

APPENDIX D

Allocation Recommendations for Current Operations – 2002-03

While most of the funding for the Current Operations Budget of each institution comes from the continuation budgets as approved by the General Assembly and appropriated directly to the institution, expansions and improvements funds are appropriated to the Board of Governors for subsequent allocation. These appropriations are also included in Session Law 2002-126, "Current Operations, Capital Improvements, and Finance Act of 2002." By statute, the Board is directed to allocate such funds in accordance with its Schedule of Priorities and in accordance with any specifications in the appropriations act. In addition to appropriations for the Schedule of Priorities, the General Assembly made a limited number of changes for designated programs in University Operations. All allocation recommendations for 2002-03 are included in this item. Appropriations reductions made by the General Assembly in institutional continuation budgets are also included.

It is recommended that the Allocation Recommendations for Current Operations appropriations for the 2002-03 fiscal year be approved.

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

I. University Operations

Recommended Allocations for the Schedule of Priorities – Current Operations

It is recommended that the Expansion Budget – Schedule of Priorities for Current Operations of the Board of Governors of The University of North Carolina as set out in the 2002-03 *Supplemental Budget Request*, be amended and allocated as follows for the 2002-03 fiscal year:

Line	Expansion Budget – Schedule of Priorities	Supp. Budget Request 2002-03	Proposed Allocation 2002-03
1. Access			
a.	Enrollment Changes	\$66,803,142	\$66,803,142
	Less: Additional Tuition Receipts	(33,401,571)	(39,966,108)
	Net Appropriation	33,401,571	26,837,034
b.	Need-Based Student Financial Aid Plan	13,129,074	See note
	Less: Additional Tuition Receipts	(6,564,537)	–
	Net Appropriation	6,564,537	–
c.	"Year-Round University" Pilots –Summer Term Appropriations	2,077,043	–
d.	Focused Growth Institutions–Special Needs	873,684	13,666,533
	Access–Total	42,916,835	40,503,567
2. Intellectual Capital Formation			
a.	Libraries	15,000,000	–
b.	Distinguished Professors Endowment Trust Fund–State Matching Funds	7,500,000	–
c.	Distinguished Graduate Fellowship Trust Fund–State Matching Funds (2 nd year request only)	2,500,000	–
d.	New Degree Program Funds–Revolving Fund	200,000	–
e.	Transition of UNCC to Doctoral/Research Intensive Status	4,000,000	–
f.	Professional Development	1,000,000	–
g.	Diversity and Internationalization	337,112	–
	Intellectual Capital Formation–Total	30,537,112	–
3. K-16 Initiatives		6,895,000	500,000
4. Creation and Transfer of Knowledge			
a.	Major Research Initiatives	16,928,794	–
b.	Area Health Education Centers	4,011,000	–
c.	Public Service	4,259,036	–
	Creation and Transfer of Knowledge –Total	25,198,830	–
5. Transformation and Change			
a.	Information Technology	19,824,000	–
b.	Improvements in Smaller Universities	1,683,689	–
	Transformation and Change–Total	21,507,689	–
TOTAL		127,055,466	41,003,567

Note: Expansion of Need-Based Student Financial Aid Plan funded by transfer of \$4,497,000 from Escheat Fund.

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

The proposed Line totals and the proposed allocations, as applicable, meet all of the directives cited in the Current Operations, Capital Improvements, and Finance Act of 2002 (Session Law 2002-126) and the related Joint Conference Committee Report of September 18, 2002.

Line 1a. Recommended Allocations for Access – Enrollment Changes

The General Assembly has modified the Current Appropriations, Capital Improvements, and Finance Act and made other changes in the budget operations of the State that includes funding for additional enrollment growth for the University.

It is recommended that the 2002-03 request for Line 1a. of the Schedule of Priorities – Current Operations, \$66,803,142 for Enrollment Changes be allocated according to the Board's request as follows:

Institution	Total Allocations
Appalachian State University	\$ 2,128,007
East Carolina University	10,920,131
Elizabeth City State University	–
Fayetteville State University	2,468,290
North Carolina A & T State University	5,924,758
North Carolina Central University	1,742,325
North Carolina School of the Arts	432,751
North Carolina State University	17,401,690
The University of North Carolina at Asheville	–
The University of North Carolina at Chapel Hill	2,285,870
The University of North Carolina at Charlotte	9,350,253
The University of North Carolina at Greensboro	5,684,997
The University of North Carolina at Pembroke	4,160,022
The University of North Carolina at Wilmington	2,648,096
Western Carolina University	1,655,952
Winston-Salem State University	–
TOTAL	66,803,142

The General Assembly fully funded the Board's request for Enrollment Changes, which included \$1,262,688 to "hold harmless" three institutions (ECSU, UNCA, and WSSU) that would otherwise have been reduced.

