

2011-12 Allocations – 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 200 (S.L. 2011-145), “2011 Appropriations Act,” and House Bill 22 (S.L. 2011-391), which makes technical, clarifying, and other modifications to the 2011 Appropriations Act. By statute, the Board is directed to allocate such funds in accordance with its 2011-12 Budget Priorities and in accordance with any specifications in the Appropriations Act and the *Senate Appropriations Committee Report on the Continuation, Expansion and Capital Budgets*, dated June 16, 2011. In addition to the appropriations for the 2011-12 Budget Priorities, the General Assembly made a number of adjustments for designated programs in University Operations and Aid to Private Institutions.

The allocations, as applicable, meet all of the directives cited in the Appropriations Act of 2011 (S.L. 2011-145), the Technical Corrections bill (S.L. 2011-391) and the related Senate Appropriations Committee Report of June 16, 2011.

Many of the changes were made directly to each institution’s continuation budget, however; items that require Board action are shown below and are also designated with an “A” in this document.

Items that Require Board Action	Description
UNC Management Flexibility Reduction	Pages 2 & 8
UNC Enrollment – Performance Funding	Pages 11 & 12
Joint School of Nanosciences & Nanoengineering (NCA&T & UNCG)	Page 15
East Carolina School of Dentistry	Page 16
Hickory Metro Higher Education Center (ASU)	Page 19

It is recommended that the proposed Allocations for Current Operations for 2011-12 be approved. It is further recommended that the President be authorized to make refinements in the interest of accuracy and completeness. It is also recommended that the President be authorized to seek such concurrence as may be required of the Director of the Budget in the allocation of Budget Priorities.

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

Reductions & Other Adjustments to the University's Budget by the 2011 Session

Management Flexibility Reduction^A

The 2011 General Assembly mandated a management flexibility reduction of \$413,987,494 to be implemented in 2011-12. The General Assembly also mandated an additional management flexibility reduction of \$9,184,767 to be implemented in 2012-13. The allocation of the management flexibility reduction for the University requires action by the Board of Governors. Other reductions are shown in this section that were allocated directly to the continuation budgets of each institution and therefore do not require Board action.

Section 9.6 of House Bill 200 (S.L. 2011-145), as well as associated language in the Technical Corrections bill (S.L. 2011-391), mandated that the reductions should not be allocated on an across-the-board basis and also limited reductions to certain programs. It further required the Board of Governors to consider several factors when distributing the reduction. As a result, the level of state appropriation reductions varies across the system.

Given these parameters, several specific steps were followed in developing the management flexibility reduction allocation. The items that could not be cut or were capped at a specific level were taken into account so that institutions were not negatively impacted for what the General Assembly mandated in Section 9.6. Additionally, the following six measures were factored into the reduction methodology so that institutions performing well or meeting measure thresholds receive a lower reduction.

- Freshman to Sophomore Retention – Campus performance relative to peers and established Board of Governors targets
- Degree Efficiency – Bachelor's degrees produced relative to undergraduate enrollment – Campus performance relative to peers
- Financial Aid – Greater than 1/3 of North Carolina resident undergraduate students receive a Pell Grant
- Diseconomies of Scale – Headcount enrollment less than 6,000 students
- Whether a campus/entity charges tuition
- Availability of Other Fund Sources – Appropriations as a percent of total revenues are less than one-third

The special provision related to the management flexibility reduction, as amended by the technical corrections bill (S.L. 2011-391), follows:

UNC MANAGEMENT FLEXIBILITY REDUCTION

SECTION 9.6.(a) The management flexibility reduction for The University of North Carolina shall not be allocated by the Board of Governors to the constituent institutions and affiliated entities using an across-the-board method but in a manner that recognizes the importance of the academic mission and differences among The University of North Carolina entities.

Before taking reductions in instructional budgets, the Board of Governors and the campuses of the constituent institutions shall consider all of the following:

- (1) Reducing State funding for centers and institutes, speaker series, and other nonacademic activities.
- (2) Faculty workload adjustments.
- (3) Restructuring of research activities.
- (4) Implementing cost-saving span of control measures.
- (5) Reducing the number of senior and middle management positions.

- (6) Eliminating low-performing, redundant, or low-enrollment programs.
- (7) Protecting direct classroom services, including faculty members and adjunct professors.

The Board of Governors and the campuses of the constituent institutions also shall review the institutional trust funds and the special funds held by or on behalf of The University of North Carolina and its constituent institutions to determine whether there are monies available in those funds that can be used to assist with operating costs.

In addition, the campuses of the constituent institutions also shall require their faculty to have a teaching workload equal to the national average in their Carnegie classification.

When implementing personnel reductions, the Board of Governors and the campuses shall make every effort to abolish vacant positions first.

SECTION 9.6.(b) In allocating the management flexibility reduction, State funds shall not be reduced in either fiscal year of the biennium by more than twelve and three-tenths of one percent (12.3%) from the Governor's Recommended Continuation Budget for the 2011-2013 fiscal biennium for any of the following:

- (1) Agricultural Extension.
- (2) North Carolina Judicial College of the UNC School of Government.

SECTION 9.6.(c) In allocating the management flexibility reduction, no reduction in State funds shall be allocated in either fiscal year of the 2011-2013 biennium to any of the following:

- (1) Hickory Metro Higher Education Center.
- (2) Joint Graduate School of Nanoscience and Nanoengineering at North Carolina Agricultural and Technical State University and the University of North Carolina at Greensboro.
- (3) The North Carolina Research Campus.
- (4) Center for Turfgrass Environmental Research and Education at North Carolina State University.
- (5) Need-Based Financial Aid.
- (6) Aid to Private Colleges.
- (7) The Coastal Wave Energy Research Project led by the UNC Coastal Studies Institute.

SECTION 9.6.(d) In allocating the management flexibility reduction, State funds shall not be reduced in either fiscal year of the biennium by more than twelve and three-tenths of one percent (12.3%) from the Governor's Recommended Continuation Budget for the 2011-2013 fiscal biennium for Agricultural Research programs, except that State funds shall not be reduced in either fiscal year of the biennium by more than ten percent (10%) from the Governor's Recommended Continuation Budget for the 2011-2013 fiscal biennium for Agricultural Research Stations.

Reductions and adjustments were also made to several financial aid programs and tuition waivers. The items and related special provisions follow:

UNC Need-Based Financial Aid Program

In 2010-11, the UNC Need-Based Financial Aid Program had total budget and expenditure authority of \$162,288,763 – a combination of recurring and nonrecurring funds from appropriations, escheats, and lottery monies. In 2011-12, the program's expenditure authority was reduced by \$34,856,563 in nonrecurring funds that were not replaced as well as another \$301,446 reduction. Therefore, funding for 2011-12 will be \$127,130,754, or \$35,158,009 less availability for student grants than in 2010-11. In addition, the General Assembly provided funds of \$59,859,562 to begin to forward fund the UNC Need-Based Financial Aid Program. Beginning in 2012-13, students will be limited in the length of time they can receive the grant and total funds will be reduced by \$4,956,358. The base budget expenditure authority for 2012-13 will be \$122,475,842. This was allocated directly to UNC-General Administration, Related Educational Programs and requires no Board of Governors action. The associated special provision follows:

LIMIT CERTAIN FINANCIAL AID GRANTS TO THE TRADITIONAL TIME PERIOD REQUIRED TO EARN A BACCALAUREATE DEGREE

SECTION 9.11.(a) Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-25.1. Limit receipt of The University of North Carolina need-based financial aid grants to traditional time period required to earn baccalaureate degree.

(a) Except as otherwise provided by this section, a student shall not receive a grant from The University of North Carolina Need-Based Financial Aid Program for more than nine full-time academic semesters, or its equivalent if enrolled part-time, unless the student is enrolled in a program officially designated by the Board of Governors as a five-year degree program. If a student is enrolled in such a five-year degree program, then the student shall not receive a need-based grant from The University of North Carolina Need-Based Financial Aid Program for more than 11 full-time academic semesters or its equivalent if enrolled part-time.

(b) Upon application by a student, the student may receive a grant for one additional part-time or full-time academic semester as appropriate, if the student demonstrates that any of the following have substantially disrupted or interrupted the student's pursuit of a degree: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship, including inability to enroll in the appropriate courses due to reduced course offerings. The Board of Governors shall establish the appropriate procedures to implement the additional semester extension provided by this subsection."

SECTION 9.11.(b) The Fiscal Research Division, in cooperation with The University of North Carolina, the North Carolina Community College System, the North Carolina Independent Colleges and Universities, Inc., and the State Education Assistance Authority shall study how to track and document the receipt of The University of North Carolina need-based grants, North Carolina Community College need-based grants, and the private institutions of higher education need-based scholarships by students who enroll in both public and private institutions of higher education while pursuing a baccalaureate or associate degree so that no student receives a combination of these grants or scholarships that exceeds a cumulative total of nine full-time academic semesters or 11 full-time academic semesters as appropriate. In addition, the study shall (i) consider the need to grant a waiver to the limit imposed on receipt of need-based grants or scholarships for those students who encounter legitimate disruptions or interruptions of the academic pursuit of a degree and (ii) determine the appropriate criteria and procedure for extending the eligibility to receive those types of financial aid for an additional period of time. The study shall also examine any potential impact on college completion rates.

The Fiscal Research Division shall report its findings and recommendations, including any legislative recommendations, by March 1, 2012, to the Joint Legislative Education Oversight Committee and to the Education Appropriation Subcommittees of the House of Representatives and the Senate.

SECTION 9.11.(c) Subsection (a) of this section is effective for the 2012-2013 academic year and each subsequent fiscal year.

Millennium Teacher Scholarship Loan Program

The General Assembly abolished this program for prospective teachers at ECSU, FSU and WSSU effective January 1, 2012. The assets of the program are to be consolidated with the Prospective Teachers Scholarship Loan Fund. No Board of Governors action is required. The related special provision follows:

CONSOLIDATE ASSETS OF MILLENNIUM TEACHING SCHOLARSHIP LOAN PROGRAM AND PROSPECTIVE TEACHERS SCHOLARSHIP LOAN FUND/ GIVE PRIORITY FOR SCHOLARSHIP LOANS FOR PROSPECTIVE TEACHERS TO CERTAIN FORMER TEACHER ASSISTANTS

SECTION 9.10.(a) Effective January 1, 2012, the Millennium Teaching Scholarship Loan Program is abolished.

SECTION 9.10.(b) All financial obligations to any student awarded a scholarship loan from the Millennium Teaching Scholarship Loan Program before January 1, 2012, shall be fulfilled with funds from the Scholarship Loan Fund for Prospective Teachers established under G.S. 116-209.33, provided the student remains eligible under the provisions of the Millennium Teaching Scholarship

Loan Program. All contractual agreements between a student awarded a scholarship loan from the Millennium Teaching Scholarship Loan Program before January 1, 2012, and the State Education Assistance Authority regarding the loan remain enforceable.

