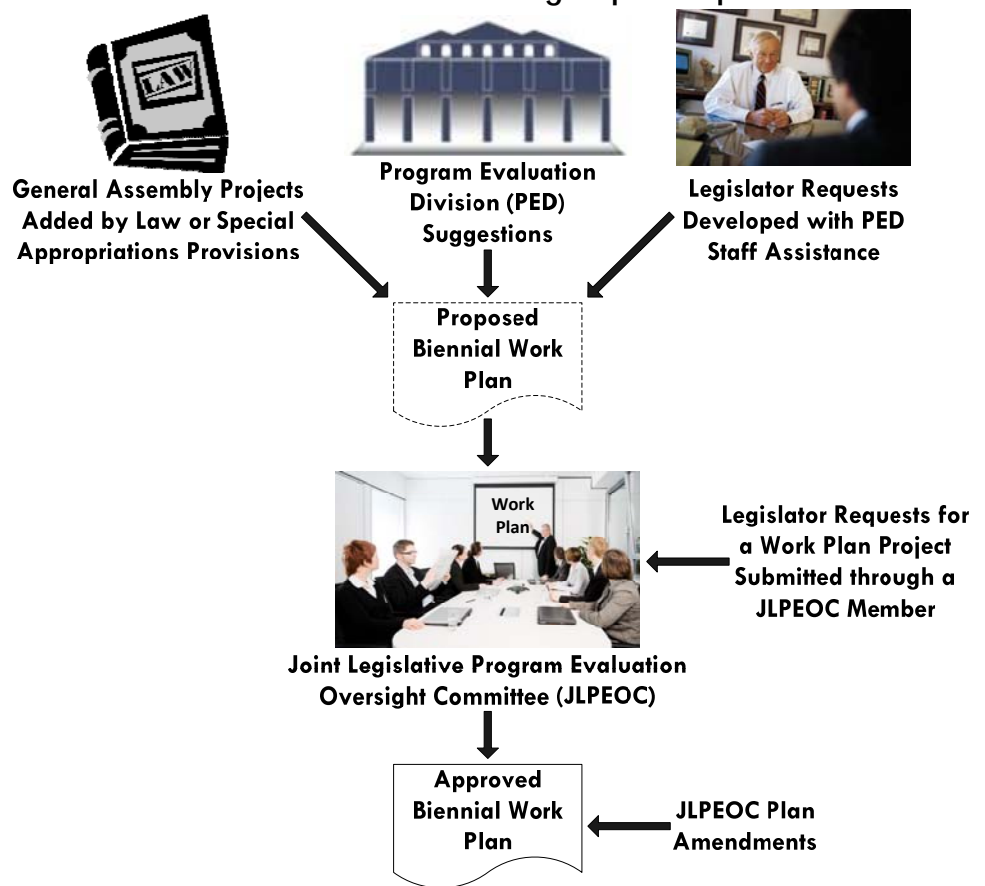


² Ensuring the Public Trust 2008: Program Policy Evaluation's Role in Serving State Legislatures. Retrieved from <http://www.ncsl.org/default.aspx?tabid=20720>.

Program Evaluation Process



Process for Determining Report Topics



Summary of PED Reports Released to Date

Year	Report Directed By	Number of Reports Released
2008	Act of General Assembly	2
2008	JLPEOC Work Plan	7
2009	Act of General Assembly	1
2009	JLPEOC Work Plan	6
2010	Act of General Assembly	6
2010	JLPEOC Work Plan	4
Total Reports Released to Date		26

Upcoming PED Reports

- Inventory of Programs for Children
- Administrative Functions of County Departments of Social Services
- Community College Administration
- North Carolina Global TransPark Authority
- North Carolina Accountability Reports:
 - Department of Administration's Advocacy Programs
 - Highway Construction
 - Connect, Inc.

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2010 Reports

Selling 25 Underutilized Aircraft May Yield Up to \$8.1 Million and Save \$1.5 Million Annually

Summary: The evaluation found eight North Carolina aviation programs operated 72 aircraft and cost \$10.8 million in Fiscal Year 2008-09. The report examined the number, use, and effectiveness of state aircraft and revealed concerns about aircraft utilization, efficiency, and management. Of the 72 aircraft, 79% flew less than 200 hours per year. Fractured management contributed to inconsistent practices and policies as well as inefficiencies. To address these concerns, the report recommended the General Assembly establish the Aviation Management Authority to oversee management of all aircraft. Based on a three-phase analysis, the report recommended eliminating 25 aircraft and 5 hangars. Proceeds from the sale of aircraft were estimated at \$8.1 million and could save \$1.5 million annually.

