

September 7, 2017 at 1:00 p.m.  
University of North Carolina General Administration  
Center for School Leadership Development, Boardroom  
Chapel Hill, North Carolina

## AGENDA

- B-1. [2017-18 Operating Budget Allocations](#) ..... Nathan Knuffman
  - a. UNC Salaries
- B-2. [2017-18 Capital Improvement Allocations](#) ..... Nathan Knuffman
  - a. Repairs and Renovations
- B-3. [Connect NC Bond Projects](#) ..... Will Johnson
- B-4. [Request for Additional Project and Financing Authority – NCCU](#) ..... Jonathan Pruitt
- B-5. [Sale of Special Obligation Bonds – UNC-CH](#) ..... Jonathan Pruitt
- B-6. Adjourn

## AGENDA ITEM

B-1. 2017-18 Operating Budget Allocations ..... Nathan Knuffman

**Situation:** While most of the funding for the Current Operations Budget of each institution comes in the base budgets as approved by the General Assembly, some funds for expansions and improvements are appropriated to the Board of Governors for allocation to the institutions. Reductions mandated by the General Assembly are also appropriated to the Board of Governors for allocation. These items are included in the 2017 Appropriations Act [S.L. 2017-57 (S257)].

**Background:** By statute, the Board is directed to allocate such funds in accordance with its 2017-19 Budget Priorities and with any specifications in the Appropriations Act and the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets, dated June 19, 2017. The General Assembly also made a number of appropriations and adjustments for designated programs in University Operations and Aid to Private Institutions.

**Assessment:** The allocations meet all of the directives cited in the Appropriations Act of 2017, the technical corrections bill (H528) and the related Joint Conference Committee Report. Many of the changes were made directly to each institution's continuation budget; however, one item requiring Board action is shown in the table on the following page.

**Action:** This item requires a vote by the committee and a vote by the full Board of Governors.

# THE UNIVERSITY OF NORTH CAROLINA

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## 2017-18 Operating Budget Allocations

This document includes recommended allocations for operating and compensation funding, as well as additional information about the 2017 budget and related bills. A comparison of the final budget to the BOG budget priorities can be found in Appendix A.

***It is recommended that the following proposed allocations for 2017-18 be approved and 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.***

### **A. Recommended Allocations for Items Requiring Board Approval**

The General Assembly appropriated \$40,597,891 in recurring funds for an across-the-board salary increase of \$1,000 for UNC employees subject to the State Human Resources Act (SHRA). Although funding for compensation and benefit changes was appropriated directly to the UNC budget, Section 35.1 of the Appropriation Act (S.L. 2017-57) shown in Appendix D, directs the Office of State Budget and Management (OSBM) to determine the allocation of these funds. The Board of Governors may award salary increases to positions exempt from the State Human Resources Act (EHRA) pursuant to policies adopted by the Board. The recurring funds will impact the employee's base salary and retirement contributions. Recurring funds of \$181,338 in 2017-18 and \$482,812 in 2018-19 are also provided for salary increases to teachers at the NC School of Science and Mathematics in accordance with the teacher salary schedule.

Table 1 shows the compensation allocations for the EHRA employees (see Sec. 35.9 in Appendix D for more information). This allocation requires Board approval.

***Table 1: Recommended Allocations for EHRA Employees  
(Requires BOG approval)***

<b>Institution</b>	<b>EHRA Salary Increase</b>
Appalachian State University	\$ 1,763,444
East Carolina University	2,739,815
Elizabeth City State University	209,811
Fayetteville State University	525,147
North Carolina A & T State University	1,062,845
North Carolina Central University	858,214
North Carolina State University	4,860,619
University of North Carolina at Asheville	403,701
University of North Carolina at Chapel Hill	4,409,415
University of North Carolina at Charlotte	2,254,148
University of North Carolina at Greensboro	1,607,078
University of North Carolina at Pembroke	572,699
University of North Carolina at Wilmington	1,450,937
University of North Carolina School of the Arts	285,656
Western Carolina University	920,225
Winston-Salem State University	630,914
NC School of Science and Mathematics	63,861
UNC-General Administration	117,958
<b>Total</b>	<b>24,736,487</b>

## 2017-18 Operating Budget Allocations

### ***B. Budget Items Requiring Future Action/Board of Governors Approval***

#### **1. Management Flexibility Reduction**

The General Assembly directed a management flexibility nonrecurring reduction of \$7,000,000 to take effect in 2018-19. This flex cut will not be allocated until the 2018-19 fiscal year and will require BOG approval. A special provision (Section 10.8) shown in Appendix D provides guidelines for implementation of the reduction and also requires a report to Office of State Budget and Management and Fiscal Research Division by April 1, 2019.

