



The University of North Carolina

BOARD OF GOVERNORS

Appalachian State
University

East Carolina
University

August 8, 2007

Elizabeth City
State University

Fayetteville State
University

Members of the Board of Governors:

North Carolina
Agricultural and
Technical State
University

At its June 2007 meeting, the Board of Governors delegated authority to the Committee on Budget and Finance to allocate appropriations for expansions and improvements for the 2007-08 fiscal year.

North Carolina
Central University

North Carolina
School of
the Arts

The Committee on Budget and Finance will meet on Wednesday, August 15, at 9:00 a.m. Attached are the recommendations the Committee will consider on that date.

North Carolina
State University
at Raleigh

University of
North Carolina
at Asheville

R. Steve Bowden, Chairman
Committee on Budget and Finance

University of
North Carolina
at Chapel Hill

University of
North Carolina
at Charlotte

University of
North Carolina
at Greensboro

Attachments

University of
North Carolina
at Pembroke

University of
North Carolina
at Wilmington

Western Carolina
University

Winston-Salem
State University

COMMITTEE ON BUDGET AND FINANCE
Meeting via Teleconference
Wednesday, August 15, 2007, 9:00 a.m.

AGENDA

1. Allocation of Funds for Academic Salary Increases (EPA) for University Personnel and Personnel at the North Carolina School of Science and Mathematics
2. Allocations of Funds – Current Operations
3. Allocations of Funds – Capital Improvements

Allocation of Funds for Academic Salary Increases (EPA) for University Personnel and Personnel at the North Carolina School of Science and Mathematics

In response to the Board of Governors' priorities for Academic Salary Increases of \$117,524,795, the General Assembly appropriated \$86,263,230. This item includes allocations from *The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets*, dated July 27, 2007.

Of these funds for salary increases, the General Assembly appropriated \$67.4 million for average salary increases of 4% for faculty and other employees who are exempt from the State Personnel Act (EPA) and an additional \$12.8 million to respond to the Board's request for funding to move the average faculty salary at each campus closer to the 80th percentile of its peer institutions. The North Carolina General Assembly also appropriated funds to the Board of Governors to provide an annual salary increase of 5% for teaching employees of the North Carolina School of Science and Mathematics. The total funding appropriated for EPA salary increases is to be used for merit, market and equity increases. The related special provision is shown below.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 28.12.(a) Effective July 1, 2007, the Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, including funds for the employer's retirement and social security contributions, to provide to employees of The University of North Carolina, other than teachers of the North Carolina School of Science and Mathematics, whose salaries are supported by State funds and who are exempt from the State Personnel Act (EPA) an annual salary increase of five percent (5%) for faculty. The percentage annual salary increase of five percent (5%) authorized by this section shall be made on an aggregated average basis, according to the rules adopted by the Board of Governors of The University of North Carolina and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section. The Board of Governors may use a portion of the annual salary increase provided by this section to improve competitive national peer rankings for faculty.

SECTION 28.12.(b) Effective July 1, 2007, the Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, including funds for the employer's retirement and social security contributions, to provide to employees of The University of North Carolina, other than teachers of the North Carolina School of Science and Mathematics, whose salaries are supported by State funds and who are exempt from the State Personnel Act (EPA) an annual salary increase of four percent (4.0%) for nonfaculty. The percentage annual salary increase of four percent (4.0%) authorized by this section shall be made on an aggregated average basis, according to the rules adopted by the Board of Governors of The University of North Carolina and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

SECTION 28.12.(c) The Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, to provide an average annual salary increase of five percent (5%) but at least an annual increase of one thousand two hundred forty dollars (\$1,240), including funds for the employer's retirement and social security contributions, commencing July 1, 2007, for all teaching employees of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). These funds shall be allocated to individuals according to the rules adopted by the Board of Trustees of the North Carolina School of Science and Mathematics and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

It is recommended that the General Fund appropriations for the 4% average salary increase for faculty and other employees who are exempt from the State Personnel Act (EPA) be allocated as shown in the table below. The 4% salary increase appropriation is proposed for distribution in exact proportion to the share of each institution in the General Fund EPA salary base.

University Operations	Amount
Appalachian State University	\$ 3,806,116
East Carolina University	
Academic Affairs	6,373,724
Health Affairs	1,307,908
Elizabeth City State University	757,571
Fayetteville State University	1,474,418
North Carolina A & T State University	2,911,225
North Carolina Central University	2,174,313
North Carolina School of the Arts	656,725
North Carolina State University	
Academic Affairs	10,333,775
Agricultural Research Service	1,175,824
Cooperative Extension Service	1,204,760
UNC-Asheville	992,030
UNC-Chapel Hill	
Academic Affairs	8,601,283
Health Affairs	5,045,039
Area Health Education Centers	1,317,431
UNC-Charlotte	5,346,569
UNC-Greensboro	4,452,139
UNC-Pembroke	1,369,637
UNC-Wilmington	2,906,268
Western Carolina University	2,314,172
Winston-Salem State University	1,806,449
UNC-General Administration	556,150
UNC Hospitals	187,048
N. C. School of Science & Mathematics *	368,999
TOTAL (includes estimated fringe benefits)	67,439,573

** Provides an annual average salary increase of 4% for non-teaching employees and an annual average salary increase (5%) comparable to that provided for public school teachers for all teaching employees of the N. C. School of Science and Mathematics.*

The allocations, as approved, are for expenditures in accordance with the Salary Protocols for Faculty and Non-Faculty EPA Salary Increases 2007-08, approved by the President. The Board of Trustees of the North Carolina School of Science and Mathematics has the specific authority to establish policies and procedures for academic salary increases at the School.

It is recommended that the additional \$12.8 million appropriation for faculty salaries be allocated as shown in the table below. This portion of the salary increase appropriation is proposed for allocation in the exact proportion of the share of each institution in the Board of Governors Budget Request for Competitive Salaries for Faculty – 80th percentile of Peers.

Institution	Amount
Appalachian State University	\$ 865,735
East Carolina University	947,456
Elizabeth City State University	101,774
Fayetteville State University	353,302
North Carolina A & T State University	323,567
North Carolina Central University	76,145
North Carolina School of the Arts	217,264
North Carolina State University	2,616,814
UNC-Asheville	389,875
UNC-Chapel Hill	3,029,010
UNC-Charlotte	1,039,795
UNC-Greensboro	1,275,194
UNC-Pembroke	300,011
UNC-Wilmington	465,676
Western Carolina University	564,836
Winston-Salem State University	257,203
TOTAL (includes estimated fringe benefits)	12,823,657

The allocations, as approved, are for expenditures in accordance with the Salary Protocols for Faculty and Non-Faculty EPA Salary Increases 2007-08, approved by the President.

In addition to the funds for salary increases, the General Assembly appropriated \$6,000,000 in nonrecurring funds for the Distinguished Professors' Endowment Trust Fund to provide the state matching funds for a generous private Challenge Grant Initiative established by the Spangler Foundation and to partially address the existing backlog of endowed professorships. The allocation of this additional funding is included in Item 2.

It is recommended that the Vice President for Finance be delegated the authority to adjust this recommendation to reflect technical amendments to the budget if any related amendments are approved by the General Assembly. It is further recommended that the Vice President for Finance be authorized to make refinements in the interest of accuracy and completeness.

Allocations of Funds – Current Operations

While most of the funding for the Current Operations Budget of each institution comes in the continuation budgets as approved by the General Assembly, funds for expansions and improvements are appropriated to the Board of Governors for allocation to the institutions. These appropriations are included in House Bill 1473 (S.L.2007-323), “2007 Appropriations Act.” By statute, the Board is directed to allocate such funds in accordance with its 2007-09 Budget Priorities and in accordance with any specifications in the appropriations act and the *Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets*, dated July 27, 2007. In addition to the appropriations for the 2007-09 Budget Priorities, the General Assembly made a number of special appropriations for designated programs in University Operations, Agricultural Programs, Related Educational Programs, and UNC Hospitals.

It is recommended that the Vice President for Finance be delegated the authority to adjust this recommendation to reflect technical amendments to the budget if any related amendments are approved by the General Assembly. It is further recommended that the Vice President for Finance be authorized to make refinements in the interest of accuracy and completeness.

It is recommended that the Allocation Recommendations for Current Operations appropriations for the 2007-08 fiscal year be approved.

Note: As supplementary information, a Comparative Worksheet showing the Senate, House, and Final Budgets is provided.

Recommended Allocations for the Budget Priorities – Current Operations

It is recommended that the expansion budget priorities for current operations of the Board of Governors of The University of North Carolina as set out in the *2007-09 Budget Priorities*, be allocated as follows for the 2007-08 fiscal year.

	2007-08	
	Budget Priorities	Recommended Allocation
Need-Based Financial Aid	35,605,210	escheats¹
Academic Salary Increases	117,524,795	86,263,230
Competitive Salaries for Faculty – 80th percentile of Peers	43,879,435	12,823,657
EPA Salary Increases (estimate) – 4%	67,045,360	67,439,573
SPA Salary - 4% (\$24.5M)		
Distinguished Professorships	6,600,000	6,000,000 NR
Student Success & Retention & Graduation	6,380,000	5,393,000
Academic Summer Bridge & Retention Pilot Programs	2,180,000	1,193,000
University of North Carolina Online	2,000,000	2,000,000
	2,200,000 NR	2,200,000 NR
Research	61,707,410	25,900,000
Competitiveness Fund	15,000,000	3,000,000 NR
Graduate Student Recruitment & Retention	5,133,450	2,000,000
Center for Bioenergy Technologies	3,500,000	1,500,000 NR
Computing-enabled Research Environment - RENCi	5,000,000	–
Center for Design Innovation	470,000	500,000
NC Research Campus (Kannapolis)	12,581,121	8,500,000
	13,700,000 NR	8,000,000 NR
Joint Program in Nanosciences & Nanoengineering	2,919,500	1,400,000
Biomanufacturing Research Institute & Technology Enterprise Initiative (BRITE)	2,000,000	1,000,000
Photonics Consortium	1,153,339	–
Research Vessel Hatteras	250,000	–
More and Better Teachers & Improved Schools	13,876,285	5,132,000
NC High Need Teacher Scholarship Loan Program	987,500	–
Lateral Entry Scholarship Program	1,625,000	–
Prospective Teacher Scholarship Loan Program	1,571,465	–
Future Teachers of North Carolina	325,000	325,000
Millennium Teacher Scholarships	130,000	–
Teacher Education Enrollment Planning & Recruitment Efforts	1,000,000	750,000
Summer Term Teacher Education Pilot Programs	750,000	750,000
Science, Technology, Engineering & Mathematics (STEM) Education	1,000,000	750,000
UNC/NCCCS Partnership Online 2+2 Joint Initiative	1,000,000	1,000,000
Lateral Entry Programs	750,000	750,000 NR
Support for Lateral Entry & Teacher Assts: NCMTEC Prog. Expansion	360,320	–
Success for All	300,000	–
Principals' Executive Program (PEP) and Kenan-Flagler Leadership Program for Priority Middle & High Schools	607,000	607,000 NR
New Teacher Support and Mentoring Aimed at Retention	2,156,000	–
NCCAT Connections Program	344,000	–
MSEN Pre-College Program	670,000	–
A+ Schools	100,000	–
North Carolina in the World (NCCIU)	200,000	200,000 NR

¹ The General Assembly fully funded the BOG's \$35.6M request from the Escheat Fund.