An additional \$39,966,108 in tuition receipts generated from tuition increases to begin with fall semester 2002 and a General Fund appropriation of \$26,837,034 are appropriated to fully fund the Board's request of \$66,803,142 for regular term and distance education, including the enrollment hold-harmless as requested by the Board of Governors.

It is recommended that budgeted enrollments for the constituent institutions of The University for 2002-03 be established as follows:

Institution	Average Annual FTE Enrollment	Budgeted Student Credit Hours
Appalachian State University	11,868	356,249
East Carolina University		
Academic Affairs	16,659	485,068
Health Affairs	300	—
Elizabeth City State University	1,987	62,917
Fayetteville State University	3,712	111,935
North Carolina A & T State University	8,003	235,854
North Carolina Central University	5,098	130,217
North Carolina School of the Arts	1,020	—
North Carolina State University	23,519	671,234
The University of North Carolina at Asheville	2,793	80,669
The University of North Carolina at Chapel Hill		
Academic Affairs	18,290	542,421
Health Affairs	5,582	—
The University of North Carolina at Charlotte	15,400	417,530
The University of North Carolina at Greensboro	11,571	321,933
The University of North Carolina at Pembroke	3,407	100,338
The University of North Carolina at Wilmington	9,128	263,744
Western Carolina University	5,852	169,137
Winston-Salem State University	2,655	81,707
TOTAL	146,844	4,030,953

The Enrollment Changes requests and allocations were based on the semester-credit-hour funding model except for the following components which remain on the FTE funding model.

	Budgeted Full-Time Equivalent Students
East Carolina University Medical School	300
North Carolina Central University Law School	390
North Carolina School of the Arts	1,020
North Carolina State University, Veterinary Medicine	401
UNC-Chapel Hill Law, Medicine, Dentistry and Pharmacy	4,089
TOTAL	6,200

Line 1b. Recommended Allocation for Access – Need-Based Student Financial Aid Plan

The Board requested additional funding of \$13,129,074 to fully fund the Need-Based Student Financial Aid Plan, with one-half of the additional funding to be generated from the Board's proposed tuition increase. In response to the request, the General Assembly appropriated to the Board from the Escheat Fund the sum of \$19,725,000. Of this sum, \$4,475,000 was for expansion of the plan with the remainder, \$15,228,000, funding the continuation budget of the Plan.

The complete text of the enabling legislation follows:

FUNDS FOR NEED-BASED SCHOLARSHIPS

SECTION 9.19.(a) G.S. 116B-7 reads as rewritten:

"§ 116B-7. Distribution of income of fund.

The income derived from the investment or deposit of the Escheat Fund shall be distributed annually on or before July 15 to the State Education Assistance Authority for grants and loans to aid worthy and needy students who are residents of this State and are enrolled in public institutions of higher education in this State. Such grants and loans shall be made upon terms, consistent with the provisions of this Chapter, pursuant to which the State Education Assistance Authority makes grants and loans to other students under G.S. 116-201 to 116-209.23, ~~Article 23~~. Article 23 of Chapter 116 of the General Statutes, policies of the Board of Governors of The University of North Carolina regarding need- based grants for students of The University of North Carolina, and policies of the State Board of Community Colleges regarding need-based grants for students of the community colleges."

SECTION 9.19.(b) There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of nineteen million seven hundred twenty-five thousand dollars (\$19,725,000) for the 2002-2003 fiscal year and to the State Board of Community Colleges the sum of one million dollars (\$1,000,000) for the 2002-2003 fiscal year. These funds shall be allocated by the State Educational Assistance Authority for need-based student financial aid in accordance with G.S. 116B-7.

SECTION 9.19.(c) The Director of the Budget shall include General Fund appropriations in the amounts provided in subsection (b) of this section in the proposed 2003-2005 continuation budget for the purposes provided in G.S. 116B-7.

Line 1d. Recommended Allocation for Access – Focused Enrollment Growth Institutions – Special Needs

In response to the Board's request for increased funding for the seven focused growth institutions (ECSU, FSU, NCA&T, NCCU, UNCP, WCU and WSSU), the General Assembly provided \$13,666,533 (\$11,000,000 in recurring funds and \$2,666,533 in nonrecurring funds) to address the special needs. Each of the focused growth campuses previously identified a set of unfunded priority needs, and will be using this funding to address those needs.