#### **2. Enrollment Change Funding**

The General Assembly fully funded the Board's enrollment change funding request by appropriating \$46,571,112 for 2017-18 and an additional \$48,163,406 for 2018-19. While in previous years, enrollment appropriations were either allocated directly to the campuses through the continuation budget or to a BOG reserve account, the General Assembly made the appropriation to an OSBM reserve account. A special provision in the Appropriations Act (Sec. 10.10) shown in Appendix D requires that actual enrollment be verified following fall semester census and then the Board will allocate funds for the fiscal year, subject to the approval of the Director of the Budget. Spring semester funding will be based on a three-year average fall-to-spring retention of fundable credit hours. OSBM may advance funds to institutions to maintain operations until enrollment is verified. The recommended campus enrollment amounts will be provided to the Board at their November meeting, at which time a vote will be required to approve the allocation funding.

### ***C. Additional Budget Actions Not Requiring Board Approval (for information only)***

The General Assembly mandated reductions and increased appropriations directly to several campus budgets, which do not require Board allocation. These are described on the following pages, for information only. Unless otherwise noted, appropriations were made in the 2017 Appropriations Act [S.L. 2017-57 (S257)].

#### **1. Retirement Funding – TSERS and ORP**

The General Assembly increased the state's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) supported by the General Fund with recurring funds of \$9,142,976 in 2017-18 and \$24,114,600 in 2018-19 to fund the actuarially determined contribution and increased retiree medical premiums and provide a 1% cost-of-living adjustment to retirees.

Recurring funds of \$2,615,088 in 2018-19 increases the state's contribution for members of the Optional Retirement Program (ORP) to fund the actuarially determined contribution and increased retiree medical premiums supported by the General Fund. The Office of State Budget and Management (OSBM) has been directed to determine the allocation of these appropriated funds to each constituent institution. No action is required by the Board of Governors to allocate these funds.

#### **2. State Health Plan**

The General Assembly provided additional recurring funds (\$6,872,981 in 2017-18 and \$14,564,174 in 2018-19) to continue health benefit coverage for enrolled active employees supported by the General Fund.

## 2017-18 Operating Budget Allocations

### 3. Data Analytics

The General Assembly provided nonrecurring funds of \$1,000,000 for 2017-18 and \$8,000,000 in 2018-19 and an additional \$1,000,000 in recurring funds beginning in 2018-19 for a variety of data collection, modernization and integration projects. This will include, but is not limited to: post-graduate outcomes, uniform and integrated data collection across all campuses, and Enterprise Resource Planning (ERP) modernization that will enable better financial management of UNC through cost per unit analysis, predictive modeling, and more timely access to actionable information. These funds were appropriated to UNC-GA, Institutional Programs (BOG Reserve).

### 4. UNC Teacher and Principal Preparation Program Lab School Administration

Funds appropriated by the General Assembly (\$930,000 recurring and \$1,000,000 nonrecurring) will provide for administrative and technical assistance related to the UNC Teacher and Principal Preparation Laboratory School Program. These funds are for both start-up assistance, as well as recurring administrative support. These funds were appropriated to UNC-GA, Institutional Programs (BOG Reserve) and it is recommended that the President be authorized to make further allocations.

### 5. North Carolina New Teacher Support Program

The General Assembly appropriated \$1,000,000 in recurring funds to the NC New Teacher Support Program. This program supports new teachers across the state through training and one-on-one coaching. The funds were appropriated to UNC-GA, Institutional Programs (BOG Reserve).

### 6. Future Teachers of North Carolina

Recurring funds of \$278,500 are provided to establish the Future Teachers of North Carolina (FTNC) program, in conjunction with college partners, for the purpose of developing curricula and providing professional development for teachers in participating high schools who will teach courses to encourage high-achieving high school students to consider teaching as a profession. Three UNC institutions, selected by the President, must be located in the western, central, and eastern parts of the state and have highly successful Schools of Education. These funds were appropriated to UNC-GA, Institutional Programs (BOG Reserve) and it is recommended that the President be authorized to make further allocations.

### 7. Research Opportunity Initiative

The General Assembly increased funding with a nonrecurring \$1,000,000 appropriation in 2017-18 for a competitive grant program that supports innovative research programs in six priority areas: advanced manufacturing; data sciences; defense, military, and security; energy; marine and coastal sciences; and pharmacoengineering. These funds were appropriated to UNC-GA, Institutional Programs (BOG Reserve) and it is recommended that the President be authorized to make further allocations.

### 8. Faculty Recruitment and Retention

The General Assembly increased funding with a nonrecurring \$1,000,000 appropriation in 2017-18 for faculty recruitment and retention efforts at UNC institutions. These funds were appropriated to UNC-GA, Institutional Programs (BOG Reserve) and it is recommended that the President be authorized to make further allocations.