SECTION 9.10.(c) The assets and liabilities for the Millennium Teaching Scholarship Loan Program shall be transferred as follows:

- (1) Five hundred thousand dollars (\$500,000) shall be transferred to the Escheat Fund on July 1, 2011.
- (2) The remaining balance of the assets and liabilities shall be transferred to the Scholarship Loan Fund for Prospective Teachers established under G.S. 116-209.33 on January 1, 2012.

SECTION 9.10.(d) Notwithstanding the provisions of G.S. 116-209.33 or any other provision of law, when awarding scholarship loans under G.S. 116-209.33, the State Education Assistance Authority shall give priority to any applicant who qualifies for a scholarship loan under G.S. 116-209.33 if the applicant was formerly employed as a teacher assistant at a public school in North Carolina but lost his or her teacher assistant position in the State public school system as a result of a reduction in force.

Academic Common Market

The General Assembly instituted a phasing out of funding for this program beginning in 2012-13 (\$970,747). The Academic Common Market is a program of the Southern Regional Education Board (SREB) and is a cooperative agreement among sixteen states to allow certified residents of each of the participating states pursue their uncommon public degree programs at in-state tuition rates. North Carolina participated only in graduate programs. No new students may be accepted into the program effective 2012-13. As a result, it is also expected that North Carolinians will no longer have access to this program in other states. No Board of Governors action is required at this time but will be required in 2012-13. The related special provision follows:

ACADEMIC COMMON MARKET

SECTION 9.12.(a) Notwithstanding G.S. 116-43.10, the Board of Governors of The University of North Carolina shall not participate in the Academic Common Market for the purpose of accepting new students for the 2012-2013 academic year, and no new students shall be allowed to enroll through the Academic Common Market program into The University of North Carolina graduate programs for the 2012-2013 academic year.

SECTION 9.12.(b) This section does not affect a student enrolled in The University of North Carolina System under the Academic Common Market program prior to the 2012-2013 academic year; that student may continue to pay in-State tuition as long as the student is enrolled in that graduate program.

Student Incentive Grant

The General Assembly eliminated funding of \$800,827 in appropriations and \$3,613,601 of escheat funds for this program. The federal matching funds (Leveraging Educational Assistance Program "LEAP") have also been eliminated. This program provided grants to students who demonstrated substantial financial need. This reduction was allocated directly to UNC-General Administration, Related Educational Programs and therefore requires no Board of Governors action.

Future Teachers of North Carolina Scholarship Loan Fund

The General Assembly eliminated the remaining funding of \$455,000 for this scholarship loan program, which was abolished in 2009. This reduction was allocated directly to UNC-General Administration, Related Educational Programs and therefore requires no Board of Governors action.

Principal Fellows Program

The General Assembly reduced appropriations for this program by \$362,000 effective in 2012-13, which is a 10% reduction of program slots. This reduction was allocated directly to UNC-General Administration, Related Educational Programs and therefore requires no Board of Governors action.

Tuition Waivers

In addition, the General Assembly eliminated certain nonresident tuition waivers totaling \$1,892,640. The Special Talent Undergraduate Tuition waiver (\$529,967), Nonresident Teachers waiver (\$984,443), and Nonresident Prospective Teacher Scholars Program (\$378,230) were eliminated effective July 1, 2011. The reductions in state funds, by campus, are shown on the following table. This reduction was allocated directly to the continuation budget of each campus and therefore requires no Board of Governors action. The related special provision follows:

ELIMINATE CERTAIN UNC TUITION WAIVERS FOR NONRESIDENT STUDENTS

SECTION 9.13.(a) G.S. 116-143(c) reads as rewritten:

"(c) Inasmuch as the giving of tuition and fee waivers, or especially reduced rates, represent in effect a variety of scholarship awards, the said practice is hereby prohibited except when expressly authorized by statute or by the Board of Governors of The University of North Carolina; and, furthermore, it is hereby directed and required that all budgeted funds expended for scholarships of any type must be clearly identified in budget reports. The Board of Governors of The University of North Carolina shall not authorize a reduced rate of tuition for the special talent of athletics. statute."

SECTION 9.13.(b) G.S. 116-143.5 is repealed.

SECTION 9.13.(c) The Prospective Teacher Scholars program that was begun as a pilot program under Section 9.9 of S.L. 2002-126 is abolished.

In addition to the previously mentioned reductions, the General Assembly also made the following targeted reductions:

UNC Hospitals

The General Assembly reduced the appropriation to UNC Hospitals by 59% or \$26,011,882 on a nonrecurring basis for two years. This reduction was allocated directly to UNC Hospitals and therefore requires no Board of Governors action.

UNC Center for Public Television

The General Assembly eliminated funding of \$11,997,888 in recurring appropriations for UNC-TV. This amount is the entire state appropriations budget for UNC-TV; however the General Assembly also provided nonrecurring funds of \$10,558,141 for 2011-12 only. Restoration of the recurring budget is subject to the findings of a legislative continuation review. The associated special provision is shown below. This reduction was allocated directly to UNC-General Administration and therefore requires no Board of Governors action.

CENTER FOR PUBLIC TELEVISION CONTINUATION REVIEW

SECTION 9.1.(a) A continuation review of the Center for Public Television shall be prepared jointly by The University of North Carolina General Administration and The University of North Carolina Center for Public Television. The review shall be submitted to the House of Representatives and Senate Appropriations Subcommittees on Education no later than March 31, 2012. The written report shall include the information listed in subsection (b) of this section.

SECTION 9.1.(b) The continuation review required by this section shall include all of the following information:

- (1) A description of the services provided by the Center for Public Television and its mission, goals, and objectives.
- (2) The program's statutory objectives and the problem or need addressed.
- (3) The extent to which the program's objectives have been achieved.
- (4) The program's functions or programs performed without specific statutory authority.
- (5) The program's performance measures and the process by which the performance measures determine efficiency and effectiveness.
- (6) Recommendations for statutory, budgetary, or administrative changes needed to improve efficiency and effectiveness of services delivered to the public.
- (7) The consequences of discontinuing funding.
- (8) Recommendations for improving services or reducing costs or duplication.
- (9) The identification of policy issues that should be brought to the attention of the General Assembly.
- (10) Any other information necessary to fully support the General Assembly's Continuation Review Program, along with any information included in instructions from the Fiscal Research Division.

Energy Centers

In accordance with the Committee Report, pass-through funding from the Commerce Department to the Energy Centers at Appalachian State University, NC A & T State University, and North Carolina State University was reduced by \$1,855,500 in 2011-12. No Board action is required.

The following table shows all the reductions for 2011-12, including amounts for the management flexibility cuts and other targeted reductions. It is recommended that the reductions be allocated as presented.

Institution	Management Flex Reduction ^A	CONTINUATION BUDGET (no Board action required)			
		Special Talent UG Tuition Waiver	Nonresident Teachers Waiver	Nonresident Prospective Teachers Scholars	Other Targeted Reductions*
ASU	(22,769,436)	(22,213)	(29,696)	–	–
ECU (Acad. & Health)	(49,131,532)	(32,261)	(453,904)	–	–
ECSU	(3,776,481)	(44,471)	–	(124,334)	–
FSU	(8,435,863)	(42,049)	–	–	–
NCA&T	(14,171,475)	(57,592)	–	–	–
NCCU	(13,079,305)	(71,250)	–	–	–
NCSU (Acad. & Ag.)	(79,254,959)	(37,050)	–	–	–
UNCA	(4,550,752)	19,716	–	–	–
UNC-CH (Acad., Health, & AHEC)	(100,772,809)	(68,163)	(33,021)	–	–
UNCC	(33,531,142)	(12,487)	(449,118)	–	–
UNCG	(26,340,436)	(24,438)	–	–	–
UNCP	(9,118,731)	(8,837)	(18,704)	(138,900)	–
UNCW	(16,571,939)	(24,656)	–	–	–
UNCSA	(2,974,951)	(52,700)	–	–	–
WCU	(14,170,594)	(51,516)	–	(114,996)	–
WSSU	(10,076,534)	–	–	–	–
NCSSM	(1,559,086)	–	–	–	–
UNC-GA	(3,390,072)	–	–	–	(11,997,888)
Subtotal	(413,676,097)	(529,967)	(984,443)	(378,230)	(11,997,888)
UNC-GA (Related Ed/ Financial Aid)	–	–	–	–	(1,255,827)
NC Arboretum	(311,397)	–	–	–	–
UNC Hospitals	–	–	–	–	(26,011,882) NR
Total	(413,987,494)	(529,967)	(984,443)	(378,230)	(39,265,597)

*Information about Other Targeted Reductions is shown on previous pages.

In addition to the reductions shown, pass-through funding from the Commerce Department to the Energy Centers at ASU, NCA&T & NCSU was reduced by \$1,855,500.

Allocations of Board of Governors' Budget Priorities Funded by the 2011 General Assembly

The 2011-12 Budget Priorities of the Board of Governors and the associated funding made available by the 2011 General Assembly are shown in the following table.

	2011-12	
	Budget Priorities	Recom. Allocation
Continuation Budget	124,049,978	65,349,737
<i>a. Enrollment Change</i>	45,818,123	45,818,123
<i>b. Performance Funding (not part of cont. budget)</i>	1,000,000	1,000,000
<i>c. Operating Reserves for New Facilities</i>	20,232,730 R	18,531,614
	5,879,709 NR	–
<i>d. Utilities</i>	29,303,253	–
<i>e. Adjustments for Staff Benefits & Continuing Personnel Costs</i>	10,669,615	–
<i>f. Replacement of Vehicles & Equipment</i>	10,347,276	–
<i>g. Accreditation Expenses</i>	799,272	–
Campus Safety & Security	1,647,416 R	–
	988,694 NR	–
Our Citizens & Their Future: Access to Higher Education	76,072,904	–
<i>a. UNC Need-Based Financial Aid Program</i>	71,128,000	–
<i>b. Improving Retention & Graduation Rates</i>	4,654,854 R	–
(ECSU, FSU, NCCU, UNCA, UNCC, UNCG, UNCP, & WSSU)	290,050 NR	–
Increase Efforts to Recruit & Retain High-Quality Faculty	3,415,500	–
<i>a. Distinguished Professorships</i>	3,415,500 NR	–
Our Communities & Their Economic Transformation	5,734,091	1,000,000
<i>a. NC Research Campus at Kannapolis</i>	2,000,000	–
<i>b. NCSU College of Engineering</i>	1,000,000	–
<i>c. NCA&T and UNCG Joint School of Nanoscience and Nanoengineering</i>	1,000,000	1,000,000 NR
<i>d. ECSU School of Aviation</i>	203,591 R	–
	360,000 NR	–
<i>e. WCU Rapid Product Realization</i>	300,000 R	–
<i>f. FSU Geospatial Analysis, Instructional, & Networking Lab</i>	131,500 R	–
	239,000 NR	–
<i>g. UNCSA Productions and Performances</i>	500,000	–

Note: All requests are for recurring funding unless noted NR (nonrecurring).