It is recommended that \$10,000,000 of the \$11,000,000 in recurring funds be allocated in equal dollar amounts as stated in the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets. The remaining \$1,000,000 will be placed in a reserve to be distributed by the President, consistent with the Board's request. Also, it is recommended that the \$2,666,533 in nonrecurring funds be allocated in equal dollar amounts.

Institution	Recurring	Nonrecurring
Elizabeth City State University	\$ 1,428,572	\$ 380,933
Fayetteville State University	1,428,572	380,933
North Carolina A & T State University	1,428,572	380,933
North Carolina Central University	1,428,571	380,933
UNC Pembroke	1,428,571	380,933
Western Carolina University	1,428,571	380,934
Winston-Salem State University	1,428,571	380,934
Subtotal	10,000,000	2,666,533
Reserve	1,000,000	–
TOTAL	11,000,000	2,666,533

The following related special provision was also enacted:

FOCUSED GROWTH PILOT PROGRAM

SECTION 9.9. The Board of Governors of The University of North Carolina may allow Elizabeth City State University, the University of North Carolina at Pembroke, and Western Carolina University each to allocate up to one hundred seventy-eight thousand three hundred eighty dollars (\$178,380) of the funds allocated to them for focused enrollment growth for a maximum of 20 Prospective Teacher Scholars. These funds may be used to recruit new nonresident students to enter into agreements to: (i) pursue a full-time course of study that will lead to teacher certification in North Carolina and (ii) teach in a North Carolina public school or a school operated by the United States government in North Carolina for one year for each year that they receive this benefit. The Board of Governors shall establish guidelines and regulations for this pilot program, including methodology for determining its success in increasing the supply of qualified teachers for North Carolina public schools. The Board shall report its guidelines and regulations to guide these pilot programs to the Joint Legislative Education Oversight Committee by November 15, 2002. The Board shall report annually to the Committee on the progress of the pilot programs and their costs.

No appropriations were made in response to the Board's request on Line 1c – "Year-Round University" Pilots – Summer Term Appropriations.

No appropriations were made in response to the Board's requests on Line 2a – Libraries, Line 2b – Distinguished Professors Endowment Trust Fund-State Matching Funds, Line 2c – Distinguished Graduate Fellowship Trust Fund-State Matching Funds, Line 2d – New Degree Program Funds – Revolving Fund, Line 2e – Transition of UNCC to Doctoral/Research Intensive Status, Line 2f – Professional Development, and 2g – Diversity and Internationalization.

Line 3. Recommended Allocations for K-16 Initiatives

In response to the Board's request of \$6,895,000 for K-16 Initiatives, the General Assembly appropriated \$500,000. Consistent with the Joint Conference Committee Report, it is recommended that \$500,000 be allocated to the UNC General Administration operating budget to continue the operation of the NC TEACH program to provide lateral entry alternatives for prospective public school teachers.

There were no appropriations made in response to the Board's request on Line 4a – Major Research Initiatives, Line 4b – Area Health Education Centers, and Line 4c – Public Service.

II. Agricultural Programs

There were no appropriations in response to the Board's request of \$7,395,000 for Agricultural Programs.

III. UNC Health Care System

The 2002 Session of the General Assembly made no appropriations for expansions and improvements at the UNC Health Care System.

IV. Related Educational Programs

The General Assembly increased appropriations for Aid to Students Attending Private Colleges and Universities by \$2,249,105 on a recurring basis. These funds were designated as follows:

- Provide funding for an anticipated 1,091 additional students to receive the Legislative Tuition Grant at the rate of \$1,800 for each full-time North Carolina undergraduate student
- Provide funding for an anticipated 883 additional students to receive the need-based State Contractual Scholarship Program at the rate of \$1,100 per full-time equivalent North Carolina undergraduate student

In addition, the following related special provisions were enacted:

TRANSFER COLLECTION RESPONSIBILITIES FOR CERTAIN SCHOLARSHIP PROGRAMS TO STATE EDUCATION ASSISTANCE AUTHORITY

SECTION 9.2.(a) The statutory authority, powers, duties, and functions, records, personnel, property, and unexpended balances of appropriations, allocations, or other funds of the North Carolina Teaching Fellows Commission relating to the collection of loans awarded under G.S. 115C-363.23A when the loan repayments are outstanding for more than 30 days are transferred from the North Carolina Teaching Fellows Commission to the State Education Assistance Authority. This transfer has all of the elements of a Type II transfer as defined by G.S. 143A-6.

