

Minutes of the August 6, 2008 Meeting
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in the Board Room of the General Administration Building, Spangler Center, in Chapel Hill, North Carolina, on Wednesday, August 6, 2008, at 9:30 a.m.

Committee members in attendance were Mr. William G. Smith and Mr. David W. Young. Members joining via teleconference were: Mr. Bradley T. Adcock, Mr. Brent D. Barringer, Governor James E. Holshouser, Jr., Mr. G. Leroy Lail, Mr. Ronald C. Leatherwood, and Mr. J. Craig Souza. Necessarily absent was Ms. Peaches G. Blank. Board of Governors' Chair Hannah D. Gage and Board member Fred G. Mills were also in attendance. President Erskine B. Bowles, Chief of Staff Jeffrey R. Davies, Vice Presidents Laura Luger, Alan R. Mabe, Robert O. Nelson, Andy Willis, and Joni Worthington; Associate Vice Presidents Ginger Burks and Shari Harris; Associate Vice President for Finance and University Property Officer Terrance Feravich; and Assistant Vice Presidents Claudia Odom and Jonathan Pruitt, as well as Fiscal Research Analyst Richard Bostic were also present.

Chair Adcock called the special meeting to order and explained that at its June meeting, the Board of Governors delegated authority to the Committee on Budget and Finance to allocate funds made available by the General Assembly, if the State budget was ratified prior to the September meeting of the Board.

1. The first item of business was the 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 \$153,847,371, the General Assembly appropriated \$61,620,000. This item included allocations from *The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets*, dated July 3, 2008.

Of these funds for salary increases, the General Assembly appropriated \$54 million for average salary increases of 3% for faculty and other employees who were exempt from the State Personnel Act (EPA). No funds were appropriated in response 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 3% for teaching employees of the North Carolina School of Science and Mathematics. The total funding appropriated for EPA salary increases was to be used for merit, market, and equity increases. The related special provision follows.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 28.12.(a1) Effective July 1, 2008, 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 year 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 three percent (3%) for faculty and non-faculty. The percentage annual salary increase of three percent (3%) 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.(c1) 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 year 2008-2009, to provide an average annual salary increase of three percent (3%), but at least an annual increase of four hundred seventy dollars (\$470.00), including funds for the employer's retirement and social security contributions, commencing July 1, 2008, 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 was recommended that the General Fund appropriations for the 3% average salary increase for faculty and other employees who were exempt from the State Personnel Act (EPA) be allocated as shown in the table below. The 3% salary increase appropriation was 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	\$ 3,016,035
East Carolina University	
Academic Affairs	5,062,782
Health Affairs	1,015,904
Elizabeth City State University	604,441
Fayetteville State University	1,049,721
North Carolina A & T State University	2,341,588
North Carolina Central University	1,862,081
North Carolina State University	
Academic Affairs	8,431,184
Agricultural Research Service	911,298
Cooperative Extension Service	1,045,710
UNC Asheville	812,982
UNC-Chapel Hill	
Academic Affairs	7,023,461
Health Affairs	4,088,820
Area Health Education Centers	1,000,788
UNC Charlotte	4,182,776
UNC Greensboro	3,625,116
UNC Pembroke	1,103,055
UNC School of the Arts	533,594
UNC Wilmington	2,340,933
Western Carolina University	1,856,457
Winston-Salem State University	1,495,684
UNC-General Administration	366,477
N. C. School of Science & Mathematics *	249,113
TOTAL (includes estimated fringe benefits)	\$54,020,000

* Provides an annual average salary increase of 3% for non-teaching employees and an annual average salary increase (3%) comparable to that provided for public school teachers for all teaching employees of the N. C. School of Science and Mathematics.

Note: Salaries at UNC Hospitals are 100% receipts supported.

The allocations, as approved, are for expenditures in accordance with the Salary Protocols for Faculty and Non-Faculty EPA Salary Increases 2008-09, approved by the President.

In addition to the funds for salary increases, the General Assembly appropriated \$4,600,000 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. The General Assembly also appropriated \$3,000,000 to fund the University Faculty Recruiting and Retention Fund to be used at the discretion of the President for salary increases for the purpose of recruiting and retaining UNC faculty members as necessary at constituent institutions. It was recommended that these funds be allocated to UNC-General Administration, Institutional Programs to be held in reserve pending further action by the President. These items were described and allocated in Item 2.

It was recommended that the Vice President for Finance be authorized to make refinements in the interest of accuracy and completeness.

2. The Committee next considered the allocation of funds for current operations.

While most of the funding for the Current Operations Budget of each institution came in the continuation budgets as approved by the General Assembly, funds for expansions and improvements were appropriated to the Board of Governors for allocation to the institutions. These appropriations were included in House Bill 2436 (S.L. 2008-107), "2008 Appropriations Act," and House Bill 2438 (S.L. 2008-118), which made technical, clarifying, and other modifications to the 2008 Appropriations Act. By statute, the Board was directed to allocate such funds in accordance with its 2008-09 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 3, 2008. In addition to the appropriations for the 2008-09 Budget Priorities, the General Assembly made a number of special appropriations for designated programs in University Operations, Agricultural Programs, Related Educational Programs, and Aid to Private Institutions.

It was recommended that the Allocation Recommendations for Current Operations appropriations for the 2008-09 fiscal year be approved. It was further recommended that the Vice President for Finance be authorized to make refinements in the interest of accuracy and completeness. (Please see Attachment 1 for complete item.)

3. The third item for consideration was the allocation of funds for capital improvements. (Please see Attachment 2 for complete item.)

For Capital Improvements, the General Assembly appropriated \$99,612,826 from the General Fund and authorized the issuance of \$523,515,000 in certificates of participation (COPS).

For the Reserve for Repairs and Renovations, the 2008 General Assembly appropriated \$69,839,238 to the Statewide Reserve for Repairs and Renovations, of which \$32,126,049 (46%) was allocated by special provision to the Board of Governors, in House Bill 2436.

For Nonappropriated Capital Improvements Project Authorizations, the 2008 General Assembly authorized nonappropriated capital projects totaling \$401,499,000.

In other actions by the 2008 General Assembly, there were authorized scope changes for projects in the UNC Higher Education Bond Program on the campus of the University of North Carolina at Chapel Hill.

	<u>Decrease</u>	<u>Increase</u>
University of North Carolina at Chapel Hill		
Berryhill Laboratory Building – Comprehensive Renovation	\$8,600,000	–
Division of Laboratory Animal Medicine – Upfits	–	\$8,600,000

Other UNC-related special provisions were as follows:

- GATEWAY UNIVERSITY RESEARCH PARK, INC.
- ALLOW THE UNIVERSITY OF NORTH CAROLINA TO CREATE AN AIRPORT AUTHORITY
- WESTERN CAROLINA UNIVERSITY, UNC ASHEVILLE, M.A.H.E.C.
- UPPER COASTAL PLAIN HIGHER EDUCATION AND HEALTH CENTER

The Committee agreed to vote on all three items in a single motion; therefore, on the motion of Mr. Smith, seconded by Mr. Young, the recommendations were approved contingent upon the Governor's signing of Senate Bill 1925. [Note: The bill was signed on August 8, 2008.]

There being no further business, the meeting was adjourned.

Mr. Bradley T. Adcock
Chair of the Committee
on Budget and Finance

Ms. Peaches G. Blank
Secretary of the Committee
on Budget and Finance

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 2436 (S.L. 2008-107), “2008 Appropriations Act,” and House Bill 2438 (S.L. 2008-118), which makes technical, clarifying, and other modifications to the 2008 Appropriations Act. By statute, the Board is directed to allocate such funds in accordance with its 2008-09 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 3, 2008. In addition to the appropriations for the 2008-09 Budget Priorities, the General Assembly made a number of special appropriations for designated programs in University Operations, Agricultural Programs, Related Educational Programs, and Aid to Private Institutions.

It is recommended that the Allocation Recommendations for Current Operations appropriations for the 2008-09 fiscal year be approved. It is further recommended that the Vice President for Finance be authorized to make refinements in the interest of accuracy and completeness.

Note: As supplementary information, a Comparative Worksheet showing the Board’s priorities, Senate, House, and Final Budgets is attached to this item.

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 2008-09 fiscal year.

	2008-09	
	Budget Priorities	Recom. Allocation
Campus Safety	11,700,000 R	6,000,000 R
	17,500,000 NR	9,000,000 NR
Academic Salary Increases	153,847,371	61,620,000
Competitive Salaries for Faculty – 80th percentile of Peers	69,621,862	–
EPA Salary Increases (estimate) – BOG - 4%; Conference - 3% [SPA Salary (estimate \$18M) - greater of \$1,100 or 2.75%]	72,225,509	54,020,000
Distinguished Professorships	7,000,000	4,600,000 NR
Faculty Recruiting and Retention Fund	5,000,000	3,000,000
Student Success & Retention & Graduation	300,000	–
University of North Carolina Online	300,000 NR	–
Research	66,639,711	14,000,000
NC Research Competitiveness & Commercialization Gap Funding	30,000,000	1,000,000 NR
Graduate Student Recruitment & Retention	8,384,715	1,500,000
Center for Bioenergy Technologies	2,043,594 R	–
	3,800,000 NR	1,250,000 NR
Electric Vehicle Research (NCSU)	500,000	250,000 NR
NC Research Campus (Kannapolis)	13,972,402	6,000,000
Joint Program in Nanosciences & Nanoengineering	2,939,000 R	1,500,000 R
(NCA&T and UNCG)	4,000,000 NR	1,500,000 NR
Biomanufacturing Research Institute & Technology Enterprise Initiative (BRITE)	1,000,000	1,000,000
More and Better Teachers & Improved Schools	8,504,800	600,000 NR
New Teacher Support and Mentoring Aimed at Retention	2,748,000	–
NC Center for the Advancement of Teaching	378,400	–
Comprehensive Pilot for New Teacher Support	601,400	–
Mathematics Science Education Network (MSEN) Pre-College Program	870,000	400,000 NR
NCSSM Online High School Courses	350,000	–
NC Center for International Understanding	200,000	200,000 NR
Principals' Executive Program (PEP) and Kenan-Flagler Leadership Program for Priority Middle & High Schools	607,000	–
Science, Technology, Engineering & Mathematics (STEM) Education (NCSU & UNC-CH)	1,250,000	–
UNC Charlotte Lateral Entry and Teacher Educ. Support Programs	1,500,000	–