NR = nonrecurring

	2007-08	
	Budget Priorities	Recommended Allocation
Healthcare	21,597,200	6,270,791
ECU Dental School	1,300,000	1,000,000
Area Health Education Centers	3,097,200	570,791
Graduate Nurse Scholarships for Faculty Production	1,200,000	1,200,000 ²
Nurse Scholars Program	2,750,000	—
UNC-CH Schools of Medicine & Dentistry - Pipeline Programs	750,000	—
Indigent Care – ECU	5,000,000	2,500,000 NR
Indigent Care – UNC Hospitals	7,500,000	1,000,000 NR
Regional & Statewide Economic Transformation and Competitiveness	12,100,000	8,600,000
NCSU College of Engineering	5,000,000	5,000,000
NCCU School of Law	2,500,000	2,500,000
Entrepreneurship & Regional Cluster-based Econ. Devel.	2,000,000	500,000 NR
Support for North Carolina Communities	1,000,000	—
Management Academy for High Growth Companies	1,000,000	—
Hickory Engineering and Technology Center	600,000	600,000
Campuses Specializing in the Arts & Sciences (NCSA & UNCA - \$500,000 each; NCSSM - \$100,000)	1,250,000	1,100,000 NR
Disaster Recovery	400,000	640,000
	2,000,000 NR	—
Affiliated Entities	1,744,607	899,857
NCSSM Tuition Grant	401,133	449,905
UNC-TV Statewide Public Affairs & Informational Prog. Serv.	878,485	289,952
NC Arboretum Educational Outreach & Econ. Development	300,000	—
UNC Press Digital Books	164,989	160,000 NR

² Requires that priority be given to Community College faculty needing an advanced degree to meet college accreditation standards.

NR = nonrecurring

It is further recommended that the President be authorized to seek such concurrence as may be required of the Director of the Budget in the foregoing allocation of the Budget Priorities.

The proposed allocations, as applicable, meet all of the directives cited in the Appropriations Act of 2007 (SL 2007-323) and the related Joint Conference Committee Report of July 27, 2007.

Recommended Allocation for Academic Salary Increases

In response to the Board of Governors' priorities for Academic Salary Increases of \$117,524,795, the General Assembly appropriated \$86,265,000. Of these funds, \$67.4 million is available for average salary increases of 4% for faculty and other employees who are exempt from the State Personnel Act (EPA) and an additional \$12.8 million is available to be used to improve campuses' competitive national peer rankings for average salaries. The salary increases are described and allocated in Item 1.

In addition, the General Assembly appropriated \$6,000,000 in nonrecurring funds for the Distinguished Professors' Endowment Trust Fund to provide the state matching funds for a generous private Challenge Grant Initiative established by the Spangler Foundation and to partially address the existing backlog of endowed professorships. It is recommended that these funds be allocated to UNC-General Administration, Related Educational Programs. The related special provision follows:

UNC DISTINGUISHED PROFESSOR CHALLENGE-GRANT INITIATIVE/REDUCE BACKLOG FOR DISTINGUISHED PROFESSOR ENDOWMENT TRUST FUND PROFESSORSHIPS

SECTION 6.15.(a) The UNC Distinguished Professor Challenge-Grant

Initiative is established as a reserve fund to be administered by the Board of Governors of The University of North Carolina. Funds in the UNC Distinguished Professor Challenge-Grant Initiative shall be used to provide State matching funds for a private challenge-grant initiative and shall be allocated consistent with G.S. 116-41.15. Funds from the UNC Distinguished Professor Challenge-Grant Initiative when matched with private funds shall provide the funding required to endow one distinguished professorship at each of the 16 constituent institutions of The University of North Carolina in the 2007-2008 fiscal year. All professorships endowed through this Initiative shall be in the fields of teacher education, engineering, nursing, or the traditional arts and sciences.

SECTION 6.15.(b) Funds are allocated in the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets for the purpose of addressing the existing backlog of professorships under the Distinguished Professors Endowment Trust Fund.

Recommended Allocation for Need-Based Student Financial Aid Plan

The Board requested additional funding of \$35,605,210 to fully fund the Need-Based Student Financial Aid Plan for all eligible undergraduate resident students. In response, the General Assembly appropriated \$35,605,210 from the Escheat Fund to fully fund the Board's request. These funds will allow for an increase in the number of resident undergraduate students receiving aid as well as offsets to increases in tuition, fees, and other student charges. In addition, the new funding will ensure that all eligible students will receive grant funding. The related special provision is shown in the attached appendix.

It is recommended that these funds be allocated to UNC-General Administration, Related Educational Programs for administration by the State Education Assistance Authority (SEAA). SEAA administers the fund so that grant funding follows eligible students to the institution where they enroll.

Recommended Allocations for Student Success and Retention and Graduation

In response to the Board's request of \$6,380,000 for Student Success and Retention and Graduation, the General Assembly appropriated \$3,193,000 in recurring funds and \$2,200,000 in nonrecurring funds for the following items:

Academic Summer Bridge & Retention Pilot Program

The General Assembly provided \$1,193,000 in funding to create a summer program for students who are first generation college students or students who require additional academic preparation to transition from the high school classroom to the college environment. It is anticipated that these programs would be operational for the summer session of 2008. It is recommended that these funds be allocated to UNC-GA, Institutional Programs and that the President be authorized to make further allocations to one or more of the focused growth campuses based on merit of the program and legislative intent.

University of North Carolina Online

The General Assembly fully funded the Board's request of \$4,200,000 (\$2 million in recurring and \$2.2 million in nonrecurring) for UNC Online. These funds will be used to develop and maintain UNC Online, a "virtual" online education center with related support and technology infrastructure that provides one-stop access to and delivery of UNC online degree and certificate programs. It is recommended that these funds be allocated to UNC-GA, Institutional Programs and that the President be authorized to make further allocations for the development of UNC Online.

Recommended Allocations for Research

In response to the Board's request of \$61,707,410 for Research, the General Assembly appropriated \$13,400,000 in recurring funds and \$12,500,000 in nonrecurring funds for the following items:

Research Competitiveness Fund

In response to the Board's request of \$15,000,000, the General Assembly appropriated \$3,000,000 in nonrecurring funds for the Research Competitiveness Fund. This fund will support strategic investments in emerging areas of importance to the economic competitiveness of the state. The awards would emphasize interdisciplinary research to encourage the involvement of multiple UNC campuses. The program will invest in disciplines that have been identified by the NC Department of Commerce and the Pappas Report (Staying a Step Ahead: Higher Education Transforming North Carolina's Economy) as crucial to making North Carolina more competitive in the global marketplace. It is recommended that these funds be allocated to UNC-GA, Institutional Programs and that the President be authorized to make further allocations based on legislative intent.

Graduate Student Recruitment and Retention

In response to the Board's request of \$5,133,450, the General Assembly appropriated \$2,000,000 in recurring funds for Graduate Student Recruitment and Retention. These funds will be used to recruit and retain top tier graduate students in science and technology. It is recommended that these funds be allocated to UNC-GA, Institutional Programs and that the President be authorized to make further allocations based on legislative intent.

Center for Bioenergy Technologies

In response to the Board's request of \$3,500,000 in recurring funds, the General Assembly appropriated \$1,500,000 in nonrecurring funds. These funds will be used to expand initiatives at NCSU for research and development of bioenergy substrates and processes impacting the agricultural and forestry sectors. The Southeastern Field Laboratory would be the focal point of the production and bioprocessing of various agricultural substrates into biofuels. It is recommended that the nonrecurring \$1,500,000 be allocated to North Carolina State University, Academic Affairs.

Center for Design Innovation (NCSA & WSSU)

In response to the Board's request of \$470,000 in recurring funds, the General Assembly provided \$500,000. The Center for Design Innovation is a program jointly operated by the NCSA, WSSU, and Forsyth Technical Community College. These funds will be used for personnel and activities associated with CDI's focus on the use of advanced technology in a creative, multidisciplinary, collaborative environment accessible to a diverse body of students, faculty, business partners, and community organizations to reach new heights of innovation and achieve exceptional results. It is recommended that \$500,000 be allocated to North Carolina School of the Arts, which serves as the fiscal agent for the Center.

North Carolina Research Campus (Kannapolis)

In response to the Board's request of \$12,581,121 recurring and \$13,700,000 nonrecurring, the General Assembly appropriated \$8,500,000 in recurring funds and \$8,000,000 in nonrecurring funds for the UNC institutions participating in the Kannapolis Research Campus (NCA&T, NCCU, NCSU, UNC-CH, UNCC, and UNCG). This public-private partnership is projected to not only be the source of many breakthrough discoveries in health and science, but also to attract new companies and jobs to the region. It is recommended that these funds be allocated to UNC-GA, Institutional Programs and that the President be authorized to make further allocations based on legislative intent.

Joint Program in Nanosciences and Nanoengineering

In response to the Board's request of \$2,919,500, the General Assembly appropriated \$1,400,000 in recurring funds for the Joint Program in Nanosciences and Nanoengineering. These funds will be used to help establish a joint Graduate School of Nanoscience and Nanoengineering at North Carolina A & T State University and UNC Greensboro's Millennial Campus. The purpose of the School would be to train scientists in various nanotechnology areas. It is recommended that these funds be allocated to UNC-GA, Institutional Programs and that the President be authorized to make further allocations when the campuses have finalized the organizational structure for the School.

Biomanufacturing Research Institute and Technology Enterprise Initiative (BRITE)

In response to the Board's request of \$2,000,000, the General Assembly appropriated \$1,000,000 in recurring funds for the BRITE Program. These funds will be used to enhance programmatic activities, including hiring additional faculty and staff, program development, and equipment purchases. It is recommended that \$1,000,000 be allocated to North Carolina Central University.

Recommended Allocations for More and Better Teachers and Improved Schools

In response to the Board's request of \$13,876,285 for More and Better Teachers and Improved Schools, the General Assembly provided \$3,575,000 in recurring funds and \$1,557,000 in nonrecurring funds for the following programs:

Future Teachers of North Carolina

In response to the Board's request of \$325,000 for the Future Teachers of North Carolina, the General Assembly appropriated the full amount. Funds will support University juniors and seniors pursuing the teaching of certain disciplines. It is recommended that these funds be allocated to UNC General Administration, Related Educational Programs since the State Education Assistance Authority (SEAA) administers these funds.

Teacher Education Enrollment Planning and Recruitment Efforts

In response to the Board's request of \$1,000,000, the General Assembly provided \$750,000 in recurring funds for Teacher Education Enrollment Planning and Recruitment Efforts. These funds will be used to implement the first-ever statewide teacher recruitment plan. The five-year plan would increase UNC's supply of new teachers by 64% to meet the state's needs. Upon approval of the campus-based plans, funds will be available to UNC campuses as a 1:1 match. It is recommended that these funds be allocated to UNC-GA, Institutional Programs and that the President be authorized to make further allocations based on legislative intent.

Summer Term Teacher Education Pilot Programs

In response to the Board's request for \$750,000 in recurring funds for the Summer Term Teacher Education Pilot Programs, the General Assembly appropriated the full amount. To help address the statewide teacher shortage, funds will be used for a trimester pilot in selected teacher education areas in order for prospective teachers to complete a program in three years by utilizing the summer term. Funds will cover faculty, staff, materials, and scholarship support. The Board of Governors prioritized funding for these pilots at FSU and UNCW. Therefore, it is recommended that \$375,000 be allocated to both Fayetteville State University and UNC Wilmington for summer term teacher education programs.

Science, Technology, Engineering & Mathematics (STEM) Education – NCSU & UNC-CH

In response to the Board's request for \$1,000,000 in recurring funds, the General Assembly appropriated \$750,000 for programs at North Carolina State University and UNC-Chapel Hill to improve the production, retention and quality of STEM teachers through partnerships with the colleges of arts and sciences, K-12 public schools, and community colleges. As specified by the General Assembly, \$375,000 is to be used at NCSU to strengthen on-going programs to develop new teaching methods for science and mathematics teachers across the state, including the Kenan Fellows program and the statewide network of 4-H educational programs. In addition, \$375,000 is to be allocated to UNC-Chapel Hill to support a model program to train new teachers in science and mathematics education and develop a National Board Science and Math Teacher Center in collaboration with the Center for Teaching Quality, which will increase the number of National Board certified teachers in hard-to-staff schools. In accordance with the Conference Committee Report, it is recommended that the \$750,000 be allocated equally between North Carolina State University, Academic Affairs and UNC-Chapel Hill, Academic Affairs.