Legislative Action: JLPEOC directed drafting of legislation on the report's recommendation to create the Aviation Management Division and sell underutilized aircraft. The General Assembly responded through statutory and budgetary changes. Session Law 2010-0031 directed the Department of Environment and Natural Resources to purchase computer software to establish and maintain a record of flights and maintenance, to report to the General Assembly on the management of state aircraft and implementation of recommendations by consultant Conklin & de Decker, and for the Divisions of Forest Resources and Marine Fisheries to share mechanics. The *Conference Report on the Continuation, Capital and Expansion Budgets* directed the sale of 13 aircraft (10 in the Division of Forest Resources and 3 in the Division of Marine Fisheries) and reduced personnel and operating budgets for the Divisions of Forest Resources and Marine Fisheries. Session Law 2010-0031 directed the Department of Commerce to transfer the Executive Aircraft Division to the Department of Transportation. This transfer included a reduction of two positions and associated expenses of \$300,000. Senate Bill 1168 directed the creation of the Aviation Management Division to oversee all state aircraft, sell underutilized aircraft, and consolidate passenger transport programs. House Bill 1823 directed the sale of underutilized aircraft. Legislation enacted included savings of \$808,068 in recurring funds and \$1,535,000 in non-recurring funds. However, due to higher than expected receipts from the sale of the two Division of Marine Fisheries helicopters, non-recurring savings is estimated at \$1,778,098 or an additional \$243,098.

Administrative Action:

- Department of Justice—State Bureau of Investigation
 - Failed to respond to PED's query about administrative actions to operate its aircraft more efficiently as recommended by the report.
- Department of Transportation
 - Discussed interagency agreements with State Bureau of Investigation to allow Department of Transportation to perform maintenance on all State Bureau of Investigation aircraft, eliminating the need for outside contracts. (This Memorandum of Understanding is pending.)
 - Discussed interagency agreements with Area Health Education Centers to share aircraft based on mission requirements allowing more efficient use of state aircraft. (A draft Memorandum of Understanding is being prepared.)
 - By January 1, 2011, plans to begin a fleet mix study to determine if the aircraft fleet size and configuration meet the needs of the state and to coordinate with other state agencies to determine a common flight management system for all state aviation departments.
- Department of Commerce
 - Transferred equipment and personnel to the Department of Transportation, eliminated two positions, and integrated remaining employees into the staff at the Department of Transportation.
- Department of Environment and Natural Resources
 - Division of Forest Resources
 - Signed a Memorandum of Understanding with the Division of Marine Fisheries to perform aircraft maintenance on all Division of Marine Fisheries aircraft.
 - In the process of purchasing aviation software that will electronically monitor flight logs, maintenance records, scheduling, inventory tracking, aircraft costs, and maintenance costs.
 - In the process of addressing the recommendations from Conklin & deDecker regarding safety and training.
 - Eliminated six employee positions, terminated two leases, and is in the process of eliminating/selling 11 aircraft. The sale of state-owned aircraft identified for elimination will not generate the necessary \$1.5 million. However, the Division of Forest Resources stated it will manage its entire budget to accomplish the required \$1.5 million reduction.
 - The Division of Marine Fisheries started the process of eliminating three helicopters by transferring one helicopter to a law enforcement agency and selling one for \$105,999 and the other for \$172,099, pending approval.
 - The Divisions of Forest Resources and Marine Fisheries have discussed long-term replacement plans but have not developed a plan because of the state's current budgetary difficulties. Instead, the divisions will continue to request replacements through continuation budget requests.
- University Area Health Education Centers, the State Highway Patrol, and Wildlife Resources Commission
 - No action required.

Addressing Deficiencies in State Purchasing and Contracting

Summary: In July 2009 the State Auditor presented three performance audits to JLPEOC that found serious deficiencies in state purchasing and contracting. The State Health Plan entered into a “cost-plus-percentage of cost contract” with Blue Cross Blue Shield of North Carolina, which did not require disclosure or timely and independent verification of contractor costs. The contract cost \$103.4 million in Fiscal Year 2008-09. In August 2009, the Attorney General’s Office told JLPEOC it did not review the State Health Plan Blue Cross Blue Shield contract before execution. The Department of Administration, Purchasing and Contracting Division did not monitor the terms of a statewide term contract with Office Depot for office supplies resulting in \$294,413 in overcharges within the \$2.7 million in purchases audited between July 1 and December 31, 2007. The Department of Health and Human Services did not plan sufficiently to monitor a contract with Value Options for prior authorization for Medicaid services.