NR = nonrecurring

		2008-09	
		Budget	Recom.
		Priorities	Allocation
Healthcare		24,000,000	4,657,000
Contract Programs in Other States/BOG Medical & Dental			
Scholarship Programs		—	(93,000)
ECU Dental School		2,000,000	1,500,000
Area Health Education Centers		3,000,000	1,750,000
Medical School Expansion Planning Funding (ECU/UNC-CH/UNCC)		5,000,000	1,500,000
Nursing Program Expansions (ASU, UNCC, UNCW)		1,500,000	—
Indigent Care – ECU		5,000,000	—
Indigent Care – UNC Hospitals		7,500,000	—
<i>NR = nonrecurring</i>			
Regional & Statewide Economic Transformation and Competitiveness		23,668,750	9,350,000
NCSU College of Engineering		10,000,000	2,000,000
NCA&T College of Engineering		2,000,000	2,000,000
NCCU School of Law		2,500,000	2,000,000
Entrepreneurship & Regional Cluster-based Economic Devel. (NCSU)		2,000,000	—
Support for North Carolina Communities (UNC-CH)		1,000,000	—
Funding Support for Regional Collaborations		968,750	500,000
Center for Applied Public Policy (UNC-CH)		1,250,000	—
ECSU Aviation Program		950,000	300,000
			300,000
WCU Forensic Science Program		500,000	500,000
Campuses Specializing in the Arts & Sciences (UNCA, UNCSA, NCSSM)		2,500,000	1,750,000
<i>(UNCA & UNCSA - \$750,000 each; NCSSM - \$250,000)</i>			
UNC Systems Support & Data Integration		1,957,751	1,000,000
		2,020,000	1,000,000
Affiliated Entities		953,522	400,000
UNC-TV Statewide Public Affairs & Informational Prog. Serv.		588,533	200,000
NC Arboretum International Institute for Natural Biotechnology and Integrative Medicine		200,000	200,000
UNC Press Digital Books		164,989	—
Enrollment Adjustment		34,667,264	34,613,302

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 2008 (SL 2008-107) and the related Joint Conference Committee Report of July 3, 2008.

Recommended Allocation for Campus Safety

In response to the Board's request of \$11,700,000 in recurring funds and \$17,500,000 in nonrecurring funds for Campus Safety, the General Assembly appropriated \$6,000,000 in recurring funds and \$9,000,000 in nonrecurring funds to implement the recommendations of the UNC Campus Safety Task Force. The Task Force recommended that funds be targeted to several areas: improving mental health services, particularly working with students who are identified to be of serious concern and need follow up by campus personnel to assure they are receiving needed treatment; competitive salaries, equipment, and additional personnel for campus police; emergency notification and communications systems so that an entire campus can be informed and proactive in the event of a crisis and cameras, monitors, and improved access control systems for resident halls.

It is recommended that these funds be allocated to UNC-GA, Institutional Programs and that the President be authorized to make further allocations.

Recommended Allocation for Academic Salary Increases

In response to the Board of Governors' priorities for Academic Salary Increases of \$153,847,371, the General Assembly appropriated \$61,620,000. An appropriation of approximately \$54,020,000 was received for merit-based EPA salary increases of 3%. These salary-related items are described and allocated in Item 1.

In addition, the General Assembly appropriated \$3,000,000 in recurring funds in response to the Board's request of \$5,000,000 for the Faculty Recruiting and Retention Fund that was initiated in 2006-07. The President may use the Fund to offer salary increases to recruit and retain faculty members. It is recommended that these funds be allocated to UNC-General Administration, Institutional Programs and that the President be authorized to make further allocations based on legislative intent.

In response to the Board's request of \$7,000,000, the General Assembly appropriated \$4,600,000 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. It is recommended that these funds be allocated to UNC-General Administration, Related Educational Programs and that the President be authorized to make further allocations based on legislative intent.

Recommended Allocations for Student Success and Retention and Graduation

There were no appropriations in response to the Board's request of \$300,000 for Student Success and Retention and Graduation.

Recommended Allocations for Research

In response to the Board's request of \$66,639,711 for Research, the General Assembly appropriated \$14,000,000 (\$10,000,000 in recurring funds and \$4,000,000 in nonrecurring funds) for the following items:

NC Research Competitiveness & Commercialization Gap Funding

In response to the Board's request of \$30,000,000, the General Assembly appropriated \$1,000,000 in nonrecurring funds for North Carolina Research Competitiveness and Commercialization Gap Funding. This funding will be used to invest in research topics important to the economic competitiveness of the state as identified by the UNC Tomorrow Commission. 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 \$8,384,715, the General Assembly appropriated \$1,500,000 in recurring funds for Graduate Student Recruitment and Retention. These funds will be used to recruit and retain top tier graduate students in math and science. 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 (NCSU)

In response to the Board's request of \$5,843,594 (\$2,043,594 in recurring funds and \$3,800,000 in nonrecurring funds), the General Assembly appropriated \$1,250,000 in nonrecurring funds for infrastructure improvements and plot development at the Williamsdale Farm Agricultural Extension and Research Facility in Duplin County. This NCSU research farm is developing biofuel crops for processing in the biomass pilot plant at the Lake Wheeler Road Field Lab in Wake County. It is recommended that these funds be allocated to North Carolina State University, Agricultural Research Service.

Electric Vehicle Research (NCSU)

In response to the Board's request of \$500,000, the General Assembly provided \$250,000 in nonrecurring funds. This funding will continue the electric vehicle research underway at the NCSU Advanced Transportation Energy Center. Funds will be matched by grants from Progress Energy and Duke Energy. It is recommended that \$250,000 be allocated to North Carolina State University, Academic Affairs.

North Carolina Research Campus (Kannapolis)

In response to the Board's request of \$13,972,402, the General Assembly appropriated \$6,000,000 in recurring funds for the North Carolina Research Campus (NCRC) at Kannapolis. UNC institutions participating in the Kannapolis Research Campus are NCA&T, NCCU, NCSU, UNC-CH, UNCC, and UNCG. These funds will be used to pay lease costs, hire faculty and staff, and purchase equipment and supplies for UNC programs located at the NCRC. It is recommended that these funds be allocated to UNC-GA, Institutional Programs and that the President be authorized to make further allocations.

Joint Graduate School of Nanosciences and Nanoengineering

In response to the Board's request of \$6,939,000 (\$2,939,000 in recurring funds and \$4,000,000 in nonrecurring funds), the General Assembly appropriated \$3,000,000 (\$1,500,000 in recurring funds and \$1,500,000 in nonrecurring funds) for the Joint Program in Nanosciences and Nanoengineering at North Carolina A & T State University and UNC Greensboro's Millennial Campus. These funds will provide additional operating dollars for the joint program. 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 organizational structure for the School has been finalized.

Biomanufacturing Research Institute and Technology Enterprise Initiative (BRITE)

In response to the Board's request of \$1,000,000 for the BRITE program at North Carolina Central University, the General Assembly appropriated the full amount. This appropriation will complete the funding of the operations for the BRITE program. 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 \$8,504,800 for More and Better Teachers and Improved Schools, the General Assembly provided \$600,000 in nonrecurring funds for two programs:

Mathematics Science Education Network (MSEN) Pre-College Program

In response to the Board's request for \$870,000 for the MSEN Pre-College Program, the General Assembly appropriated \$400,000 in nonrecurring funds. These funds will be used to cover costs associated with the pre-college enrichment program that prepares under-represented students in grades 6-12 to pursue college studies in science and math. In accordance with the Joint Conference Committee Report, it is recommended that \$200,000 each be allocated to East Carolina University and to Western Carolina University.

North Carolina Center for International Understanding – North Carolina in the World

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 continue the NC in the World Project that began in 2005-06. This project is an initiative of the NC Center for International Understanding and is focused on improving students' knowledge about the world. It is recommended that these funds be allocated to UNC-General Administration, Operating, which is the administrative agent.

Recommended Allocations for Health Care

In response to the Board's request of \$24,000,000 for Health Care, the General Assembly provided \$4,657,000 (\$3,157,000 in recurring funds and \$1,500,000 in nonrecurring funds) for the following programs:

Contract Programs in Other States/BOG Medical & Dental Scholarships Programs

Due to the phase-out of the Southern Regional Education Board (SREB) contract programs in Optometry, Dentistry, and Medicine, the Board recommended that funds budgeted for the contracts be re-programmed to expand existing BOG Medical and Dental Scholarship Programs. The General Assembly reduced the program by \$93,000 instead of allowing the Board to transfer the funds to existing programs. It is recommended that this adjustment be made to UNC-General Administration, Related Educational Programs. See page 16 for details on all reductions imposed by the General Assembly.

Dental School (ECU)

In response to the Board's request of \$2,000,000 for the Dental School at East Carolina University, the General Assembly appropriated \$1,500,000 in recurring funds. These funds will be used to hire the additional professional staff needed for planning and operation of the new Dental School. It is recommended that these funds be allocated to East Carolina University, Health Affairs.

Area Health Education Centers

In response to the Board's request of \$3,000,000 for the Area Health Education Centers, the General Assembly appropriated \$1,750,000 in recurring funds. These funds will help address health workforce shortages, primary care residency training, and quality of patient care and patient safety in local health facilities. It is recommended that these funds be allocated to UNC-Chapel Hill, AHEC.

Medical School Expansion Planning Funding (ECU/UNC-CH/UNCC)

In response to the Board's request of \$5,000,000 for Medical School Expansion Planning, the General Assembly appropriated \$1,500,000 in nonrecurring funds. These funds will be used to plan the programmatic elements of the expansion of the medical schools at UNC-Chapel Hill and East Carolina University. The proposed additional medical students will spend their third and fourth years in clinical rotations in Charlotte, Asheville, and selected cities in Eastern North Carolina. It is recommended that \$750,000 each be allocated to East Carolina University, Health Affairs and UNC-Chapel Hill, Health Affairs.

Regional and Statewide Economic Transformation and Competitiveness

In response to the Board's request of \$23,668,750 for Regional and Statewide Economic Transformation and Competitiveness, the General Assembly provided \$9,350,000 (\$9,050,000 in recurring funds and \$300,000 in nonrecurring funds) for the following programs:

NCSU College of Engineering

In response to the Board's request of \$10,000,000 for NCSU's College of Engineering, the General Assembly appropriated \$2,000,000. Funds will provide additional operating support for the bioengineering program in the NCSU College of Engineering. It is recommended that the funds be allocated to North Carolina State University, Academic Affairs.

