

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

In preparing the 2003-05 Budget Request of the Board of Governors, the Board was guided by six interrelated strategic priorities: Access; Intellectual Capital Formation; K-16 Initiatives; Creation, Transfer, and Application of Knowledge; Internationalization; and Transformation and Change. The unfunded items in the 2003-05 Budget Request remain before the General Assembly for consideration during the 2004 Session. The Board amends its request in the amount and scope as follows to update amounts as appropriate and present additional priorities not known at the time that the biennial budget request was developed.

Access

The most important of the Board's strategic priorities is ensuring access to higher education for all qualified citizens and embracing a vision of lifelong learning. It is the Board's belief that providing full funding for enrollment growth and adequate need-based student financial aid are imperative in meeting this objective.

Enrollment Changes

\$64,691,225

UNC campuses were over-enrolled by approximately 680 students in the fall of 2003. It is expected that an additional 6,927 students will enroll on UNC campuses in the fall of 2004, bringing the total need for enrollment growth appropriations in 2004-05 to \$63.9 million.

The North Carolina School of Science and Mathematics has also requested \$700,000 for an additional 35 students.

Need-based Student Financial Aid Plan

21,344,000

This funding is required to hold needy students harmless for the 5% tuition increase mandated by the General Assembly in 2003, cover additional students who have been deemed eligible for the program, and hold students harmless for other increases in 2004-05. The requested amount would provide funding of need-based aid for undergraduate North Carolina residents.

Intellectual Capital Formation

Intellectual Capital Formation addresses ways to develop an educated citizenry that will enable North Carolina to flourish through excellent graduate, professional, and undergraduate programs.

Distinguished Professors Endowment Trust Funds – State Matching Funds

6,000,000 R
9,800,000 NR

As of January 20, 2004, an unprecedented number of professorships have been funded by private donations and are awaiting the state matching funds. Of 38 professorships currently ready to be funded, 17 of these are for \$167,000 for \$500,000 endowments, 1 is for \$250,000 for a \$500,000 endowment, and 20 of them are for \$334,000 for \$1,000,000 endowments. Significantly, at least half of these are in critical areas of the biological and medical sciences and engineering. The State match required for these 38 qualifying professorships is \$9,769,000, and a steadily increasing number of additional requests are being submitted by the campuses. A recent survey of all 16 constituent institutions estimates that State matching funds will be requested for an additional 29 distinguished professorships beyond those currently in the queue. The required State match for the anticipated chairs would require \$8,012,000. To address the current backlog, the Board of Governors requests \$9.8 million in non-recurring funds. In recognition of the anticipated new professorships, the Board of Governors requests that the recurring budget be increased by \$6 million.

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

K-16 Education

The request for K-16 Education continues the Board of Governors' efforts to propose and support initiatives to serve the needs of the State's public schools.

Meeting Teacher Supply and Demand

The Board of Governors created a Task Force on Meeting Teacher Supply and Demand to study ways in which the University could assist in alleviating the State's teacher shortage. The requests for funding to implement the recommendations of that Task Force will be phased in and based on the implementation timeline of the Task Force's final report. In support of the recommendations presented in this report and based on the timeline for implementation, the following funding is requested.

<p>Statewide Teacher Recruitment and Marketing Plan</p> <p><i>Successfully meeting North Carolina's teacher supply and demand needs will require a concerted statewide effort. UNC's initial commitment to this effort is the creation of a focused module on CFNC.org to provide prospective teachers with a single source for information on preparing for careers in teaching. This will include the education and licensing requirements; grants, scholarships and loan programs for future teachers in North Carolina; and online applications for both admission and financial support.</i></p>	25,000NR
<p>Teacher Incentive Financial Retention Program</p> <p><i>North Carolina shares the nation's current challenges in attracting and retaining highly qualified teachers. In collaboration with the North Carolina State Education Assistance Authority, this funding will support the creation of a teacher incentive financial retention program to attract and retain 1,000 new teachers a year. This initiative will be phased in over several years.</i></p>	1,000,000
<p>Teacher Education Summer School Funding Pilot</p> <p><i>This three year summer school funding pilot will focus on specific program areas to address the severe shortage of teachers across the state and will accelerate the production of teachers for North Carolina's public schools. A special focus will be placed on identified critical shortage licensure areas.</i></p>	500,000
<p>Clinical Teacher Education Courses</p> <p><i>Improved preparation and support of prospective teachers leads to improved teacher quality for all of North Carolina. This request seeks to appropriately fund clinical-based teacher education courses requiring faculty-student ratios smaller than regular courses.</i></p>	2,700,000

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

Creation, Transfer and Application of Knowledge

Components of the request for Creation, Transfer and Application of Knowledge are intended to expand the frontiers of knowledge through scholarship and research and stimulate economic development in North Carolina through basic and applied research, technology transfer, and outreach and engagement activities.