Legislative Action: JLPEOC directed PED to recommend legislation to correct the deficiencies and subsequently directed drafting of legislation based on those recommendations. Session Law 2010-194 addressed every suggestion made by the State Auditor and PED. The law prohibits cost-plus percentage of cost contracts, requires agencies to submit proposed statewide and agency term contracts (indefinite quantity or requirements contracts) for \$1 million or more for review by the Attorney General or designee or the UNC General Counsel or designee to determine if they are in proper legal form, contain required clauses, allow access to contractor cost records by the State Auditor and agency internal auditors, and accomplish intended purposes. The law requires the Department of Administration to issue implementing regulations in consultation with the Attorney General and to develop an extensive contract and purchasing training and certification program by the Office of State Personnel in consultation with the UNC School of Government. The law requires the Department of Administration to implement a quality management system (equivalent to ISO 9001-2008) and to report progress by September 1, 2012. The law requires agencies that are otherwise exempt from state purchasing provisions to submit contracts for review under the new process and criteria. Finally, the law requires the School of Government to study state procurement laws including the feasibility of conforming to the American Bar Association *Model Procurement Code*. The General Assembly funded 8 Department of Administration positions and a .75 position within the Office of State Personnel to implement new procedures and training. PED is conducting a follow up evaluation to determine how administering agencies are implementing the law and will release a report in 2011.

Administrative Action:

- Office of Attorney General, Property Control Section
 - Drafted a proposed division of labor among agency and Attorney General’s Office attorneys for discussions with the Governor’s Office and state agencies.
 - Drafted an extensive checklist containing contract review criteria.
 - Revised the North Carolina General Terms and Conditions, Paragraph 13 to allow agency internal auditor access.
 - Recommended the Division of Purchase and Contract add at least two weeks to its procurement process for statewide term contracts to allow sufficient time for required attorney review.
 - Plans to consult with the Department of Administration on rules and regulations for the orderly and efficient reviews required by the new law.
- Department of Administration, Division of Purchase and Contracting
 - Modified its standard clause regarding access by the State Auditor and agency internal auditors.
 - Directed state agencies to include the auditor access clause in proposed agency contracts.
 - Began discussions with the Office of State Personnel on development of a Contracting Specialist career path.
 - Will award a contract to a consulting firm to make recommendations for transforming state procurement including staffing and technology requirements.
 - Held preliminary discussions with the North Carolina State University, School of Engineering on implementation of ISO 9001-2008 quality management standards and included ISO requirements within the scope of work to be performed by the consulting firm conducting the transformation review.
- Office of State Personnel
 - Participating in the staff group overseeing the transformation review by the Department of Administration consultant.
 - Researching Virginia, Florida, Alaska, Georgia, and Colorado training and certification programs for contracting specialists.
 - Identified primary focal points for new training including certification, initial rollout, a program for secondary users (other than certification candidates) and plans to collaborate with the compliance review to determine additional training and/or adjustments to materials.
 - Met with UNC School of Government about the school’s Certified Local Government Officer program to identify common components and concluded a majority of the state program components will need to be designed.
- UNC School of Government
 - Met with the Office of State Personnel about the school’s Certified Local Government Officer program and concurred with the Office of State Personnel that a majority of the state program components will need to be designed.
 - Will assign a faculty member to participate in the analysis of state procurement laws as required by the new law.

High School Graduation Project Requirement Should Remain a Local School District Decision

Summary: The State Board of Education required that all public high school students, starting with the class of 2010, complete a senior project. The North Carolina Graduation Project assesses students' ability to integrate knowledge, skills, and performance within a topic area of their choosing. Session Law 2009-60 suspended the statewide requirement until July 1, 2011 (starting with the class of 2015) and directed PED to evaluate the cost and effectiveness of a statewide high school graduation project requirement. The evaluation found that although there was anecdotal support for senior projects, there was no compelling empirical evidence that completing a project achieved intended student outcomes. The investment—estimated at \$6.6 million—and effort that would be required for statewide implementation of the Graduation Project could not be justified. The report recommended the State Board of Education delegate authority to school districts to decide whether to implement a high school graduation project requirement.

Legislative Action: JLPEOC directed drafting of legislation to implement the report's recommendation. Session Law 2010-33 permanently suspended the statewide high school graduation project requirement.

Administrative Action: The Department of Public Instruction is developing a web resource for school districts that are requiring the graduation project as a local exit standard.