NCA&T College of Engineering

In response to the Board's request of \$2,000,000 for NCA&T's College of Engineering, the General Assembly appropriated the full amount. These recurring funds will be used for additional faculty, equipment replacement and maintenance, and support of academic programs. It is recommended that the \$2,000,000 be allocated to North Carolina A & T State University.

NCCU School of Law

In response to the Board's request of \$2,500,000 for NCCU's School of Law, the General Assembly appropriated \$2,000,000 in recurring funds. The funds will be used to address the American Bar Association recommendations to enhance academic and student services infrastructure and to continue the transition of core functions away from federal Title III funding. It is recommended that these funds be allocated to North Carolina Central University.

Funding Support for Regional Collaborations

In response to the Board's request of \$968,750 for Regional Collaborations, the General Assembly appropriated \$500,000 in recurring funds for the higher education partnerships in Hickory, Rocky Mount, and Onslow County. These partnerships will help with the UNC Tomorrow recommendation that UNC should increase access to higher education for all North Carolinians, particularly for under-represented populations and non-traditional students. It is recommended that these funds be allocated to UNC-GA, Institutional Programs and that the President be authorized to make further allocations.

ECSU Aviation Program

In response to the Board's request of \$950,000 in recurring funds, the General Assembly provided \$600,000 (\$300,000 in recurring funds and \$300,000 in nonrecurring funds) for a flight school in the Aviation program at Elizabeth City State University. With the expansion of the Aviation Program, ECSU can become an anchor for further economic development of the aviation and space industry in the region. It is recommended that these funds be allocated to Elizabeth City State University.

WCU Forensic Science Program

In response to the Board's request of \$500,000 for WCU's Forensic Science Program, the General Assembly appropriated the full amount. The recurring funds will allow WCU to hire additional faculty and purchase DNA analysis equipment. The program trains students for careers in forensic science, assists law enforcement agencies with crime scene investigations, and provides training for law enforcement professionals. It is recommended that these funds be allocated to Western Carolina University.

Campuses Specializing in the Arts and Sciences (UNCA, UNCSA, NCSSM)

In response to the Board's request of \$2,500,000 for Campuses Specializing in the Arts and Sciences, the General Assembly provided \$1,750,000 in recurring funds. It is recommended, as specified in the Joint Conference Committee Report, that funds be allocated as follows: \$750,000 each for UNC Asheville and UNC School of the Arts and \$250,000 for North Carolina School of Science and Mathematics. The mission and limited size of these institutions makes it difficult to generate sufficient funds to provide needed services for students. These campuses will use the funds to supplement academic programs, student support services, or other operating budget needs.

UNC Systems Support and Data Integration

In response to the Board's request of \$1,957,751 in recurring funds and \$2,020,000 in nonrecurring funds for UNC Systems Support and Data Integration, the General Assembly provided \$1,000,000 in recurring funds and \$1,000,000 in nonrecurring funds. The UNC Tomorrow Commission recommended that UNC continue taking steps to improve its efficiency and establish accountability measures. This appropriation will be used to create a unit within UNC-General Administration that will support the needs of the campuses as they implement integrated computing systems. The first project to be undertaken is the implementation of a university-based payroll system. It is recommended that \$2,000,000 be allocated to UNC-General Administration, Operating Budget and administered by the President.

Affiliated Entities

In response to the Board's request of \$953,522 for the Affiliated Entities, the General Assembly appropriated \$200,000 in recurring funds and \$200,000 in nonrecurring funds.

UNC-TV Statewide Public Affairs & Informational Program Service

In response to the Board's request of \$588,533, the General Assembly appropriated \$200,000 in recurring funds. These funds will support UNC-TV's statewide programming of North Carolina Now and related public affairs programs. It is recommended that these funds be allocated to UNC-General Administration, Operating Budget, which is the fiscal agent for UNC-TV.

NC Arboretum International Institute for Natural Biotechnology and Integrative Medicine

In response to the Board's request of \$200,000, the General Assembly appropriated \$200,000 in nonrecurring funds for the North Carolina Arboretum International Institute for Natural Biotechnology and Integrative Medicine (Bent Creek Institute). The Institute studies the chemical makeup of traditional plant remedies in search of new medicines and houses the nation's first seed collection for medicinal plants. It is recommended that these funds be allocated to UNC Asheville, which is the fiscal agent for the NC Arboretum.

Recommended Allocations for Enrollment Changes

The enrollment change funding for 2008-09 totals \$74,443,879. The 2007 Session of the General Assembly appropriated \$39,830,577 and an additional \$34,613,302 was provided by the 2008 Session of the General Assembly. In accordance with the Board of Governors' Priorities, this appropriation includes \$4,657,839 to "hold harmless" one institution (NCA&T) that would otherwise have been reduced and a revenue realignment of \$760,318 for UNC Wilmington. Furthermore, in accordance with the Joint Conference Committee Report, the enrollment allocation for NCSSM was reduced by \$53,962 from the Board's requested amount.

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

Institution	Total Allocations
Appalachian State University	\$ 4,137,550
East Carolina University	9,026,716
Elizabeth City State University	2,237,633
Fayetteville State University	1,009,507
North Carolina A & T State University	—
North Carolina Central University	4,638,572
North Carolina School of Science & Mathematics	209,402
North Carolina State University	20,116,489
University of North Carolina at Asheville	1,278,452
University of North Carolina at Chapel Hill	7,583,078
University of North Carolina at Charlotte	10,589,370
University of North Carolina at Greensboro	8,746,626
University of North Carolina at Pembroke	1,164,146
University of North Carolina School of the Arts	519,940
University of North Carolina at Wilmington	(760,318)
Western Carolina University	3,889,642
Winston-Salem State University	57,074
TOTAL	\$74,443,879

It is recommended that budgeted enrollments for the constituent institutions of the University for 2008-09 be established as follows:

Institution	Budgeted Student Credit Hours
Appalachian State University	429,662
East Carolina University	691,422
Elizabeth City State University	84,910
Fayetteville State University	163,058
North Carolina A & T State University	308,652
North Carolina Central University	189,919
North Carolina School of Science & Mathematics	—
North Carolina State University	766,507
University of North Carolina at Asheville	95,930
University of North Carolina at Chapel Hill	602,035
University of North Carolina at Charlotte	519,503
University of North Carolina at Greensboro	437,803
University of North Carolina at Pembroke	148,811
University of North Carolina School of the Arts	—
University of North Carolina at Wilmington	312,659
Western Carolina University	227,363
Winston-Salem State University	170,124
TOTAL	5,148,358

The enrollment change request and allocation were based on the semester-credit-hour funding model except for the following components that remain on the FTE funding model. For these programs, it is recommended that budgeted enrollments be established as follows:

FTE Funding Model	Budgeted Full-Time Equivalent Students
East Carolina University Medical School	300
North Carolina Central University Law School	600
North Carolina School of Science & Mathematics	660
North Carolina State University Veterinary Medicine	347
UNC-Chapel Hill Law, Medicine, Dentistry and Pharmacy	4,169
University of North Carolina School of the Arts	1,117
TOTAL	7,193

Two special provisions related to enrollment growth contained in the 2008 Appropriations Act are shown below:

UNC ENROLLMENT GROWTH REQUEST TO CONTAIN PREVIOUS ACADEMIC YEAR'S ACTUAL STUDENT CREDIT HOURS (SCH) AND FULL TIME EQUIVALENCIES (FTE)

SECTION 9.8. G.S. 116-11(9) reads as rewritten:

- "(9) a. The Board of Governors shall develop, prepare and present to the Governor and the General Assembly a single, unified recommended budget for all of the constituent institutions of The University of North Carolina. The recommendations shall consist of requests in three general categories: (i) funds for the continuing operation of each constituent institution, (ii) funds for salary increases for employees exempt from the State Personnel Act and (iii) funds requested without reference to constituent institutions, itemized as to priority and covering such areas as new programs and activities, expansions of programs and activities, increases in enrollments, increases to accommodate internal shifts and categories of persons served, capital improvements, improvements in levels of operation and increases to remedy deficiencies, as well as other areas. The president may present to the General Assembly an updated estimate of tuition, fees, and other receipts by June 15 of each year to be included in the budget for the following fiscal year.
- a1. The Board of Governors shall provide full documentation and justification of any enrollment change funding request at the time it is recommended. This documentation and justification shall include the most recent academic year's actual enrollment numbers in the same format in which the growth increase request is made. The actual enrollment numbers shall be the actual student credit hours (SCH) or full-time equivalencies (FTE).
- b. Funds for the continuing operation of each constituent institution shall be appropriated directly to the institution. Funds for salary increases for employees exempt from the State Personnel Act shall be appropriated to the Board in a lump sum for allocation to the institutions. Funds for the third category in paragraph a of this subdivision shall be appropriated to the Board in a lump sum for allocation to the institutions. The Board shall make allocations among the institutions in accordance with the Board's schedule of priorities and any specifications in the Current Operations Appropriations Act. When both the Board and the Director of the Budget deem it to be in the best interest of the State, funds in the third category may be allocated, in whole or in part, for other items within the list of priorities or for items not included in the list. Provided, nothing herein shall be construed to allow the General Assembly, except as to capital improvements, to refer to particular constituent institutions in any specifications as to priorities in the third category.
- c. The Director of the Budget may, on recommendation of the Board, authorize transfer of appropriated funds from one institution to another to provide adjustments for over or under enrollment or may make any other adjustments among institutions that would provide for the orderly and efficient operation of the institutions.
- d. Repealed by Session Laws 1987, c. 795, s. 27."

BIENNIAL PROJECTION OF UNC ENROLLMENT GROWTH

SECTION 9.15. Part 2A of Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-30.7. Biennial projection of enrollment growth for The University of North Carolina.

By September 1 of each even-numbered year, the General Administration of The University of North Carolina shall provide to the Joint Education Legislative Oversight Committee and to the Office of State Budget and Management a projection of the total student enrollment in The University of North Carolina that is anticipated for the next biennium. The enrollment projection shall be divided into the following categories and shall include the projected growth for each year of the biennium in each category at each of the constituent institutions: undergraduate students, graduate students (students earning master's and doctoral degrees), first year professional students, and any other categories deemed appropriate by General Administration. The projection shall also distinguish between on-campus and distance education students. The projections shall be considered

by the Director of the Budget when determining the amount the Director proposes to fund as the continuation requirement for the enrollment increase in the university system pursuant to G.S. 143C-3-5(b)."