	2011-12	
	Budget Priorities	Recom. Allocation
Our Health	5,432,850	3,500,000
<i>a. ECU School of Dentistry</i>	3,500,000	3,500,000
<i>b. Nursing Programs Expansion (UNC-CH at NCSU location in Raleigh & UNCW Accelerated Program in Onslow)</i>	1,165,206	–
<i>c. Health & Wellness/Allied Professions (ASU & UNCA)</i>	767,644	–
Our Children & Their Future: Improving Public Education	1,200,231	–
<i>a. WSSU Teacher Education Advisement & Partnership</i>	282,978	–
<i>b. NCSSM Online Program</i>	375,000	–
<i>c. UNC-CH "Fast Track to Teaching Science" Licensure</i>	542,253	–
Our University's Outreach & Engagement	709,764	–
<i>a. NC Arboretum – Bent Creek Institute – Natural Products</i>	359,260	–
<i>b. UNC Press Expand Access to Books & Journals</i>	131,370 R	–
	19,134 NR	–
<i>c. UNC-TV Statewide Public Affairs & Informational Program Services</i>	200,000	–
Total Budget Priorities – recurring	208,059,341	68,849,737
Total Budget Priorities – nonrecurring	11,192,087	1,000,000
Total 2011-12 Budget Priorities Recommended	219,251,428	69,849,737

Note: All requests are for recurring funding unless noted NR (nonrecurring).

2011-12 Allocations for Enrollment Changes

The enrollment change funding for 2011-12 totals \$46,818,123 and includes \$1 million for performance funding. In accordance with the Board of Governors' Priorities, this appropriation includes funds to "hold harmless" three institutions (ECSU, FSU, and NCA&T) that would otherwise have been reduced. As approved in January 2011, the Board will no longer hold campuses harmless when they are not achieving their enrollment goals after 2013.

The enrollment change request and proposed allocations as listed below were based on the University's revised semester-credit-hour (SCH) funding model that took into account performance relative to student retention and degree efficiency. Retention and graduation rates of each campus were reviewed to determine those campuses that are eligible to increase the size of their freshman class. Under this methodology, UNC Pembroke was not allowed to project growth in its freshman class beyond currently budgeted levels. Both UNC Greensboro and Western Carolina were only allowed restricted growth in the freshman class; however, UNCG's projections were more conservative than required and projected no growth in the freshman class.

In calculating the Board's request for 2011-13 enrollment change funds, the cost factors previously applicable to liberal arts institutions and non-doctoral institutions were eliminated and replaced with two new factors that recognize good performance in retaining students and in efficient operations. A third factor that recognizes success in graduating students will be implemented in 2013.

The 2011-12 campus enrollment change funds were allocated to the continuation budgets of each institution as listed below (no Board action required). The performance funding component requires allocation, for which a recommendation is provided on the following page.

Institution	Total Allocations
Appalachian State University	\$ 3,102,821
East Carolina University	5,113,218
Elizabeth City State University	–
Fayetteville State University	–
North Carolina A & T State University	–
North Carolina Central University	425,853
North Carolina State University	11,080,468
University of North Carolina at Asheville	724,036
University of North Carolina at Chapel Hill	8,509,879
University of North Carolina at Charlotte	7,333,387
University of North Carolina at Greensboro	733,952
University of North Carolina at Pembroke	1,987,969
University of North Carolina at Wilmington	837,406
University of North Carolina School of the Arts	212,086
Western Carolina University	2,555,861
Winston-Salem State University	2,921,337
North Carolina School of Science & Mathematics	279,850
Subtotal	\$45,818,123
Performance Funding ^A	1,000,000
TOTAL	\$46,818,123

The Board of Governors requested and received an additional \$1 million to be used for rewarding high performing campuses and for other campus proposals for new initiatives that result in improvements in retention rates, graduation rates, or efficiencies. It is recommended that these funds be allocated to UNC-General Administration, Institutional Programs and that the President be authorized to make further allocations.

The state-funded budgeted enrollments for the constituent institutions of the University for 2011-12 are established as follows:

Institution	Budgeted Student Credit Hours
Appalachian State University	472,448
East Carolina University	681,492
Elizabeth City State University	94,109
Fayetteville State University	163,173
North Carolina A & T State University	308,653
North Carolina Central University	197,617
North Carolina State University	797,943
University of North Carolina at Asheville	100,149
University of North Carolina at Chapel Hill	630,637
University of North Carolina at Charlotte	586,190
University of North Carolina at Greensboro	459,039
University of North Carolina at Pembroke	176,359
University of North Carolina School of the Arts	–
University of North Carolina at Wilmington	341,970
Western Carolina University	232,291
Winston-Salem State University	176,461
North Carolina School of Science & Mathematics	–
TOTAL	5,418,530

The enrollment change request and allocations were based on the University's semester-credit-hour funding model except for the following components that remain on the FTE funding model. For these programs, the budgeted enrollments are as follows:

FTE Funding Model	Budgeted Full-Time Equivalent Students
East Carolina University Medical School ¹	308
North Carolina Central University Law School	601
North Carolina School of Science & Mathematics	690
North Carolina State University Veterinary Medicine	356
UNC-Chapel Hill Law, Medicine, Dentistry and Pharmacy	4,246
University of North Carolina School of the Arts	1,132
TOTAL	7,333

¹ This amount reflects enrollment in the ECU Medical School only. In addition, the General Assembly has fully funded the Board's request to start the ECU School of Dentistry (see page 16). The program will include 50 students per cohort beginning in 2011-12 and is expected to be fully operational by 2014-15 with a total of 200 students.

Funds to Operate New or Renovated University Buildings

The 2011 General Assembly provided recurring funds for the operation of new or renovated buildings to be completed in 2011-12. The operating costs include housekeeping, maintenance, and security requirements for the added building square footage. The operating funds for these facilities were allocated to the continuation budgets of each institution and therefore require no Board action. The table below outlines the specific buildings for each campus that will receive funding in the 2011-13 biennium:

Institution/Building	2011-12	2012-13
Appalachian State University		
Beasley Broadcasting Complex	\$ 83,825	\$ 201,182
East Carolina University		
ECU Geriatric Center	1,666,373	1,666,373
Elizabeth City State University		
Education & Psychology Bldg.	345,264	517,583
NCA&T State University		
New General Classroom	935,772	935,772
Joint School for Nanoscience & Nanoengineering	1,129,110	1,505,481
McNair Hall Addition	87,607	150,185
North Carolina Central University		
Nursing Building	822,921	822,921
Police Substation and Admissions Office	57,168	57,168
North Carolina State University		
Swannanoa 4-H Campus Main Lodge Renovation	49,438	49,438
Sullivan Substation Infrastructure	37,336	149,343
Campus Automation	6,525	8,700
Swannanoa 4-H Campus Staff House & New Cabins	89,512	89,512
Cherry Building	359,981	359,981
UNC Asheville		
Rhoades House	16,380	16,380
UNC-Chapel Hill		
Carmichael Auditorium Addition	199,187	203,445
Carmichael Auditorium Renovation	610,061	634,462
Bell Tower Develop Genomic Sciences	3,052,069	6,376,181
Airport Hangar at RDU	355,114	363,879
Employee Occupational Health Clinic	206,376	213,038
Oral Dental Sciences	2,800,276	5,855,103
Sports Medicine	116,403	118,637
UNC Charlotte		
Energy Production Infrastructure Center (EPIC)	2,032,287	3,048,430
UNC Pembroke		
Nursing and Allied Health Professions	743,249	1,486,498
UNC Wilmington		
Teaching Lab	182,908	1,378,484
Western Carolina University		
NC Center for Health & Aging	376,752	376,752
School of Health & Gerontology Building	1,436,714	1,915,618
Winton-Salem State University		
Lowery Property	574,640	574,639
Pegram Building	158,366	158,366
TOTAL	18,531,614	29,233,551

Campus Safety

There were no appropriations for Campus Safety in response to the Board's request of \$1,647,416 in recurring funds and \$988,694 in nonrecurring funds.

Our Citizens and Their Future: Access to Higher Education

There were no appropriations in response to the Board's request of \$76,072,904 for Our Citizens and Their Future: Access to Higher Education, which included the following programs: UNC Need-Based Financial Aid Program and Improving Retention and Graduation.

Some changes have been made to the funding structure for the UNC Need-Based Financial Aid Program and those are outlined in the sections on Reductions and Adjustments to Base Funding Sources.

Increase Efforts to Recruit and Retain High Quality Faculty

There were no appropriations in response to the Board's request of \$3,415,500 for Increased Efforts to Recruit and Retain High Quality Faculty. The General Assembly also enacted a special provision as shown below:

UNC BOARD OF GOVERNORS REVIEW OF FACULTY RECRUITMENT AND RETENTION

SECTION 9.5. The Board of Governors of The University of North Carolina shall review its current policies regarding financial incentives to retain faculty. The review shall focus on the prioritization of recruitment and retention funds and the identification of key metrics to measure overall program effectiveness. The Board of Governors shall report its findings and recommendations for changes to the policies, if any, to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division by April 1, 2012.

The General Assembly also enacted the following salary-related provision:

SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES ONLY/NO AUTOMATIC INCREASES

SECTION 29.8.(a) The annual pay of all State employees for the 2011-2013 fiscal biennium shall remain unchanged from that authorized on June 30, 2011, or the last date in pay status during the 2010-2011 fiscal year, if earlier, except that an increase may be allowed under the following special circumstances:

- (1) For all State employees regardless of funding source, and for employees of the North Carolina Community College System and local school boards who are paid from State funds, salaries may be increased for reallocations or promotions, in-range adjustments for job change, career progression adjustments for demonstrated competencies, or any other adjustment related to an increase in job duties or responsibilities, none of which are subject to the salary freeze otherwise provided by this Part. All other salary increases are prohibited.
- (2) For The University of North Carolina, (i) faculty using funds from the Faculty Recruiting and Retention Fund, the Distinguished Professors Endowment Fund, or the University Cancer Research Fund in the case of faculty involved in cancer research supported by that fund and (ii) faculty, nonfaculty, and other employee adjustments, including retention adjustments, funded from non-State funding sources.
- (3) For employees of the judicial branch, for local supplementation as authorized by G.S. 7A-300.1.

The cumulative salary adjustment allowed under this subsection for the 2011-2012 fiscal year may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of

the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate.

SECTION 29.8.(b) The automatic salary step increases for assistant and deputy clerks of superior court and magistrates are suspended for the 2011-2013 fiscal biennium.