UNC Enrollment Change Funding Formula Needs Documentation and a Performance Component

Summary: The General Assembly directed PED to evaluate UNC's student credit hour enrollment change funding formula to examine its accuracy. The evaluation found the formula was complex, relied on inaccurate enrollment growth estimates, and, as a result, yielded inaccurate funding requests. PED recommended the General Assembly require UNC system administrators to thoroughly examine and modify the enrollment change funding formula, standardize the enrollment projection process, and hold officials accountable for sizeable projection errors. Second, the UNC system should develop policy and guidelines for enrollment growth funding decisions. In addition, PED recommended the General Assembly direct UNC to submit annual reports of indicators to hold the system accountable to the public. Finally, UNC should implement performance-based funding.

Legislative Action: JLPEOC directed drafting of legislation to implement the report's recommendations.

Administrative Action: Because the report was presented in November 2010, no administrative action was expected by the time of this publication.

University Distance Courses Cost More to Develop Overall but the Same to Deliver as On-Campus Courses

Summary: The report determined distance education courses cost more overall to develop than on-campus courses but about the same to deliver. Distance education increases access to education, and technology has changed delivery of instruction in the classroom. The report had no recommendations; however, findings indicated UNC General Administration was in a position to foster collaboration between campuses to achieve more responsive, comprehensive, and unified distance education programs in the UNC System.

Administrative Action: The University Chief Information Officer continues to explore system-wide bids for learning management systems. A comprehensive online proctoring system is fully deployed at one campus and will expand to other campuses during 2011. A project team has developed online or blended faculty development modules for use by all campuses and is working with campuses to determine where services are available to share. Core courses for a master's program are online and available to be shared among disciplines and campuses.

Legislative Action: The General Assembly's directive for the report did not request proposed legislation.

Feasibility of Restructuring Budget and Financial Management of North Carolina State Government

Summary: The report reviewed the structure for budget and financial management of state government and considered the feasibility of consolidating the Office of State Budget and Management, the Controller, and the State Treasurer. These agencies performed 29 budget and financial management functions, but there was no duplication of effort among them. The structure and location of budget and financial management functions varies among states, and North Carolina is one of 22 states where the functions are located in three separate agencies. The report found consolidation of budget and financial management of state government was feasible and could save money, but consolidation is constrained by constitutional requirements and would sacrifice the independence of the Controller.

Legislative Action: JLPEOC accepted the recommendation to maintain the independence of the Controller and not merge it with State Budget or the Treasurer. JLPEOC referred the report to the House and Senate Appropriations Committees with no recommendation.

Awards: 2010 Notable Documents Award from the National Conference of State Legislatures, Legislative Research Librarian Staff Section

Eliminating the Underground Storage Tank Cleanup Backlog Will Require at Least \$549 Million

Summary: The General Assembly established the Underground Storage Tank (UST) Program within the Department of Environment and Natural Resources in 1985 in response to a federal mandate to regulate USTs. Since the UST Program's inception, North Carolina has spent more than \$543.7 million to clean up UST incidents. Even so, a significant cleanup backlog still remains and North Carolina's financial liability continues to grow. The evaluation discussed how North Carolina could reduce the backlog and limit future financial liabilities by introducing a risk-based system of financial responsibility for commercial tank owners and requiring greater financial responsibility from noncommercial tank owners. Furthermore, the evaluation recommended improvements for information management operations and increased oversight and training for commercial tank owners.

Legislative Action: Session Law 2010-15 required training of UST operators; the law directs the Department of Environment and Natural Resources to develop and implement a training program for primary UST operators. The training program will provide instruction on proper operation and maintenance of UST systems, system construction and safety, and regulatory requirements associated with UST systems.

North Carolina's Water and Wastewater Infrastructure Funding Lacks Strategic Focus and Coordination

Summary: The evaluation found six state funding entities, each with their own missions, goals, and objectives provided funding for water and wastewater infrastructure in North Carolina. There was no effective oversight agency or comprehensive strategic plan in place to coordinate activities. The report recommended the General Assembly direct the State Water Infrastructure Commission (SWIC) to develop a statewide strategic plan and needs assessment for water and wastewater infrastructure funding. The report also recommended the General Assembly require better oversight of water and wastewater funding by either authorizing SWIC to coordinate and oversee the system or by establishing a single water and wastewater authority.

Legislative Action: Session Law 2009-574 established the Legislative Study Commission on Water and Wastewater Infrastructure to develop an ongoing process to identify and regularly report to the General Assembly on statewide water and wastewater infrastructure needs and to improve the delivery of state appropriated water and wastewater programs.