Special Appropriations for University Operations

Several special appropriations in 2008-09 to the Board of Governors totaling \$2,828,064 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 Revision – allow private college students to participate in the program and fund the \$66.2M in estimated need for 2008-09 from Escheats	(\$43,775,000) non-add item change in funding source	NR	UNC-GA, Related Educational Programs
ECU Auditory Learning Center	100,000	NR	ECU, Academic Affairs
UNC-CH Cochlear Implant Program	575,000	NR	UNC-CH, Health Affairs
FSU Fire Training Tower	400,000	NR	Fayetteville State University
UNC-CH TEACCH Program	353,064	R	UNC-Chapel Hill, Health Affairs
UNC-CH School of Medicine Perinatal Mortality and Disease	250,000	NR	UNC-CH, Health Affairs
UNC-CH Statewide Program for Infection Control and Epidemiology (SPICE)	250,000	NR	UNC-CH, Health Affairs
NCSU Veterinary Medicine Clinical Teaching & Research Fund	200,000	NR	NCSU, Academic Affairs
NCSU Dairy Agriculture Extension Agents	200,000	R	NCSU, Ag Extension.
NCSU Horticultural Program in Eastern NC	200,000	R	NCSU, Ag Research
UNCG A+ Schools	100,000	NR	UNC Greensboro
UNCP Fire Protection Funds	200,000	NR	UNC Pembroke
Aid to Private Colleges	(see appropriation change details on page 15)		

R = recurring / NR = nonrecurring

In addition to the allocation recommendations presented in this item, the Joint Conference Committee Report directed that \$1 million of the Principal Fellows Trust Fund balance revert to the General Fund and another \$1.74 million be used for payment to the PEP participants of Class 10. The related special provision, as amended in the technical corrections bill (House Bill 2438) is shown below:

OPTIONAL SCHOLARSHIP FOR CERTAIN GRADUATES OF THE PRINCIPAL FELLOWS PROGRAM

SECTION 9.4.(a) The North Carolina Principal Fellows Commission in collaboration with the State Education Assistance Authority shall make available an optional six-month scholarship in the amount of twenty thousand dollars (\$20,000) to any person who was a recipient of a scholarship loan through the Principal Fellows Program and who: (i) was in Class 10 of the Principal Fellows Program for the 2003-2004 academic year, (ii) completed the Principal Fellows Program, and (iii) has either served as a school administrator for four years at a North Carolina public school or at a school operated by the United States as required by G.S. 116-74.43, or who has had the loan forgiven by the State Education Assistance Authority pursuant to G.S. 116-74.43. A person may be eligible for the optional six-month scholarship only after fulfilling all contractual obligations agreed to by the person upon receipt of the original scholarship loan awarded to the person under G.S. 116-74.42. Exclusive of any deferment for extenuating circumstances, a person

remains eligible for the optional six-month scholarship for two years after the six-year period of time allowed the person to satisfy the original scholarship loan requirements under G.S. 116-74.43. Should a person present extenuating circumstances, the State Education Assistance Authority may extend the period of time for which a person remains eligible for the optional six-month scholarship for a reasonable time period.

SECTION 9.4.(b) The Principal Fellows Commission shall develop the criteria for awarding the scholarship. In developing the criteria, the Commission shall require that the person agree to work at least another six months as a school administrator in a North Carolina public school or at a school operated by the United States after satisfying the four-year work requirement set out in G.S. 116-74.43. The Commission, in collaboration with the State Education Assistance Authority, shall develop a process for evaluating a scholarship recipient's work performance and for issuing a final approval and certification of the work performance. The Commission shall transfer to the State Education Assistance Authority the name of each recipient that it certifies as successfully completing the optional scholarship program. The State Education Assistance Authority shall pay the twenty thousand dollar (\$20,000) ~~stipend scholarship~~ to the scholarship recipient within a reasonable time of receiving notification from the Commission that the recipient has successfully completed the optional scholarship program. The State Education Assistance Authority shall perform all of the administrative functions necessary to implement this act, including rule making.

SECTION 9.4.(c) Effective June 30, 2008, the sum of one million dollars (\$1,000,000) shall revert from the Principal Fellows Trust Fund to the General Fund. The sum of one million seven hundred forty thousand dollars (\$1,740,000) in the Principal Fellows Trust Fund shall be held in reserve to pay each participant in the optional scholarship program the ~~stipend scholarship~~ of twenty thousand dollars (\$20,000) upon successful completion of the optional scholarship program.

The General Assembly directed UNC to conduct two studies using available funds within its budget. The related special provisions from the Conference budget are shown below:

UNIVERSITY OF NORTH CAROLINA TO STUDY COASTAL SOUNDS WIND ENERGY

SECTION 9.12. The University of North Carolina shall study the feasibility of establishing wind turbines in the Pamlico and Albemarle Sounds. The study shall include an analysis of energy production potential (including the resulting benefits due to a reduction in dependence on fossil fuel combustion for generation of electricity), siting, ecological impacts, and statutory or regulatory barriers to construction and operation of one or more wind turbines and associated support and interconnection facilities in the coastal sounds. The study shall also consider the feasibility and potential synergistic benefits of co-siting wind turbines and artificial oyster reefs.

The Board of Governors shall use available funds from its budget in conducting this study and may apply for, receive, or accept grants and contributions from any source for the purposes of conducting the study. The Board of Governors shall report the results of this study to the House Committee on Energy and Energy Efficiency and the Senate Committee on Agriculture/Environment/Natural Resources by July 1, 2009.

UNIVERSITY OF NORTH CAROLINA AND DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES TO STUDY PLASTICS USE

SECTION 9.17. The University of North Carolina, in collaboration with the Division of Waste Management of the Department of Environment and Natural Resources shall study the current state, usage, and recycling of plastics (including, but not limited to, beverage bottles and plastic bags) in North Carolina. The study shall include an analysis of the following:

- (1) The impact of plastics on the environment and particularly on solid waste management in the State;
- (2) The current prevalence and utilization of recycling in the State's plastics waste stream;
- (3) The technical and regulatory barriers to increased recycling of plastics waste streams;
- (4) The current and potential benefits to the State's economy from enhancements in plastics recycling; and

- (5) The potential for substitution of biodegradable plastics and plastics manufactured from renewable materials for plastics manufactured from fossil fuels.

The study shall also include recommendations regarding potential policy or statutory changes necessary to encourage plastics recycling, as well as areas or issues where further research is needed.

The Board of Governors of The University of North Carolina and the Secretary of the Department of Environment and Natural Resources shall use available funds from their budgets in conducting this study and may apply for, receive, or accept grants and contributions from any source for the purposes of conducting the study. The Board of Governors and the Secretary shall report the results of this study to the House of Representatives Committee on Energy and Energy Efficiency and the Senate Committee on Agriculture/Environment/Natural Resources by May 1, 2009.

Aid to Private Institutions

The General Assembly's appropriation changes (net reduction of \$1,050,000) for Aid to Private Institutions as outlined in the Joint Conference Committee Report are shown below:

- Legislative Tuition Grant appropriation adjustment due to lower than expected enrollment in 2007-08 of (\$1,700,000) – the remaining appropriation allows for 3% growth in on-campus students and 1% growth in off-campus students in 2008-09
- Provides Legislative Tuition Grant of \$1,750,000 in nonrecurring funds to NC residents enrolled in a minimum of six credit hours per semester in NC Independent Colleges and Universities
- State Contractual Scholarship Fund appropriation adjustment due to lower than expected enrollment in 2007-08 of (\$1,100,000) – the remaining appropriation allows for 1.5% growth in FTE for the campuses in 2008-09

It is recommended that the appropriation changes be made to Aid to Private Institutions, to be administered by the State Education Assistance Authority.

Budget Reductions in Continuation Budgets by 2008 Session

Code	Institution	Flex Reduction ¹	Building Reserves (NR) ²	Building Reserves (Recurring) ²	Tuition Surcharge	Other Reductions	2008-09 Total Budget Reductions
UNIVERSITY OPERATIONS							
16080	ASU	(832,011)	—	(175,179)	(88,304)	—	(1,095,494)
16065	ECU, Academic Affairs	(1,392,701)	1,665,101	—	(31,144)	—	241,256
16066	ECU-HA	(323,241)	—	—	—	—	(323,241)
16086	ECSU	(220,252)	—	—	(18,392)	—	(238,644)
16088	FSU	(356,773)	(14,072)	(236,337)	—	—	(607,182)
16070	NCA&T	(607,107)	(80,937)	(395,426)	(27,368)	—	(1,110,838)
16090	NCCU	(555,263)	—	—	(50,280)	—	(605,543)
16030	NCSU	(2,456,506)	(308,156)	(314,772)	(9,664)	—	(3,089,098)
16055	UNCA	(230,532)	(26,836)	—	(37,656)	—	(295,024)
16020	UNC-CH, Acad. Affairs	(1,827,800)	(461,325)	(128,427)	—	—	(2,417,552)
16021	UNC-CH-Health Affairs	(1,293,085)	(29,973)	(706,384)	—	—	(2,029,442)
16022	UNC-CH, AHEC	(308,277)	—	—	—	—	(308,277)
16050	UNCC	(1,144,114)	—	(756,504)	(37,704)	—	(1,938,322)
16040	UNCG	(1,024,294)	—	—	(21,696)	—	(1,045,990)
16082	UNCP	(352,505)	—	(59,019)	(32,356)	—	(443,880)
16092	UNCSCA	(158,885)	—	—	—	—	(158,885)
16060	UNCW	(618,017)	—	(752,940)	(33,872)	—	(1,404,829)
16075	WCU	(574,318)	(11,332)	(148,333)	(8,236)	—	(742,219)
16084	WSSU	(429,374)	—	—	(3,328)	—	(432,702)
16010	UNC-GA	(265,355)	—	—	—	—	(265,355)
16011	UNC-GA, Instit. Prog.	—	—	—	—	—	—
	Total	(14,970,410)	732,470	(3,673,321)	(400,000)	—	(18,311,261)
AGRICULTURAL PROGRAMS							
16031	NCSU-Ag Research	(360,974)	—	—	—	—	(360,974)
16032	NCSU-Ag Ext.	(272,603)	—	—	—	—	(272,603)
16012	UNC-GA, Related Ed.	—	—	—	—	(165,000)	(165,000)
16094	NCSSM	(108,186)	—	—	—	—	(108,186)
16095	UNC Hospitals	(287,827)	—	—	—	—	(287,827)
	Total	(16,000,000)	732,470	(3,673,321)	(400,000)	(165,000) ³	(19,505,851)

¹ The campus budgets were reduced by 0.62%.

² Adjusts the building reserves for new and renovated buildings due to changes in completion dates and recalculation of reserve costs.