SECTION 29.8.(c) The salary increase provisions of G.S. 20-187.3 are suspended for the 2011-2013 fiscal biennium.

SECTION 29.8.(d) Notwithstanding G.S. 53-96.1, and except as provided by subdivision (1) of subsection (a) of this section, employees of the Office of the Commissioner of Banks shall not be awarded compensation increases or bonuses during the 2011-2013 fiscal biennium.

SECTION 29.8.(e) Employees of the Lottery Commission shall not receive compensation bonuses during the 2011-2013 fiscal biennium.

SECTION 29.8.(f) No employee of any other State agency or constituent institution of The University of North Carolina, excluding employees of the University of North Carolina Health Care System and employees participating in a constituent institution's medical faculty practice plan, shall receive compensation bonuses.

Our Communities and Their Economic Transformation

In response to the Board's request of \$5,734,091 for Our Communities and Their Economic Transformation, the General Assembly appropriated \$1,000,000 in nonrecurring funds for the following item:

NCA&T and UNCG Joint School of Nanosciences and Nanoengineering^A

In response to the Board's request of \$1,000,000 in recurring funds, the General Assembly appropriated \$1,000,000 in nonrecurring funds for the Joint School in Nanosciences and Nanoengineering at North Carolina A & T State University and UNC Greensboro's Millennial Campus. The program is designed to conduct research in areas such as drug design and delivery, nanobioengineering, and genetic screening. These funds will be used to hire time-limited/temporary staff and also to purchase and install equipment. Based on a jointly reviewed plan, it is recommended that nonrecurring funds of \$353,500 be allocated to NC A&T State University for salaries and benefits for one-year temporary hires and nonrecurring funds of \$646,500 be allocated to UNC-Greensboro for equipment and other consumables for the Joint School.

There were no appropriations in response to the Board's request for NC Research Campus at Kannapolis, NCSU College of Engineering, ECSU School of Aviation, WCU Rapid Product Realization, FSU Geospatial Analysis, Instructional, and Networking Lab, and UNC-SA Productions and Performances.

Our Health

In response to the Board's request of \$5,432,850 in 2011-12 and \$11,332,850 in 2012-13 for Our Health, the General Assembly provided recurring funds of \$3,500,000 in 2011-12 and \$5,000,000 in 2012-13 for the following program:

ECU School of Dentistry^A

The General Assembly fully funded the Board's request of additional funds of \$3,500,000 for ECU School of Dentistry in 2011-12 and \$5,000,000 in 2012-13. These funds will be used to complete the hiring of faculty and staff and associated operating costs to enroll the first class of students in the fall semester of 2011. The program will include 50 students per cohort and is expected to be fully operational by 2014-15 with a total of 200 students. These funds will also be used to establish dental service learning centers throughout the State where faculty and students will serve patients. It is recommended that these funds be allocated to East Carolina University, Health Affairs.

There were no appropriations in response to the Board's request for the Nursing Programs Expansion at UNC-CH (NCSU location) and UNCW, Medical School Expansion at ECU and UNC-CH, Health and Wellness/Allied Professions at ASU and UNCA.

Our Children & Their Future: Improving Public Education

There were no appropriations in response to the Board's request of \$1,200,231 for Our Children and Their Future: Improving Public Education, which included the following programs: WSSU Teacher Education Advisement & Partnership, NCSSM Online Program, and UNC-CH "Fast Track to Teaching Science" Licensure.

Our University's Outreach & Engagement

There were no appropriations in response to the Board's request of \$709,764 for Our University's Outreach & Engagement, which included the following items: NC Arboretum – Bent Creek Institute – Natural Products, and UNC Press – Expand Access to Books & Journals, UNC-TV Statewide Public Affairs & Informational Program Services.

2011 Session Adjustments to Base Budget Funding Sources for Financial Aid

The 2011 General Assembly made additional changes to programs that affect the University's state budget for financial aid programs that involved adjusting the funding sources for the programs but did not increase or decrease the overall base expenditure authority for the programs.

UNC Need-Based Financial Aid Program

As also described earlier in the Reductions Section, the underlying mix of funding sources (General Fund, Escheats and Lottery funds) for the UNC Need-Based Financial Aid Program was adjusted. Total (from all sources) available for expenditure for student financial aid from this program in 2011-12 will be \$127,130,754. The General Assembly also set aside an additional \$59,859,562 to create forward funding for the program. The base budget expenditure authority for 2012-13 will be \$122,475,842. These funds were allocated directly to UNC-General Administration, Related Educational Programs and require no Board of Governors action. The associated special provisions follow.

EDUCATION LOTTERY

SECTION 5.4.(a) Notwithstanding G.S. 18C-164, the revenue used to support appropriations made in this act is transferred from the State Lottery Fund in the amount of four hundred twenty-four million nine hundred seventy-three thousand six hundred thirty dollars (\$424,973,630) for the 2011-2012 fiscal year.

SECTION 5.4.(b) Notwithstanding G.S. 18C-164, the appropriations made from the Education Lottery Fund for the 2011-2012 fiscal year are as follows:

Teachers in Early Grades	\$220,643,188
Prekindergarten Program	\$ 63,135,709
Public School Building Capital Fund	\$100,000,000
Scholarships for Needy Students	\$ 30,450,000
UNC Need-Based Financial Aid	\$ 10,744,733
Total Appropriation	\$424,973,630

SECTION 5.4.(c) Notwithstanding G.S. 18C-164, the North Carolina State Lottery Commission shall not transfer funds to the Education Lottery Reserve Fund for the 2011-2012 fiscal year or the 2012-2013 fiscal year.

SECTION 5.4.(d) Notwithstanding G.S. 18C-164(c), G.S. 115C-546.2(d), or any other provision of law, funds appropriated in this section to the Public School Building Capital Fund for the 2011-2012 fiscal year shall be allocated to counties on the basis of average daily membership (ADM).

SECTION 5.4.(e) Notwithstanding G.S. 18C-164(c), Article 35A of Chapter 115C of the General Statutes, or any other provision of law, the funds appropriated in this section for UNC Need-Based Financial Aid shall be administered in accordance with the policy adopted by the Board of Governors of The University of North Carolina.

SECTION 5.4.(f) Notwithstanding G.S. 18C-164(f), if the actual net lottery revenues for the 2011-2012 fiscal year exceed the amounts appropriated in subsection (b) of this section, the excess net lottery revenues shall be allocated for school capital on the basis of average daily membership.

SECTION 5.4.(g) Funds appropriated in this section for scholarships for needy students shall be used only for students at the constituent institutions of The University of North Carolina and the constituent institutions of the Community College System.

USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 9.8.(a) There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of thirty-two million one hundred twenty-two thousand two hundred forty-two dollars (\$32,122,242) for the 2011-2012 fiscal year and the sum of thirty-two million one hundred twenty-two thousand two hundred forty-two dollars (\$32,122,242) for the 2012-2013 fiscal year to be used for The University of North Carolina Need-Based Financial Aid Program.

SECTION 9.8.(b) In addition to the appropriation in subsection (a) of this section, there is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of ninety-five million two hundred thirty-one thousand nine hundred twelve dollars (\$95,231,912) for the 2011-2012 fiscal year to be used for The University of North Carolina Need-Based Financial Aid Program.

SECTION 9.8.(c) There is appropriated from the Escheat Fund income to the State Board of Community Colleges the sum of sixteen million five hundred thousand dollars (\$16,500,000) for the 2011-2012 fiscal year and the sum of sixteen million five hundred thousand dollars (\$16,500,000) for the 2012-2013 fiscal year to be used for community college grants.

SECTION 9.8.(d) There is appropriated from the Escheat Fund income to the Department of Administration, Division of Veterans Affairs, the sum of six million five hundred twenty thousand nine hundred sixty-four dollars (\$6,520,964) for the 2011-2012 fiscal year and the sum of six million five hundred twenty thousand nine hundred sixty-four dollars (\$6,520,964) for the 2012-2013 fiscal year to be used for need-based student financial aid.

SECTION 9.8.(e) The funds appropriated by this section shall be allocated by the State Educational Assistance Authority (SEAA) for need-based student financial aid in accordance with G.S. 116B-7. If the interest income generated from the Escheat Fund is less than the amounts referenced in this section, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this section; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f). If any funds appropriated under this

section remain uncommitted for need-based financial aid as of the end of a fiscal year, the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that fiscal year.

SECTION 9.8.(f) The State Education Assistance Authority shall perform all of the administrative functions necessary to implement this program of financial aid. The SEAA shall conduct periodic evaluations of expenditures of the scholarship programs to determine if allocations are utilized to ensure access to institutions of higher learning and to meet the goals of the respective programs. SEAA may make recommendations for redistribution of funds to The University of North Carolina, Department of Administration, and the President of the Community College System regarding their respective scholarship programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

SECTION 9.8.(g) The Office of State Budget and Management shall transfer the cash balance of the community college grant program remaining in Budget Code 66801, Fund 6102, to the Escheat Fund.

UNC NEED-BASED FINANCIAL AID PROGRAM FUNDING SCHEDULE

SECTION 9.9.(a) Of the funds appropriated by this act for the 2011-2012 fiscal year for The University of North Carolina Need-Based Financial Aid Program, the sum of fifty-nine million eight hundred fifty-nine thousand five hundred sixty-two dollars (\$59,859,562) shall not be used for expenditures in the 2011-2012 fiscal year but shall be carried forward and held in reserve by the State Education Assistance Authority. The funds carried forward and held in reserve pursuant to this subsection may be disbursed by the State Education Assistance Authority after July 1, 2012, for need-based student financial aid in the 2012-2013 academic year in accordance with G.S. 116B-7.

SECTION 9.9.(b) Of the funds appropriated by this act for the 2012-2013 fiscal year for The University of North Carolina Need-Based Financial Aid Program, the sum of fifty-nine million eight hundred fifty-nine thousand five hundred sixty-two dollars (\$59,859,562) shall not be used for expenditures in the 2012-2013 fiscal year but shall be carried forward and held in reserve by the State Education Assistance Authority. The funds carried forward and held in reserve pursuant to this subsection may be disbursed by the State Education Assistance Authority after July 1, 2013, for need-based student financial aid in the 2013-2014 academic year in accordance with G.S. 116B-7.

Other Financial Aid Programs

In addition to the UNC Need-Based Financial Aid Program, several other programs in the University's base budget have previously been funded from a combination of state appropriations and receipts from the Escheat Fund. The 2011 General Assembly made adjustments to convert the following programs and base funding amounts as listed from escheat funding to appropriations. Total program funding or expenditure authority remains the same. These funds were allocated directly to UNC-General Administration, Related Educational Programs and require no Board of Governors action.