## 2017-18 Operating Budget Allocations

### 9. Operating Building Reserves

Operating funds are provided for buildings coming online in the 2017-19 biennium. Nonrecurring funds of \$107,458 in 2017-18 and \$154,253 in 2018-19 and recurring funds of \$5,910,362 beginning in 2018-19 are provided as shown in Table 2. These funds were appropriated directly to the campuses.

**Table 2: FY 2017-19 Building Reserves**

Institution/Building	2017-18		2018-19	
	Recurring	Nonrecurring	Recurring	Nonrecurring
<b>Appalachian State University</b> Beaver College of Health Sciences	\$ 0	\$ 0	\$4,207,983	\$ 0
<b>Elizabeth City State University</b> G.R. Little Library	0	0	288,615	0
<b>UNC-Chapel Hill</b> Mountain Area Health Center			838,974	154,253
<b>UNC Pembroke</b> Student Health Services Bldg.	107,458	0	145,599	0
<b>Winston-Salem State University</b> Science & General Office Bldg.	0	0	429,191	0
<b>TOTAL</b>	<b>107,458</b>	<b>0</b>	<b>5,910,362</b>	<b>154,253</b>

### 10. UNC-CH School of Law

The legislature reduced the state funding to UNC-CH's School of Law by \$500,000 (4% reduction). The funds were reduced from UNC-Chapel Hill, Academic Affairs.

### 11. UNC-CH Cryo-Electron Microscopy Equipment

Nonrecurring funds of \$525,000 were provided to UNC-Chapel Hill for the acquisition and operation of cryo-electron microscopy equipment. These funds were appropriated to UNC-Chapel Hill, Academic Affairs.

### 12. UNC-CH Excellence Fund for the Reserve Officers Training Corps

Nonrecurring funds of \$240,000 were provided to UNC-Chapel Hill to establish the Excellence Fund for Experiential Learning and Leadership Development for the Officers Training Corps. This fund, located in the College of Arts and Sciences, shall support leadership development and experiential learning for UNC ROTC programs. These funds were appropriated to UNC-Chapel Hill, Academic Affairs.

### 13. UNC-CH School of Medicine

The General Assembly appropriated \$1,000,000 in recurring funds to the UNC-CH School of Medicine to increase the number of available medical student slots. The funds were appropriated to UNC-Chapel Hill, Health Affairs.

### 14. Western School of Medicine – Asheville

The General Assembly appropriated \$4,350,000 in nonrecurring funds and \$3,650,000 in recurring funds in 2017-18 and an additional \$3,990,941 in recurring funds for 2018-19 for the UNC-CH School of Medicine's Asheville campus, a joint program between the UNC-CH School of Medicine, other UNC system universities, and the Mountain Area Health Education Center. Funding will support

## **2017-18 Operating Budget Allocations**

administration, faculty, and related programs for this multi-disciplinary effort. These funds were appropriated to UNC-Chapel Hill, Health Affairs.

### **15. NCSU Food Processing Innovation Center**

The General Assembly appropriated \$700,000 in recurring funds and \$4,400,000 in nonrecurring funds for the Food Processing Innovation Center, to be housed at the NC Research Campus in Kannapolis. Nonrecurring funds are provided to equip the Center. Recurring funding will be used for lease payments for the space to be renovated by the NC Research Campus and the City of Kannapolis and for personnel costs to be augmented by additional staffing supported by the NCSU College of Agriculture and Life Sciences and the NC Department of Agriculture. These funds were appropriated to UNC-GA, Institutional Programs (BOG Reserve) and it is recommended that the President be authorized to make further allocations.

### **16. NCSU Innovation in Manufacturing Biopharmaceuticals**

The General Assembly provided nonrecurring funds of \$2,000,000 in 2017-18 for North Carolina State University's participation in a collaborative effort to accelerate the development of innovative manufacturing processes for biopharmaceutical products. Funds will support the Biomanufacturing Training and Education Center at NCSU and serve as matching funds for a federal grant from the National Institute of Standards and Technology. These funds were appropriated to NCSU, Academic Affairs.

### **17. NCSU Biomanufacturing Training and Education Center (BTEC)**

In accordance with the technical corrections bill, the legislature provided nonrecurring funds of \$500,000 in 2017-18 to the NCSU Biomanufacturing Training and Education Center to only support training and education. These funds were appropriated to NCSU, Academic Affairs.

### **18. NCSU Cooperative Extension**

Recurring funds of \$700,000 in 2017-18 and an additional \$100,000 in 2018-19 were provided to the NCSU Cooperative Extension for faculty and employee retention and recruitment. These funds were appropriated to NCSU, Cooperative Extension.

### **19. ECU Brody School of Medicine Stabilization Funds**

Recurring funds of \$4,000,000 were provided to stabilize Brody School of Medicine at East Carolina University. These fund were appropriated to ECU, Health Affairs.