³ This amount includes the following reductions: SREB Contract Programs Phase-Out (\$93,000), and Coaching Scholarships Elimination (\$72,000), which begins phase-out of the Physical Education/Coaching Scholarship Loan program.

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

The Conference Budget identifies appropriations to other State agencies for The University and its programs as follows:

Department of Public Instruction

School Connectivity Initiative

Of the funds appropriated to DPI for the school connectivity initiative, up to \$600,000 may be transferred annually through June 30, 2013 to the Friday Institute at North Carolina State University. The related special provision from the Budget Appropriations Act (House Bill 2436) is shown below:

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.6.(a) Up to six hundred thousand dollars (\$600,000) may be transferred annually through June 30, 2013, to the Friday Institute at North Carolina State University to evaluate the effectiveness of using technology and its impact on 21st Century Teaching and Learning outcomes approved by the State Board of Education. The Friday Institute shall report annually to the State Board of Education on the evaluation results, including recommendations for continued implementation of the school connectivity initiative that improves teaching and learning.

Department of Health and Human Services

Child Welfare Collaborative Funds

In accordance with the Joint Conference Committee Report, \$900,000 in nonrecurring funds is provided to four UNC institutions – Fayetteville State University, UNC Charlotte, UNC Pembroke, and Western Carolina University to expand social work programs. These funds will be used to increase the number of persons holding Bachelors of Social Work and Masters of Social Work degrees working in Child Protective Services in local departments of social services.

Recruitment Development

In accordance with the Joint Conference Committee Report, \$125,000 in recurring funds is provided to the UNC-CH School of Nursing for expansion of the Psychiatry Nurse Practitioner Scholarship Program.

Autism Awareness and Education Video

In accordance with the Joint Conference Committee Report, \$30,000 in nonrecurring funds is provided for the development of a video for autism education and awareness for public officials, including judicial branch officials. Funds will be allocated to the Treatment and Education of Autistic and Related Communication-Handicapped Children (TEACCH) at UNC-Chapel Hill.

Mental Health Block Grant

The General Assembly appropriated \$300,000 to UNC-CH School of Medicine for the Department of Psychiatry. The Budget Appropriations Act (House Bill 2436) contained the following related special provision, which specifies the use of these funds:

MENTAL HEALTH BLOCK GRANT

SECTION 10.17.(bb) Of the three hundred thousand dollars (\$300,000) appropriated for the UNC School of Medicine, Department of Psychiatry, for the 2008-2009 fiscal year, the sum of two hundred thousand dollars (\$200,000) shall be used to: (i) expand the Department of Psychiatry's Schizophrenia Treatment and Evaluation Program (STEP) into a community setting, (ii) provide training for the next generation of psychiatrists, social workers, psychologists, and nurses to address the current workforce crisis, (iii) provide statewide training and consultation in evidence-based practices, and (iv) provide ongoing support for the STEP and OASIS clinics.

Of the three hundred thousand dollars (\$300,000) appropriated for the UNC School of Medicine, Department of Psychiatry, for the 2008-2009 fiscal year, the sum of one hundred thousand dollars (\$100,000) shall be used to provide bridge funding for OASIS, a statewide program providing targeted, intense interventions to individuals in the early stages of schizophrenia when chronicity and disability may be most preventable. Funds shall be used to support OASIS as foundation support ends, allowing OASIS to transition to funding through private insurance, Medicaid, State appropriations for Mental Health, Developmental Disabilities, and Substance Abuse Services, and other funding streams.

Other Budget-Related Special Provisions

CLOSING THE ACHIEVEMENT GAP/GRANTS

SECTION 9.3.(a) Of the funds appropriated by this act for the 2008-2009 fiscal year to the Board of Governors of The University of North Carolina to be used for the North Carolina Historically Minority Colleges and Universities initiative for "Closing the Achievement Gap," North Carolina Central University may use up to fifteen percent (15%) of the funds to cover the costs for administering the grants and shall award at least eighty-five percent (85%) of the funds as grants to participating public and private institutions of higher education identified as historically minority colleges and universities. These funds shall be used for the public purposes of developing and implementing after-school programs designed to close the academic achievement gap and improving the academic performance of youth at risk of academic failure and school dropout. A grant recipient under this section may also allocate the grant funds to a community-based organization that is located in close proximity to the grant recipient for the public purposes stated in this section.

SECTION 9.3.(b) North Carolina Central University shall report to the Joint Legislative Education Oversight Committee and to the Fiscal Research Division by April 1, 2009, regarding the number of grants awarded, the recipients of the grants, the amount of the grant awarded, the programs and purposes for which the grant was awarded, the cost of administering the grant, and any other information requested by the Committee or Fiscal Research Division. The grants awarded pursuant to this section shall also include as a term of the grant that the recipient of the grant report to the Joint Legislative Education Oversight Committee and to the Fiscal Research Division regarding the amount of the grant received, the program and purposes for which the grant was requested, the methodology used to implement the grant program and purposes, the results of the program funded by the grant, and any other information requested by the Joint Legislative Education Oversight Committee and the Fiscal Research Division.

REPORTING ON UNC FACULTY WORKLOAD

SECTION 9.6.(a) The Board of Governors shall conduct a study on faculty workload. The study shall be done using the Delaware Study Method of collecting data. Information in the report shall include, but is not to be limited to:

- (1) Faculty workload data for each UNC constituent institution compared to the UNC enrollment model.
- (2) UNC faculty workload average as compared to the UNC enrollment model student credit hours per instructional position.
- (3) Faculty workload of regional and peer institutions as compared to each UNC constituent institution faculty average and to the UNC faculty workload average.

SECTION 9.6.(b) The UNC Board of Governors shall submit the study to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division no later than August 1, 2008.

REVERT THE 2007-2008 APPROPRIATION FOR THE EDUCATION ACCESS REWARDS NORTH CAROLINA (EARN) SCHOLARS FUND

SECTION 9.9. Effective June 30, 2008, the unencumbered balance of the funds appropriated in 2007-2008 to The University of North Carolina Board of Governors and the State Education Assistance Authority in Section 9.7 of S.L. 2007-323 shall revert to the General Fund. The amount reverted shall be no less than twenty-seven million six hundred five thousand two hundred ten dollars (\$27,605,210).

HIGHER EDUCATION STUDIES/DISTANCE EDUCATION AND UNC ENROLLMENT GROWTH FUNDING FORMULAS

SECTION 9.10.(a) The Joint Legislative Program Evaluation Oversight Committee shall include in the 2009-2010 Work Plan for the Program Evaluation Division of the General Assembly a study of the start-up and ongoing cost of distance education and compare it with the start-up and ongoing cost of on-campus education. The Program Evaluation Division shall submit the study to the Joint Legislative Program Evaluation Oversight Committee, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division at a date to be determined by the Joint Legislative Program Evaluation Oversight Committee.

SECTION 9.10.(b) The Joint Legislative Program Evaluation Oversight Committee shall include in the 2009-2010 Work Plan for the Program Evaluation Division of the General Assembly a comprehensive review of the full-time equivalencies (FTE) and student credit hours (SCH) enrollment growth funding formulas used by The University of North Carolina. In its study, the Program Evaluation Division shall consider and evaluate all of the following:

- (1) The assumptions contained within each element of the funding formulas.
- (2) Benchmark information related to specific elements within the formulas.
- (3) How a formula based on full-time equivalencies (FTE) compares with a formula based on Student Credit Hours (SCH).
- (4) The types of formulas used by other states to fund university systems; how those states use those formulas; the success of the formulas with regard to indicating future financial needs, providing equitable funding to different institutions within the system based on the size, mission, and growth of each institution; and the types of support programs, if any, addressed by the formulas.
- (5) The objectives that the formulas are designed to meet and whether those accurately reflect the goals of The University of North Carolina System.
- (6) How the current formulas should be modified, if at all, to more accurately predict The University of North Carolina System's future financial needs or whether different types of formulas would be more helpful.

The Program Evaluation Division shall submit the study to the Joint Legislative Program Evaluation Oversight Committee, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division at a date to be determined by the Joint Legislative Program Evaluation Oversight Committee.

In addition to the special provisions in the Budget Appropriations Act (House Bill 2436) that were previously cited, the following are noted for information. No Board actions are required.

Section	Special Provision
9.1	Eliminate Coaching Scholarship Loan Program/Transfer Fund Balance to General Fund
9.2	Private College Student Eligibility for Earn Scholarship/Use of Escheat Funds for Certain Earn Scholarships
9.7	UNC-NCCCS 2+2 E-Learning Initiative
9.11	Legislative Tuition Grant/Redefine Part-Time Student
9.13	Agriculture Research Stations

2008-09 Budget Comparison

**The University of North Carolina
Budget Comparison
2008-09**

	BOG Budget Priorities		House		Senate		Final	
Authorized Continuation Budget	2,656,447,099		2,656,447,099		2,656,447,099		2,656,447,099	
Enrollment Adjustment	34,667,264		14,613,302		34,613,302		34,613,302	
Total Continuing Operations	2,691,114,363		2,671,060,401		2,691,060,401		2,691,060,401	
<u>UNC Reductions & Adjustments :</u>								
Total UNC Reductions & Adjustments	–		(29,594,475)		(\$3,505,851)		(\$19,505,851)	
Building Reserve Adjustments	–		(3,673,321)		(3,673,321)		(3,673,321)	
	–		732,470	NR	732,470	NR	732,470	NR
Flexibility Reduction <i>The UNC President and the Board of Governors will determine the allocation of budget cuts.</i>	–		(18,499,495)		–		(16,000,000)	
Reduction to Inflationary Increases – Utilities	–		(1,300,759)		–		–	
Reduction to Inflationary Increases – Library Books	–		(1,331,512)		–		–	
Reduction to Incr. – Campus Vehicles & Equipment Replacement	–		(4,956,858)		–		–	
SREB Contract Programs Phase-Out	–		(93,000)		(93,000)		(93,000)	
Coaching Scholarships Elimination	–		(72,000)		(72,000)		(72,000)	
Tuition Surcharge Over-realized Receipts	–		(400,000)		(400,000)		(400,000)	
<i>Note: Conference budget requires that \$1M of the Principal Fellows Trust Fund balance revert to the General Fund and another \$1.74M be used for payments to the PEP participants of Class 10.</i>								
<u>Expansion Items :</u>								
Campus Safety	11,700,000	R	6,400,000	R	7,000,000	R	6,000,000	R
	17,500,000	NR	6,400,000	NR	10,000,000	NR	9,000,000	NR
Academic Salary Increases	153,847,371		56,020,000		64,020,000		61,620,000	
Competitive Salaries for Faculty – 80th percentile of Peers	69,621,862		–		–		–	
Merit-Based EPA Salary Increases (BOG-4%; Conference-3%)	72,225,509		54,020,000		54,020,000		54,020,000	
<i>SPA: Conference - greater of \$1,100 or 2.75%</i>								
Distinguished Professorships	7,000,000		2,000,000	NR	5,000,000	NR	4,600,000	NR
Faculty Recruiting and Retention Fund	5,000,000		–		5,000,000		3,000,000	