UNC/NCCCS Partnership Online 2+2 Joint Initiative

In response to the Board's request for \$1,000,000 for the UNC/NCCCS Partnership Online 2+2 Joint Initiative, the General Assembly appropriated the full amount. These funds will be used to develop online courses and support joint technology development for systems to track student progress and articulation among NC Community Colleges and UNC campuses, and to develop technology to support online courses and 2+2 programs. It is recommended that these funds be allocated to UNC-General Administration, Operating.

UNC Lateral Entry Program

In response to the Board's request for \$750,000 for the Lateral Entry Program, the General Assembly appropriated \$750,000 in nonrecurring funds. These funds will be used to implement several strategies which support and expand alternative teacher preparation routes, including increased evening, weekend, and online course offerings. It is recommended that these funds be allocated to UNC Charlotte, in accordance with the Board of Governors' Budget Priorities.

Principals' Executive Program (PEP) and Kenan-Flagler Leadership Program for Priority Middle & High Schools

In response to the Board's request for \$607,000 for the Principals' Executive Program and the Kenan-Flagler Business School's leadership program for priority middle and high schools, the General Assembly appropriated \$607,000 in nonrecurring funds. This would cover costs associated with one additional group each of high school and middle school leadership teams. Both PEP and Kenan-Flagler would design these programs as a year-long seminar modeled after present programming. It is recommended that these funds be allocated to UNC-GA, Operating, which is the fiscal agent for the Principals' Executive Program. Through these funds, PEP will also reimburse Kenan-Flagler for their services.

North Carolina in the World (NCCIU)

In response to the Board's request for \$200,000 for the North Carolina Center for International Understanding, the General Assembly appropriated \$200,000 in nonrecurring funds to focus on improving student's knowledge and skills about the world. It is recommended that these funds be allocated to UNC-General Administration, Operating, which is the administrative agent for NCCIU.

Recommended Allocations for Health Care

In response to the Board's request of \$21,597,200 for Health Care, the General Assembly provided \$2,770,791 in recurring funds and \$3,500,000 in nonrecurring funds for the following programs:

Dental School (ECU)

In response to the Board's request of \$1,300,000 in recurring funds for the Dental School at East Carolina University, the General Assembly appropriated \$1,000,000. These funds will be used to hire professionals to establish the School of Dentistry. The mission of the new dental school would be to attract individuals of high intellectual capacity who have a desire to practice in areas of significant need and to reduce disparities in access to dental care for populations in rural North Carolina. It is recommended that these funds be allocated to East Carolina University.

Area Health Education Centers

In response to the Board's request of \$3,097,200 for the Area Health Education Centers, the General Assembly appropriated \$570,791 in recurring funds. These funds will increase the funding of the AHEC program that trains family physicians and other primary care doctors to address ongoing chronic shortages in the most underserved parts of the state. Funding also provides for the development of clinical training sites for students in pharmacy, medicine, nursing, allied health, and mental health. Furthermore, the funds will support the development of programs to improve quality of care. It is recommended that these funds be allocated to UNC-Chapel Hill, AHEC.

Graduate Nurse Scholarships for Faculty Production

In response to the Board's request of \$1,200,000 in recurring funds for the Graduate Nurse Scholarship Program for Faculty Production, the General Assembly appropriated the full amount. These funds will be used to provide a graduate nurse scholarship loan program in the amount of \$15,000 per student per year for up to two years for master's candidates in nursing education and up to three years for doctoral candidates. Each recipient is required to teach in either a public or private nursing education program in North Carolina for each year a scholarship loan is received, or must repay the loan. The related special provision requires that priority be given to Community College faculty needing an advanced degree to meet college accreditation standards. The related special provision is contained, for reference, in the Appendix to this item. It is recommended that these funds be allocated to UNC-General Administration, Related Educational Programs.

Indigent Care – ECU and UNC Hospitals

In response to the Board's request of \$5,000,000 recurring for ECU's Indigent Care costs and \$7,500,000 recurring for UNC Hospitals' Indigent Care costs, the General Assembly appropriated \$2,500,000 nonrecurring for ECU and \$1,000,000 nonrecurring for UNC Hospitals. The funding will provide partial reimbursement of the free medical services ECU physicians provide to indigent patients at the Brody Outpatient Center and for indigent care services at UNC Hospitals. It is recommended that \$2,500,000 be allocated to East Carolina University, Health Affairs and \$1,000,000 be allocated to UNC Hospitals.

Regional and Statewide Economic Transformation and Competitiveness

In response to the Board's request of \$12,100,000 for Regional & Statewide Economic Transformation and Competitiveness, the General Assembly provided \$8,100,000 in recurring funds and \$500,000 in nonrecurring funds for the following programs:

NCSU College of Engineering

In response to the Board's request of \$5,000,000 recurring for NCSU's College of Engineering, the General Assembly appropriated the full amount. Funds will be used to strategically invest in NCSU to enhance the engineering program. It is recommended that the funds be allocated to North Carolina State University, Academic Affairs.

NCCU School of Law

In response to the Board's request of \$2,500,000 recurring for NCCU's School of Law, the General Assembly appropriated the full amount. The funds will be used to address the American Bar Association accreditation recommendations. It is recommended that these funds be allocated to North Carolina Central University.

Entrepreneurship & Regional Cluster-based Economic Development

In response to the Board's request of \$2,000,000 to expand the activities of NCSU's Industrial Extension Service, foster new microenterprises, capture the production of new high technology-based products, and pursue focused recruitment and retention efforts in high-priority job clusters, the General Assembly appropriated \$500,000 in nonrecurring funds. It is recommended that these funds be allocated to North Carolina State University, Academic Affairs.

North Carolina Engineering and Technology Center at Hickory

In response to the Board's request of \$600,000 recurring to support the operating costs and development of Engineering Technology programs in Hickory, the General Assembly appropriated the full amount. It is recommended that these funds be allocated to Appalachian State University, the institution serving as the fiscal agent for this project.

Campuses Specializing in the Arts and Sciences

In response to the Board's request of \$1,250,000 for Campuses Specializing in the Arts and Sciences, the General Assembly provided \$1,100,000 in nonrecurring funds to be allocated as follows: \$500,000 each for NCSA and UNCA; \$100,000 for NCSSM. These funds will be used to supplement academic programs, student support services, or other operating budget needs at these smaller campuses.

Disaster Recovery

In response to the Board's request of \$2,400,000 for Disaster Recovery, the General Assembly provided \$640,000 in recurring funds. UNC-General Administration administers IT policy and manages selected system-wide information technology (IT) resources for the sixteen campuses of the University of North Carolina. UNC-GA is working to create dual disaster recovery (DR) facilities that can support the UNC campuses' data backup and disaster recovery functions. The plan is to consolidate sixteen (16) UNC campuses IT disaster recovery requirements as much as practical, so that data backup and other disaster recovery functions can be provided remotely from the campuses. The solution would include arrangements for recovering multiple application data sets (Banner, PeopleSoft, and other ERPs), various course management systems, data warehouses, critical data systems, various e-mail systems, etc. so that any campus can have a "hot" or "warm" site provisioned, as needed. The primary goal is to ensure the continuity of critical business processes while ensuring high availability and resilience. These funds will be used to contract disaster recovery and business continuity services and support staff to ensure compliance, information security, and information systems audit support. It is recommended that the funds be allocated to UNC-General Administration, Operating Budget and administered by the President.

Affiliated Entities

In response to the Board's request of \$1,744,607 for the Affiliated Entities, the General Assembly appropriated \$739,857 in recurring funds and \$160,000 in nonrecurring funds.

NCSSM Tuition Grant

In response to the Board's request of \$401,133 for the NCSSM Tuition Grant Program, the General Assembly appropriated \$449,905 in recurring funds. These funds will be used to provide full tuition grants to all students who graduate from the North Carolina School of Science and Mathematics who enroll full time in a constituent institution of the University of North Carolina. This program funds students beginning with the Class of 2004. It is recommended that these funds be transferred to UNC-General Administration, Related Educational Programs for administration by the State Educational Assistance Authority.

UNC-TV Statewide Public Affairs & Informational Program Service

In response to the Board's request of \$878,485, the General Assembly appropriated \$289,952 in recurring funds. These funds will support UNC-TV's statewide programming of North Carolina Now, North Carolina Legislative Review, and Legislative Week in Review. It is recommended that these funds be allocated to UNC-General Administration, Operating Budget.

UNC Press Digital Books

In response to the Board's request of \$164,989, the General Assembly appropriated \$160,000 in nonrecurring funds for digital books for UNC Press. These funds will be used to establish a Digital Asset Management System to manage and manipulate electronic files for all new books, to digitize existing books, and to digitize out-of-print titles. It is recommended that these funds be allocated to UNC-Chapel Hill, Academic Affairs.

Continuation Budget

No Board action is required since these legislative changes are made in the continuation budgets.

Recommended Allocations for Enrollment Changes

The General Assembly fully funded the Board's request for Enrollment Changes, which included \$1,502,626 to "hold harmless" one institution (NCA&T) that would otherwise have been reduced.

It is recommended that the funds for enrollment changes be allocated as follows:

Institution	Total Allocations
Appalachian State University	\$ 8,328,803
East Carolina University	5,203,472
Elizabeth City State University	437,340
Fayetteville State University	4,806,575
North Carolina A & T State University	—
North Carolina Central University	92,280
North Carolina School of Science & Mathematics	252,106
North Carolina School of the Arts	275,017
North Carolina State University	2,109,540
The University of North Carolina at Asheville	176,694
The University of North Carolina at Chapel Hill	8,673,798
The University of North Carolina at Charlotte	3,865,239
The University of North Carolina at Greensboro	5,260,273
The University of North Carolina at Pembroke	2,916,174
The University of North Carolina at Wilmington	2,396,775
Western Carolina University	3,052,830
Winston-Salem State University	465,992
TOTAL	48,312,908

It is recommended that budgeted enrollments for the constituent institutions of the University for 2007-08 be established as follows:

Institution	Budgeted Student Credit Hours
Appalachian State University	414,102
East Carolina University	616,677
Elizabeth City State University	77,511
Fayetteville State University	159,861
North Carolina A & T State University	308,652
North Carolina Central University	178,440
North Carolina School of Science & Mathematics	—
North Carolina School of the Arts	—
North Carolina State University	732,599
The University of North Carolina at Asheville	94,974
The University of North Carolina at Chapel Hill	591,156
The University of North Carolina at Charlotte	501,546
The University of North Carolina at Greensboro	410,415
The University of North Carolina at Pembroke	146,915
The University of North Carolina at Wilmington	309,296
Western Carolina University	223,864
Winston-Salem State University	167,052
TOTAL	4,933,060

The Enrollment Changes request and allocation were based on the semester-credit-hour funding model except for the following components that remain on the FTE funding model.

FTE Funding Model	Budgeted Full-Time Equivalent Students
East Carolina University Medical School	300
North Carolina Central University Law School	550
North Carolina School of the Arts	1,096
North Carolina School of Science & Mathematics	650
North Carolina State University, Veterinary Medicine	339
UNC-Chapel Hill Law, Medicine, Dentistry and Pharmacy	4,099
TOTAL	7,034

Programs Pending Further Study

The 2007 Session of the General Assembly also put the base budget amounts of two programs, the Center for Nursing and the Principals' Executive Program, on nonrecurring funding until additional studies were completed. The relevant budget specifications and special provisions are referenced below.

Center for Nursing: Eliminates funding for the North Carolina Center for Nursing in fiscal year 2008-09. Restoration of the funding in 2008-09 is subject to the findings of a legislative continuation review. The section of the special provision related to the NC Center for Nursing follows:

CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND DIVISIONS

SECTION 6.21.(e) No later than February 1, 2008, the Board of Governors of The University of North Carolina shall provide a written report to the Appropriations Committees of the Senate and House of Representatives on the Center for Nursing. The report shall include all of the information listed in subsection (g) of this section.