Economic Development

North Carolina A & T State University & UNC Greensboro - Joint Request for Funding Operating Needs of the Millennium Campus	354,863
--	---------

These campuses jointly request funding for ongoing university costs due to telephone and networking needs at the former Central NC School for the Deaf to enable the buildings to be used by the Universities for outreach and economic development. Also see related capital request on page 8.

North Carolina Central University - Funds for the Bioprocessing Research Institute and Technology Enterprise	1,250,000
---	-----------

NCCU received a grant of \$17.8 million from the Golden LEAF Foundation and \$1.3 million of in-kind support from the biomanufacturing and pharmaceutical industries towards its Bioprocessing Research Institute and Technology Enterprise. Although completion of the BRITE facility is one and one-half to two years away, it is critical that NCCU begin immediately to search for and hire faculty and other essential personnel with expertise in biotechnological areas to complement the current faculty. These personnel will collaborate with the existing research faculty to augment the development of the BRITE Center for Excellence. This request includes five new faculty positions, four other positions, equipment and supplies, and other start-up costs.

North Carolina State University - Funds for Biomanufacturing Training and Education Center	1,080,050 R
	1,350,000 NR

The Golden LEAF Foundation has approved a grant of \$33.5 million for the construction of a Biomanufacturing Training and Education Center (BTEC) to be located on NCSU's Centennial Campus. In addition, \$2.5 million in additional funds for equipment has been promised as matching from the biomanufacturing industry. While the facility will require more than two years to design and build, it is essential that NCSU begin to complement the existing faculty & educational staff in biotechnology with key interdisciplinary faculty and staff positions that can be integrated into the existing biotechnology community. These positions will contribute to the teaching and educational mission of BTEC and also facilitate the creation and dissemination of knowledge in emerging areas of commercialized biotechnology to capitalize on the extraordinary physical resource represented in and by BTEC. This request includes three new faculty positions, sixteen other positions and other equipment and startup funds.

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

North Carolina State University - Funds for Technology Incubator Program 189,835

NCSU's Industrial Extension Service (IES) has operated NCSU's Technology Incubator since mid-2003 when the NCTDA ceased its operation of the Incubator. NCSU's Technology Incubator specifically facilitates university/industry collaborations and the commercialization of promising technologies from within and outside the University. To date, the Technology Incubator has been home to 55 companies and its graduates include notable high-growth companies such as Nitronex and Silicon Semiconductor. Additionally, the National Business Incubator Association reports that each dollar of state incubator investment generates approximately \$45 in tax revenues from the 84% of incubator graduates that remain in their home states. From 1998 through most of 2002, the State provided the subsidy required to operate the incubator at NCSU via annual appropriations to NCTDA. IES and NCSU are currently seeking this support to ensure the continued operation of the Incubator as a critical link between the University and North Carolina entrepreneurs and industry.

Leveraging the State's SBTDC 900,000

The University proposes an increased investment in the North Carolina Small Business and Technology Development Center (SBTDC) to significantly increase its capabilities and service outreach of the state's leading existing business assistance resource. Critical service capabilities will be retained and expanded levels of outreach and service to small and medium-sized businesses will be achieved, with a particular emphasis placed on expanding services in less urban regions of the state.

With this level of increased support, the SBTDC would be able to create and retain significant numbers of jobs in North Carolina over the near term. It has a 19-year track record of successfully providing business counseling and management education services to well over 100,000 businesses. Its broad range of general business services and special resource programs - international trade finance, government procurement, marine trades and technology development - are provided through a network of 17 campus-hosted centers with ready access to businesses across the state.

While SBTDC services are available to clients across the spectrum, from start-ups to larger manufacturers, its focus is on meeting the needs of small to mid-sized firms, typically employing between 10 and 200 people. This focus results from on-going research which confirms that it is small to medium-sized companies which have the best potential for adding large numbers of new jobs needed to grow North Carolina's economy.