Program	Amount
Teacher Assistant Scholarship Fund	\$ 600,000
Health, Science & Mathematics Scholarship Loan	1,100,000
BOG Medical Scholarship Loan	645,000
BOG Dental Scholarship Loan	450,239
Nurse Education Scholarship Loan	800,000

2011 Session Transfers of Programs that Impact the University's Budget

Hickory Metro Higher Education Center^A

The 2011 General Assembly also transferred \$264,833 for the Hickory Metro Higher Education Center from the North Carolina Community College System budget to the University's budget. As prescribed in the Committee Report, it is recommended that these funds be allocated to Appalachian State University.

North Carolina Arboretum

The General Assembly also enacted the following special provision related to a transfer of the NC Arboretum from UNC Asheville to Western Carolina University. No Board action is required.

TRANSFER NORTH CAROLINA ARBORETUM RESPONSIBILITIES TO WESTERN CAROLINA

SECTION 9.15.(a) G.S. 116-242 reads as rewritten:

"§ 116-242. Administration of Arboretum; acceptance of gifts and grants.

The Arboretum shall be administered by The University of North Carolina and through the Board of Directors established in G.S. 116-243. State funds for the administration of the Arboretum shall be appropriated to The University of North Carolina ~~for the University of North Carolina at Asheville. The~~ for Western Carolina University to administer on behalf of the arboretum. The North Carolina Arboretum and The University of North Carolina may receive gifts and grants to be used for development or operation of the Arboretum."

SECTION 9.15.(b) G.S. 116-243 reads as rewritten:

"§ 116-243. Board of directors established; appointments.

A board of directors to govern the operation of the Arboretum is established, to be appointed as follows:

- (1) Two by the Governor, initially, one for a two-year term, and one for a four-year term. Successors shall be appointed for four-year terms.
- (2) Two by the General Assembly, in accordance with G.S. 120-121, upon the recommendation of the President Pro Tempore of the Senate, initially, one for a two-year term, and one for a four-year term. Successors shall be appointed for four-year terms.
- (3) Two by the General Assembly, in accordance with G.S. 120-121, upon the recommendation of the Speaker of the House of Representatives, initially, one for a two-year term, and one for a four-year term. Successors shall be appointed for four-year terms.
- (4) The President of The University of North Carolina or the President's designee to serve ex officio.
- (4a) Two by the President of The University of North Carolina. Members shall be appointed for four-year terms, except that the initial terms shall be as provided otherwise by law.
- ~~(5) The chancellors, chief executive officers, or their designees of the following institutions of higher education: North Carolina State University, Western Carolina University, The University of North Carolina at Asheville, Mars Hill College, and Warren Wilson College, to serve ex officio.~~
- ~~(6) The President of Western North Carolina Arboretum, Inc., to serve ex officio.~~
- ~~(7) Six-Eight by the Board of Governors of The University of North Carolina, initially, three for one year terms, and three for three year terms. Successors shall be appointed for four-year terms. One shall be an active grower of nursery stock, and one other shall represent the State's garden clubs. Members shall be appointed for four-year terms, except that the initial terms shall be as otherwise provided by law.~~
- ~~(8) The executive director of the Arboretum and the Executive Vice President of Western North Carolina Development Association shall serve ex officio as nonvoting members of the board of directors. a nonvoting member of the Board of Directors.~~
- (9) The President of The North Carolina Arboretum Society, Inc., to serve ex officio.

All appointed members may serve two full four-year terms following the initial appointment and then may not be reappointed until they have been absent for at least one year. Members serve until their successors have been appointed. Appointees to fill vacancies serve for the remainder of the

unexpired term. Vacancies in appointments made by the General Assembly shall be filled in accordance with G.S. 120-122. Initial terms begin ~~July 1, 1986~~ July 1, 2011.

The ~~chairman of the board of directors~~ Chair of the Board of Directors shall be elected biennially by majority vote of the directors.

The ~~executive director~~ Executive Director of the Arboretum shall report to the ~~board of directors~~ President of The University of North Carolina or the President's designee and to the Board of Directors."

SECTION 9.15.(c) G.S. 116-244 reads as rewritten:

"§ 116-244. Duties of board of directors.

The ~~board of directors~~ Board of Directors of the Arboretum has the following duties and responsibilities:

- (1) Development of the policies and procedures concerning the use of the land and facilities being developed as part of the Western North Carolina Arboretum, Inc.;
- (2) Approval of plans for any buildings to be constructed on the facility;
- (3) Maintenance and upkeep of buildings and all properties;
- (4) Approval of permanent appointments to the staff of the Arboretum;
- (5) Recommendations to the General Administration of candidates for ~~executive director~~ Executive Director of the Arboretum;
- (6) Recommendations to the General Administration for necessary termination of the ~~executive director~~ Executive Director or other personnel of the Arboretum;
- (7) Ensurance of appropriate liaison between the Arboretum and the U. S. Forest Service, the National Park Service, the Western North Carolina Arboretum, Inc., The North Carolina Arboretum Society, Inc., Bent Creek Institute, Inc., Centers for Environmental and Climatic Interaction, Inc., NOAA Cooperative Institute for Climate and Satellites, and other scientific and economic development agencies and organizations of interest to and involved in the work at the Arboretum;
- (8) Development of various policies and directives, including the duties of the ~~executive director~~ Executive Director, to be prepared jointly by the members of the ~~board of directors and the executive director~~ Board of Directors and the Executive Director;
- (9) Approval of annual expenditures and budget requests to be submitted to ~~the Board of Governors~~ The University of North Carolina General Administration.

The ~~board of directors~~ Board of Directors shall meet at least twice a year, and more frequently on the call of the ~~chairman~~ Chair or at the request of at least 10 members of the ~~board~~ Board. Meetings shall be held at the Arboretum, ~~the University of North Carolina at Asheville, or Western Carolina University~~ any campus of a constituent institution of The University of North Carolina, or at other public locations in support of the Arboretum mission and purposes."

SECTION 9.15.(d) Effective July 1, 2011, the President of The University of North Carolina shall appoint one member pursuant to G.S. 116-243(4a) as enacted by subsection (b) of this section to serve an initial term of two years to end July 1, 2013, and one member to serve an initial term of four years to end July 1, 2015; successors shall be appointed to four-year terms as provided by G.S. 116-243. Effective July 1, 2011, the Board of Governors of The University of North Carolina shall appoint one of the new members to be added to Board of Directors pursuant to G.S. 116-243(7) as amended by subsection (b) of this section to serve an initial term of two years to end July 1, 2013, and the other new member to be added to serve an initial term of four years to end July 1, 2015; successors shall be appointed to four year terms as provided by G.S. 116-243.

Other UNC Budget-Related Special Provisions

In addition to the previously cited special provisions in the 2011 Appropriations Act (S.L. 2011-145) and the Technical Corrections bill (S.L. 2011-391), the following are noted for information. Special provisions that are found in the technical corrections bill are denoted as “TC” in the section column.

Section	Special Provisions
9.4	University Cancer Research Fund Reporting Requirement
9.6A*	Advisory Commission on Military Affairs/Modify Membership
9.6D*	Authorize Board of Governors to Permit NC State University to Self-Perform Energy Conservation Measures and to Authorize Energy Savings Realized by NC State University to be Used as a Source of Repayment of Certain Debts
9.6E*	Amend Regulation of UNC Institutional Trust Funds and Funds of UNC Health Care System
9.6F*	UNC/Institutional Expenditure Benchmarks
9.6G*	UNC Assume Responsibility for Quality Acceptance Inspection Process
9.6H*	NCSU May Sell Timber
9.16	Special Responsibility Constituent Institution Audits
9.19*	Constituent Institutions May Purchase Motor Vehicles Independent of Motor Fleet Management
15 (TC)	Transfer of Federal Agricultural Education Funds (from DPI to NCSU)
29.18	All Furloughs Prohibited Except as Ordered to Balance the Budget/Benefits Protection for Furloughed Personnel
29.19	Monitor Compliance with Freeze on Most Salary Increases
29.20	Comprehensive Review for Reform of Public Employee Compensation Plans/Recommendations for Legislation by May 1, 2012
29.20A	Establish Compensation Adjustment and Performance Pay Reserve in Anticipation of Compensation Recommendations
29.21	Establish Severance Expenditure Reserve
29.24*	Permanently Exempt Participants in the University of North Carolina Phased Retirement Program from the Restrictions on Returning to Work
29.26*	Provide for Vesting Reciprocity Between the State and Local Employees' Retirement Systems and the Optional Retirement Program for State Institutions of Higher Learning
29.27*	Enable the UNC Health Care System to Offer the Optional Retirement Program (ORP) as a Retirement Option
38.2 (TC)	Transfer of \$100,000 from Dept. of Commerce to ASU Energy Center
59 (TC)	Posting Requirement; State Employees Receive Priority Consideration; Reduction-in-Force; Work First Hiring

* *These special provisions contain University efficiencies originally introduced in the Higher Education Efficiency and Flexibility Bill (SB 575).*

Aid to Private Institutions

The General Assembly's 2011-13 appropriation adjustments relating to programs for Private Institutions, as outlined in the Senate Appropriations Conference Committee Report are shown below. These funds were allocated directly to Aid to Private Colleges and therefore require no Board of Governors action.

- *Elimination of Private Medical School Aid*
Eliminates funding for the Private Medical School Aid program – \$1,279,000.
- *Reductions to Legislative Tuition Grant, State Contractual Scholarship Fund, and Other Private School Aid*

The reductions to these programs were as follows:

- Reduced the Legislative Tuition Grant (LTG) by \$7,167,171 or 12.3% in 2011-12 and eliminates the program – \$58,269,681 in 2012-13;
- Reduced the State Contractual Scholarship Fund (SCSF) by \$5,645,326 or 12.3% in 2011-12 and eliminates the program - \$45,896,963 in 2012-13; and
- Reduced the funds for Other Private School Aid by \$39,483 or 12.3% in 2011-12 and eliminates the program – \$321,000 in 2012-13.

These programs will be replaced by the Need-based Scholarships for Students Attending Private Institutions of Higher Education, described below.

- *Establishment of Need-based Scholarships for Private College Students*
The General Assembly provided funds of \$81,851,588 in 2012-13 to create a new program, Need-based Scholarships for Students attending Private Institutions of Higher Education. The relevant special provision follows.

NEED-BASED SCHOLARSHIPS FOR STUDENTS ATTENDING PRIVATE INSTITUTIONS OF HIGHER EDUCATION

SECTION 9.18.(a) Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 34.

"Need-Based Scholarships for Students Attending Private Institutions of Higher Education.

"§ 116-280. Definitions.