Administrative Action: Following the creation of the Legislative Study Commission on Water and Wastewater Infrastructure, SWIC and a users group met. The following ideas emerged:

- Develop a common first page for grant and loan applications, creating a single template for project descriptions, that will make it easier to identify and coordinate projects that request funding from multiple agencies and to streamline the application process.
- Schedule regular joint meetings of the funding agencies to share water and wastewater funding opportunities with potential applicants. Funding agencies have used this approach periodically in the past, most recently to help water systems identify funding for drought response projects.
- Exchange progress reports and site visit information among the funding agencies if a project receives funding from multiple state funding sources.
- Have each agency share information in a common format with SWIC. SWIC could merge the information into a single annual funding report on all water/wastewater funding activities.
- Examine the needs assessment done by the Environmental Protection Agency, the needs survey done by the Department of Environment and Natural Resources, and the Water 2030 data to determine where there may be gaps in the data in order to begin the process of developing a statewide needs assessment.

Additional Briefings: Legislative Study Commission on Water and Wastewater Infrastructure; Republican Caucus for Natural Resources

Accountability Gaps Limit State Oversight of \$694 Million in Grants to Non-Profit Organizations

Summary: State agencies granted \$694 million to non-profits in Fiscal Year 2007-08. Despite administrative rules and statutes intended to assure funds were spent as intended by the state, gaps in accountability persisted. Statewide reporting requirements did not require sufficient documentation, did not adequately address program performance outcomes, failed to produce timely reporting, and lacked sufficient enforcement. Contracts often failed to set performance expectations and inconsistent grant monitoring at the agency level resulted in a lack of accountability statewide. Recommendations addressed contracting, agency oversight, and reporting; awarding competitive grants rather than earmarks; implementing electronic payment controls; and funding oversight through a discretionary 2% withholding of grant funds.

Legislative Action: JLPEOC directed drafting of legislation to require performance-based contracting, program monitoring plans, and more timely and accurate reporting on state grants to non-profits; direct the Controller to electronically stop payment to grantees on the Suspension of Funding list; and amend the State Budget Act to give agencies the authority to withhold up to 2% of grant awards to fund oversight. The resulting House Bill 1852/Senate Bill 1218 did not pass.

Additional Briefings: House Committee on State Government/State Personnel; North Carolina Center for Non-Profits Annual Conference

Department of Environment and Natural Resources Wetland Mitigation Credit Determinations

Summary: This special report responded to the controversy surrounding the certification and purchase of wetland and nutrient offset credits certified by the Division of Water Quality. Specifically, the report focused on mitigation credits generated by 46 acres of wetlands in the Neuse River basin. Controversy arose when the credits were sold twice (credit stacking), resulting in \$698,372 being spent by the state that did not purchase any additional mitigation value. Despite subsequent action taken by the Department of Environment and Natural Resources to avoid the problem in future transactions, the agency's decisions related to this controversy resulted in actual and potential future losses to the environmental integrity of the Neuse River basin and comprised a net loss to North Carolina's environment.

Administrative Action: The Division of Water Quality has held several stakeholder meetings on the buffer mitigation issue and presented information to the Environmental Management Commission several times during 2010. The Division of Water Quality anticipates the Environmental Management Commission will consider rules to address the issue of mitigation credits. An option, which had wide support at a December 2009 stakeholder meeting as well as at the meetings held in 2010, would allow credit stacking where the impact is to both stream and buffer but would require stand-alone buffer mitigation where the impact is to buffer only. Once the Environmental Management Commission adopts the final rule, the mitigation credit determination issue will be resolved. Adoption of the rules could occur in late 2011 or early 2012 depending on public hearing results.

Enhanced Services Package Implementation: Costs, Administrative Decision Making, and Agency Leadership

Summary: This follow-up to PED's July 2008 report, *Compromised Controls and Pace of Change Hampered Implementation of Enhanced Mental Health Services*, examined expenditures, decision-making, and leadership associated with implementation of the Enhanced Services Package by the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities and Substance Abuse Services. Findings indicated a total of \$2.4 billion was spent on enhanced services from April 2006 through February 2009, \$827.2 million of which was North Carolina's share of the costs. Analyses suggested effective planning and better oversight could have avoided costs of \$498.5 to \$635.3 million, of which \$177.4 to \$226.2 million would have been North Carolina's share of the avoided costs.

Administrative Action: See actions reported for the related July 2008 report.



How North Carolina Compares

Summary: This compendium of state statistics ranked North Carolina relative to other states on areas including population, health, education, taxes, and expenditures. This publication was designed as a quick reference that allows state comparisons across indicators and may be useful when evaluating outcomes of state government programs. Data were extracted from the U.S. Census Bureau and other national databanks to assure uniformity of measurement across states.