SECTION 6.21.(g) The reports required in this section shall include the following information for each program:

- (1) A description of the program, including information on services provided, the recipients of the services, and the resource requirements.
- (2) Meaningful measures of program performance and whether the program is meeting these measures.
- (3) The rationale for continuing, reducing, or eliminating funding.
- (4) The consequences of discontinuing program funding.
- (5) Recommendations for improving services.
- (6) Recommendations for reducing costs.
- (7) The identification of policy issues that should be brought to the attention of the General Assembly.

SECTION 6.21.(h) The Appropriations Committees of the Senate and House of Representatives may review the funds, programs, and divisions listed in this section and shall determine whether to continue, reduce, or eliminate funding for the funds, programs, and divisions, subject to the continuation review program. The Fiscal Research Division may issue instructions to the State departments and agencies affected by this section regarding the expected content and format of the reports required by this section.

Principal's Executive Program: Converts the Principals' Executive Program (PEP) budget to nonrecurring funds for the 2007-09 fiscal biennium. Funding will be returned to a recurring basis if PEP demonstrates to the General Assembly that its programs make a positive, measurable impact on conditions for teaching and learning in schools. The special provision follows:

PRINCIPALS' EXECUTIVE PROGRAM

SECTION 9.10.(a) The operating budget of the Principals' Executive Program (PEP) is appropriated on a nonrecurring basis for the 2007-2009 fiscal biennium until the General Assembly receives data showing the program has a positive, measurable impact on conditions for teaching and learning in schools.

SECTION 9.10.(b) The Principals' Executive Program shall develop a formalized admissions policy that does all of the following:

- (1) Gives priority to school administrators working in high-need schools so that State resources are targeted to those who most need support.
- (2) Takes into account geographic diversity to ensure that school administrators statewide are served. If more school administrators seek admission than slots are available, the Principals' Executive Program shall retain those names and offer priority admission to those on the waiting list for the next class. The Principals' Executive Program shall also use these waiting lists to assess demand and determine how best to allocate resources among the various executive training courses.

SECTION 9.10.(c) The State Board of Education and the Board of Governors of The University of North Carolina shall recommend to the Joint Legislative Education Oversight Committee a plan to provide input on the Principals' Executive Program's priorities and feedback on its performance. This plan shall be presented no later than April 1, 2008.

Special Appropriations for University Operations

Several special appropriations in 2007-08 to the Board of Governors totaling \$56,489,003 were directed to program areas not included in the Board's Budget Priorities. These appropriations, recommended allocations, and related special provisions follow.

Program	Amount	R/NR	Institution
EARN Scholars	\$27,605,210	R	UNC-GA, Institutional Programs
ECSU Temporary Space – Pharmacy Program	43,000	NR	Elizabeth City State University
UNCP Leased Space – Modular Building	83,843	R	UNC Pembroke
UNC-CH TEACCH Program	368,000	R	UNC-Chapel Hill, Health Affairs
NCSU Center for Universal Design	300,000	NR	NCSU, Academic Affairs
UNCP Fire Protection	750,000	NR	UNC Pembroke
NC Specialty Crops Program	300,000	NR	NCSU, Ag Research
UNC-CH Shellfish Restoration Funds	300,000	NR	UNC-CH, Academic Affairs
UNC-CH Cochlear Implant Program	400,000	NR	UNC-CH, Health Affairs
ECU Auditory Learning Center	100,000	NR	ECU, Health Affairs
Hunt Institute	500,000	R	UNC-GA, Operating
Statewide Program for Infection Control and Epidemiology (SPICE)	150,000	NR	UNC-CH, Health Affairs
UNC-CH School of Medicine Perinatal Quality Collaborative of North Carolina	50,000	R	UNC-CH, Health Affairs
Gateway Technology Center at Rocky Mount	177,000	R	ECU and NCSU
Inland Port Study	100,000	NR	Western Carolina University
UNC-CH Law School	2,000,000	R	UNC-CH, Academic
NCSU Veterinary Medicine Clinical Teaching and Research Fund	200,000	NR	NCSU, Academic Affairs
University Cancer Research Fund	5,600,000	R	UNC-GA, Operating
John B. McLendon Leadership Awards	500,000	NR	UNC-GA, Related Educ. Programs
Hugh Morton Collection	150,000	NR	UNC-CH, Academic Affairs
Aid to Private Colleges (see details on p. 16)	8,692,250	R	UNC-GA., Related Educ. Prog.
Religious College Grant	29,700	R	UNC-GA, Related Educ. Prog.
NC LIVE for Private Colleges (see details on p. 16)	90,000	NR	UNC-GA, Institutional Programs
WFU Soldier Institute for Regenerative Medicine	8,000,000	NR	UNC-GA, Institutional Programs

R = recurring / NR = nonrecurring

Related Educational Programs

The General Assembly increased appropriations for Aid to Students Attending Private Colleges and Universities by \$8,721,950 on a recurring basis as outlined in the Conference Report. These funds:

- provide for an increase in the Legislative Tuition Grant from \$1,900 to \$1,950 for each full-time North Carolina undergraduate student (\$1,600,000)
- increase by 3% the appropriation for the Legislative Tuition Grant and the State Contractual Scholarship Fund to accommodate an increase in the enrollment of NC residents attending the State's private colleges (\$2,372,250)
- provide for an increase in the State Contractual Scholarship Fund from \$1,250 to \$1,350 for each full-time North Carolina undergraduate student (\$3,220,000)
- expand the Legislative Tuition Grant to include part-time NC resident students who take a minimum of nine credit hours per semester (\$1,500,000)
- provide for an increase to the Religious College Grant from \$1,800 to \$1,950 for each NC resident student attending Roanoke Bible College and Southeastern College (\$29,700)

It is recommended that these funds be allocated to UNC-General Administration, Related Educational Programs, to be administered by the State Education Assistance Authority.

As previously noted in the Special Appropriations section on page 15, the General Assembly appropriated \$90,000 in nonrecurring funds to NC LIVE for Private Colleges to fund a portion of the costs charged to private colleges for their participation in the North Carolina Libraries for Virtual Education (NC LIVE). Through agreement with North Carolina Independent Colleges and Universities, it is recommended that these funds be allocated to UNC-GA, Institutional Programs to be administered by North Carolina State University.

In addition as shown in the Special Appropriations section on page 15, the General Assembly also provided \$8,000,000 in nonrecurring funds for the Soldier Institute for Regenerative Medicine at Wake Forest University. These funds will be used to attract federal investment in the Institute to develop advanced regenerative techniques for treatment of soldier wounds from the battlefield to the hospital and through long-term care by creating major tissue reconstruction for limbs, fingers, and toes, facial reconstruction and skin burn repair. It is recommended that these funds be allocated to UNC-GA, Institutional Programs to be administered by the State Education Assistance Authority.

Budget Reductions in Continuation Budgets by 2007 Session

Code	Institution	PACE 2007-08	Additional PACE Reductions 2008-09	Building Reserves Adjustments Completion Dates (NR)	UNC-GA PACE & Other Reductions	Need-based Financial Aid - Change Fund Source 2008-09	Total Budget Reductions
UNIVERSITY OPERATIONS							
16080	ASU	(797,519)	(368,483)	—	—	—	(1,166,002)
16065	ECU, Academic Affairs	(1,312,015)	(621,275)	—	—	—	(1,933,290)
16066	ECU-HA	(316,427)	(144,147)	—	—	—	(460,574)
16086	ECSU	(205,928)	(96,342)	3,217	—	—	(299,053)
16088	FSU	(349,593)	(161,837)	(25,639)	(9,500)	—	(546,569)
16070	NCA&T	(591,376)	(271,735)	—	—	—	(863,111)
16090	NCCU	(498,348)	(231,426)	(123,899)	—	—	(853,673)
16092	NCSA	(160,167)	(73,141)	—	—	—	(233,308)
16094	NCSSM	(109,541)	(50,565)	—	—	—	(160,106)
16030	NCSU	(2,274,689)	(1,065,424)	(310,352)	—	—	(3,650,465)
16055	UNCA	(219,320)	(101,347)	(60,755)	—	—	(381,422)
16020	UNC-CH, Acad. Affairs	(1,756,054)	(822,522)	(261,052)	—	—	(2,839,628)
16021	UNC-CH-Health Affairs	(1,231,596)	(575,955)	(668,848)	—	—	(2,476,399)
16022	UNC-CH, AHEC	(307,450)	(141,687)	—	—	—	(449,137)
16050	UNCC	(1,054,141)	(497,051)	—	—	—	(1,551,192)
16040	UNCG	(952,477)	(446,740)	(123,611)	—	—	(1,522,828)
16082	UNCP	(348,487)	(164,712)	1,474	—	—	(511,725)
16060	UNCW	(617,236)	(290,253)	(88,634)	—	—	(996,123)
16075	WCU	(548,902)	(254,980)	(53,054)	—	—	(856,936)
16084	WSSU	(430,504)	(205,724)	—	—	—	(636,228)
16010	UNC-GA	—	—	—	(4,373,258)	—	(4,373,258)
16011	UNC-GA, Instit. Prog.	—	—	—	—	—	—
Total		(14,081,770)	(6,585,346)	(1,711,153)	(4,382,758)	—	(26,761,027)
AGRICULTURAL PROGRAMS							
16031	NCSU-Ag Research	(347,005)	(154,502)	—	—	—	(501,507)
16032	NCSU-Ag Ext.	(274,463)	(124,820)	—	—	—	(399,283)
16012	UNC-GA, Related Ed.	—	—	—	(113,000)	(21,587,990)	(21,700,990)
16095	UNC Hospitals	(296,762)	(135,332)	—	—	—	(432,094)
Total		(15,000,000)	(7,000,000)	(1,711,153)	(4,495,758)¹	(21,587,990)	(49,794,901)

¹ This amount includes the following reductions: FSU Equipment (\$9,500); UNC-GA PACE (\$4,145,287); NC Progress Board Elimination (\$227,971); BOG Medical Scholarships (\$50,000); Religious College Grants (\$63,000)

Appropriations Made to Other State Agencies for the Benefit of The University of North Carolina

The Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets identifies appropriations to other State agencies for The University and its programs as follows:

Department of Public Instruction

Learn and Earn High Schools

The General Assembly appropriated \$2,445,011 in recurring funds and \$700,000 in nonrecurring funds for Learn and Earn High Schools. These funds will be used to create rigorous and relevant high school options that provide students with the opportunity and assistance to earn an associate degree or two years of college credit by the conclusion of the year after their senior year in high school. The Budget Appropriations Act (House Bill 1473) also contained the related special provision:

LEARN AND EARN HIGH SCHOOLS

SECTION 7.19.(a) Funds are appropriated in this act for the Learn and Earn high school workforce development program. The purpose of the program is to create rigorous and relevant high school options that provide students with the opportunity and assistance to earn an associate degree or two years of college credit by the conclusion of the year after their senior year in high school. The State Board of Education shall work closely with the Education Cabinet and the New Schools Project in administering the program.

SECTION 7.19.(b) These funds shall be used to establish new high schools in which a local school administrative unit, two- and four-year colleges and universities, and local employers work together to ensure that high school and postsecondary college curricula operate seamlessly and meet the needs of participating employers. Funds shall not be allotted until Learn and Earn high schools are certified as operational.

SECTION 7.19.(c) During the first year of its operation, a high school established under G.S. 115C-238.50 shall be allotted a principal regardless of the number of State-paid teachers assigned to the school or the number of students enrolled in the school. The budget flexibility authorized by G.S. 115C-105.25 does not apply to these positions.

SECTION 7.19.(d) The State Board of Education, in consultation with the State Board of Community Colleges and The University of North Carolina Board of Governors, shall conduct an annual evaluation of this program. The evaluation shall include measures as identified in G.S. 115C-238.55. It shall also include: (i) an accounting of how funds and personnel resources were utilized and their impact on student achievement, retention, and employability; (ii) recommended statutory and policy changes; and (iii) recommendations for improvement of the program. The State Board of Education shall report the results of this evaluation to the Office of State Budget and Management, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division by January 15 of each fiscal year.