The following definitions apply to this Article:

- (1) Academic year. – A period of time in which a student is expected to complete the equivalent of at least two semesters' or three quarters' academic work.
- (2) Authority. – The State Education Assistance Authority created by Article 23 of Chapter 116 of the General Statutes.
- (3) Eligible private postsecondary institution. – A school that is any of the following:
 - a. A nonprofit postsecondary educational institution with a main permanent campus located in this State that is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:
 1. Is accredited by the Southern Association of Colleges and Schools under the standards of the College Delegate Assembly of the Association or by the New England Association of Schools and Colleges through its Commission on Institutions of Higher Education.
 2. Awards a postsecondary degree as defined in G.S. 116-15.

- b. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary educational institution as defined in sub-subdivision a. of this subsection.
- (4) Main permanent campus. – A campus owned by the eligible private postsecondary institution that provides permanent on-premises housing, food services, and classrooms with full-time faculty members and administration that engages in postsecondary degree activity as defined in G.S. 116-15.
- (5) Matriculated status. – Being recognized as a student in a defined program of study leading to a degree, diploma, or certificate at an eligible private postsecondary institution.
- (6) Scholarship. – A scholarship for education awarded under this Article.
- (7) Title IV. – Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. § 1070, et seq.

"§ 116-281. Eligibility requirements for scholarships.

In order to be eligible to receive a scholarship under this Article, a student seeking a degree, diploma, or certificate at an eligible private postsecondary institution must meet all of the following requirements:

- (1) Only needy North Carolina students are eligible to receive scholarships. For purposes of this subsection, "needy North Carolina students" are those eligible students whose expected family contribution under the federal methodology does not exceed an amount as set annually by the Authority based upon costs of attendance at The University of North Carolina.
- (2) The student must meet all other eligibility requirements for the federal Pell Grant, with the exception of the expected family contribution.
- (3) The student must qualify as a legal resident of North Carolina and as a resident for tuition purposes in accordance with definitions of residency that may from time to time be adopted by the Board of Governors and published in the residency manual of the Board of Governors.
- (4) The student must meet enrollment standards by being admitted, enrolled, and classified as an undergraduate student in a matriculated status at an eligible private postsecondary institution.
- (5) In order to continue to be eligible for a scholarship for the student's second and subsequent academic years, the student must meet achievement standards by maintaining satisfactory academic progress in a course of study in accordance with the standards and practices used for federal Title IV programs by the eligible private postsecondary institution in which the student is enrolled.
- (6) A student shall not receive a scholarship under this Article for more than nine full-time academic semesters, or the equivalent if enrolled part-time, unless the student is enrolled in a program officially designated by the eligible private postsecondary institution as a five-year degree program. If a student is enrolled in such a five-year degree program, then the student shall not receive a scholarship under this Article for more than 11 full-time academic semesters or the equivalent if enrolled part-time.

"§ 116-282. Scholarship amounts; amounts dependent on availability of funds.

(a) Subject to the sum appropriated by the General Assembly for an academic year to be awarded as scholarships under this Article, a scholarship awarded under this Article to a student at an eligible private postsecondary institution shall be determined annually by the Authority based upon the enrollment status and expected family contribution of the student, consistent with the methodology for the federal Title IV programs.

(b) The Authority shall have the power to determine the actual scholarship amounts disbursed to students in any given year based on the sum appropriated for purposes of this Article by the General Assembly for that academic year and any unexpended funds that may be available pursuant to G.S. 116-283.

(c) The minimum award of a scholarship under this Article shall be five hundred dollars (\$500.00).

"§ 116-283. Administration; unexpended scholarship funds do not revert.

(a) The scholarships provided for in this Article shall be administered by the Authority under rules adopted by the Authority in accordance with the provisions of this Article.

(b) The Authority may use up to one and one-half percent (1.5%) of the funds appropriated for scholarships under this Article for administrative purposes.

(c) Scholarship funds unexpended shall remain available for future scholarships to be awarded under this Article."

SECTION 9.18.(b) G.S. 115C-499.1(3) reads as rewritten:

"§ 115C-499.1. Definitions.

The following definitions apply to this Article:

...

- (3) Eligible postsecondary institution. – A school that is:
- a. A constituent institution of The University of North Carolina as defined in G.S. 116-2(4); or
 - b. A community college as defined in ~~G.S. 115D-2(2);~~G.S. 115D-2(2).
 - e. ~~A nonprofit postsecondary institution as defined in G.S. 116-22(1) or G.S. 116-43.5(a)(1); or~~
 - d. ~~A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary institution as defined in G.S. 116-22(1).~~

...."

SECTION 9.18.(c) G.S. 116-19, 116-20, 116-21, 116-21.1, 116-21.2, 116-21.3, 116-21.4, 116-22, and 116-43.5 are repealed.

SECTION 9.18.(d) The State Education Assistance Authority shall report no later than June 1, 2013, to the Joint Legislative Education Oversight Committee regarding the implementation of this section. The report shall contain, for the 2012-2013 academic year, the amount of scholarship and grant money disbursed, the number of students eligible for the funds, the number of eligible students receiving the funds, and a breakdown of the eligible private postsecondary institutions that received the funds.

SECTION 9.18.(e) G.S. 90-332.1(a)(4a) reads as rewritten:

"(a) It is not the intent of this Article to regulate members of other regulated professions who do counseling in the normal course of the practice of their profession. Accordingly, this Article does not apply to:

...

- (4a) Any person counseling within the scope of employment at: (i) a local community college as defined in G.S. 115D-2(2); (ii) a public higher education institution as defined in G.S. 116-2(4); or (iii) ~~a private higher education institution as defined in G.S. 116-22(1);~~ a nonprofit postsecondary educational institution as described in G.S. 116-280."

SECTION 9.18.(f) G.S. 105-278.4(a) reads as rewritten:

"(a) Buildings. – Buildings, the land they actually occupy, and additional land reasonably necessary for the convenient use of any such building shall be exempted from taxation if all of the following requirements are met:

- (1) Owned by either of the following:
 - a. An educational institution; or
 - b. A nonprofit entity for the sole benefit of a constituent or affiliated institution of The University of North Carolina, ~~an institution as defined in G.S. 116-22,~~ a nonprofit postsecondary educational institution as described in G.S. 116-280, a North Carolina community college, or a combination of these;

...."

SECTION 9.18.(g) G.S. 116-11(10a) reads as rewritten:

"(10a) The Board of Governors, the State Board of Community Colleges, and the State Board of Education, in consultation with ~~private higher education institutions defined in G.S. 116-22(1),~~ nonprofit postsecondary educational institutions shall plan a system to provide an exchange of information among the public schools and institutions of higher education to be implemented no later than June 30, 1995. As used in this section, "institutions of higher education" shall ~~mean~~ mean (i) public higher education institutions defined in G.S. 116-143.1(a)(3), and ~~those private higher education institutions defined in G.S. 116-22(1)~~ (ii) those nonprofit postsecondary educational institutions as described in G.S. 116-280 that choose to participate in the information exchange. The information shall include:

- a. The number of high school graduates who apply to, are admitted to, and enroll in institutions of higher education;

- b. College performance of high school graduates for the year immediately following high school graduation including each student's: need for remedial coursework at the institution of higher education that the student attends; performance in standard freshmen courses; and continued enrollment in a subsequent year in the same or another institution of higher education in the State;
- c. The progress of students from one institution of higher education to another; and
- d. Consistent and uniform public school course information including course code, name, and description.

The Department of Public Instruction shall generate and the local school administrative units shall use standardized transcripts in an automated format for applicants to higher education institutions. The standardized transcript shall include grade point average, class rank, end-of-course test scores, and uniform course information including course code, name, units earned toward graduation, and credits earned for admission from an institution of higher education. The grade point average and class rank shall be calculated by a standard method to be devised by the institutions of higher education.

The Board of Governors shall coordinate a joint progress report on the implementation of the system to provide an exchange of information among the public and independent colleges and universities, the community colleges, and the public schools. The report shall be made to the Joint Legislative Education Oversight Committee no later than February 15, 1993, and annually thereafter."

SECTION 9.18.(h) G.S. 143-49(6) reads as rewritten:

- "(6) To make available to nonprofit corporations operating charitable hospitals, to local nonprofit community sheltered workshops or centers that meet standards established by the Division of Vocational Rehabilitation of the Department of Health and Human Services, to private nonprofit agencies licensed or approved by the Department of Health and Human Services as child placing agencies, residential child-care facilities, private nonprofit rural, community, and migrant health centers designated by the Office of Rural Health and Resource Development, to private higher education institutions that are ~~defined as "institutions" in G.S. 116-22(1), described as nonprofit postsecondary educational institutions in G.S. 116-280~~ and to counties, cities, towns, local school administrative units, governmental entities and other subdivisions of the State and public agencies thereof in the expenditure of public funds, the services of the Department of Administration in the purchase of materials, supplies and equipment under such rules, regulations and procedures as the Secretary of Administration may adopt. In adopting rules and regulations any or all provisions of this Article may be made applicable to such purchases and contracts made through the Department of Administration, and in addition the rules and regulations shall contain a requirement that payment for all such purchases be made in accordance with the terms of the contract."

SECTION 9.18.(i) Subsections (a), (d), and (i) of this section become effective July 1, 2011. Article 34 of Chapter 116 of the General Statutes, as enacted by subsection (a) of this section, applies to the 2012-2013 academic year and each subsequent academic year, except that the rule-making authority for the State Education Assistance Authority under G.S. 116-283(a) becomes effective immediately on July 1, 2011. Subsections (b), (c), (e), (f), (g), and (h) of this section become effective July 1, 2012.