### **20. ECU Graduate Medical Education Expansion**

The General Assembly provided recurring funds (\$162,857 in 2017-18 and an additional 640,947 in 2018-19) for the planning and initial implementation of new residency programs at Vidant Duplin Hospital, Halifax Regional Medical Center, Carolina East, and Vidant Ahoskie Hospital. The new residency positions are intended to help expand medical services and increase the number of health-care providers in rural and under-served areas. These fund were appropriated to ECU, Health Affairs.

### **21. NCA&T Doctoral Program**

The \$2,500,000 in recurring funds appropriated by the General Assembly for the NCA&T Doctoral Program will provide support for already-established doctoral programs. The funds will support new faculty and graduate student services for the doctoral programs, including computer science, various engineering fields, energy and environmental systems, education, and rehabilitation counseling. These funds were appropriated to North Carolina A & T State University.



## **2017-18 Operating Budget Allocations**

### **22. ECSU Stabilization Funds**

Nonrecurring funds of \$2,810,000 in 2017-18 and \$2,000,000 in 2018-19 are provided to Elizabeth City State University to stabilize enrollment. Funds will be used to hire temporary faculty to anchor core programs, provide start-up funds for an aviation science program, and support student success initiatives. A special provision (Sec. 10.2) in the 2017 Appropriation Act requires the president to report quarterly to OSBM and the Fiscal Research Division on the status of the stabilization funds. These funds were appropriated to Elizabeth City State University.

### **23. Teaching Fellows**

A transfer from the NC Education Endowment Fund (\$450,000 in 2017-18 and \$6,000,000 in 2018-19) will be used to establish a competitive forgivable loan program for students interested in entering teaching in science, technology, engineering, and mathematics (STEM) or special education licensure areas. Students may receive up to \$8,250 per year for tuition, fees, and the cost of books. These loans may be forgiven upon completion of a term of service at a North Carolina elementary or high school. Funds are also provided to the NC State Educational Assistance Authority (SEAA) to administer the program. The funds were transferred to UNC-GA, Related Educational Programs.

### **24. Cheatham-White Scholarships (NCA&T and NCCU)**

The General Assembly appropriated recurring funds of \$1,500,000 in 2018-19 for the Cheatham-White Scholarship Program, which was established in 2016. These scholarships, at NC A & T State University and NC Central University will fund up to 20 scholarships at each university, beginning with the fall 2018 semester. NCA&T and NCCU will be required to match the General Fund appropriation. These funds were appropriated to UNC-GA, Related Educational Programs and it is recommended that the President be authorized to make further allocations.

### **25. Tuition Grant for NC School of Science and Mathematics**

The General Assembly appropriated nonrecurring funds of \$1,500,000 in 2017-18 for a one-year tuition grant program for students graduating from NC School of Science and Mathematics at the conclusion of the 2017-18 academic year. Students who enroll full-time in a UNC constitution institution in the fall of 2018 will receive a full tuition grant for one year. These funds were appropriated to UNC-GA, Related Educational Programs and it is recommended that the President be authorized to make further allocations.

### **26. NC Promise**

The General Assembly established a reserve (\$11 million) for NC Promise, which sets tuition at \$500 per semester for NC residents and \$2,500 per semester for nonresidents at three UNC institutions (ECSU, UNCP, and WCU). This reserve will be used to support increased enrollment at each institution. After this reserve is distributed in 2018-19, the revised net appropriation for NC Promise would be \$51 million.

## 2017-18 Operating Budget Allocations

### 27. NC Research Campus at Kannapolis

Section 10.15 of the Appropriations Act, found on page 2 of Appendix B, again mandated that the Board of Governors use \$29 million to support UNC-related activities at the NC Research Campus at Kannapolis in 2017-18 and 2018-19. Since no new funding was provided, the President will direct the following institutions to continue expending funds at Kannapolis at the same amount as in 2014-15, as shown in Table 3.

**Table 3: NCRC at Kannapolis 2017-18 & 2018-19 Funding**

Institution	Funds to NCRC
Appalachian State University	\$ 421,721
North Carolina A&T State University	2,463,663
North Carolina Central University	1,217,556
North Carolina State University	8,740,176
University of North Carolina at Chapel Hill	11,661,081
University of North Carolina at Charlotte	2,868,928
University of North Carolina at Greensboro	1,302,003
UNC-General Administration	324,872
<b>TOTAL</b>	<b>\$29,000,000</b>

### 28. Aid to Private Institutions

The General Assembly appropriated funds to programs for private institutions. The funds for these programs were appropriated directly to Aid to Private Institutions. Descriptions of these items can be found in Appendix C.

### 29. Intra-Agency Transfers

The following intra-agency transfers contained in the Joint Conference Committee Report do not require Board action.

#### Advisory Council on Rare Diseases (UNC-CH)

Nonrecurring funds of \$100,000 will be transferred to UNC-Chapel Hill from the Division of Public Health budget to be used to support start-up costs of the Advisory Council.