Awards: 2010 Notable Documents Award from the National Conference of State Legislatures, Legislative Research Librarian Staff Section

2008 Reports

Controlling the Cost of Medicaid Private Duty Nursing Services

Summary: The North Carolina Medicaid Program covers private duty nursing—medically necessary continuous, complex, and substantial nursing services provided by a licensed nurse in a recipient's home. Under federal law, private duty nursing is an optional Medicaid service for adults and a required Medicaid service for children. The evaluation recommended the Division of Medical Assistance should adopt the cost-containment mechanisms used by other states for its private duty nursing benefit for adults. The report also recommended the Division of Medical Assistance should modify the Community Alternatives Program for Children, which is subject to budget limits, to encourage use of the waiver program by children in need of continuous skilled nursing.

Legislative Action: JLPEOC referred the report to the Senate and House Appropriations Committees. Session Law 2010-31, § 10.35 directed the Division of Medical Assistance to limit its private duty nursing service by restricting it to individuals under 21, capping the amount of care at 16 hours unless more are required under federal law, and requiring needs assessments be performed by independent entities. The legislation also required the Division of Medical Assistance to submit a technology-dependent waiver and subsequently transition individuals age 21 and over to receiving services under the waiver.

Administrative Action: The Division of Medical Assistance is working on implementing the 2010 legislation. In preparation for revising the children's private duty nursing policy and submitting a new technology-dependent waiver for adults, the division hosted three public forums in September 2010 and identified a core group of stakeholders to serve as advisors during the policy development phase. Next, the division will identify an independent assessment entity and establish the criteria for service definitions and waiver coverage. The Division of Medical Assistance has already received approval from the United States Centers for Medicare and Medicaid Services to make the following modifications to the Community Alternatives Program for Children waiver for years 2010-15: increase the number of children that can be served, extend the age limitation from 18 years old to 21 years old, and change to an aggregate funding model as opposed to individual monthly budgeting.

North Carolina's Alcohol Beverage Control System Is Outdated and Needs Modernization

Summary: The evaluation found North Carolina's Alcohol Beverage Control (ABC) system was outdated because it had not kept pace with demographic and economic changes and state statutes limited effective management of the system. The mission of local ABC boards was not clearly defined, and some boards used the lack of a clear mission to justify ineffective and inefficient store operations. North Carolina also regulated the sale of liquor differently than other states. The report recommended modernizing the ABC system by defining the mission of local boards, providing management tools for better oversight of local boards, and modifying outdated statutes.

Legislative Action: JLPEOC endorsed the report and requested drafting legislation implementing report recommendations in December 2008. Committee members introduced legislation in the House and Senate during the 2009 Session. The House Alcohol Beverage Committee heard the report in March 2009 and received three related bills, one implementing all report recommendations and two implementing some of the recommendations. These bills were sent to a subcommittee and no action was taken during the 2009 Session. In November 2009, news media reported excessive employee salaries at one ABC board and gifts from liquor company representatives to board members and employees in another. These news reports rekindled interest in PED's report. In response, the legislative leadership established the Joint Study Committee on Alcoholic Beverage Control to study all aspects of the current ABC system with specific attention to the findings and recommendations in PED's report. The study committee's proposed legislation was introduced during the 2010 Session. The General Assembly enacted Session Law 2010-122 to modernize the North Carolina ABC system. The legislation included the following statutory additions or changes based on findings and recommendations from PED's report:

- clearly defined the mission and purpose of local ABC Boards as serving their localities responsibly by controlling the sale of spirituous liquor and promoting customer-friendly, modern, and efficient stores;
- provided the North Carolina ABC Commission with management tools for better oversight of local boards by authorizing the commission to promulgate rules to establish performance standards for local boards and requiring local boards to comply with the performance standards;
- eliminated the requirement that a city must operate an ABC store or hold an ABC store election in order to hold a mixed beverage election; and
- increased the number of registered voters needed in order for a city to hold an ABC store election.

Administrative Action: The North Carolina Alcohol Beverage Control Commission is in the process of implementing the changes required by Session Law 2010-122.

Additional Briefings: House Alcoholic Beverage Control Committee; North Carolina Association of Alcohol Beverage Control Boards; Budget Reform and Accountability Commission; Joint Legislative Study Committee on Alcoholic Beverage Control

Awards: National Legislative Program Evaluation Society's 2010 Impact Award



On July 21, 2010 Governor Perdue signed House Bill 1213, *Modernization of the State ABC System*, which was based in part on PED's 2008 report entitled *North Carolina's Alcohol Beverage Control System Is Outdated and Needs Modernization*. (Photo courtesy of the Office of the Governor.)