SECTION 9.2.(b) The statutory authority, powers, duties, and functions, records, personnel, property, and unexpended balances of appropriations, allocations, or other funds of the Department of Public Instruction relating to the collection of loan repayments for loans awarded under Article 32A of Chapter 115C of the General Statutes when the loans are outstanding for more than 30 days are transferred from the Department of Public Instruction to the State Education Assistance Authority. This transfer has all of the elements of a Type II transfer as defined by G.S. 143A-6.

SECTION 9.2.(c) G.S. 115C-363.23A is amended by adding a new subsection to read:

"(g) The State Education Assistance Authority is responsible for the collection of a loan awarded under this section if the loan repayment is outstanding for more than 30 days."

SECTION 9.2.(d) G.S. 115C-363.23A(f) reads as rewritten:

"(f) All funds appropriated to or otherwise received by the Teaching Fellows Program for scholarships, all funds received as repayment of scholarship loans, and all interest earned on these funds, shall be placed in a revolving fund. This revolving fund shall be used for scholarship loans granted under the Teaching Fellows Program. With the prior approval of the General Assembly in the Current Operations Appropriations Act, the revolving fund may also be used for campus and summer program support, and costs related to disbursement of awards and collection of loan repayments. The Public School Forum, as administrator for the Teaching Fellows Program, may use up to one hundred fifty thousand dollars (\$150,000) annually from the fund balance for costs associated with administration of the Teaching Fellows Program. These funds are in addition to funds required for collection costs related to loan repayments."

SECTION 9.2.(e) Article 32A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-472.1. State Education Assistance Authority collect loan repayments.

The State Education Assistance Authority is responsible for the collection of a loan awarded under this Article if the loan repayment is outstanding for more than 30 days."

SECTION 9.2.(f) G.S. 116-204 is amended by adding the following new subdivisions to read:

"(9) To collect loan repayments for loans awarded under the Teaching Fellows Program pursuant to G.S. 115C-363.23A if the loan repayment is outstanding for more than 30 days.

(10) To collect loan repayments for loans awarded from the Scholarship Loan Fund for Prospective Teachers pursuant to Article 32A of Chapter 115C of the General Statutes if the loan repayment is outstanding for more than 30 days."

UNC SCHOLARSHIP PROGRAMS CONSOLIDATED

SECTION 9.4.(a) Effective July 1, 2003, all funds in the continuation budget for the following scholarship programs shall be combined into one scholarship fund to be known as the "UNC Campus Scholarships":

- (1) Minority Presence Grants for undergraduate and doctoral, law, and veterinary medicine students as described in the 1979 Consent Decree between The University of North Carolina and the United States Department of Health Education and Welfare at § VI, paragraphs 6.a. and 6.b.
- (2) Minority Presence Grants-II as established in Section 17.3A of S.L. 1994-769.
- (3) Incentive Scholarship Program for Native Americans as established in Section 17.3 of S.L. 1994-769.
- (4) Elizabeth City State University Incentive Program as established by Chapter 738 of the 1987 of the Session Laws.
- (5) Incentive Grants for Certain Constituent Institutions as established by S.L. 1991-689.
- (6) Freshman Scholars Programs as established by Section 46 of S.L. 1993- 561.
- (7) Legislative College Opportunity Program as established by Section 17.14 of S.L. 1994-769.

SECTION 9.4.(b) All obligations to students for uses of the funds set out in subsection (a) of this section that were made prior to the effective date of subsection (a) of this section shall be fulfilled as to students who remain eligible under the provisions of the respective programs.

SECTION 9.4.(c) Except as provided in subsection (d) of this section, funds in the UNC Campus Scholarships shall be distributed among the constituent institutions of The University of North Carolina in the same amounts as previous to the effective date of this act.

SECTION 9.4.(d) Funds in the UNC Campus Scholarships allocated for doctoral study shall be reallocated based on the proportion of doctoral students enrolled at each of the campuses that have doctoral students. These funds shall continue to be committed only to doctoral students who are North Carolina residents and shall be allocated based on need. The funds previously in the Incentive Scholarship Program for Native Americans at the doctoral level shall be distributed evenly among the campuses with doctoral programs.