#### Energy Centers

Recurring funding was reduced from the Department of Environmental Quality for the university energy centers. The revised net appropriation for this transfer is \$400,000 and will be split equally between Appalachian State University, North Carolina A & T State University and North Carolina State University, in accordance with the technical corrections bill.

#### FerryMon (UNC-CH)

Nonrecurring funds of \$150,000 will be transferred to UNC-Chapel Hill from the Department of Environmental Quality for the Institute of Marine Sciences. These funds will be used for the continuation of the North Carolina ferry-based water quality monitoring program.

## Appendix A: 2017-19 Operating Budget Comparison

	UNC Budget Priorities		Final Budget SB 257 (S.L. 2017-57)	
	2017-18	2018-19	2017-18	2018-19
<b>Base Budget Before Adjustment</b> (excludes Aid to Private Institutions)	2,646,876,594	2,646,882,853	2,646,876,594	2,646,882,853
Adjustment for NC Promise		51,000,000		40,000,000
<b>Recommended Base Budget</b> (excludes Aid to Private Institutions)		2,697,882,853		2,686,882,853
<b>Fulfill Our Responsibility To Be More Transparent and Accountable</b>				
Modernize Data Systems to Promote Institutional Improvement	750,000 10,000,000 NR	2,125,000 16,625,000 NR	– 1,000,000 NR	1,000,000 8,000,000 NR
<b>Invest in Promising New Ideas That Will Raise Graduation Rates and Grow Our Economy</b>				
Competitive Grants to Improve Grad. Rates	500,000 NR	3,500,000	–	–
Guided Pathway Software Pilot (Finish in Four)	1,200,000 NR	800,000	–	–
Research Opportunities Initiative	3,000,000	3,000,000	1,000,000 NR	–
Faculty Recruitment and Retention Fund	3,000,000	3,000,000	1,000,000 NR	–
<b>Other Targeted Priorities</b>				
Employee Compensation Increase Salary increase of \$1,000 and increase for NCSSM teachers	<i>BOG requested salary increase equity with other state employees</i>		40,779,229 –	41,080,703 –
Reinstate NCSSM Tuition Grant	–	1,500,000	1,500,000 NR	–
Lab Schools Operational Funding	930,000 1,000,000 NR	1,860,000 –	930,000 1,000,000 NR	930,000 –
ECSU Academic and Student Success	2,805,352 NR	2,185,352 NR	2,810,000 NR	2,000,000 NR
Medical Education Expansion \$1M for new slots at UNC SOM \$163K in FY18 and \$804K in FY19 for GME	10,000,000	10,000,000	1,162,857	1,803,804
NCA&T Doctoral Program	2,500,000	2,500,000	2,500,000	2,500,000
Building Reserves ASU, ECSU, UNC-CH AHEC, UNCP, WSSU	751,112 –	5,910,362 –	107,458 –	5,910,362 154,253 NR
<b>Enrollment Funding Request</b>				
Enrollment Change Funding	46,571,112	94,734,518	46,571,112 *	94,734,518 *
<b>Other UNC Items</b> (not requested in BOG Priorities)				
State Retirement Plan Contributions - TSERS Actuarially determined contribution and 1.0% retiree supplement	–	–	9,142,976	24,114,600
State Retirement Contribution - ORP Actuarially determined contribution and increased retiree medical	–	–	–	2,615,088
State Health Plan	–	–	6,872,981	14,564,174
Fully Fund NC Promise Tuition Program	–	–	–	11,000,000 *
NC Research Campus - NCSU Food Processing Innovation Center	– –	– –	700,000 4,400,000 NR	700,000 –