NR = nonrecurring

**The University of North Carolina
Budget Comparison
2008-09**

	BOG Budget Priorities		House		Senate		Final	
Student Success & Retention & Graduation	300,000		–		–		–	
University of North Carolina Online	300,000	NR	–		–		–	
Research	66,639,711		7,500,000		15,750,000		14,000,000	
NC Research Competitiveness & Commercialization Gap Funding	30,000,000		–		3,000,000	NR	1,000,000	NR
Graduate Student Recruitment & Retention	8,384,715		–		2,000,000		1,500,000	
Center for Bioenergy Technologies (NCSU)	2,043,594	R	–		–		–	
	3,800,000	NR	–		1,250,000	NR	1,250,000	NR
Electric Vehicle Research (NCSU)	500,000		–		500,000	NR	250,000	NR
NC Research Campus (Kannapolis)	13,972,402		3,000,000		7,000,000		6,000,000	
Joint Program in Nanosciences & Nanoengineering (NCA&T and UNCG)	2,939,000	R	2,000,000	R	1,000,000	R	1,500,000	R
	4,000,000	NR	1,500,000	NR	1,000,000	NR	1,500,000	NR
Biomanufacturing Research Institute & Technology Enterprise (BRITE) Initiative (NCCU)	1,000,000		1,000,000		–		1,000,000	
More and Better Teachers & Improved Schools	8,504,800		200,000		870,000		600,000	
New Teacher Support and Mentoring Aimed at Retention	2,748,000		–		–		–	
NC Center for the Advancement of Teaching	378,400		–		–		–	
Comprehensive Pilot for New Teacher Support	601,400		–		–		–	
Mathematics Science Education Network (MSEN) Pre-college Prog. <i>Conference funding for continuation of ECU and WCU programs</i>	870,000		–		870,000	NR	400,000	NR
NCSSM Online High School Courses	350,000		–		–		–	
NC Center for International Understanding	200,000		200,000	NR	–		200,000	NR
Principals' Executive Program (PEP) and Kenan-Flagler Leadership Program for Priority Middle & High Schools	607,000		–		–		–	
Science, Technology, Engineering & Mathematics (STEM) Education (NCSU & UNC-CH)	1,250,000		–		–		–	
UNCC Lateral Entry and Teacher Educ. Support Programs	1,500,000		–		–		–	
Healthcare	24,000,000		9,190,562		9,000,000		4,750,000	
Contract Programs in Other States/BOG Medical & Dental Scholarship Programs	–		see reductions on p. 1		see reductions on p. 1		see reductions on p. 1	
Dental School (ECU)	2,000,000		1,500,000		1,000,000		1,500,000	
Area Health Education Centers	3,000,000		1,190,562		2,000,000		1,750,000	
Medical School Expansion Planning Funding (ECU/UNC-CH/UNCC) <i>Conference only recommends funding for ECU & UNC-CH</i>	5,000,000		4,000,000		2,000,000	NR	1,500,000	NR
Nursing Program Expansions (ASU, UNCC, UNCW)	1,500,000		–		–		–	
Indigent Care – ECU	5,000,000		2,500,000	NR	2,000,000	NR	–	
Indigent Care – UNC Hospitals	7,500,000		–		2,000,000	NR	–	

NR = nonrecurring

UNC-GA Finance
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**The University of North Carolina
Budget Comparison
2008-09**

	BOG Budget Priorities		House		Senate		Final	
Regional & Statewide Economic Transformation and Competitiveness	23,668,750		8,100,000		7,218,750		9,350,000	
NCSU College of Engineering	10,000,000		1,000,000		3,000,000		2,000,000	
NCA&T College of Engineering	2,000,000		2,000,000		1,500,000		2,000,000	
NCCU School of Law	2,500,000		2,500,000		–		2,000,000	
Entrepreneurship & Regional Cluster-based Economic Devel. (NCSU)	2,000,000		–		–		–	
Support for NC Communities (UNC-CH)	1,000,000		–		–		–	
Funding Support for Regional Collaborations	968,750		–		968,750		500,000	
Center for Applied Public Policy (UNC-CH)	1,250,000		–		–		–	
ECSU Aviation Program	950,000		300,000	R	–		300,000	R
			300,000	NR	–		300,000	NR
WCU Forensic Science Program	500,000		500,000		–		500,000	
Campuses Specializing in the Arts & Sciences (UNCA, UNCSEA, NCSSM) <i>Conference - UNCA-\$750K; UNCSEA-\$750K; NCSSM-\$250K</i>	2,500,000		1,500,000	NR	1,750,000		1,750,000	
UNC Systems Support & Data Integration	1,957,751	R	–		1,957,751	R	1,000,000	R
	2,020,000	NR	–		1,720,000	NR	1,000,000	NR
Affiliated Entities	953,522		400,000		230,000		400,000	
UNC-TV Statewide Public Affairs & Informational Program Services	588,533		200,000		230,000		200,000	
NC Arboretum International Institute for Natural Biotechnology and Integrative Medicine	200,000		200,000	NR	–		200,000	NR
UNC Press Digital Books	164,989		–		–		–	

NR = nonrecurring

**The University of North Carolina
Budget Comparison
2008-09**

	BOG Budget Priorities	House	Senate	Final
Other UNC Items	–	2,208,000	2,878,064	2,828,064
Cochlear Implant Programs (Conference \$575K-UNC-CH; \$100K-ECU)	–	500,000	NR 675,000	NR 675,000
UNC-CH TEACCH	–	358,000	353,064	353,064
NCSU Veterinary Medicine Clinical Teaching & Research Fund	–	200,000	NR 200,000	NR 200,000
FSU Fire Training Tower	–	400,000	NR –	400,000
NCSU Dairy Agriculture Extension Agents	–	200,000	–	200,000
UNC-CH Statewide Prog. For Infection Control & Epidemiology (SPICE)	–	250,000	NR 250,000	NR 250,000
UNCG A+ Schools	–	100,000	NR –	NR 100,000
UNCP Fire Protection Funds	–	200,000	NR –	200,000
EARN Scholars Revision - allow private college students and fund total of \$66.2 million estimated need for the program in 2008-09	–	(50,000,000) *	(50,000,000) *	(43,775,000) *
UNC-CH Perinatal Mortality and Disease	–	–	500,000	NR 250,000
Study DPI Structure and Organization	–	–	200,000	NR –
NCSU Horticultural Program in Eastern NC	–	–	200,000	200,000
NC Center for Nursing	–	–	500,000	NR –
UNC to Study Coastal Sounds Wind Energy <i>BOG shall use available funds from its budget to conduct study & may apply for, receive, or accept grants/contrib. from any source</i>	–	–	within available funds	within available funds
UNC and DENR to Study Plastics Use <i>Shall use available funds from their budgets to conduct study & may apply for, receive, or accept grants/contrib. from any source</i>	–	–	–	within available funds
Aid to Private Colleges	–	(\$1,050,000)	(\$2,800,000)	(\$1,050,000)
Legislative Tuition Grant Adjustment	–	(1,700,000)	(1,700,000)	(1,700,000)
State Contractual Scholarship Fund Adjustment	–	(1,100,000)	(1,100,000)	(1,100,000)
Legislative Tuition Grant for Half-time Students	–	1,750,000	–	1,750,000
Recurring budget amounts	283,471,905	63,404,919	116,554,546	98,848,045
Nonrecurring budget amounts	27,620,000	16,982,470	32,397,470	25,757,470
Recommended UNC Operating Budget Changes	311,091,905	80,387,389	148,952,016	124,605,515
Total Recommended UNC Operating Budget	3,002,206,268	2,736,834,488	2,805,399,115	2,781,052,614

* Non-add item (nonrecurring) - change in funding source

In addition to the items listed, the Conference budget recommends \$900,000 in nonrecurring funds to expand social work programs at FSU, UNCC, UNCP, & WCU, \$125,000 for the expansion of the Nurse Practitioner Scholarship Program at UNC-CH School of Nursing, \$300,000 to UNC-CH School of Medicine for four projects in the Department of Psychiatry, and \$30,000 in nonrecurring funds for UNC-CH's TEACCH to develop an autism education and awareness video. In addition, of funds appropriated to DPI for the School Connectivity Initiative, up to \$600,000 annually may be transferred to the Friday Institute at NCSU. These items are located outside of the University section of the Committee Report.

NR = nonrecurring

UNC-GA Finance
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**The University of North Carolina
Budget Comparison
2008-09**