SECTION 7.19.(e) Enrollment fees and tuition for The University of North Carolina courses in which Learn and Earn students are enrolled are allowable uses of these funds. Tuition costs may include laboratory fees assessed to all students enrolled in the course or a similar course.

SECTION 7.19.(f) Textbooks required for college courses in which Learn and Earn students are enrolled may be purchased with these funds.

SECTION 7.19.(g) Payment of fees from these funds by local school administrative units to partnering community colleges and universities are restricted to technology or course fees. Funds appropriated in this act shall not be used to support the cost of athletic or other student activity or campus fees not required by enrollment in a specific course.

SECTION 7.19.(h) The State Board of Education shall allot funds for university enrollment, tuition and fees, and textbooks on the basis of and after verification of the credit hour enrollment of Learn and Earn students in university courses. The State Board of Education shall allot funds for community college fees and textbooks on the basis of and after verification of the credit hour enrollment of Learn and Earn students in community college courses.

SECTION 7.19.(i) Of the funds appropriated to the State Public School Fund for the 2007-2008 fiscal year, the State Board of Education may use up to eight hundred fifty thousand dollars (\$850,000) to establish additional Learn and Earn high schools that become certified as operational.

Learn and Earn Online

The General Assembly appropriated \$6,500,000 in recurring funds and \$5,000,000 in nonrecurring funds for the Learn and Earn Online program. This program will allow high school students to enroll in college courses to qualify for college credit. Online courses will be made available to students through the University of North Carolina and the North Carolina Community College System. The Budget Appropriations Act (House Bill 1473) also contained the related special provision:

LEARN AND EARN ONLINE

SECTION 7.27.(a) Funds are appropriated in this act for the Learn and Earn Online program. This program will allow high school students to enroll in college courses to qualify for college credit. Online courses will be made available to students through The University of North Carolina and the North Carolina Community College System.

SECTION 7.27.(b) Funds shall be used for course tuition and only those technology and course fees and textbooks required for course participation. Funds shall also support a liaison position to be housed at the Department of Public Instruction to coordinate with The University of North Carolina and the North Carolina Community College System, and to communicate course availability and related information to high school administrators, teachers, and counselors.

SECTION 7.27.(c) The State Board of Education shall determine the allocation of Learn and Earn Online course offerings across the State.

SECTION 7.27.(d) The State Board of Education shall allot funds for tuition, fees, and textbooks on the basis of, and after verification of, the credit hour enrollment of high school students in Learn and Earn Online courses. Community college student enrollments in Learn and Earn Online shall not be considered as a regular budget full-time equivalent (FTE) in the curriculum enrollment formula, but shall be accounted for separately and funds shall be allotted as a special allotment.

SECTION 7.27.(e) The University of North Carolina program shall report to The University of North Carolina Board of Governors, and the North Carolina Community College program shall report to the North Carolina Community College Board of Trustees. The Department of Public Instruction shall report to the State Board of Education.

SECTION 7.27.(f) Both The University of North Carolina and the North Carolina Community College System shall provide oversight and coordination, including coordination with the Department of Public Instruction and with the North Carolina Virtual Public School (NCVPS) to avoid course duplication.

SECTION 7.27.(g) Course quality and rigor standards shall be established, and each program shall conduct course evaluations to ensure that the online courses made available to students meet the established standards.

SECTION 7.27.(h) The State Board of Education, The University of North Carolina, and the North Carolina Community College System shall report to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division no later than April 15, 2008, on the implementation of the program for the 2007-2008 school year and the proposed operating plan for the 2008-2009 school year. The report shall include the number of students enrolled in courses under the Learn and Earn Online program and the number 1 of students who completed courses during the fall semester of the 2007-2008 school year.

SECTION 7.27.(i) Local school administrative units may purchase textbooks for Learn and Earn Online courses through the Department of Public Instruction's textbook warehouse in the same manner as textbooks that have been adopted for public school students by the State Board of Education.

SECTION 7.27.(j) Chapter 115D of the General Statutes is amended by adding a new section to read:

"§ 115D-1.2. Learn and Earn Online program.

(a) Notwithstanding 115D-1, a public school student enrolled in grades 9, 10, 11, or 12 and participating in the Learn and Earn Online program shall be permitted to enroll in online courses through a community college for college credit. Students participating in the Learn and Earn Online program may enroll in Learn and Earn Online courses regardless of the college service areas in which they reside.

(b) The State Board of Community Colleges, in consultation with the Department of Public Instruction, shall adopt rules to implement this section beginning with the 2007-2008 school year."

Department of Administration

Energy Office Funding

The General Assembly appropriated \$2,682,500 in recurring funds and \$5,000,000 in nonrecurring funds for the State Energy Office for 2007-08. A portion of these funds (\$1,382,500) will be used to support the operations of the following UNC energy programs: NCA&T University Center for Energy Research and Technology, the NC State University Solar Center, and the Appalachian State University Energy Center. The Budget Appropriations Act (House Bill 1473) also contained the related special provision:

STATE ENERGY OFFICE

SECTION 19.3.(a) The State Energy Office shall develop a Strategic Plan for Energy Grants to establish criteria and guidelines to award and administer future grants. The plan shall include the proposed distribution of grant funds for energy purposes, which may include energy efficiency, renewable energy, alternative fuels, and energy conservation. The Department shall submit the plan to the Energy Policy Council and to the Chairs of the House Appropriations Committee and the Chairs of the Senate Appropriations Committee no later than November 1, 2007. After consultation with the House and Senate Appropriations Chairs, the Energy Policy Council shall approve the plan no later than March 1, 2008. With the exception of grants to be administered from funds specified in subsections (b), (c), and (d) of this section, the plan shall be approved prior to any new grants being awarded.

SECTION 19.3.(b) Of the funds appropriated in this act for the 2007-2008 fiscal year, the sum of five million dollars (\$5,000,000) shall be used to establish the Energy Efficiency Reserve. The Reserve shall be administered by the State Energy Office. The State Energy Office, in consultation with the State Construction Office, shall use the funds in the Energy Efficiency Reserve to provide funding for projects designed to make State, university, or community college facilities more energy efficient. Projects eligible to make State, university, or community college facilities more energy efficient from remaining funds in the Energy Efficiency Reserve include:

- (1) Replacement of incandescent light bulbs with compact fluorescent light bulbs, installation of exit signs that employ light-emitting diode (LED) technology, the installation of occupancy sensors or optical sensors, and other lighting efficiency improvements.
- (2) For windows that need replacement, installation of more energy efficient windows.
- (3) Insulation improvements when practicable.

- (4) Replacement of inefficient or oversized heating, ventilation, and air conditioning (HVAC) systems when those systems are subject to replacement, and installation of programmable automation systems.
- (5) Installation of aerators in sink faucets that reduce the flow rate, and other water system projects that reduce water consumption.
- (6) Any other retrofit or replacement projects that make State, university, or community college facilities more energy efficient for which the incremental cost of the project will be equal to or less than the energy or water savings that result over a period of three years after completion.

Funds appropriated to the Reserve for the 2007-2008 fiscal year shall not revert and shall remain available until expended. The State Energy Office shall report to the House of Representatives and Senate Appropriations Committees on the use of the Reserve funds no later than May 1, 2008.

SECTION 19.3.(c) Of the funds appropriated in this act for the 2007-2008 fiscal year, the sum of six hundred thousand dollars (\$600,000) shall be used to administer the Utility Savings Initiative.

SECTION 19.3.(d) Of the funds appropriated in this act, the sum of one million three hundred eighty-two thousand five hundred dollars (\$1,382,500) for the 2007-2008 fiscal year and the sum of two million six hundred ninety thousand dollars (\$2,690,000) for the 2008-2009 fiscal year shall be used to fund the three university energy programs: The North Carolina A&T State University Center for Energy Research and Technology, the North Carolina State University Solar Center, and the Appalachian State University Energy Center. The grant funds shall be distributed to maintain the 2006-2007 fiscal year funding levels from grants awarded by the Energy Office. If grant funds are insufficient to maintain this funding level, funds shall be distributed based on the same proportion of 2006-2007 fiscal year funding.

SECTION 19.3.(e) The Office of State Budget and Management, in consultation with the Department of Administration and the Office of State Personnel, shall conduct a staffing analysis of the State Energy Office to determine appropriate staffing levels and job classifications based on the shift in the mission of the State Energy Office from grant making to a focus on energy efficiency in State Buildings. Upon completion of the staffing analysis, the Office of State Budget and Management shall submit a final report outlining its findings to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by October 31, 2007. The Department of Administration shall implement to the greatest extent possible the recommendations of the final report. It shall use internal staff resources whenever possible, instead of contractual services, to conduct energy efficiency audits of State buildings. The Department of Administration shall report to the House and Senate Chairs of the General Government Appropriations Committees on the status of its implementation of the OSBM Staffing Analysis report no later than May 1, 2008.

Health and Human Services

UNC School of Medicine OASIS Program

The General Assembly appropriated \$100,000 in recurring funds for the UNC School of Medicine Department of Psychiatry for the Outreach and Support Intervention Services (OASIS) Program to provide early treatment to adolescents diagnosed with schizophrenia.

Allocations of Funds – Capital Improvements

A. Capital Improvements Appropriations and Authorizations

The General Assembly appropriated \$133,149,000 from the General Fund and authorized the issuance of \$481,140,665 in certificates of participation (COPS) for the following projects.

Capital Improvements (all items are nonrecurring)	Appropriations	COPS	Total
Fire Safety Improvements - Student Residence Halls	R&R Funds	-	-
ASU College of Education Building	-	34,000,000	34,000,000
ECU School of Dentistry	25,000,000	-	25,000,000
ECSU School of Education Building - Planning	2,000,000	-	2,000,000
ECSU School of Aviation Complex - Planning	500,000	-	500,000
FSU Science and Technology Complex	-	22,587,000	22,587,000
NCA&T General Classroom Instructional Facility	5,300,000	-	5,300,000
NCA&T/UNCG Nanoscience & Nanoengineering Bldg.	5,000,000	53,000,000	58,000,000
NCCU School of Nursing Building - Planning	2,500,000	-	2,500,000
NCSA Library	-	24,920,000	24,920,000
NCSU Centennial Campus Library	17,000,000	-	17,000,000
NCSU Companion Animal Hospital	-	38,000,000	38,000,000
NCSU College of Engineering Facilities, Phase 1	-	34,000,000	34,000,000
UNCA Rhoades Hall and Rhoades Tower Renovation	-	8,687,000	8,687,000
UNC-CH Genomic Sciences Building	-	119,608,225	119,608,225
UNC-CH School of Dentistry Oral Sciences Building	25,000,000	-	25,000,000
UNC-CH Biomedical Research Imaging Center - Planning	8,000,000	-	8,000,000
UNCC Energy Production Infrastructure Center	19,000,000	-	19,000,000
UNCG Education Classroom & Office Building	2,500,000	-	2,500,000
UNCP Nursing Building (supplement)	-	19,000,000	19,000,000
UNCW Teaching Laboratory Building	-	34,525,440	34,525,440
WCU School of Health and Gerontological Science Building	2,200,000	41,605,000	43,805,000
WSSU Student Activities Center	-	18,708,000	18,708,000
WSSU Science and General Office Building - Planning	3,312,000	-	3,312,000
NCSSM Discovery Center - Planning	3,337,000	-	3,337,000
Coastal Studies Institute (ECU, ECSU, NCSU, UNC-CH, and UNCW)	-	32,500,000	32,500,000
Reserve for Land Acquisition	5,000,000	-	5,000,000
Improvements to 4H Camps	7,500,000	-	7,500,000
Total	133,149,000	481,140,665	614,289,665

B. Reserve for Repairs and Renovations

The 2007 General Assembly appropriated \$145,000,000 to the Statewide Reserve for Repairs and Renovations, of which \$66,700,000 (46%) was allocated by special provision to the Board of Governors.