Specific uses of additional funds will include:

- * A recommitment of resources to help firms access export credit insurance and financing to support increased exporting*
- * Implementation of an "Innovation and Competitiveness" program for rural manufacturers and other rural businesses*
- * Expanded leverage of University resources to support economic and business development projects through the engagement of graduate and professional students and faculty fellows*
- * Expanded support for capital formation and access*
- * Increased size and capacity of the highly successful Procurement Technical Assistance Center Program, which also supports the state's goals of increased business with the military.*

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

Accelerate Innovation in North Carolina's Economy

1,600,000

As the transition to a knowledge-based economy continues, there are two challenges that must be met. First, manufacturing job losses are occurring principally in North Carolina's less urban counties while new knowledge-based jobs are being created, principally in urban counties. North Carolina must find a way to assure that the new economy jobs are broadly distributed across the state. Second, North Carolina needs large numbers of new, high quality jobs if it is to offset past and continuing job losses and provide work for a growing population. Without focused stimulation and support, the current pace and quality of new job creation in North Carolina will not be sufficient to assure a prosperous economic future. A strategy and action to meet the state's new job creation needs should be based upon existing strengths and realities, focusing on: (1) existing small to medium-sized businesses; (2) stimulating technology and knowledge transfer and entrepreneurship; and (3) best practices.

By taking a systematic, best practices-based approach, which builds on and enhances core strengths to stimulate new enterprise formation and existing business competitiveness, North Carolina can help create the jobs needed for its future economic prosperity. The main components of this proposal to accelerate innovation are:

Innovation Support: *Efforts currently underway, supported by the National Science Foundation, confirm that potential exists at all campuses, and the University has developed a set of recommendations and a model approach to realize this potential. This proposed initiative would support the establishment of technology development and transfer support offices needed to implement this model in the eastern and western areas of the state.*

Through these support offices, professional resources would be available to support expanded research and development, technology transfer and the changes in the cultural environment on the campuses necessary to create and support entrepreneurial behavior. Specific technology support services to be provided would include: grant prospecting and proposal writing support, technology and market assessments, market research, commercialization strategies/negotiations, capital formation/access, partnership and alliance development, licensing and other legal support, and portfolio management. Specific activities to address campus culture would include strategic advising, faculty workshops, new metrics for faculty performance, and incentives/rewards for entrepreneurial behavior.

Business Acceleration: *A new, cost effective approach to business acceleration is needed to link new and existing incubation facilities to regional University campuses, develop and implement a systematic approach to business formation and growth and assure that there is extensive support for new entrepreneurial companies in the facilities. A formal entrepreneurial minor curriculum would be developed for use, both on-campus with students and off-campus with entrepreneurs. The on-campus offering would provide the platform for creating student teams to support entrepreneurial companies. An increasing level of investment over three years would support the following program components: develop the program and services criteria for "certified" business accelerators and create "certified"*

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

Accelerate Innovation in North Carolina's Economy (continued)

accelerators; provide a full-time university "entrepreneurial agent" at each certified site to link the accelerators and tenant companies to regional campuses; and oversee the engagement of students and faculty support resources. In addition, the proposal would support development of an entrepreneurial minor curriculum, leverage student and faculty support for tenant companies at each accelerator site, develop a portal to support and track tenant company performance, closely monitor and evaluate the growth of tenant companies, measure and report on tenant company performance and outcomes, and provide a support network for the managers of existing incubators and "certified" business accelerators.

Enterprise: *There is ample knowledge as to the challenges to existing business and industry competitiveness. To effectively meet these challenges requires that businesses have a sharp strategic focus, commitment to innovation and change, adoption of state-of-the-art operational and performance enhancement efforts, and a commitment to workforce development. This initiative would support engagement of the University and other resource partners to determine regional business needs and opportunities and develop University outreach teams to serve existing small to medium-sized businesses. Specific enterprise growth services to be provided would include regional needs and opportunity analyses for University outreach teams, together with the establishment of five University outreach teams to work with businesses.*

UNC-Chapel Hill School of Government

Economic Development Community Outreach

387,600

In FY03-04, the School of Government ("SOG") launched a program in community economic development led by two faculty to address this critical need. This is a key component of the University's economic development strategy. SOG faculty are working with North Carolina leaders to offer training, research and technical assistance targeted to meet the needs of distressed communities. They are offering a number of training programs for public officials: a community development academy, regional seminars in economic development planning, leadership programs, and the primary economic development certification course in the region targeted at economic development professionals, coordinated with the state Department of Commerce. In addition, SOG faculty are developing critical research to address the needs of communities including a best-practice series, a web-based clearinghouse, and targeted research to meet the needs identified by local communities.