SECTION 9.4.(e) The Board of Trustees of each constituent institution shall define its particular campus goals and guidelines for the use of the UNC Campus Scholarships for undergraduates. The chancellor of each constituent institution shall submit its proposed guidelines to the President of The University of North Carolina for approval before implementing them. Only residents of North Carolina shall be eligible to receive grants from the UNC Campus Scholarships. Unless a campus has determined that it has sufficient diversity in its undergraduate student population to provide the educational benefits of diversity, the campus shall use at least the portion of these funds that previously provided Minority Presence Grants for undergraduates to promote diversity within the undergraduate student body of the campus to the extent permitted by the constitution and laws of the State of North Carolina and of the United States.

SECTION 9.4.(f) No constituent institution is required to have a community service requirement for receipt of grants from the UNC Campus Scholarships.

SECTION 9.4.(g) The State Education Assistance Authority shall administer the UNC Campus Scholarships. Upon the naming of recipients of grants from the UNC Campus Scholarships, each constituent institution shall inform the State Education Assistance Authority (SEAA) of its decisions. The SEAA shall perform all of the administrative functions necessary to implement this program. The North Carolina State Education Assistance Authority shall conduct periodic evaluations of expenditures of the UNC Campus Scholarships to determine if allocations are being utilized, are addressing the financial needs of students or other needs identified by the constituent institutions, and are improving diversity on the campuses. SEAA may make recommendations for redistribution of funds to the President of The University of North Carolina who may authorize redistribution of unutilized funds for a particular fiscal year among the constituent institutions.

SECTION 9.4.(h) Each constituent institution shall maintain the current proportion of allocation of these funds for undergraduate Native American students. To be eligible for such a grant, a student must be a resident of North Carolina and must be a Native American, defined as an individual who maintains cultural and political identification as a Native American through membership in an Indian tribe recognized by the State of North Carolina or by the United States. The North Carolina State Education Assistance Authority may redistribute to another constituent institution funds for Native Americans which are uncommitted by January 5 of each fiscal year.

AID TO PRIVATE COLLEGES TECHNICAL CORRECTIONS

SECTION 9.6. G.S. 116-21.4(a) reads as rewritten:

"(a) Expenditures made pursuant to G.S. 116-19, 116-20, 116-21.1, or 116-21.2 may be used only for secular educational purposes at ~~an institution as defined by G.S. 116-22.~~ nonprofit institutions of higher learning that meet the qualifications set out in G.S. 116-22."

No Board action is required.

North Carolina School of Science and Mathematics

The General Assembly appropriated \$115,000 to NCSSM to provide funding for inflationary increases for the operating budget of the School. No Board action is required.

In addition, the following special provision was also enacted:

NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS

SECTION 9.12.(a) The Joint Legislative Education Oversight Committee shall study the North Carolina School of Science and Mathematics. In its study the Committee may consider all of the following with regard to the School: the purpose and goals of the School and whether those are still appropriate; the academic programs; student admission policies; administrative functions and personnel policies; finances, properties, and any financial obligations of the School; and any other relevant issues. The Joint Legislative Education Oversight Committee shall report its findings and recommendations to the 2003 General Assembly.

SECTION 9.12.(b) Notwithstanding any other provision of law, neither the fee of eight hundred fifty dollars (\$850.00) proposed by the Board of Trustees or any other fee shall be imposed for the 2002-2003 academic year.

SECTION 9.12.(c) G.S. 116-235(d) is amended by adding a new subdivision to read:

"(7) The Board of Trustees shall not impose any fee without the approval of the General Assembly, unless the fee is a traffic, parking, or motor vehicle registration fee authorized under subsection (e) of this section."

Budget Reductions in Continuation Budgets by the 2002 Session

Budget Reductions

The 2002 Session made reductions in the continuing operating budgets of The University as shown below:

Code	Institution	2.88% Flexibility Reserve	Budget Tuition Surcharge	Adjust Reserve for New Facilities	Other Reductions (see notes)	Total Budget Reductions
UNIVERSITY OPERATIONS						
16080	ASU	\$ 2,461,641	\$ 70,059	\$ 63,149	\$ —	\$ 2,594,849
16065	ECU, Academic Affairs	3,512,268	115,536	152,488	—	3,780,292
16066	ECU, Health Affairs	1,326,263	—	—	—	1,326,263
16086	ECSU	623,357	13,548	—	—	636,905
16088	FSU	886,724	17,327	—	—	904,051
16070	NCA&T	1,713,549	80,796	—	—	1,794,345
16090	NCCU	1,277,871	94,325	—	—	1,372,196
16092	NCSA	480,337	—	383,946	—	864,283
16030	NCSU	7,654,931	125,583	518,262	—	8,298,776
16055	UNC-Asheville	738,116	18,211	55,206	—	811,533
16020	UNC-Chapel Hill, Acad. Affairs	5,762,034	15,985	290,543	—	6,068,562
16021	UNC-Chapel Hill, Health Affairs	4,496,600	—	69,596	250,000 ²	4,816,196
16022	UNC-Chapel Hill, AHEC	1,326,559	—	—	—	1,326,559
16050	UNC-Charlotte	2,767,900	120,978	308,818	—	3,197,696
16040	UNC-Greensboro	2,687,032	23,043	80,324	—	2,790,399
16082	UNC-Pembroke	706,374	7,461	—	—	713,835
16060	UNC-Wilmington	1,725,745	48,776	142,000	—	1,916,521
16075	WCU	1,501,734	35,881	207,182	—	1,744,797
16084	WSSU	821,150	12,491	243,685	—	1,077,326
16010	UNC-GA, Operating	2,063,801 ¹	—	—	400,000 ³	2,463,801
16011	UNC-GA, Institutional Programs	1,187,645	—	—	—	1,187,645
Total		45,721,631	800,000	2,515,199	650,000	49,686,830
AGRICULTURAL PROGRAMS						
16031	NCSU, Ag Research Service	1,361,284	—	—	—	1,361,284
16032	NCSU, Cooperative Ext. Service	1,077,848	—	—	—	1,077,848
16095	UNC HEALTH CARE SYSTEM	1,168,629	—	—	—	1,168,629
16012	UNC-GA, Related Ed. Prog.	2,979,468	—	—	17,166,000 ⁴	20,145,468
16094	NCSSM	—	—	151,334	—	151,334
TOTAL		52,308,860	800,000	2,666,533	17,816,000	73,591,393

¹ UNC-General Administration was reduced by 5%, not 2.88%.

² Reduction in appropriation for Center for Alcohol Studies Endowment.

³ Reduction in appropriation for contracted services from MCNC.

⁴ Reduction in appropriation of \$15,228,000 for UNC Need-Based Financial Aid Plan was funded by transfer from Escheat Fund. An additional reduction in appropriation of \$1,938,000 was funded by available fund balances in scholarship trust funds.

The Joint Conference Committee Report of the Continuation, Expansion and Capital Budgets, dated September 18, 2002 and incorporated in the appropriation bill by reference, specified the budget reductions as follows:

- Reduced appropriation by 2.88% at all campuses and related operating units. UNC General Administration and its programs were reduced by 5%. This reduction did not apply to the North Carolina School of Science and Mathematics - \$52,308,860 recurring reduction.
- Reduced appropriation by budgeting tuition collected from 25% surcharge for those students taking more than 110% of required credit hours for a degree - \$800,000 recurring reduction.
- Reduced funding in reserves for operating new facilities due to delays in completion dates - \$2,666,533 non-recurring reduction.
- Reduced appropriation to the UNC-Chapel Hill Center for Alcohol Studies Endowment Fund - \$250,000 non-recurring reduction.
- Reduced appropriation for contracted services from MCNC - \$400,000 recurring reduction.
- Reduced appropriation by budgeting cash balances in scholarship trust funds - \$1,938,000 non-recurring reduction.
- Reduced general fund requirements by funding the continuation budget for UNC need-based scholarships with income from the Escheat Fund - \$15,228,000 non-recurring reduction.

No Board actions are required since these Legislative reductions are made in the continuation budgets, which are appropriated directly to the institutions.

The General Assembly also enacted the following special provision regarding administering the budget reductions:

UNC FLEXIBILITY GUIDELINES

SECTION 9.7. The Chancellor of each constituent institution shall report to the Board of Governors of The University of North Carolina on the reductions made to the General Fund budget codes in order to meet the reduction reserve amounts for that institution. The President of The University of North Carolina shall report to the Board of Governors of The University of North Carolina on the reductions made to the General Fund budget codes controlled by the Board in order to meet the reduction reserve amounts for those entities. The Board of Governors shall make a summary report to the Fiscal Research Division by October 31, 2002*, on all reductions made by these entities and constituent institutions in order to reduce the budgets by the targeted amounts.