In 1994, the Board of Governors adopted a formula for the allocation of repair and renovation appropriations to the campuses. The formula takes into account the institutional mission, size, and condition of campus facilities in determining institutional allocations, with the principal responsibility for the selection of specific projects resting with the Chancellors. High priority projects that would not otherwise be funded through institutional allocations are deducted from the available funds prior to applying the formula to determine campus allocations. The Board's formula has been updated to reflect the recommendations resulting from the 2004 review of the model and uses the most recent data available.

It is recommended that the following allocations be made from the Reserve for Repairs and Renovations. It is recommended that Chancellors identify specific projects to be financed from the institutional allocations and present those projects to the President to be transmitted to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division of the Legislative Services Office for their joint review, as required by legislation.

Of the funds allocated from the Reserve for Repairs and Renovations, the General Assembly directed that a portion be used for the installation of fire sprinklers in University residence halls. Factors to be considered when allocating funds include: the safety and well-being of the residents of campus housing programs; current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions; the level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund, or from bonds or certificates of participation supported by the General Fund since 1996; the financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls; and, the total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

It is further recommended that allocations to an institution may be transferred as needed among projects within that institution upon the request of the Chancellor and the approval of the President.

Allocations Prior to Applying the Formula:

Highlands Biological Station

Mechanical systems renovations - Coker Building	\$ 360,000
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The North Carolina Arboretum

Replace two emergency generators - Education Center, Support Facility	105,000
Renovate outdoor exhibit areas impacted by construction	500,000
Potable waterlines	30,000
Exterior building repairs - Campus-wide	30,000

The North Carolina Center for the Advancement of Teaching

Seawall replacement - Ocracoke Campus	320,000
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The University of North Carolina Press

Emergency generator installation - Brooks Hall	10,000
Heating, ventilation, and air-conditioning system improvements – Brooks Hall	57,000

The University of North Carolina Center for Public Television

Roof and building exterior repairs - Bryan Center	250,000
Halon fire protection system replacement - Bryan Center	200,000
Heating, ventilation, and air-conditioning system improvements - various transmission station sites	100,000
Parking lot drainage improvements and repairs - Bryan Center	100,000

The University of North Carolina - General Administration

Asbestos removal and building renovations - General Administration	399,500
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Sub-Total – Allocations Prior to Applying the Formula	\$2,461,500
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Allocations Applying the Formula:

Appalachian State University	\$ 3,296,700
East Carolina University	6,555,400
Elizabeth City State University	1,606,000
Fayetteville State University	1,606,000
North Carolina A&T State University	3,038,800
North Carolina Central University	2,036,700
North Carolina School of Science and Mathematics	1,606,000
North Carolina School of the Arts	1,606,000
North Carolina State University	13,564,500
The University of North Carolina at Asheville	1,606,000
The University of North Carolina at Chapel Hill	13,689,200
The University of North Carolina at Charlotte	3,419,000
The University of North Carolina at Greensboro	3,216,100
The University of North Carolina at Pembroke	1,606,000
The University of North Carolina at Wilmington	1,989,700
Western Carolina University	2,190,400
Winston-Salem State University	1,606,000

Sub-Total - Campus Allocations	\$64,238,500
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TOTAL ALLOCATIONS	\$ 66,700,000
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C. Nonappropriated Capital Improvements Project Authorizations

In response to the Board's request, the 2007 General Assembly authorized nonappropriated capital projects totaling \$334,681,000. The projects are listed below.

Appalachian State University

Frank Residence Hall Renovation	7,461,000
Steam Distribution System Improvements - Phase IV	3,086,000

East Carolina University

Family Medicine Center – Supplement	6,000,000
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North Carolina State University

Companion Animal Hospital	34,000,000
Residence Halls – Improvements and Infrastructure Expansion	13,000,000

The University of North Carolina at Chapel Hill

College of Arts and Sciences - Digital Multimedia Center and Music Library	4,000,000
Rosenau Hall Laboratory Building - Comprehensive Renovation	1,124,000
Science Complex – Phase 1	20,000,000
Hanes Hall	750,000
Genomic Sciences Building	12,500,000
Electrical Infrastructure Improvements	9,300,000
Information Technology Infrastructure Improvements	11,800,000
Translational Medicine Program Facility Renovation	4,000,000
Henry Stadium Renovation	2,000,000
Carmichael Auditorium – Supplement	2,000,000
Woollen Gymnasium – Supplement	2,000,000
McColl Building Expansion and Renovation	6,500,000
Bell Tower Development Parking	30,000,000
Chilled Water Infrastructure	39,600,000

The University of North Carolina at Pembroke

New Football/Multipurpose Tower	2,000,000
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The University of North Carolina at Wilmington

Residence Halls Improvements	5,000,000
Marine Biotechnology Research Facility	15,000,000

Western Carolina University

New Residence Halls	44,560,000
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Subtotal	<hr/> 275,681,000
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The University of North Carolina at Chapel Hill

Legislative Authority to Acquire and Implement Enterprise Administrative Systems	59,000,000
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Total	<hr/> \$334,681,000
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D. Other Actions by the 2007 General Assembly**REVISIONS TO UNC BOND PROGRAM PROJECTS**

In response to the Board's request, the General Assembly authorized scope changes for projects in the UNC Higher Education Bond Program on the campuses of Elizabeth City State University and North Carolina Central University.

	Decrease	Increase
Elizabeth City State University		
Renaming "Mitchell-Lewis Residence Hall – Replacement" to read "Mitchell-Lewis Residence Hall – Comprehensive Renovation"	–	–
Land Acquisition	\$650,000	–
Lane Hall Classroom Building – Comprehensive Renovation	–	\$600,000
Electrical Distribution System Upgrade	–	\$25,000
Campus Infrastructure Improvements	–	\$25,000
North Carolina Central University		
Hoey Building – Comprehensive Renovation	\$2,300,000	–
Pearson Cafeteria – Expansion	–	\$1,000,000
Eagleson Residence Hall – Comprehensive Renovation	–	\$1,300,000

E. Delegation to Reflect Technical Amendments

It is recommended that the Vice President for Finance be delegated the authority to adjust this recommendation to reflect technical amendments to the budget if any related amendments are approved by the General Assembly. It is further recommended that the Vice President for Finance be authorized to make refinements in the interest of accuracy and completeness.

F. Additional Information

The table on the following page, *General Assembly Funding - Ten Year History*, a summary by institution of capital improvements appropriations from 1998 through 2007, is provided as supplementary information.

**The University of North Carolina - Capital Improvements
General Assembly Funding - Ten Year History**

Institutional Appropriations	1998	1999	2000	2000 Bonds*	2001**	2002	2003	2003 COPS	2004	2004 COPS	2005	2006	2,007	2007 COPS	1998-2007
ASU	\$9,223,300	\$3,666,600	\$2,406,600	\$87,406,200	-	-	\$ 246,200	\$ 7,663,400	\$ 1,497,400	\$ -	\$ 3,132,800	\$ 6,367,700	\$ 3,296,700	\$ 34,000,000	\$ 158,906,900
ECU	10,477,700	5,874,800	3,979,100	190,609,500	-	-	387,500	12,062,500	2,391,700	60,000,000	6,112,400	9,297,700	31,555,400	-	332,748,300
ECSU	2,158,500	4,242,600	1,087,200	46,296,800	-	-	106,400	3,313,200	619,500	28,000,000	1,375,800	4,185,800	4,106,000	-	95,491,800
FSU	2,209,900	3,847,600	1,105,000	46,021,400	-	-	102,700	3,197,800	604,200	10,000,000	2,075,800	3,285,800	1,606,000	22,587,000	96,643,200
NCA&T	7,293,200	9,475,105	2,335,800	161,800,091	-	-	247,900	7,716,400	3,482,500	5,000,000	3,941,100	5,522,600	13,338,800	26,500,000	246,653,496
NCCU	4,042,600	7,466,295	1,798,600	121,246,203	-	-	181,500	12,154,205	9,984,642	-	1,715,300	9,102,000	4,536,700	-	172,228,045
NCSA	2,309,900	1,514,600	968,600	42,547,500	-	-	95,900	2,985,900	564,400	5,000,000	1,375,800	3,285,800	1,606,000	24,920,000	87,174,400
NCSU	37,938,600	11,233,000	7,867,900	468,256,655	-	-	778,000	24,214,800	4,426,022	-	18,309,100	79,862,800	30,564,500	72,000,000	755,451,377
UNCA	2,709,900	1,951,000	1,244,200	50,464,200	-	-	119,200	3,710,200	742,100	35,000,000	1,375,800	2,701,800	1,606,000	8,687,000	110,311,400
UNC-CH	37,130,700	14,149,700	9,259,100	510,539,075	-	-	897,387	27,934,500	5,165,922	-	15,775,900	48,301,575	46,689,200	119,608,225	835,451,284
UNCC	14,306,500	3,012,200	1,976,400	190,033,501	-	-	226,900	11,584,500	5,408,200	35,000,000	2,971,600	50,517,500 ¹	22,419,000	-	337,456,301
UNCG	7,822,700	5,435,700	3,672,100	166,008,255	-	-	337,700	10,510,100	3,930,800	5,000,000	4,604,100	7,394,900	5,716,100	26,500,000	246,932,455
UNCP	1,909,900	4,349,600	1,164,400	56,873,600	-	-	113,400	6,432,400	687,700	10,000,000	1,375,800	3,285,800	1,606,000	19,000,000	106,798,600
UNCW	3,341,600	2,209,400	1,457,900	109,201,800	-	-	149,100	4,641,500	1,376,700	-	4,297,400	29,753,400	1,989,700	34,525,440	192,943,940
WCU	4,795,900	2,918,200	1,868,300	100,336,744	-	-	165,300	5,144,000	966,900	10,000,000	1,743,000	5,451,800	4,390,400	41,605,000	179,385,544
WSSU	1,909,900	4,262,300	1,159,600	46,786,581	-	-	108,400	3,373,300	2,643,100	5,000,000	2,125,800	3,054,025	4,918,000	18,708,000	94,049,006
NCSSM***	-	-	-	-	-	-	-	-	-	-	-	-	4,943,000	-	4,943,000
Subtotal	149,580,800	85,608,700	43,350,800	2,394,428,105	-	-	4,263,487	146,638,705	44,491,786	208,000,000	72,307,500	271,371,000	184,887,500	448,640,665	4,053,569,048
Non-Instit. Appropriations															
N.C. Arboretum	288,700	289,800	193,300	9,331,700	-	-	20,000	81,000	50,000	-	200,000	470,000	665,000	-	11,589,500
UNC Health Care	-	-	-	-	-	-	-	-	-	180,000,000	-	3,000,000	-	-	183,000,000
Other (UNC-GA, NCSSM, CPTV, NCCAT, NCSEAA, HBS, C.S.I., Land Acquisition, 4-H Camps)	29,365,000	3,101,500	2,455,900	96,240,195	-	-	311,700	10,377,600	3,285,000	-	1,567,500	13,191,827	14,296,500	32,500,000	206,692,722
Subtotal	29,653,700	3,391,300	2,649,200	105,571,895	-	-	331,700	10,458,600	3,335,000	180,000,000	1,767,500	16,661,827	14,961,500	32,500,000	401,282,222
TOTAL	179,234,500	89,000,000	46,000,000	2,500,000,000	-	-	4,595,187	157,097,305	47,826,786	388,000,000	74,075,000	288,032,827	199,849,000	481,140,665	4,454,851,270
Less: Repairs and Renovations	66,700,000	89,000,000	46,000,000	-			4,595,187	157,097,305	35,326,786	-	57,500,000	102,225,427	66,700,000	-	625,144,705
TOTAL	112,534,500	-	-	2,500,000,000	-	-	-	-	12,500,000	388,000,000	16,575,000	185,807,400	133,149,000	481,140,665	3,829,706,565

* The General Obligation Bonds, authorized in S.L. 2000-03, were approved by a majority of qualified voters of the State of North Carolina in a referendum on November 7, 2000.