## Appendix A: 2017-19 Operating Budget Comparison

	UNC Budget Priorities		Final Budget SB 257 (S.L. 2017-57)	
	2017-18	2018-19	2017-18	2018-19
NCSU Innovation in Manufacturing Biopharmaceuticals	–	–	2,000,000 NR	–
ECU Brody School of Medicine Stabilization	–	–	4,000,000	4,000,000
New Teacher Support Program	–	–	1,000,000	1,000,000
Future Teachers of North Carolina	–	–	278,500	278,500
Western School of Medicine - Asheville	–	–	3,650,000	7,640,941
	–	–	4,350,000 NR	–
NCSU Cooperative Extension	–	–	700,000	800,000
Teaching Fellows	–	–	\$450k in FY18 and \$6M R in FY19 from NC Education Endowment Fund	
Cheatham-White Scholarships	–	–	–	1,500,000
NCSU Biomanufacturing Training Education Center	–	–	500,000 NR	
Cryo-Electron Microscopy Equipment			525,000 NR	–
Reserve Officers Training Corps			240,000 NR	–
<b>Reductions</b>				
Management Flexibility Reduction	–	–	–	(7,000,000) NR
UNC-Chapel Hill Law School	–	–	(500,000)	(500,000)
<b>Total Operating Increases</b>	<b>83,007,576</b>	<b>147,740,232</b>	<b>138,720,113</b>	<b>226,326,943</b>
<b>Total Operating Decreases</b>	<b>–</b>	<b>–</b>	<b>(500,000)</b>	<b>(7,500,000)</b>
<b>Total Recurring Operating Changes</b>	<b>67,502,224</b>	<b>128,929,880</b>	<b>117,895,113</b>	<b>215,672,690</b>
<b>Total Nonrecurring Operating Changes</b>	<b>15,505,352</b>	<b>18,810,352</b>	<b>20,325,000</b>	<b>3,154,253</b>
<b>Total Recommended UNC Budget Changes</b>	<b>83,007,576</b>	<b>147,740,232</b>	<b>138,220,113</b>	<b>218,826,943</b>
<b>Total Recommended UNC Budget</b>	<b>2,729,884,170</b>	<b>2,845,623,085</b>	<b>2,785,096,707</b>	<b>2,905,709,796</b>
<b>Total Percent Change</b>	<b>3.1%</b>	<b>5.5%</b>	<b>5.2%</b>	<b>8.1%</b>
<b>Aid to Private Institutions</b>				
<b>Base Budget Before Adjustment</b>	<b>134,719,754</b>	<b>134,719,754</b>	<b>134,719,754</b>	<b>134,719,754</b>
Adjustment for Opportunity Scholarships			20,000,000	30,000,000
<b>Recommended Base Budget</b>			<b>154,719,754</b>	<b>164,719,754</b>
Personal Education Savings Accounts	–	–	450,000	3,000,000
Principal Preparation Grants Program	–	–	80,000	80,000
<b>Total Private Aid</b>	<b>134,719,754</b>	<b>134,719,754</b>	<b>155,249,754</b>	<b>167,799,754</b>

\*Enrollment change and NC Promise expansion were appropriated to an OSBM reserve; therefore, total UNC budget changes shown here do not match the Committee Report.

## Appendix B: 2017-19 UNC-Related Provisions Summary

Section	Title	Conference Budget (SB 257 - S.L. 2017-57)
<b>UNC Section</b>		
10.1	Full-Time Staff for Board of Governors	Allows BOG to hire staff who report directly to the Board. Requires a report to Education Oversight within 60 days of hiring any positions pursuant to this authority.
10.2	ECSU Budget Stabilization Funds Report	Requires the President to report quarterly to OSBM and Fiscal Research on the status of ECSU budget stabilization funds beginning no later than January 1, 2018.
10.3	Increase Number of Medical Student Slots	Appropriates \$1M to fund an increase in the number of medical student slots at the School of Medicine.
10.4	Extend Challenge Grant for Collaboratory at UNC-CH	Amends the provision concerning the NC Policy Collaboratory to extend the deadline for raising non-state funds to June 30, 2019, expand matching funds to the fair market value of donations-in-kind from non-State entities, and clarify that funds shall not revert.
10.5	Western School of Engineering and Technology Funds	Allows funds appropriated for the Western School of Engineering and Technology for project management and curriculum development to remain available for 2017-19.
10.6	Enhance UNC Data Systems to Improve Institutional Performance and Student Success	Directs use of funds appropriated for data modernization to be used to conduct cost-per-unit analysis, predictive modeling and more timely access to actionable information. Requires the President to report to Education Oversight by March 1 of each year of the biennium regarding this project.
10.7	UNC/Escheats Fund For Student Financial Aid Programs	Allows Escheat Fund principal to be used to meet specified student financial aid amounts if interest income is insufficient. Requires SEAA to conduct periodic evaluations to determine if allocations meet goals of respective programs.
10.8	UNC Management Flexibility Reduction	<p>Guides implementation of management flex cut. Exempts the following:</p> <ul style="list-style-type: none"> <li>- UNC Need-Based Financial Aid</li> <li>- NC Need-Based Scholarship</li> <li>- NCSU Agricultural Research</li> <li>- NCSSM &amp; UNCSA</li> <li>- Special Education Scholarships for Children with Disabilities</li> <li>- Opportunity Scholarship Program</li> <li>- NC Personal Education Savings Accounts Program</li> <li>- Any entity receiving less than 1.5% of the annual net General Fund appropriation for UNC</li> <li>- Any budget expansion item funded by an appropriation to the BOG in 2017-19</li> </ul> <p>Requires a report to OSBM and FRD by April 1, 2019 on implementation.</p>