	BOG Priorities	House		Senate		Final	
Capital Budget (all items are nonrecurring)	737,293,340	410,818,016		610,079,210		623,127,826	
<u>Priorities</u>	528,834,000						
Fire Safety Improvements – Student Residence Halls	38,500,000	3,000,000		10,000,000*		10,000,000*	
ECU School of Dentistry	62,000,000	62,000,000*		69,000,000*		69,000,000*	
ECSU School of Education Building	18,000,000	18,000,000*		18,000,000*		18,000,000*	
NCA&T General Classroom Instructional Facility	20,487,000	20,490,000*		20,490,000*		20,490,000*	
NCCU School of Nursing Building	22,500,000	24,500,000*		–		24,500,000*	
NCSSM Discovery Center – Science Labs/Classrooms/ Residence Hall	66,663,000	7,250,000		–		7,250,000	
NCSU Centennial Campus Library	97,000,000	109,100,000*		109,100,000*		109,100,000*	
UNC-CH Dental Sciences Teaching and Learning Building	69,000,000	69,000,000*		69,000,000*		69,000,000*	
UNCC Energy Production Infrastructure Center	57,218,000	–		57,218,000*		57,218,000*	
UNCG Academic Classroom & Office Building	42,667,000	42,670,000*		42,670,000*		42,670,000*	
WSSU Student Activities Center – Budget Supplement	9,799,000	9,799,000		9,799,000*		9,799,000*	
System-wide Reserve for Land Acquisition	25,000,000	5,000,000		35,000,000*		25,000,000*	
<u>Next Priorities</u>	208,459,340						
ASU College of Nursing & Health Sciences Building – Planning	4,200,000	2,100,000		4,200,000		4,200,000	
ECU New Family Medicine/Geriatric Center	36,800,000	1,874,932		36,800,000*		36,800,000*	
ECSU School of Aviation Complex	14,500,000	1,500,000		1,500,000		1,500,000	
FSU Teaching Education & General Classroom Building – Planning	4,272,100	1,700,000		4,272,110		4,272,110	
NCA&T Joint Primary Data Center – Planning (with UNCG)	2,315,020	1,852,016		–		1,852,016	
NCSA Central Storage Facility – Planning	1,110,000	444,000		11,100,000*		11,100,000*	
NCSU Engineering Complex	21,373,400	–		21,373,400		14,400,000	
UNCA Replace Carmichael Hall & University Lecture Hall – Planning	2,680,100	1,100,000		1,100,000		1,100,000	
UNC-CH Carolina North Development, Phase 1 – Planning	16,900,000	3,500,000**		16,900,000**		11,500,000**	
UNC-CH Biomedical Research Imaging Center – Planning	19,500,000	4,000,000		31,000,000***		35,000,000***	
UNCC Science Building – Planning	12,000,000	2,400,000		2,400,000		2,400,000	
UNCG Joint Primary Data Center – Planning (with NCA&T)	2,315,020	see NCA&T above		–		see NCA&T above	
UNCP Information Commons Building – Planning	5,000,000	2,000,000		2,000,000		2,000,000	
UNCW Allied Health and Human Sciences Building – Planning	4,320,000	1,700,000		4,320,000		4,320,000	
WCU Education and Allied Professions Building – Planning	4,018,700	1,900,000		4,018,700		4,018,700	
WSSU Sciences and General Office Building	24,900,000	3,000,000		3,000,000		3,000,000	
WSSU/NCSA Center for Design Innovation – Site Preparation	1,500,000	1,500,000*		1,500,000*		1,500,000*	
UNC Hospitals Inpatient Bed Tower & Operating Room Facility – Planning	16,275,000	–		–		–	
Upper Coastal Plain Higher Education Center	14,480,000	1,000,000		1,000,000		1,000,000	

**The University of North Carolina
Budget Comparison
2008-09**

	BOG Priorities	House		Senate		Final	
Other Items							
NCA&T Land Acquisition and Construction of Horse Barns (at the proposed Barnes St. site in Reidsville & jointly operated by NCA&T, the County of Rockingham, and the City of Reidsville)	–	2,438,068		2,438,000 *		2,438,000 *	
NCSU 4-H Camp Improvements	–	2,500,000		4,500,000		4,000,000 *	
UNC-CH Morehead Planetarium Renovation and Expansion	–	3,500,000		3,480,000		1,800,000	
NCSA Film School Production Facility	–	–		12,900,000 *		12,900,000 *	
Repair and Renovation Reserve		27,600,000		50,000,000		32,126,049 ****	
<i>BOG requests modification of the current R&R allocation formula to accurately reflect the proportion of state-owned buildings throughout the state.</i>		<i>House 46%</i>		<i>Senate 50%</i>		<i>Conference 46%</i>	

* The Conference Committee recommends funding these projects with Certificates of Participation (COPS).

In addition to the items listed, the Conference Committee Report recommends \$4,303,944 in COPS for a research scale oyster hatchery in the Division of Marine Fisheries to be located at the Center for Marine Science at UNCW.

In addition to the COPS funding for Fire Safety Improvements, the Conference Budget [Section 27.3(b)] requires the use of housing receipts and a portion of Repair and Renovation funds for residence hall sprinklering projects.

** The Board of Governors recommended the UNC-CH Law School Replacement - Planning as a part of the UNC-CH Carolina North, Phase I - Planning. The House budget recommended planning funds only for the Law School project. The Senate budget included the Law School planning funds in the \$16.9M for the Carolina North project. The Conference Committee recommends funds for planning the Law School replacement and infrastructure for the Law School and the Innovation Center.

*** In addition to this appropriation, there is also a special provision in the Conference Budget [Section 27.7B] that appropriates \$172M in 2009-10 and \$45M in 2010-11 to fully construct UNC-CH's Biomedical Research Imaging Center.

****The Appropriations Act (House Bill 2436) proposed 46% of \$69,839,238, or \$32,126,049 to go to the University. However, of that amount, \$2.3 million was required to be allocated to the Energy Efficiency Reserve [Section 27.3(e)]. The technical corrections bill (House Bill 2438) directed that the \$2.3 million go to UNC to be used for energy efficiency projects [Section 2.7(b)].

2008 Allocations of Funds – Capital Improvements

A. Capital Improvements Appropriations and Authorizations

The General Assembly appropriated \$99,612,826 from the General Fund and authorized the issuance of \$523,515,000 in certificates of participation (COPS) for the following projects.

Capital Improvements (all items are nonrecurring)	Appropriations	COPS *	Total
Fire Safety Improvements - Student Residence Halls	-	10,000,000	10,000,000
ASU College of Nursing & Health Sciences Building – Planning	4,200,000	-	4,200,000
ECU School of Dentistry	-	69,000,000	69,000,000
ECU New Family Medicine/Geriatric Center	-	36,800,000	36,800,000
ECSU School of Education Building	-	18,000,000	18,000,000
ECSU School of Aviation Complex	1,500,000	-	1,500,000
FSU Teaching Education & General Classroom Building – Planning	4,272,110	-	4,272,110
NCA&T General Classroom Instructional Facility	-	20,490,000	20,490,000
NCA&T Joint Primary Data Center – Planning (with UNCG)	1,852,016	-	1,852,016
NCA&T Land Acquisition and Construction of Horse Barns	-	2,438,000	2,438,000
NCCU School of Nursing Building	-	24,500,000	24,500,000
NCSA Central Storage Facility	-	11,100,000	11,100,000
NCSA Film School Production Facility	-	12,900,000	12,900,000
NCSU Centennial Campus Library	-	109,100,000	109,100,000
NCSU Engineering Complex	14,400,000	-	14,400,000
NCSU 4-H Camp Improvements	-	4,000,000	4,000,000
UNCA Replace Carmichael Hall & University Lecture Hall – Planning	1,100,000	-	1,100,000
UNC-CH Dental Sciences Teaching and Learning Building	-	69,000,000	69,000,000
UNC-CH Carolina North Development, Phase 1 – Planning **	11,500,000	-	11,500,000
UNC-CH Biomedical Research Imaging Center – Planning	35,000,000	-	35,000,000
UNC-CH Morehead Planetarium Renovation and Expansion	1,800,000	-	1,800,000
UNCC Energy Production Infrastructure Center	-	57,218,000	57,218,000
UNCC Science Building – Planning	2,400,000	-	2,400,000
UNCG Academic Classroom & Office Building	-	42,670,000	42,670,000
UNCG Joint Primary Data Center – Planning (with NCA&T) <i>see NCA&T above</i>	-	-	-
UNCP Information Commons Building – Planning	2,000,000	-	2,000,000
UNCW Allied Health and Human Sciences Building – Planning	4,320,000	-	4,320,000
WCU Education and Allied Professions Building – Planning	4,018,700	-	4,018,700
WSSU Student Activities Center – Budget Supplement	-	9,799,000	9,799,000
WSSU Science and General Office Building	3,000,000	-	3,000,000
WSSU/NCSA Center for Design Innovation – Site Preparation	-	1,500,000	1,500,000
NCSSM Discovery Center – Science Labs/Classrooms/ Residence Hall	7,250,000	-	7,250,000
System-wide Reserve for Land Acquisition	-	25,000,000	25,000,000
Upper Coastal Plain Higher Education Center	1,000,000	-	1,000,000
Total	99,612,826	523,515,000	623,127,826

* The Conference Committee recommends funding these projects with Certificates of Participation (COPS).

In addition to the items listed, the Conference Committee Report recommends \$4,303,944 in COPS for a research scale oyster hatchery in the Division of Marine Fisheries to be located at the Center for Marine Science at UNCW.

**The Board of Governors recommended the UNC-CH Law School Replacement – Planning as a part of the UNC-CH Carolina North, Phase I – Planning. The House budget recommended planning funds only for the Law School project. The Senate budget included the Law School planning funds in the \$16.9M for the Carolina North project. The Conference Committee recommends funds for planning the Law School replacement and infrastructure for the Law School and the Innovation Center.

B. Reserve for Repairs and Renovations

The 2008 General Assembly appropriated \$69,839,238 to the Statewide Reserve for Repairs and Renovations, of which \$32,126,049 (46%) was allocated by special provision to the Board of Governors, in House Bill 2436 as shown below.

REPAIR AND RENOVATION RESERVE ALLOCATION

SECTION 27.3.(a) Of the funds in the Reserve for Repairs and Renovations for the 2008-2009 fiscal year, forty-six percent (46%) shall be allocated to the Board of Governors of The University of North Carolina for repairs and renovations pursuant to G.S. 143C-4-3, in accordance with guidelines developed in The University of North Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as approved by the Board of Governors of The University of North Carolina, and fifty-four percent (54%) shall be allocated to the Office of State Budget and Management for repairs and renovations pursuant to G.S. 143C-4-3

Notwithstanding G.S. 143-15.3A, the Board of Governors may allocate funds for the repair and renovation of facilities not supported from the General Fund if the Board determines that sufficient funds are not available from other sources and that conditions warrant General Fund assistance. Any such finding shall be included in the Board's submission to the Joint Legislative Commission on Governmental Operations on the proposed allocation of funds.

The Board of Governors and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations prior to the allocation or reallocation of these funds.

SECTION 27.3.(b) Of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used by the Board of Governors for the installation of fire sprinklers in University residence halls. This portion shall be in addition to funds otherwise appropriated in this act for the same purpose. Such funds shall be allocated among the University's constituent institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

- (1) The safety and well-being of the residents of campus housing programs.
- (2) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.
- (3) 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.
- (4) 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.
- (5) 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.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports shall also include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until all residence halls have fire sprinklers.

SECTION 27.3.(c) The Energy Efficiency 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 2008-2009 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, 2009.

SECTION 27.3.(e) Of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, \$2,300,000 shall be allocated to the Energy Efficiency Reserve created in subsection (c) of this section. Notwithstanding subsection (a) of this section, the Board of Governors may allocate these funds without consulting with the Joint Legislative Commission on Governmental Operations

Section 27.3.(e) was amended by the 2008 General Assembly, the technical corrections bill, HB 2438, as shown below.