APPENDIX I

The University of North Carolina
Budget Comparison
2011-13

	2011-12					2012-13				
	BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)	BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)
Authorized Base Budget (excludes Aid to Private Colleges)	2,781,725,820	2,781,725,820	2,781,725,820	2,781,725,820	2,781,725,820	2,780,963,742	2,780,963,742	2,780,963,742	2,780,963,742	2,780,963,742
Enrollment Change – (<i>Governor recom. funding only the academic component</i>)	45,818,123	23,269,550	45,818,123	45,818,123	45,818,123	86,627,054	44,270,678	45,818,123	45,818,123	45,818,123
Performance Funding (<i>not part of continuation budget</i>)	1,000,000	–	1,000,000	1,000,000	1,000,000	1,000,000	–	1,000,000	1,000,000	1,000,000
Oper. Reserves for New Facilities *	20,232,730 R 5,879,709 NR	18,531,614	18,531,614	18,531,614	18,531,614	39,324,858 R 4,100,694 NR	29,233,551	29,233,551	29,233,551	29,233,551
Utilities	29,303,253	–	–	–	–	37,946,334	–	–	–	–
Adjustments for Staff Benefits & Continuing Personnel Costs	10,669,615	–	–	–	–	11,013,744	–	–	–	–
Replacement of Vehicles & Equipment	10,347,276	–	–	–	–	20,694,553	–	–	–	–
Accreditation Expenses	799,272	–	–	–	–	958,878	–	–	–	–
Inflationary Increases – Library Books and Materials	–	–	–	–	–	10,372,303	–	–	–	–
Other Adjustments (<i>services, subsistence, fuel, etc.</i>)	–	–	–	–	–	4,167,374	–	–	–	–
Total Contin. Budget Increases	124,049,978	41,801,164	65,349,737	65,349,737	65,349,737	216,205,792	73,504,229	76,051,674	76,051,674	76,051,674
Reductions:										
Management Flexibility Reduction – see note on p. 5	–	(252,623,664)	(478,083,473)	(413,987,494)	(413,987,494)	–	(252,623,664)	(479,609,147)	(423,172,261)	(423,172,261)
Higher Education Ctrs in Rocky Mt, Hickory, Onslow (ASU, NCSU, & UNCW)	–	(500,000)	–	–	–	–	(500,000)	–	–	–
Retirement Incentive Prog.	–	(12,248,768)	–	–	–	–	(30,541,211)	–	–	–
Reduce UNC Hospitals Appropriation (<i>base budget is \$44,011,882</i>)	–	(11,002,971)	(44,011,882) NR	(26,011,882) NR	(26,011,882) NR	–	(11,002,971)	(44,011,882) NR	(26,011,882) NR	(26,011,882) NR
Coastal Wave Energy Research	–	–	(2,000,000)	–	–	–	–	(2,000,000)	–	–
UNC Ctr. for Public Television (<i>funded for 11-12 with \$10.6M in nonrecurring funds-see p. 4 & footnote on p. 5</i>)	–	–	(11,997,888)	(11,997,888)	(11,997,888)	–	–	(11,997,888)	(11,997,888)	(11,997,888)

* Final budget included building reserves only for buildings with completion dates in 2011-12 and whose primary purpose is General Fund related. No nonrecurring funds were recommended.

The amounts in the 2012-13 columns are cumulative biennial amounts (includes 2011-12 recurring amounts). All items are recurring unless noted NR (nonrecurring).

APPENDIX I

	2011-12					2012-13				
	BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)	BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)
Reductions (continued):										
<i>The final budget included multiple changes to financial aid. The portion which reduced or eliminated programs are listed below.</i>										
Limit UNC Need-Based Grant to 9 semesters, beginning 12-13 (non-add, included in item under "other")	-	-	(see note on p. 5 & Sec. 9.11 in HB 200)	(see note on p. 5 & Sec. 9.11 in HB 200)	(see note on p. 5 & Sec. 9.11 in HB 200)	-	-	(see note on p. 5 & Sec. 9.11 in HB 200)	(see note on p. 5 & Sec. 9.11 in HB 200)	(see note on p. 5 & Sec. 9.11 in HB 200)
Eliminate Millennium Teaching Scholarship Loan Prog.-combine with Prospective Teacher Scholarship Loan; eliminate remaining fund balance with NR reduc. of \$500K of escheat funds in 11-12	-	-	(see Sec. 9.10 in HB 200)	(see Sec. 9.10 in HB 200)	(see Sec. 9.10 in HB 200)	-	-	-	(see Sec. 9.10 in HB 200)	(see Sec. 9.10 in HB 200)
Education Lottery Scholarship - House recommended no 11-12 revenues from the Educ. Lottery go to the Educ. Lottery Scholarship. The final budget included \$30.45M in Educ. Lottery Scholarships for UNC & CC college students.	-	-	(see note & Sec. 5.4 in HB 200)	(see note & Sec. 5.4 in HB 200)	(see note & Sec. 5.4 in HB 200)	-	-	(see note & Sec. 5.4 in HB 200)	(see note & Sec. 5.4 in HB 200)	(see note & Sec. 5.4 in HB 200)
Eliminate Student Incentive Grants—amt. shown is appro. change; also reduc. of \$3,613,601 in Escheats	-	-	(800,827)	(800,827)	(800,827)	-	-	(800,827)	(800,827)	(800,827)
Principal Fellows – 10% reduction of slots in 2012-13	-	-	-	-	-	-	-	(362,000)	(362,000)	(362,000)
Future Teachers of NC Scholarship Loan Fund—eliminates the program's remaining budget (abolished in 2009)	-	(455,000)	(455,000)	(455,000)	(455,000)	-	(455,000)	(455,000)	(455,000)	(455,000)
Nonresident Grad Student Remissions	-	-	(8,640,045)	-	-	-	-	(8,640,045)	-	-
Eliminate Academic Full Scholarship	-	-	(6,055,000)	-	-	-	-	(6,055,000)	-	-
Academic Common Market Waiver – no new enrollees for 2012-13	-	-	-	-	-	-	-	(1,215,000)	(970,747)	(970,747)
Eliminate Nonresident Teachers Waiver	-	-	(984,443)	(984,443)	(984,443)	-	-	(984,443)	(984,443)	(984,443)
Eliminate Special Talent Undergrad. Tuition Waivers	-	-	(529,967)	(529,967)	(529,967)	-	-	(529,967)	(529,967)	(529,967)
Eliminate Nonresident Prospective Teachers Scholars Program (ECSU, UNCP, WCU)	-	-	(378,230)	(378,230)	(378,230)	-	-	(378,230)	(378,230)	(378,230)
Total Reductions	-	(276,830,403)	(553,936,755)	(455,145,731)	(455,145,731)	-	(295,122,846)	(557,039,429)	(465,663,245)	(465,663,245)
Expansion Items:										
Campus Safety & Security	1,647,416 R 988,694 NR	-	-	-	-	6,544,976 R 3,963,853 NR	-	-	-	-
Our Citizens & Their Future: Access to Higher Education	76,072,904	-	-	-	-	97,422,054	-	-	-	-
UNC Need-Based Financial Aid Prog.	71,128,000	Recom. \$34,856,563 from lottery receipts	See Reductions & Other Section	See Reductions & Other Section	See Reductions & Other Section	92,767,200	Recom. \$34,856,563 from lottery receipts	See Reductions & Other Section	See Reductions & Other Section	See Reductions & Other Section
Improving Retention & Graduation	4,654,854 R 290,050 NR	-	-	-	-	4,654,854 R	-	-	-	-
Increase Efforts to Recruit & Retain High-Quality Faculty	3,415,500	-	-	-	-	10,246,500	-	-	-	-
Distinguished Professorships	3,415,500 NR	-	-	-	-	10,246,500 NR	-	-	-	-

NR = nonrecurring

APPENDIX I

	2011-12					2012-13				
	BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)	BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)
Our Communities & Their Economic Transformation	5,734,091	–	–	1,000,000	1,000,000	17,029,335	–	–	1,000,000	1,000,000
NC Research Campus at Kannapolis	2,000,000	–	–	–	–	6,000,000	–	–	–	–
NCSU College of Engineering	1,000,000	–	–	–	–	5,000,000	–	–	–	–
NCA&T and UNCG Joint School of Nanoscience & Nanoengineering	1,000,000	–	–	1,000,000 NR	1,000,000 NR	2,000,000	–	–	1,000,000 NR	1,000,000 NR
ECSU School of Aviation	203,591	–	–	–	–	672,835	–	–	–	–
	360,000 NR	–	–	–	–	–	–	–	–	–
WCU Rapid Product Realization	300,000 R	–	–	–	–	600,000 R	–	–	–	–
	–	–	–	–	–	375,000 NR	–	–	–	–
FSU Geospatial Analysis,	131,500 R	–	–	–	–	131,500 R	–	–	–	–
Instructional, & Networking Lab	239,000 NR	–	–	–	–	–	–	–	–	–
UNCSA Productions & Performances	500,000	–	–	–	–	750,000	–	–	–	–
Charlotte Informatics Partnership (UNCC)	–	–	–	–	–	1,500,000	–	–	–	–
Our Health	5,432,850	3,500,000	3,500,000	3,500,000	3,500,000	11,332,850	5,000,000	5,000,000	5,000,000	5,000,000
ECU School of Dentistry	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Nursing Programs Expansion										
UNC-CH at NCSU location (Raleigh)	750,000	–	–	–	–	2,250,000	–	–	–	–
UNCW Accelerated Prog. (Onslow)	415,206	–	–	–	–	415,206	–	–	–	–
Medical Schools										
ECU Brody School of Medicine	–	–	–	–	–	1,000,000	–	–	–	–
UNC-CH Med School Expansion	–	–	–	–	–	1,000,000	–	–	–	–
Health & Wellness/Allied Professions										
ASU College of Health Sciences	500,000	–	–	–	–	1,100,000	–	–	–	–
UNCA NC Ctr for Health & Wellness	267,644 R	–	–	–	–	267,644 R	–	–	–	–
	–	–	–	–	–	300,000 NR	–	–	–	–
Our Children & Their Future: Improving Public Education	1,200,231	–	–	–	–	2,492,484	–	–	–	–
WSSU Teacher Educ. Advisement and Partnership	282,978	–	–	–	–	282,978	–	–	–	–
NCSSM Online Program	375,000	–	–	–	–	1,125,000	–	–	–	–
UNC-CH "Fast Track to Teaching Science" Licensure	542,253	–	–	–	–	1,084,506	–	–	–	–
Our University's Outreach and Engagement	709,764	–	–	–	–	1,190,630	–	–	–	–
NC Arboretum-Bent Creek Inst. – Natural Products	359,260	–	–	–	–	359,260	–	–	–	–
UNC Press – Expand Access to Books and Journals	131,370 R 19,134 NR	–	–	–	–	131,370 R	–	–	–	–
UNC-TV Statewide Public Affairs & Informational Program Services	200,000	–	–	–	–	500,000	–	–	–	–
Coastal Studies Institute	–	–	–	–	–	200,000	–	–	–	–