## Appendix B: 2017-19 UNC-Related Provisions Summary

Section	Title	Conference Budget (SB 257 - S.L. 2017-57)
10.9	Future Teachers of North Carolina	Establishes the Future Teachers of North Carolina (FTNC) program to provide professional development and curricula for courses at participating high schools in conjunction with one of three selected UNC institutions. The UNC institutions, to be selected by the President, must have highly successful Schools of Education and are to be located in the western, central and eastern parts of the State. Administration of the program is to be located at UNC-GA. Professional development is required by February 1, 2018 and a report is due by October 15, 2018.
10.10	UNC Enrollment Funding/OSBM Reserve Account	Requires that enrollment adjustment funding be certified to an OSBM reserve account. Once actual enrollment is verified following fall semester census, the BOG will allocate funds for the fiscal year, subject to the approval of the Director of the Budget. Spring semester funding will be based on a three-year average fall-to-spring retention of fundable credit hours. OSBM may advance funds to institutions to maintain operations until enrollment is verified.
10.11	In-State Tuition for Veterans/ Compliance with Federal Law	Amends the veterans in-state tuition waiver to include active duty military using Post-9/11 GI Bill benefits and recipients of the Marine Gunnery Sergeant John David Fry Scholarship.
10.12	Senior Citizens May Audit Courses at UNC and Community Colleges	Amends G.S. 115B to allow anyone who is at least 65 years old to audit courses at UNC and Community Colleges only on a space available basis.
10.13	Study/UNC Equal Opportunity Compliance Officers	Directs the BOG to study equal opportunity policies, staffing, and services at each institution and requires a report of the findings to Education Oversight by January 1, 2018.
10.14	BOG Studies/Establish School of Health Sciences and Health Care at UNCP and Establish PA Program, Chiropractic Medicine Program, and a Pilot Program for Basic Law Enforcement Training at WSSU	Directs the BOG to study the feasibility of establishing a School of Health Sciences at UNCP and a physician assistant program, a chiropractic medicine program, and a pilot program for basic law enforcement training at WSSU. Reports on the findings and recommendations at each university are to be filed with the House and Senate by March 1, 2018.
10.15	UNC to Fund North Carolina Research Campus	Requires UNC to use \$29M of funds appropriated to support UNC-related activities at the North Carolina Research Campus (Kannapolis).
10.20	UNC Computer Compatibility	Directs the President to work with the Department of Information Technology to ensure data are shareable among constituent institutions, NCCCS, DPI and other State agencies.
10.21	UNC Cybersecurity	Directs the President and constituent institutions to review security policies, risk assessment, and security training, and take appropriate measures to address any potential problems identified by the review.
10.23	Matching Funds for Department of Applied Physical Sciences at UNC-CH Do Not Revert	Amends Section 27.6 of S.L. 2016-94 to allow for funds to not revert and to continue to be available for the 2017-19 biennium.

## Appendix B: 2017-19 UNC-Related Provisions Summary

Section	Title	Conference Budget (SB 257 - S.L. 2017-57)
10.24	Food Science Innovation Advisory Committee	Creates a food processing innovation center committee in the Department of Agriculture consisting of 14 members, including the Dean of the College of Agriculture at NCSU and one member of the NCRC. NCSU is required to submit a business plan within 30 days before expending any funds.
10.25	Energy Storage Study	Directs the NC Policy Collaboratory at UNC-CH to study the energy storage technology.
10.26	One-Year College Tuition Grants for Certain Graduates of the North Carolina School of Science and Mathematics who Attend a State University	Guides the implementation of the tuition grants allocated to NCSSM for the 2018-19 academic year.
10.27	UNC/Excellence Fund for Experiential Learning and Leadership Development for the Reserve Officers Training Corps	Allocates funds to establish the Excellence Fund for Experiential Learning and Leadership Development for the Reserve Officers Training Corps at UNC-CH in the College of Arts and Sciences. Provides that the funds appropriated shall not revert.
10.28	UNC CORE/Funds for Active Duty Service Members and Veterans Programs	Provides that the funds appropriated for NC CORE shall not revert but shall be used to support programs for active duty service members and veterans at UNC-CH.
10.29	NCSU Cooperative Extension (added through the technical corrections bill)	Amends S.L. 2017-57 to add a new section, stating that the revised net appropriation for NCSU, Cooperative Extension, is \$39,095,231 for the 2017-18 fiscal year and \$39,195,231 for the 2018-19 fiscal year.
10.30	NCSU Biomanufacturing Training and Educational Center (added through the technical corrections bill)	Amends S.L. 2017-57 to add a new section stating that funds appropriated to BTEC shall be used only to support training and education.

### UNC/SEAA Section

10A.1	Software for Administration of the Opportunity Scholarship and Special Education Scholarship Programs	Allows SEAA to use up to \$1.8M to purchase software to support the Opportunity Scholarship Grant Fund Reserve. Directs SEAA to work with the Department of Information Technology to ensure data are sharable among constituent institutions, NCCCS, DPI, and other State agencies. Requires reports on October 1 on each year of the biennium to FRD and Education Oversight on expenditure of funds.
10A.2	Eliminate School Site Scholarship Endorsement Requirement	Amends G.S 115C to remove requirement that K-12 scholarship grant funds be endorsed at the site of the school.
10A.3	North Carolina Teaching Fellows	Establishes NC Teaching Fellows Commission and creates NC Teaching Fellows Program. The program is to be administered by UNC-GA, in conjunction with the Commission and SEAA, to recruit, prepare, and support students residing in or attending institutions of higher education located in NC for preparation as STEM or special education teachers in NC public schools. The program will provide a forgivable loan to individuals preparing to teach in these areas. Requires annual reports beginning January 1, 2019.