SECTION 2.7.(b) Section 27.3(e) of S.L. 2008-107 is amended by deleting the phrase "to the Energy Efficiency Reserve created in subsection (c) of this section." and substituting the phrase "for energy efficiency projects consistent with subsection (c) of this section."

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 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 and \$2,300,000 for energy efficiency projects. 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

Architectural and Electrical Systems Renovations – Coker Building	325,000
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The North Carolina Arboretum

Interior Renovations – Education Center	220,000
Renovate Outdoor Exhibit Areas Impacted by Construction	60,000
Exterior Building Repairs – Campus-wide	40,000

The North Carolina Center for the Advancement of Teaching

Seawall Replacement – Phase 2 – Ocracoke Campus	148,000
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The University of North Carolina Center for Public Television

Electrical Distribution System Upgrades – Bryan Center	90,000
Roof and Exterior Repairs – Bryan Center	70,000
Interior Repairs and Renovations – Bryan Center	150,000

The University of North Carolina - General Administration

Replace air-conditioning units – Meredith Riggs Spangler Building	35,000
Energy conservation improvements and building controls upgrade – Spangler Center	55,042

Sub-Total – Allocations Prior to Applying the Formula	\$1,193,042
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Allocations Applying the Formula:

Appalachian State University	\$ 1,503,300
East Carolina University	3,496,000
Elizabeth City State University	773,300
Fayetteville State University	773,300
North Carolina A&T State University	1,468,400
North Carolina Central University	960,100
North Carolina School of Science and Mathematics	773,300
North Carolina State University	6,280,100
The University of North Carolina at Asheville	773,407
The University of North Carolina at Chapel Hill	6,508,000
The University of North Carolina at Charlotte	1,698,200
The University of North Carolina at Greensboro	1,562,900
The University of North Carolina at Pembroke	773,300
The University of North Carolina School of the Arts	773,300
The University of North Carolina at Wilmington	1,049,400
Western Carolina University	993,400
Winston-Salem State University	773,300

Sub-Total - Campus Allocations	\$30,933,007
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TOTAL ALLOCATIONS	\$32,126,049
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C. Nonappropriated Capital Improvements Project Authorizations

In response to the Board's request, the 2008 General Assembly authorized nonappropriated capital projects totaling \$401,499,000. The projects are listed below.

Appalachian State University	
Kidd Brewer Stadium Improvements	8,300,000
East Carolina University	
Athletic Facilities Expansion and Improvements	30,000,000
Dining Facilities Improvements	9,700,000
Residence Halls Improvements and Expansion	28,500,000
Dowdy-Ficklen Stadium Improvements	24,000,000
North Carolina Central University	
Student Facilities Improvements	11,500,000
North Carolina State University	
Student Health Center Expansion	10,900,000
Avent Ferry Administration Center Renovation	5,200,000
Centennial Campus Tenant Space Renovations	10,000,000
Collaborative Research Building I	35,000,000
The University of North Carolina at Chapel Hill	
Athletic Facilities Renovation and Expansion	7,023,000
Carmichael Auditorium - Supplement	9,500,000
Carmichael Residence Hall - Supplement	1,300,000
Dental Sciences Teaching and Learning Building	26,000,000
Fetzer Gymnasium Expansion	2,500,000
Kenan Stadium Expansion, Phase 1	50,000,000
Mary Ellen Jones Animal Facility Renovation	10,000,000
Medical Research Building D Renovation and Expansion	5,000,000
Old East and Old West Residence Halls Improvements - Supplement	3,200,000
Research Resource Facility - Phase III	8,600,000
Robertson Scholars Site Preparation	1,900,000
Woollen Gymnasium (Sports Medicine) - Supplement	1,500,000
Chilled Water Infrastructure	6,000,000
Cogeneration and Steam Infrastructure Improvements and Expansion	17,700,000
Electrical Infrastructure Improvements	13,500,000
The University of North Carolina at Charlotte	
Residence Hall Fire Suppression Sprinkler System Installation	16,200,000
The University of North Carolina at Greensboro	
Cone Residence Hall Fire Alarm System Replacement	948,000
North and South Spencer Residence Hall Improvements	5,978,000
Baseball Locker Room and Training Facility	2,800,000
The University of North Carolina at Wilmington	
Student Recreation Center Expansion	35,000,000
Winston-Salem State University	
Student Activities Center	3,750,000
Total	<hr/> \$401,499,000

SECTION 1.3. Pursuant to G.S. 143C 8-12, the following projects are authorized for planning only and, for that purpose, are to be funded entirely with non-General Fund money:

Appalachian State University

Student Residential, Learning and Activity Development – Advance Planning 6,400,000

Fayetteville State University

Student Residence Hall and Fitness Center – Advance Planning 5,900,000

The University of North Carolina at Charlotte

Partnership, Outreach, and Research for Accelerated Learning (PORTAL) 5,000,000

Building – Advance Planning

Motorsports Building II – Advance Planning 800,000

UNC Health Care System

Inpatient Bed Tower and Operating Room Facility 16,275,000

D. Other Actions by the 2008 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 campus of University of North Carolina at Chapel Hill.

	<u>Decrease</u>	<u>Increase</u>
University of North Carolina at Chapel Hill		
Berryhill Laboratory Building – Comprehensive Renovation	\$8,600,000	–
Division of Laboratory Animal Medicine – Upfits	–	\$8,600,000

E. Other UNC-related special provisions

GATEWAY UNIVERSITY RESEARCH PARK, INC.

SECTION 3. G.S. 42-94 reads as rewritten:

"§ 142-94. Procurement of capital facilities.

The provisions of Articles 3, 3B, 3C, 3D, and 8 of Chapter 143 of the General Statutes and any other laws or rules of the State that relate to the acquisition and construction of State property apply to the financing of capital facilities through the use of special indebtedness pursuant to this Article. This section does not apply to the construction and lease-purchase, including leases with an option to purchase at the end of the lease term for a nominal sum, of State office buildings pursuant to proposals submitted before the effective date of this Article in response to requests for proposals, to the extent any of those proposals, as they may be supplemented or amended, are approved by the Department of Administration and any of these leases or lease-purchase agreements are approved by the Council of State in accordance with G.S. 143-341(4)d2. With the exception of Article 8 of Chapter 143 of the General Statutes, this section does not apply to any special indebtedness issued pursuant to this Article for the purchase, construction, or operation of capital facilities by Gateway University Research Park, Inc., a joint Millennial Campus in Greensboro."

ALLOW THE UNIVERSITY OF NORTH CAROLINA TO CREATE AN AIRPORT AUTHORITY

SECTION 4.1. G.S. 116-11 is amended by adding a new subdivision to read:

"(12c) The Board of Governors may create one airport authority to support the missions of the University of North Carolina at Chapel Hill or the University of North Carolina Health Care System. An authority so created shall be a political subdivision of the State. The territorial jurisdiction of the authority shall be the county in which the airport may be established under G.S. 116- 271(c). Article 33 of this Chapter provides for such authorities."

WESTERN CAROLINA UNIVERSITY, UNC ASHEVILLE, M.A.H.E.C.

SECTION 3.8. Section 1.1 of S.L. 2004-179, as amended by Section 30.3A of S.L. 2005-276 and Section 2.1 of S.L. 2006-146, authorized the State to issue or incur special indebtedness in order to provide funds to the State for Western Carolina University to be used, together with other available funds, to pay the cost of land acquisition, site preparation, engineering, architectural, and other consulting services and construction of a building for Western Carolina University and the Mountain Area Health Education Consortium for the North Carolina Center for Health and Aging to be operated as a consortium among Western Carolina University, the University of North Carolina at Asheville, and the Mountain Area Health Education Consortium.

Western Carolina University, the University of North Carolina at Asheville, and the Mountain Area Health Education Consortium may expend available funds, including appropriations, for the operation and maintenance of this facility.

UPPER COASTAL PLAIN HIGHER EDUCATION AND HEALTH CENTER

SECTION 3.1. Notwithstanding any provision in S.L. 2008-107 to the contrary, the nursing and allied health program that will be housed at the UNC Upper Coastal Plain Higher Education and Health Center for which planning funds are provided in S.L. 2008-107 shall be run by East Carolina University, Edgecombe Community College, and Nash Community College.

F. Additional Information

The table on the following page, *General Assembly Funding - Ten Year History*, a summary by institution of capital improvements appropriations from 1999 through 2008, is provided as supplementary information.

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

Institutional Appropriations	1999	2000	2000 Bonds*	2001**	2002	2003	2003 COPS	2004	2004 COPS	2005	2006	2007	2007 COPS	2008	2008 COPS	1999-2008
ASU	\$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	\$ 5,703,300	\$ -	\$ 155,386,900
ECU	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	-	3,496,000	69,000,000	394,766,600
ECSU	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	-	2,273,300	54,800,000	150,406,600
FSU	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	5,045,410	-	99,478,710
NCA&T	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	3,320,416	22,928,000	265,608,712
NCCU	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	-	960,100	24,500,000	193,645,545
NCSA	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	773,300	24,000,000	109,637,800
NCSU	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	20,680,100	113,100,000	851,292,877
UNCA	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	1,873,407	-	109,474,907
UNC-CH	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	54,808,000	69,000,000	922,128,584
UNCC	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	-	4,098,200	57,218,000	384,466,001
UNCG	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	1,562,900	42,670,000	283,342,655
UNCP	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	2,773,300	-	107,662,000
UNCW	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	5,369,400	-	194,971,740
WCU	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	5,012,100	-	179,601,744
WSSU	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	3,773,300	11,299,000	107,211,406
NCSSM***	-	-	-	-	-	-	-	-	-	-	-	4,943,000	-	8,023,300	-	12,966,300
Subtotal	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	129,545,833	488,515,000	4,522,049,081
Non-Instit. Appropriations																
N.C. Arboretum	289,800	193,300	9,331,700	-	-	20,000	81,000	50,000	-	200,000	470,000	665,000	-	320,000	-	11,620,800
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, Fire Safety, 4-H Camps)	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	1,873,042	35,000,000	214,200,764
Subtotal	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	2,193,042	35,000,000	408,821,564
TOTAL	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	131,738,875	523,515,000	4,930,870,645
Less: Repairs and Renovations	89,000,000	46,000,000	-	-	-	4,595,187	157,097,305	35,326,786	-	57,500,000	102,225,427	66,700,000	-	32,126,049	-	590,570,754
TOTAL	-	-	2,500,000,000	-	-	-	-	12,500,000	388,000,000	16,575,000	185,807,400	133,149,000	481,140,665	99,612,826	523,515,000	4,340,299,891

* 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.