NR = nonrecurring

APPENDIX I

	2011-12					2012-13				
	BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)	BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)
Other UNC Items	-	8,664,307	49,697,450	52,309,642	52,309,642	-	7,135,312	40,716,309	72,468,939	72,468,939
Research Stations and Farms Consolidation at NCSU	-	7,135,312 R 1,528,995 NR	-	-	-	-	7,135,312 R -	-	-	-
Transfer Hickory Metro Higher Educ. from NCCCS to ASU	-	-	264,833	264,833	264,833	-	-	264,833	264,833	264,833
UNC-TV (no additional spending authority; see reductions section on p. 1 & footnote on p. 5)	-	-	10,558,141 NR	10,558,141 NR	10,558,141 NR	-	-	-	-	-
<i>The final budget includes multiple changes to financial aid which are moving several programs from Escheat funding to state appropriations. The below changes include the increases in state appropriations, however please note that the base budgets for these programs will not be increased as a result.</i>										
UNC Need-Based Financial Aid Prog.-change part of base funding source from escheats to Gen. Fund (no additional spending authority)	-	-	35,279,237	37,891,429	37,891,429	-	-	36,856,237	68,608,867	68,608,867
Teacher Assistant Scholarship Fund-change part of base funding source from escheats to Gen. Fund (no additional spending authority)	-	-	600,000	600,000	600,000	-	-	600,000	600,000	600,000
Health, Science & Mathematics Scholarship Loan-change part of base funding source from escheats to Gen. Fund (no additional spending authority)	-	-	1,100,000	1,100,000	1,100,000	-	-	1,100,000	1,100,000	1,100,000
BOG Medical & Dental Scholarship Loans-change part of base funding source from escheats to Gen. Fund (no additional spending authority)	-	-	1,095,239	1,095,239	1,095,239	-	-	1,095,239	1,095,239	1,095,239
Nurse Education Scholarship Loan- change part of base funding source from escheats to Gen. Fund (no additional spending authority)	-	-	800,000	800,000	800,000	-	-	800,000	800,000	800,000
Recurring budget amounts	208,059,341	(224,393,927)	(401,935,827)	(318,532,611)	(318,532,611)	347,442,427	(209,483,305)	(391,259,564)	(286,130,750)	(286,130,750)
Nonrecurring budget amounts	11,192,087	1,528,995	(33,453,741)	(14,453,741)	(14,453,741)	18,986,047	0	(44,011,882)	(25,011,882)	(25,011,882)
Recommended UNC Operating Budget Changes	219,251,428	(222,864,932)	(435,389,568)	(332,986,352)	(332,986,352)	366,428,474	(209,483,305)	(435,271,446)	(311,142,632)	(311,142,632)
Total Recommended UNC Operating Budget	3,000,977,248	2,558,860,888	2,346,336,252	2,448,739,468	2,448,739,468	3,147,392,216	2,571,480,437	2,345,692,296	2,469,821,110	2,469,821,110

APPENDIX I

	2011-12					2012-13				
	BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)	BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)
Aid to Private Colleges Authorized Continuation Budget	105,766,644	105,766,644	105,766,644	105,766,644	105,766,644	105,766,644	105,766,644	105,766,644	105,766,644	105,766,644
Eliminate Private Medical School Aid	-	-	(1,279,000)	(1,279,000)	(1,279,000)	-	-	(1,279,000)	(1,279,000)	(1,279,000)
Reduction to Private School Aid <i>Final budget recommends reducing by 12.3% the Legis. Tuition Grant (\$7,167,171), the State Contractual Scholarship Fund (\$5,645,326), & other Private School Aid (\$39,483) in 2011-12. In 2012-13, the LTG & SCF programs will be eliminated and replaced by the Need-Based Scholarships for Students Attending Private Institutions of Higher Education (see below).</i>	-	(6,791,697)	(10,448,764)	(12,851,980)	(12,851,980)	-	(6,791,697)	(10,448,764)	(10,487,644)	(10,487,644)
Need-Based Scholarships for Students Attending Private Institutions of Higher Ed – Sec. 9.18	-	-	-	-	-	-	-	-	81,851,588	81,851,588
Aid to Private Colleges – Adjusted 2011-12 Budget	105,766,644	98,974,947	94,038,880	91,635,664	91,635,664	105,766,644	98,974,947	94,038,880	81,851,588	81,851,588

NR = nonrecurring

The final budget reduced funds that are transferred for ASU, NCA&T, and NCSU to \$500K in 2011-12 & \$617K in 2012-13 to NCSU Solar Ctr (\$200K shall be used for the Energy Mgmt Prog. in the Dept. of Mechanical & Aerospace Engineering); \$100K in 2011-12 & \$261K in 2012-13 to ASU Energy Ctr.; and \$100K in 2011-12 and \$210K in 2012-13 to the Ctr for Energy Research & Technology at NCA&T (Commerce section).

Sec. 9.6 of S.L. 2011-145 related to UNC Management Flexibility Reduction states that the BOG shall not allocate the cuts across-the-board. The BOG and campuses shall also consider other specified adjustments before instructional reductions. The final budget, including technical corrections, states that no reductions may be made to Hickory Metro Higher Education Center (ASU), Joint School of Nanoscience & Nanoengineering (NCA&T & UNCG), the NC Research Campus (Kannapolis), the Center for Turfgrass Environmental Research & Education (NCSU), Need-Based Financial Aid, Aid to Private Colleges, and the Coastal Wave Energy Research Project led by the UNC Coastal Studies Institute. Also, cuts cannot exceed 12.3% for the NC Judicial College (UNC-CH School of Govt.), Ag Extension programs and no more than 10% for the Ag Research Stations.

UNC-TV was reduced by 12% and put on nonrecurring funding for 2011-12. Restoration of recurring funding is subject to the findings of a legislative continuation review. Also see Section 9.1 of S.L. 2011-145.

The final budget eliminated funding (\$4,875,000) in DPI's budget for Learn & Earn Online courses provided through the UNC System.

In 2010-11, the UNC Need-Based Grant was funded at a total of \$162,288,763 (included \$11,000,000 recurring GF appropriation, \$116,432,200 recurring escheat appropriation, \$8,195,517 nonrecurring GF appropriation, and \$26,661,046 lottery funds). Under the final budget, the following adjustments took place to the UNC Need-Based Grant:

In 2011-12, the UNC Need-Based Grant would have expenditure authority of \$127.1M (including GF appropriation, escheat appro., & lottery funds). The final budget also included \$59.9M to begin to "forward fund" the program.

In 2012-13, the UNC Need-Based Grant would have expenditure authority of \$122,475,842 (including GF appropriation, escheat appropriation, and lottery funds).

Special provision 9.11 of S.L. 2011-145 limits UNC Need-Based Grant recipients to 9 semesters beginning in 2012-13.

Special provision 9.15 of S.L. 2011-145 transferred the NC Arboretum responsibilities from UNC Asheville to Western Carolina University.

The final budget contains a special prov. (Sec. 29.7) that freezes the salaries of all UNC employees. Sec. 29.8 provides for limited salary adjustments in instances of reallocations or promotions, in-range adjustments for job change, career progression adjustments for demonstrated competencies, or any other adjustment related to an increase in job duties. Also, no UNC employees, excluding employees of the UNC Health Care System & employees participating in a constituent institution's medical faculty practice plan, shall receive compensation bonuses. The provision also allows salary adjustments for: 1) faculty using funds from the faculty recruiting & retention fund, the Distinguished Professors Endowment Fund, or the Univ. Cancer Fund in the case of faculty involved in cancer research supported by that fund, and 2) faculty, non-faculty, and other employee adjustments funded from non-state funding sources.

The final budget prohibits furloughs (Sec. 29.18) unless ordered by the Governor, Chief Justice, or Legislative Services Officer. In order to furlough UNC employees, the Board of Governors must petition the Governor.

UNC-related special provisions are included in Part IX of S.L. 2011-145. Other special provisions that would affect UNC include: 6.1 - Clarify Certified Budget; 6.5 - Interim Appropriations Committees/Meetings/Consultation by Governor; 6.13 - Consolidation of Air Services and Centralization of Air Management/State-Owned Passenger & Non-Passenger Vehicles; 7.1 - Education Reform in NC; 7.15 - Transfer of Federal Ag Education Funds; 29.20 - Comprehensive Review for Reform of Public Employee Compensation Plans/Recommendations for Legislation by May 1, 2012; 29.20A - Establish Compensation Adjustment & Performance Pay Reserve in Anticipation of Compensation Recommendations; and 29.21 - Establish Severance Expenditure Reserve. Sections 9.6D, 9.6E, 9.6F, 9.6G, 9.6H, 9.19, 29.24, 29.26, 29.27 of HB 200 contain University efficiencies originally introduced in the Higher Education Efficiency and Flexibility bill (SB 575).

S.L. 2011-96 & S.L. 2011-85 made changes to the State Health Plan to: allow the Plan to offer a non-contributory option to employees in the Basic 70/30 plan during FY 2011-12 provided the Plan has sufficient cash balance reserves to do so; allow the Plan to offer a non-contributory option to employees during FY 2012-13 if it can be funded through savings accrued through wellness programs, Medicare Advantage plans, alternative plan designs, cash balances or other resources; and change several effective dates to September 1, 2011.

The Appropriations Act (House Bill 200) became S.L. 2011-145 and the Technical Corrections bill (House Bill 22) became S.L. 2011-391.

APPENDIX I

The University of North Carolina
Budget Comparison
2011-13 Capital Improvements

		2011-12					2012-13				
		BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)	BOG Budget Priorities	Governor's Budget	House Budget	Senate Budget (compromise)	FINAL Budget (after tech. corr.)
Institution	Capital Budget (nonrecurring)										
University-wide	Allocation from Repairs and Renovations Reserve	\$163,000,000	\$37,500,000	\$100,742,899	\$62,500,000	\$62,250,000	\$326,000,000	-	-	-	-
	<i>Final budget recommends \$124.5M with UNC receiving 50% (Sec. 30.5).</i>										
	Other Capital Priorities						162,494,859				
ASU	College of Nursing and Health Sciences						5,820,000				
ECU	Life Sciences and Biotechnology Building						15,160,000				
ECSU	School of Aviation						1,500,000				
FSU	Teaching Educ. & General Classroom Bldg.						4,317,621				
NCA&T	New College of Engineering Facility						10,437,400				
NCCU	New Student Union Building						5,689,100				
NCSU	Engineering Complex (Bldgs. IV & V) Renov. of Broughton, Daniels, Page & Mann						46,585,540				
UNCA	Replace Carmichael Hall & Univ. Lecture Hall						2,680,098				
UNC-CH	Law School at Carolina North - New						15,316,700				
UNCC	Science Building						12,000,000				
UNCG	Nursing/Classroom/Office Building						13,063,300				
UNCP	Information Commons Building						5,945,000				
UNCW	Allied Health & Human Sciences Building						4,631,300				
UNCSA	Film COE Phase 2 - Post Production/ Graduate Facility & Renovations						3,574,900				
WCU	New Education & Allied Professions Bldg.						5,523,900				
WSSU	Sciences Building						3,000,000				
NCSSM	Discovery Center						7,250,000				

Section 30.7 of S.L. 2011-145 authorizes UNC's non-appropriated projects that were approved by BOG in February 2011.

Sections 9.6C, 30.10, 30.11, & 30.12 of the final budget (HB 200) contain capital-related flexibility originally introduced in the Higher Education Efficiency and Flexibility bill (SB 575).

Sec. 30.13 of the final budget states that the Joint Legis. Oversight Committee on Capital Improvements shall examine adequacy of planning for long-term state capital needs.

Session Law 2011-66 (Senate Bill 464) eliminated the previous authorization for:

- the remaining \$15M of \$25M provided to UNC in the 2008 Session for system-wide land acquisitions which was scheduled to become available July 1, 2011;
- the \$120M in 2010 Session State-wide Repairs and Renovations funds; and
- the \$55M in 2010 Session UNC & Community College Equipment funds.