** The 2001 General Assembly allocated \$57.5 million to the Board of Governors for repairs and renovations. Funds were later reverted to the General Fund to help balance the 2001-02 State Budget.

*** NCSSM became a Constituent High School on July 1, 2007

¹ This amount includes \$45,827,400 from COPs.

The University of North Carolina
Budget Comparison
2007-09

	BOG Budget Priorities	House Budget	Senate Budget	Conferees Budget	BOG Budget Priorities	House Budget	Senate Budget	Conferees Budget
	2007-08	2007-08	2007-08	2007-08	2008-09	2008-09	2008-09	2008-09
Authorized Continuation Budget	2,433,985,463	2,440,756,241	2,440,756,241	2,440,756,241	2,433,985,463	2,440,756,241	2,440,756,241	2,440,756,241
Enrollment	48,312,908	48,312,908	48,312,908	48,312,908	94,084,970	88,143,484	88,143,484	88,143,484
Operating Reserves for New Facilities	26,918,321	18,050,558	18,050,558	18,050,558	40,043,792	33,631,989	33,631,989	33,631,989
Utilities	15,750,590	15,575,804	15,575,804	15,575,804	17,491,450	16,769,303	16,769,303	16,769,303
Other Adjustments (library books, vehicles, equipment, etc.)	49,411,770	8,357,766	8,357,766	8,357,766	49,686,815	5,511,298	5,511,298	5,511,298
Total Continuation Budget Increases	140,393,589	90,297,036	90,297,036	90,297,036	201,307,027	144,056,074	144,056,074	144,056,074
Total Continuing Operations	2,574,379,052	2,531,053,277	2,531,053,277	2,531,053,277	2,635,292,490	2,584,812,315	2,584,812,315	2,584,812,315
Reductions :								
Principals' Executive Prog. (budget on a NR basis until perf. measures developed)	—	(1,500,000)	(1,266,170)	(1,266,170)	—	(1,500,000)	(1,266,170)	(1,266,170)
Future Efficiency Reductions	—	(18,660,121)	(11,259,824)	(15,000,000)	—	(22,505,241)	(21,989,484)	(22,000,000)
N.C. Progress Board Elimination	—	(227,971)	(227,971)	(227,971)	—	(227,971)	(227,971)	(227,971)
Building Reserve Adjustments	—	(1,711,153) NR	(1,711,153) NR	(1,711,153) NR	—	(4,092,971) NR	(4,092,971) NR	(4,092,971) NR
FSU Equipment	—	(9,500)	(9,500)	(9,500)	—	(2,000)	(2,000)	(2,000)
BOG Medical Scholarships	—	(50,000)	(50,000)	(50,000)	—	(50,000)	(50,000)	(50,000)
Religious College Grants	—	(63,000) NR	(63,000) NR	(63,000) NR	—	—	—	—
NC Center for Nursing (funded on a NR basis in 2007-08)	—	—	(509,824)	(509,824)	—	—	(509,824)	(509,824)
Office of the President – Efficiency Reduction - 12.5 FTE (PACE)	—	(1,271,352)	(1,271,352)	(1,271,352)	—	(1,271,352)	(1,271,352)	(1,271,352)
Affiliates – Efficiency Reduction - 11 FTE (PACE)	—	(2,873,935)	(2,873,935)	(2,873,935)	—	(2,873,935)	(2,873,935)	(2,873,935)
SPA positions vacant over 6 months (est.) - 230 FTE	—	(8,062,338)	—	—	—	(8,062,338)	—	—
EPA non-faculty positions vacant over 6 months (est.) - 124 FTE	—	(7,357,517)	—	—	—	(7,357,517)	—	—
EPA faculty positions vacant over 6 months (est.) - 734 FTE	—	(53,077,238)	—	—	—	(53,077,238)	—	—
Change Fund Source to Escheats - Need-Based Financial Aid	—	—	—	—	—	—	—	(\$21,587,990)
Total Reductions	—	(94,864,125)	(19,242,729)	(22,982,905)	—	(101,020,563)	(32,283,707)	(53,882,213)
Expansion Items :								
Need-Based Financial Aid	35,605,210	27,605,210 ¹	27,605,210	Escheat Fund ¹	54,805,210	27,605,210 ¹	27,605,210	Escheat Fund ¹
Academic Salary Increases	117,524,795	77,235,700	86,000,000	86,263,230	233,455,299	71,235,700	80,000,000	86,265,000
Competitive Salaries for Faculty – 80th percentile of Peers	43,879,435	—	—	12,823,657	87,758,870	—	—	—
EPA Salary Increases (estimate) - 4%	67,045,360	71,235,700	80,000,000	67,439,573	139,096,429	71,235,700	80,000,000	67,439,573
SPA Salary - 4% (\$24.5M)								
Distinguished Professorships (House uses statewide reserves)	6,600,000	6,000,000 NR	6,000,000 NR	6,000,000 NR	6,600,000	—	—	—
Student Success & Retention & Graduation	6,380,000	313,136	5,393,000	5,393,000	7,060,000	313,136	3,193,000	3,193,000
Academic Summer Bridge & Retention Pilot Programs	2,180,000	—	1,193,000	1,193,000	3,060,000	—	1,193,000	1,193,000
University of North Carolina Online	2,000,000	313,136	2,000,000	2,000,000	4,000,000	313,136	2,000,000	2,000,000
	2,200,000 NR	—	2,200,000 NR	2,200,000 NR	—	—	—	—

¹ The General Assembly fully funded the Board of Governors \$35.6 million request from the Escheat Fund.
NR = nonrecurring

The University of North Carolina
Budget Comparison
2007-09

	BOG Budget Priorities	House Budget	Senate Budget	Conferees Budget		BOG Budget Priorities	House Budget	Senate Budget	Conferees Budget
	2007-08	2007-08	2007-08	2007-08		2008-09	2008-09	2008-09	2008-09
Research	61,707,410	2,400,000	32,400,000	25,900,000		93,455,140	1,400,000	24,400,000	13,400,000
Competitiveness Fund	15,000,000	—	8,000,000	3,000,000	NR	30,000,000	—	8,000,000	—
Graduate Student Recruitment & Retention	5,133,450	—	2,000,000	2,000,000		10,266,900	—	2,000,000	2,000,000
Center for Bioenergy Technologies (NCSU)	3,500,000	—	3,000,000	1,500,000	NR	7,000,000	—	3,000,000	—
Computing-enabled Research Environment - RENC	5,000,000	—	—	—		10,000,000	—	—	—
Center for Design Innovation	470,000	—	500,000	500,000		470,000	—	500,000	500,000
NC Research Campus (Kannapolis)	12,581,121	—	8,500,000	8,500,000		20,222,562	—	8,500,000	8,500,000
	13,700,000	NR	8,000,000	8,000,000	NR	2,100,000	NR	—	—
Joint Program in Nanosciences & Nanoengineering	2,919,500	1,400,000	1,400,000	1,400,000		4,339,000	1,400,000	1,400,000	1,400,000
						4,000,000	NR	—	—
Biomufacturing Research Institute and Technology Enterprise Initiative (BRITE)	2,000,000	—	1,000,000	1,000,000		2,000,000	—	1,000,000	1,000,000
Photonics Consortium	1,153,339	—	—	—		2,306,678	—	—	—
Research Vessel Hatteras	250,000	—	—	—		500,000	—	—	—
	—	—	—	—		250,000	NR	—	—
More and Better Teachers & Improved Schools	13,876,285	1,275,000	4,882,000	5,132,000		21,651,315	325,000	4,682,000	3,575,000
NC High Need Teacher Scholarship Loan Program	987,500	—	—	—		1,975,000	—	—	—
Lateral Entry Scholarship Program	1,625,000	—	—	—		3,250,000	—	—	—
Prospective Teacher Scholarship Loan Program	1,571,465	—	—	—		2,445,465	—	—	—
Future Teachers of North Carolina	325,000	325,000	325,000	325,000		325,000	325,000	325,000	325,000
Millennium Teacher Scholarships	130,000	—	—	—		390,000	—	—	—
Teacher Education Enrollment Planning & Recruitment Efforts	1,000,000	—	1,000,000	750,000		1,000,000	—	1,000,000	750,000
Summer Term Teacher Educ. Pilot Prog. (Bd. of Gov. will allocate)	750,000	—	750,000	750,000		1,500,000	—	750,000	750,000
Science, Technology, Engineering & Mathematics (STEM) Education (NCSU & UNC-CH)	1,000,000	—	1,000,000	750,000		2,000,000	—	1,000,000	750,000
UNC/NCCCS Partnership Online 2+2 Joint Initiative	1,000,000	—	1,000,000	1,000,000		1,000,000	—	1,000,000	1,000,000
Lateral Entry Programs (Board of Governors will allocate)	750,000	750,000	NR	—	NR	1,500,000	—	—	—
Support for Lateral Entry and Teacher Assistants: NCMTEC Program Expansion	360,320	—	—	—		488,850	—	—	—
Success for All	300,000	—	—	—		600,000	—	—	—
Principals' Executive Program (PEP) and Kenan-Flagler Leadership Program for Priority Middle & High Schools	607,000	—	607,000	607,000	NR	607,000	—	607,000	—
NR = nonrecurring									

The University of North Carolina
Budget Comparison
2007-09

	BOG Budget Priorities	House Budget	Senate Budget	Conferees Budget	BOG Budget Priorities	House Budget	Senate Budget	Conferees Budget
	2007-08	2007-08	2007-08	2007-08	2008-09	2008-09	2008-09	2008-09
More and Better Teachers & Improved Schools (cont.)								
New Teacher Support and Mentoring Aimed at Retention	2,156,000	—	—	—	3,256,000	—	—	—
NCCAT Connections Program	344,000	—	—	—	344,000	—	—	—
MSEN Pre-College Program	670,000	—	—	—	670,000	—	—	—
A+ Schools	100,000	—	—	—	100,000	—	—	—
North Carolina in the World (NCCIU)	200,000	200,000 NR	200,000 NR	200,000 NR	200,000	—	—	—
Healthcare	21,597,200	6,270,791	1,700,000	6,270,791	34,947,200	5,270,791	1,700,000	2,770,791
ECU Dental School	1,300,000	1,000,000	500,000	1,000,000	1,300,000	1,000,000	500,000	1,000,000
Area Health Education Centers - residencies & clinical sites	3,097,200	570,791	—	570,791	3,097,200	570,791	—	570,791
Graduate Nurse Scholarships for Faculty Production	1,200,000	1,200,000 ²	1,200,000	1,200,000 ²	1,200,000	1,200,000 ²	1,200,000 ²	1,200,000 ²
Nurse Scholars Program	2,750,000	—	—	—	2,850,000	—	—	—
UNC-CH Schools of Medicine & Dentistry - Pipeline Programs	750,000	—	—	—	1,500,000	—	—	—
Indigent Care – ECU	5,000,000	2,500,000	—	2,500,000 NR	10,000,000	2,500,000	—	—
Indigent Care – UNC Hospitals	7,500,000	1,000,000 NR	—	1,000,000 NR	15,000,000	—	—	—
Regional & Statewide Economic Transformation and Competitiveness	12,100,000	3,100,000	6,800,000	8,600,000	24,600,000	600,000	5,000,000	8,100,000
NCSU College of Engineering	5,000,000	—	5,000,000	5,000,000	15,000,000	—	5,000,000	5,000,000
NCCU School of Law	2,500,000	2,500,000 NR	—	2,500,000	5,000,000	—	—	2,500,000
Entrepreneurship & Regional Cluster-based Econ. Devel.	2,000,000	—	1,800,000 NR	500,000 NR	2,000,000	—	—	—
Support for North Carolina Communities	1,000,000	—	—	—	1,000,000	—	—	—
Management Academy for High Growth Companies	1,000,000	—	—	—	1,000,000	—	—	—
Hickory Engineering and Technology Center	600,000	600,000	—	600,000	600,000	600,000	—	600,000
Campuses Specializing in the Arts & Sciences (NCSA & UNCA \$500,000 each; NCSSM \$100,000)	1,250,000	500,000 NR	1,000,000 NR	1,100,000 NR	2,500,000	—	—	—
Disaster Recovery	400,000	640,000	640,000	640,000	400,000	640,000	640,000	640,000
	2,000,000 NR	—	—	—	—	—		
Affiliated Entities	1,744,607	999,857	739,857	899,857	2,269,198	1,224,051	1,124,051	1,124,051
NCSSM Tuition Grant	401,133	449,905	449,905	449,905	625,724	834,099	834,099	834,099
UNC-TV Statewide Public Affairs & Informational Prog. Serv.	878,485	239,952	289,952	289,952	878,485	239,952	289,952	289,952
NC Arboretum Educational Outreach & Econ. Development	300,000	150,000	—	—	600,000	150,000	—	—
UNC Press Digital Books	164,989	160,000 NR	—	160,000 NR	164,989	—	—	—
² Requires that priority be given to Community College faculty needing an advanced degree to meet college accreditation standards. NR = nonrecurring								