**Reporting date change requested to November 30, 2002.*

Other Budget-Related Special Provisions

In addition to the special provisions in the Current Operations, Capital Improvements, and Finance Act of 2002 (S.L. 2002-126), which were previously cited, the following are noted for information and no Board actions are required at this time.

ELIMINATE UNC MAILING LIST DUPLICATION

SECTION 9.5. Section 10.11 of S.L. 1999-237 reads as rewritten:

"Section 10.11. Each constituent institution of The University of North Carolina and each community college shall provide to students and their families a brief, clear explanation of federal tax credits (the HOPE and Lifetime Learning Credits) that are available for educational purposes. The explanation shall include the limitations of the credits as well as examples of the potential benefits under certain tax situations. The constituent institution shall provide the tax credit information to the student ~~and~~ or the student's parents when the institution notifies each of the amount of tuition and fees paid for a calendar year."

REPORT ON UMSTEAD ACT EXEMPTIONS

SECTION 9.10A.(a) The Board of Governors of The University of North Carolina shall report to the Joint Legislative Commission on Governmental Operations prior to March 1, 2003, on activities undertaken under exemptions to the Umstead Act, which are set out in G.S. 66-58(b)(8), for the Centennial Campus of North Carolina State University at Raleigh, the Horace Williams Campus of the University of North Carolina at Chapel Hill, and a Millennial Campus of a constituent institution of The University of North Carolina.

SECTION 9.10A.(b) The report shall include the following information on all such activities undertaken since July 1, 1999:

- (1) The reasons the exemptions were necessary for the development and operation of facilities on the Centennial Campus of North Carolina State University at Raleigh, the Horace Williams Campus of the University of North Carolina at Chapel Hill, or a Millennial Campus of a constituent institution of The University of North Carolina, and
- (2) A specific list of the activities that would have been prohibited without the exemptions.

SECTION 9.10A.(c) The report shall also include:

- (1) A specific list of activities that are necessary to continue the development and operation of these facilities and that would be prohibited if the facilities were not exempt from the provisions of G.S. 66-58(a), and
- (2) A list of the specific exemptions from G.S. 66-58(a) that would be necessary to continue the development and operation of these facilities prohibited if G.S. 66-58(a) applied to the facilities.

OUT-OF-STATE INSTITUTIONS WITH NC CAMPUSES

SECTION 9.11.(a) G. S. 116-22 reads as rewritten:

"§ 116-22. Definitions applicable to §§ 116-19 to 116-22.

As used in G.S. 116-19 through 116-22:

- (1) "Institution" shall mean an educational institution with ~~its main~~ 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 is accredited by the Southern Association of Colleges and Schools under the standards of the College Delegate Assembly of said Association thereof that satisfies all of the following:~~
 - a. 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.
 - b. Awards a postsecondary degree as defined in G.S. 116-15, and that is
 - c. Is not a seminary, Bible school, Bible college or similar religious institution.
- (1a) "Main permanent campus" shall mean a campus owned by the 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.
- (2) "Student" shall mean a person enrolled in and attending an institution's main permanent campus located in the State who qualifies as a resident of North Carolina in accordance with definitions of residency that may from time to time be adopted by the Board of Governors of the University of North Carolina and published in the residency manual of said Board; and a person who has

not received a bachelor's degree, or qualified therefore, and who is otherwise classified as an undergraduate under such regulations as the Board of Governors of the University of North Carolina may promulgate. The enrollment figures required by G.S. 116-19 through 116-22 shall be the number of full-time equivalent students as computed under regulations prescribed by the Board of Governors of the University of North Carolina. Qualification for in-State tuition under G.S. 116-143.3 makes a person a "student" as defined in this subdivision."

SECTION 9.11.(b) Notwithstanding the provisions of G.S. 116-22 as enacted by this section, any institution that met the definition of "institution" under G.S. 116-22 on January 1, 2001, shall continue to be eligible to receive funds appropriated in compliance with G.S. 116-19 through G.S. 116-22 when this act becomes law, if it received funds for these purposes as of January 1, 2001.

HORACE WILLIAMS AIRPORT

SECTION 9.13.(a) The University of North Carolina at Chapel Hill shall not close the Horace Williams Airport before January 1, 2005.

SECTION 9.13.(b) Prior to moving Medical Air, Inc., from the Horace Williams Airport, the Chancellor of the University of North Carolina at Chapel Hill shall consult with the Joint Legislative Commission on Governmental Operations regarding the feasibility, cost, and impact on the effectiveness of AHEC services to the public that will result from the proposed move.