Project Management Lapses and Planning Failures Delayed Court Technology Improvements

Summary: The evaluation found the Administrative Office of the Courts (AOC) had six information technology projects under development. Management shortcomings delayed the projects, frustrating court personnel and other stakeholders in need of the technology. The evaluation recommended greater involvement of the Judicial Council to set priorities for technology projects, establish a more formal process to involve users in project development, and report progress annually. AOC should report bi-annually to the General Assembly's Information Oversight Committee and consult with the State Office of Information Technology Services on future projects.

Administrative Action: Implementation of five of the six technology projects has progressed and continued expansion is planned. The eFiling project is on hold due to budget cuts. Presentations and reports have been provided to the Judicial Council, and users groups have met regarding development and implementation schedules of projects. AOC has provided reports and presentations to the General Assembly. Changes to project management processes include establishing a new Project and Quality Assurance Management Office, improved project tracking and consistent reporting, and certification of staff. The State Office of Information Technology Services has been consulted on several projects.

Consolidating Agricultural Research Facility Management Would Improve Efficiency and Effectiveness

Summary: The evaluation found a divided management structure hindered strategic planning among North Carolina's 18 agricultural research stations. The report recommended the state should create a single, comprehensive system of research facilities including the stations, the 10 university field laboratories, and the North Carolina Agricultural and Technical State University (NC A&T) farm to promote strategic planning, efficiency, and accountability. The report recommended the system should be managed by North Carolina State University (NC State) and NC A&T administrators and should be guided by an advisory board with membership from the Department of Agriculture and Consumer Services, both universities, and representatives of broad agricultural concerns. Pending review by a panel of agricultural scientists, the number of facilities could be reduced. The transfer or sale of facilities and management consolidation could save up to \$3.7 million in recurring and \$54.7 million in non-recurring state funds.

Legislative Action: Session Law 2008-107, § 9.13 directed the Dean of the College of Agriculture and Life Sciences at NC State, the Dean of the School of Agriculture and Environmental Sciences at NC A&T, and the Commissioner of Agriculture to develop a comprehensive strategic plan for the management of the agricultural research stations.

Administrative Action: The Dean of the College of Agriculture and Life Sciences at NC State, the Dean of the School of Agriculture and Environmental Sciences at NC A&T, and the Commissioner of Agriculture submitted a strategic planning document to designated legislative committees on May 1, 2009. In addition, the department and universities created an advisory group consisting of 23 external stakeholders to inform the strategic planning process and implementation. Groups of university faculty, station superintendents, and administrators met to discuss how best to support research activities and document program activities, accomplishments, and recommendations in an annual report; the first such report was released in May 2010. The department and universities have made the following improvements to reporting structures: updated resource request systems to improve track resource utilization and include project reviews and evaluations; restructured budget development process; and implemented an online event tracking system to document outreach and other non-research activities at the facilities.

Doubtful Return on the Public's \$141 Million Investment in Poorly Managed Vehicle Inspection Programs

Summary: Vehicles registered in North Carolina are subject to two types of inspections. Safety inspections examine mechanical systems. Emissions inspections ensure proper functioning of pollution controls. The evaluation found North Carolinians spend \$141 million annually on inspections. The report found no evidence that the safety inspection program was effective; it was not possible to determine how much vehicle emissions inspections contributed to the improvement of overall air quality; and program oversight by the Division of Motor Vehicles (DMV) was inadequate. PED recommended the General Assembly reevaluate the need for a safety inspection program, consider exempting vehicles from the three newest model years from safety and emissions inspections, and require DMV to manage the programs to ensure results.

Legislative Action: Senate Bills 849 and 857, which proposed repealing the requirement that motor vehicles registered in North Carolina have an annual safety inspection, were introduced, but no action was taken during the 2009 Session. Senate Bill 857 also proposed implementing an improved management program for the vehicle emissions inspection program and studying how to comply with federal emissions guidelines while reducing the of emissions for motor vehicles that are less than four model years old.