The University of North Carolina
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	BOG Budget Priorities	House Budget	Senate Budget	Conferees Budget		BOG Budget Priorities	House Budget	Senate Budget	Conferees Budget
	2007-08	2007-08	2007-08	2007-08		2008-09	2008-09	2008-09	2008-09
Other UNC Items	—	4,794,843	15,436,054	41,453,047		—	2,499,035	25,092,205	79,992,205
EARN Scholars - SEAA will administer program	—	<i>Escheats</i> ³	<i>Escheats</i> ³	27,605,210		—	<i>Escheats</i> ³	<i>Escheats</i> ³	60,000,000 ³
ECSU Temporary Space – Pharmacy Program	—	43,000 NR	43,000 NR	43,000 NR		—	43,000 NR	43,000 NR	43,000 NR
UNCP Leased Space – Modular Bldg.	—	83,843	83,843	83,843		—	88,035	88,035	88,035
Principals' Executive Prog. (budget on a NR basis until perf. measures developed)	—	1,500,000 NR	1,266,170 NR	1,266,170 NR		—	1,500,000 NR	1,266,170 NR	1,266,170 NR
UNC-CH TEACCH program	—	368,000	368,000	368,000		—	368,000	368,000	368,000
NCSU Center for Universal Design	—	300,000 NR	300,000 NR	300,000 NR		—	—	—	—
UNCP Fire Protection	—	750,000 NR	—	750,000 NR		—	—	—	—
North Carolina Specialty Crops Program	—	300,000 NR	—	300,000 NR		—	—	—	—
Shellfish Restoration Funds	—	300,000 NR	300,000 NR	300,000 NR		—	—	—	—
UNC-CH Cochlear Implant Program	—	400,000 NR	400,000 NR	400,000 NR		—	—	—	—
ECU Auditory Learning Center	—	100,000 NR	100,000 NR	100,000 NR		—	—	—	—
Hunt Institute	—	500,000	100,000	500,000		—	500,000	100,000	500,000
	—	—	100,000 NR	—		—	—	—	—
Statewide Prog. For Infection Control & Epidemiology (SPICE)	—	150,000 NR	150,000 NR	150,000 NR		—	—	—	—
UNC-CH Sch. of Medicine Perinatal Quality Collaborative of NC	—	—	50,000	50,000		—	—	50,000	50,000
Gateway Technology Center	—	—	177,000	177,000		—	—	177,000	177,000
UNC-CH Law School	—	—	2,000,000 NR	2,000,000		—	—	—	2,000,000
NCSU Veterinary Med. Clinical Teaching & Research Fund	—	—	200,000 NR	200,000 NR		—	—	—	—
UNC Hospitals University Cancer Research Fund ⁴	—	—	—	5,600,000		—	—	16,000,000	15,500,000
WCU Inland Port Study	—	—	100,000 NR	100,000 NR		—	—	—	—
Transfer Agriculture Research Stations to NCSU	—	—	9,188,217	—		—	—	7,000,000	—
NC Center for Nursing (funded on a NR basis in 2007-08)	—	—	509,824 NR	509,824 NR		—	—	—	—
John B. McLendon Leadership Awards				500,000 NR					—
Hugh Morton Collection				150,000 NR					—
Aid to Private Colleges	—	8,811,950	13,601,950	16,811,950		—	8,721,950	9,601,950	12,721,950
Legis. Tuition Grant & State Contractual Schol. Fund (enrollment)	—	2,372,250	2,372,250	2,372,250		—	2,372,250	2,372,250	2,372,250
Legislative Tuition Grant (\$50 per student increase)	—	1,600,000	1,600,000	1,600,000		—	1,600,000	1,600,000	1,600,000
State Contractual Scholarship Fund (\$100/student increase)	—	3,220,000	1,600,000	3,220,000		—	3,220,000	1,600,000	3,220,000
Legislative Tuition Grant for Part-Time Students	—	1,500,000	—	1,500,000		—	1,500,000	—	1,500,000
NC LIVE for Private Colleges	—	90,000 NR	—	90,000 NR		—	—	—	—
Religious College Grant (\$150 per student increase)	—	29,700	29,700	29,700		—	29,700	29,700	29,700
The Soldier Institute for Regenerative Medicine (WFU)	—	—	4,000,000	—		—	—	4,000,000	—
	—	—	4,000,000 NR	8,000,000 NR		—	—	—	4,000,000 NR
Recurring budget amounts	256,285,507	24,813,515	150,060,501	123,755,472		468,793,362	21,364,281	153,538,510	137,858,158
Nonrecurring budget amounts	17,900,000	14,268,847	26,894,841	38,901,841		6,350,000	(2,549,971)	(2,783,801)	1,216,199
Recommended UNC Operating Budget Changes	274,185,507	39,082,362	176,955,342	162,657,313		475,143,362	18,814,310	150,754,709	139,074,357
Total Recommended UNC Operating Budget	2,848,564,559	2,570,135,639	2,708,008,619	2,693,710,590		3,110,435,852	2,603,626,625	2,735,567,024	2,723,886,672

³ The funds would be divided between UNC and community college students. In 2008-09, another \$40 million would be funded from the Escheat Fund.

⁴ Additional funds of \$8M to be transferred from the Tobacco Trust Fund in each year, plus \$11.4M in 07-08 and \$16.5M in 08-09 from increased taxes on tobacco products.

Items not listed in the University section of the Budget that would impact UNC are: Energy Office Funding (ASU, NCA&T, NCSU), Learn & Earn High Schools, Learn & Earn Online and the UNC-CH OASIS Program.

NR = nonrecurring

**The University of North Carolina
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	Board of Governors 2007-08	Board of Governors 2008-09	Board of Governors Total	House	Senate	Conference Appro.	Conference COPS	Conference Total
Capital Budget (all items are nonrecurring)	437,314,103	459,745,704	897,059,807	310,224,440	1,086,529,665	133,149,000	481,140,665	614,289,665
Fire Safety Improvements - Student Residence Halls	24,130,904	24,130,903	48,261,807	—	9,000,000	R&R funds		
ASU College of Education Building	17,000,500	17,000,500	34,001,000	9,000,000	34,000,000		34,000,000	34,000,000
ECU School of Dentistry	43,500,000	43,500,000	87,000,000	2,500,000	87,000,000	25,000,000		25,000,000
ECSU School of Education Building – Planning	2,000,000	3,000,000	5,000,000	994,000	20,000,000	2,000,000		2,000,000
ECSU School of Aviation Complex - Planning	—	—	—	—	—	500,000		500,000
FSU Science and Technology Complex	11,293,500	11,293,500	22,587,000	22,587,000	22,587,000		22,587,000	22,587,000
NCA&T General Classroom Instructional Facility	12,893,500	12,893,500	25,787,000	25,787,000	25,787,000	5,300,000		5,300,000
NCA&T/UNCG Nanoscience & Nanoengineering Bldg.	5,018,900	7,528,350	12,547,250	2,485,000	58,000,000	5,000,000	53,000,000	58,000,000
NCCU School of Nursing Building – Planning	2,500,000	3,750,000	6,250,000	1,136,000	24,000,000	2,500,000		2,500,000
NCSA Library	12,460,000	12,460,000	24,920,000	24,920,000 ⁵	24,920,000		24,920,000	24,920,000
NCSU Centennial Campus Library	11,400,000	17,100,000	28,500,000	—	114,000,000	17,000,000		17,000,000
NCSU Companion Animal Hospital	19,000,000	19,000,000	38,000,000	38,000,000	—		38,000,000	38,000,000
NCSU College of Engineering Facilities, Phase 1	17,000,000	17,000,000	34,000,000	—	34,000,000		34,000,000	34,000,000
UNCA Rhoades Hall and Rhoades Tower Renovation	4,343,500	4,343,500	8,687,000	8,687,000	8,687,000		8,687,000	8,687,000
UNCA Carmichael Hall Renovations	9,305,000	—	9,305,000	—	9,305,000	—		0
UNC-CH Genomic Sciences Building	56,744,112	62,864,113	119,608,225	44,000,000	119,608,225		119,608,225	119,608,225
UNC-CH School of Dentistry Oral Sciences Building	44,940,000	51,060,000	96,000,000	2,500,000	96,000,000	25,000,000		25,000,000
UNC-CH Carolina North Development, Phase 1 – Planning	6,120,000	6,120,000	12,240,000	—	—	—		0
UNC-CH Biomedical Research Imaging Center - Planning	—	—	—	—	—	8,000,000		8,000,000
UNCC Energy Production Infrastructure Center	7,621,800	11,432,700	19,054,500	3,340,000	76,218,000	19,000,000		19,000,000
UNCG Education Classroom & Office Building	22,583,500	22,583,500	45,167,000	45,167,000	45,167,000	2,500,000		2,500,000
UNCP Residence Hall (West Hall Replacement)	9,500,000	9,500,000	19,000,000	19,000,000	—	—		0
UNCP Nursing Building (supplement)	—	—	—	—	19,000,000		19,000,000	19,000,000
UNCP School of Business Building	—	—	—	—	—	—		0
UNCW Teaching Laboratory Building	3,452,500	5,178,750	8,631,250	34,525,440 ⁵	34,525,440		34,525,440	34,525,440
WCU School of Health and Gerontological Science Building	21,902,500	21,902,500	43,805,000	2,200,000	43,805,000	2,200,000	41,605,000	43,805,000
WSSU Student Activities Center	9,353,887	9,353,888	18,707,775	18,708,000	18,708,000		18,708,000	18,708,000
WSSU Science and General Office Building - Planning	—	—	—	1,351,000	28,212,000	3,312,000		3,312,000
NCSSM Discovery Center – Planning	7,000,000	10,500,000	17,500,000	3,337,000	—	3,337,000		3,337,000
NCSSM Infrastructure Improvements	—	—	—	—	17,500,000	—		0
Information Technology Infrastructure – University-wide	15,000,000	15,000,000	30,000,000	—	—	—		0
Coastal Studies Institute (ECU, ECSU, NCSU, UNC-CH, UNCW)	16,250,000	16,250,000	32,500,000	—	32,500,000		32,500,000	32,500,000
Reserve for Land Acquisition	25,000,000	25,000,000	50,000,000	—	25,000,000	5,000,000		5,000,000
Improvements to 4H Camps	—	—	—	—	34,000,000	7,500,000		7,500,000
BOG Reserve for Advance Capital Planning	—	—	—	—	25,000,000	—		0
Repair and Renovation Reserve - 46% UNC share				66,700,000	66,700,000	66,700,000		66,700,000