Funding is sought to hire a professional EPA non-faculty coordinator to manage requests for training and assistance for economically distressed communities, and extend the resources and capabilities of SOG faculty. The faculty work would be significantly leveraged by the addition of two field professionals who would provide training and assistance to communities and increase the capacity of the School to meet this pressing need. Finally, this community outreach initiative would provide modest stipends for others to broaden the capabilities of the SOG team, including faculty throughout the University system.

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

Other Expansion Initiatives**AGRICULTURAL PROGRAMS**

North Carolina A & T State University

State Matching Funds for the Agricultural Research & Cooperative Extension 2,239,199

With the recent passage of the new Farm Bill (Farm Security and Rural Investment Act of 2002), the state-matching requirement will increase by 10 percent per year until the total match reaches 100 percent (FY 2004-2008). Furthermore, funds provided from the state for this need in 2004 were nonrecurring. As a result, NCA&TSU needs an additional \$2,239,199 to fulfill its matching requirement in 2005.

Academic Salary Increases

The Board of Governors is directed by the General Assembly to make recommendations for salary increases for faculty members and other academic personnel who are exempt from the State Personnel Act. In its 2003-05 biennial budget request, the Board requested academic salary increases of 6 percent each year of the biennium. Studies continue to indicate that UNC campuses are losing competitive ground with peer institutions in the marketplace for recruiting and retaining high quality faculty. These studies show that the Board's request of 6 percent is minimal, and that it would not bring UNC faculty to the average salaries of their peer institutions. The Board of Governors recognizes the simultaneous need for faculty salary increases as well as the continued difficulties of the state's fiscal situation. In response, the Board reaffirms its request for an increase of 6 percent, to be awarded on a merit basis.

Request – 6% – University-wide 76,959,193

Although not statutorily required by the General Assembly, the Board reiterates its support for a meaningful salary increase for employees subject to the State Personnel act (SPA). The Board also supports funding for career-banding initiatives and funding for in-range pay adjustments in order to maintain the competitiveness of the University's support staff.

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

UNC Capital Improvements Request

North Carolina A & T State University

Millennium Campus Improvements

3,656,000 NR

UNCG & NCA&TSU jointly request funds to convert three buildings on the former Central NC School for the Deaf for use as classrooms and offices for outreach and economic development.

North Carolina Central University

Reimbursement of Bond Funds

8,583,189 NR

An appropriation is requested to restore funds transferred from the UNC Bond Program for costs associated with mold remediation. NCCU requests reimbursement of funds diverted from three projects (Hoey Administration-\$2.7M, Electrical Infrastructure-\$3M, and Land Acquisition-\$1.4M) and \$1.45M for housing and for transporting students during renovations to campus residence halls.

Funds for Repairs - Steam Lines

6,400,000 NR

As part of the investigation into the causes and sources of mold growth on the NCCU campus, the deteriorated condition of the steam lines was cited as a major contributing factor. The campus currently has funding to repair 40% of the steam lines, but these repairs will create substantial pressure on the remaining aged steam lines. NCCU requests \$6.4M to replace the remaining 60%.

Funds for Mold Remediation

2,020,679 NR

The consultant's assessment of needs for mold remediation on the NCCU campus exceeded the amount of reprogrammed funds authorized by the Board for that purpose. NCCU requests an additional \$2M to address Priority 1 & 2 needs from the Clark Nexsen assessment, not covered by the reprogrammed funds.

East Carolina University

Eastern Carolina Cardiovascular Institute

60,000,000 NR

Funds are requested to fund a new capital project, the Eastern Carolina Cardiovascular Institute, at East Carolina University. The project will total about 220,000 square feet. A cardiovascular clinical research, education, and outpatient facility will use about 180,000 square feet, and the Warren Life Sciences Building will be expanded for a cardiovascular basic science research center. The project is a significant element of a joint project between ECU and Pitt County Memorial Hospital (PCMH), the primary teaching hospital for the Brody School of Medicine. PCMH is planning to construct, using non-state funds, a 150-bed heart hospital, which will form the in-patient portion of the Institute.

UNC Health Care

North Carolina Clinical Cancer Center

180,000,000 NR

UNC Health Care requests that the project amount for the proposed Clinical Cancer Center be increased to \$180M from \$130M as requested in the 2003-05 Budget Request to recognize the actual space requirements to meet present and expected growth, site and utility issues, and a linkage to physicians' offices component of the project resulting from advanced planning efforts. Population growth in the state, the aging of "baby boomers," and the expected cancer diagnoses of approximately 38,000 North Carolinians this year alone, contribute to the demand for the services provided by the new North Carolina Clinical Cancer Center.