Administrative Action: Before October 2008, safety inspections were being hand-written and no electronic data was collected that could establish the effectiveness of the program. Since that time, DMV has implemented the e-sticker program and all inspections are conducted electronically. DMV receives monthly reports from the state's vendor that indicate the total number of vehicles that have failed inspections and the reason for the failure. In addition, and due to the provisions set forth in the e-sticker program, a vehicle cannot receive a valid registration without having received an inspection within 90 days of the registration expiration. This step has resulted in a compliance rate of 97% based on a recent review by the Division of Air Quality. In addition, DMV is encouraging inspection stations to more accurately time the duration of inspections by timing physical inspection time and not using only the time elapsed on the analyzer device. The following measures have been implemented to ensure DMV is providing adequate program oversight:

- DMV implemented a statewide staff inspection that includes a review of all inspection audits and activities occurring within each of the eight DMV districts.
- DMV completed cross training of all sworn personnel to eliminate a separation of duties between inspectors. All DMV inspectors are charged with the same responsibilities statewide and have been trained in the same manner.
- DMV has implemented a policy requiring all DMV personnel to conduct remote audits of inspection stations. DMV inspectors are required to complete a minimum of 30 remote audits yearly, and DMV inspection specialists are required to complete a minimum of 60 remote audits yearly. This new auditing standard has been very successful in detecting and deterring violations. Comprehensive monthly reports are now disseminated to district supervisors that detail the activities within each district. District supervisors are held responsible for reviewing the documentation and ensuring all required activities are completed within the district.
- DMV assigned two Assistant Supervisors to the Inspection Unit to provide daily oversight of the inspection program for four districts and to ensure all mandated activities are completed.

Caring for Previously Hospitalized Consumers: Progress and Challenges in Mental Health System Reform

Summary: Building on the July 2008 PED process evaluation, this report examined services delivered by the North Carolina Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMHDDSAS) after system reform. Analyses of services received by 22,516 individuals previously hospitalized in substance abuse or psychiatric facilities suggested that gaps in community-based services persisted among those discharged from state-operated facilities and among individuals with a history of one, versus multiple, hospital discharge. The report recommended individualized tracking across facilities, service types, and funding sources to improve continuity of care and to generate comprehensive statewide data. In addition, DMHDDSAS should pay continued attention to system oversight and management.

Administrative Action: DMHDDSAS has planned and taken steps toward implementing electronic health records as the budget allows. DMHDDSAS has made several changes to practice and infrastructure to improve inpatient and outpatient services and increase access to crisis intervention. Two provider performance assessment tools have been implemented to improve system oversight, and a quarterly report on provider monitoring will be completed by local management entities and submitted to DMHDDSAS.

Additional Briefings: Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services

Compromised Controls and Pace of Change Hampered Implementation of Enhanced Mental Health Services

Summary: Since 2006, the state has struggled to implement a new array of mental health, developmental disabilities, and substance abuse services. Several factors contributed to implementation problems, including the pace and scope of implementation, insufficient forecasting and monitoring, and lack of information about system performance. The report recommended the Department of Health and Human Services should collaborate with other stakeholders to re-evaluate what information is needed about system performance, how it is collected, and how it is presented. Additionally, the report recommended focusing analytic efforts within one specific office of the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMHDDSAS) to ensure consistency, depth, and quality of analysis.

Administrative Action: A quarterly performance report is provided to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on local management entities' performance on 21 contracted measures. DMHDDSAS's Quality Management Team provides a 12-month overview of service utilization trends to division management and has developed training and additional reporting to improve client data integrity. A provider quality report is planned for Fiscal Year 2010-11. Additional activities targeting internal quality improvement include hiring a PhD-level evaluator; initiation of a Knowledge Management Group; and a quality improvement workgroup that will draw on staff clinical, technical, and analytical expertise to improve quality in all areas of DMHDDSAS.

Improving Regional Economic Development through Structural Changes and Performance Measurement Incentives

Summary: North Carolina's regional economic development partnerships and commissions focus their efforts on local needs; this approach is vital for North Carolina, especially in rural areas of the state. To achieve a more unified approach to economic development, there needs to be increased consistency among regions, regional representation on the Economic Development Board, and required performance measurement and reporting. The report recommended recurring funding for the regions so they could leverage investment from other sources, with 15% of the existing state appropriation directed to performance-based funding. Receipt of this incentive would be conditional on certification of willingness to participate in the performance measurement system and accurate annual reporting.

Administrative Action: The regional partnerships have implemented a set of uniform accountability standards to assure consistency in institutional behavior, administrative practices, and other key areas. The partnerships have worked with the Department of Commerce to develop a comprehensive list of performance measures, which was approved by the Board of Directors of the North Carolina Partnership for Economic Development. The Department of Commerce has become a member of this partnership organization to formalize the collaborative and coordinative work between the partnerships and the department.



Front Row (left to right): Carol Shaw, John Turcotte, Larry Yates, Carol Ripple. Middle Row: Catherine Moga Bryant, Kiernan McGorty, Pam Taylor, Michelle Beck. Back Row: Doris Gilbert, Sean Hamel. (Photo courtesy of Jesse Mitchell.)

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