COOPERATIVE EXTENSION/AGRICULTURAL RESEARCH FACULTY

SECTION 9.14. The Board of Governors shall promulgate policies that permit currently designated "EPA Non-Teaching" positions in the Cooperative Extension Service or Agricultural Research budgets of the constituent institutions of the university to be changed to "EPA Teaching" positions, if it is deemed by the Chancellor of any constituent institution of the university to be a more accurate definition of the faculty positions' job responsibilities.

UNC INSTITUTIONS/GOLF COURSE AND TRANSIENT ACCOMMODATIONS FACILITY/UMSTEAD ACT EXEMPTION REPORTING REQUIREMENT

SECTION 9.15.(a) G.S. 66-58 is amended by adding a new subsection to read:

"(h) Notwithstanding the provisions of G.S. 66- 58(b)(8), The University of North Carolina, its constituent institutions, the Centennial Campus of North Carolina State University, the Horace Williams Campus of the University of North Carolina at Chapel Hill, a Millennial Campus of a constituent institution of The University of North Carolina, or any corporation or other legal entity created or directly controlled by and using land owned by The University of North Carolina shall consult with and provide the following information to the Joint Legislative Commission on Governmental Operations before issuing debt or executing a contract for a golf course or for any transient accommodations facility, including a hotel or motel:

- (1) Architectural concepts.
- (2) Financial and debt service projections.
- (3) Business plans.
- (4) Operating plans.
- (5) Feasibility studies and consultant reports."

SECTION 9.15.(b) This section does not apply if the golf course or transient accommodations facility is owned, operated, or leased by The University of North Carolina or one of its constituent institutions on or before July 1, 2002. This section is effective when it becomes law.

SECTION 9.15.(c) This section is effective when this act becomes law.

REPORT ON UNIVERSITY FISCAL LIABILITIES

SECTION 9.16. The Board of Governors shall report on an annual basis to the Joint Legislative Commission on Governmental Operations on:

- (1) Any financing of buildings or other facilities, regardless of the ownership of those buildings or other facilities, located on land owned by The University of North Carolina or the constituent institutions of The University of North Carolina; and
- (2) All fiscal liabilities or contingent liabilities, including payments for debt service or other contractual arrangements, of The University of North Carolina or any constituent institution.

**The University of North Carolina
Joint Conference Committee Report
General Fund Appropriations**

[illegible]

**The University of North Carolina
Joint Conference Committee Report
General Fund Appropriations**

		2002-03 Senate Budget	2002-03 House Budget	Conference Report	Notes
UNC General Administration Reductions:					
Reduce programs at UNC-GA (BOG to allocate reductions)	(2,063,801)	(2,063,801)	(2,063,801)	(2,063,801)	
Related Educational Programs	included in \$41,995,059 on p. 1	included in \$52,356,164 on p. 1	included in \$50,245,059 on p. 1	Conferree amount is 2.88%.	
Use fund balances to reduce requirements for one year	(1,938,000)NR	(1,938,000)NR	(1,938,000)NR	(1,938,000)NR	
MCNC Contract	-	(400,000)	(400,000)	(400,000)	
NC Progress Board	-	(250,000)	(250,000)	-	
Center for International Understanding	-	(500,000)	(500,000)	-	
Total General Administration Reductions	(4,001,801)	(5,151,801)	(4,401,801)		
Other Reductions					
Funding UNC payroll at 98% - University-wide	-	(33,500,000)	-	-	
Recommendations of Governor's Efficiency Commission	\$25 million statewide	\$25 million statewide	\$25 million statewide	\$25 million statewide	UNC amount to be determined.
Management Flexibility Reserve	-	-	-	\$41.5 million statewide	UNC amount to be determined.
Total Other Reductions		(33,500,000)			
Tuition Increases					
Tuition increase recommended by the Board of Governors (8% increases for in-state students and a 12% increase for out-of-state students)	39,966,108	39,966,108	39,966,108	39,966,108	
Total Tuition Increases	39,966,108	39,966,108	39,966,108	39,966,108	
Total Reductions and Offsets	(89,429,501)	(151,287,114)	(98,329,501)		
Total Current Operations Appropriations - 2002-03	1,781,410,109	1,734,864,496	1,768,097,109		
<i>Note: Retirement incentive in House Budget -- total reduction of \$31 million (was not included in Conference Report).</i>					
NR = nonrecurring					
	D-16				