## Appendix B: 2017-19 UNC-Related Provisions Summary

Section	Title	Conference Budget (SB 257 - S.L. 2017-57)
10A.4	Personal Education Savings Account Program	Establishes a savings account program that awards scholarship funds to children with disabilities who have not yet received a high school diploma. Directs funds to be used for qualifying education expenses to attend a nonpublic school. Requires annual report by September 1 each year on program results.
10A.5	Amend Transforming Principal Preparation	Amends S.L. 2015-241 to require that \$4.2M of the funds appropriated for this program be allocated to SEAA to make grant awards and \$380K to contract with the selected nonprofit corporation; also makes several technical modifications to the principal preparation program.
10A.6	Study of Opportunity Scholarship Student Evaluations	Directs SEAA in collaboration with DOA, the Division of Nonpublic Education, and DPI, to study the evaluation of students receiving scholarship grants through the Opportunity Scholarship Grant Program. Requires a report to Education Oversight by March 1, 2018.

### ***Salaries and Benefits***

35.1	Eligible State-Funded Employees Awarded Legislative Salary Increases, effective July 1, 2017	Increases salaries for SHRA employees by \$1,000.
35.9	University of North Carolina System	Increases salaries of UNC system SHRA employees consistent with Section 35.1 and provides for salary increases for EHRA employees pursuant to the policies adopted by the BOG. Requires a report on the use of these funds by March 1, 2018.
35.10	State Agency Teachers	Increases salaries for state agency teachers who are paid on the Teacher Salary Schedule, including NCSSM, by the same amount authorized to other teachers by Section 8.1.
35.11	All State-Supported Personnel	Allows Director of the Budget to increase expenditures of receipts to provide salary increases to receipt-supported personnel.
35.12	Most State Employees	Allows legislative salary increases as provided by Section 35.1.
35.13	Implement Classification and Compensation System	Directs OSHR to implement a new Classification and Compensation System.
35.14	Salary Adjustment Fund	Allows the Director of the Budget to use the Salary Adjustment Fund to support authorized adjustments.
35.15	Use of Funds Appropriated for Legislatively Mandated Increases	Directs OSBM to ensure that funds appropriated for mandated salary and benefits increases are used only for that purpose.
35.16	Mitigate Bonus Leave	Allows state entities to offer State employees the opportunity to use or cash in special bonus leave. Requires a report on demographic information to FRD by September 1, 2019.
35.17	Establish Plan Reserve/Funds	Amends G.S. 143C-4 to include the creation of a Pay Plan Reserve to cover insufficient funds appropriated for statutory or scheduled salary and benefits expenses.



## Appendix B: 2017-19 UNC-Related Provisions Summary

Section	Title	Conference Budget (SB 257 - S.L. 2017-57)
35.18	State Human Resources/Hire From Pool of Most Qualified Persons	Amends G.S. 126-14 to require State entities to select applicants from the most qualified pool rather than the most qualified person from the pool of applicants.
35.18A	Special Annual Bonus Leave	Provides three days of bonus leave to employees of the State, community colleges or local boards of education credited on July 1, 2017. Establishes that the bonus leave will have no cash value and cannot be cashed in or counted toward retirement.
35.18B	State Employees-Amend Salary Continuation	Amends Workers' Compensation Act to include duties that comply with the treating physician's restrictions as reason for payment to cease.
35.18C	Exempt Employees/UNC IT Professionals	Adds information technology professionals to the list of exempt employees for the UNC system.
35.19	Salary Related Contributions	Increases employer contribution rates for State's retirement program as follows: TSERS from 16.12% to 17.13% in FY 18 and 18.44% in FY 19, LEO from 21.12% to 22.13% in FY 18 and 23.44% in FY 19, and UNC ORP from 12.82% to 13.03% in FY 18 to 13.25% in FY 19. Increases the State Health Plan rate to \$4,560 effective July 1, 2017, and to \$4,743 effective July 1, 2018.
35.19A	Provide Cost-of-Living Adjustment for Retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System	Provides for a one-time 1% increase for retirees.
35.19B	Enhance the Benefits of Probation/Parole Officers Who are Members of the Teachers' and State Employees' Retirement System	Extends benefits provided to law enforcement officers to probation and parole officers.
35.21	Study State Employee Total Compensation/Reduce Long-Term Unfunded Health Care Liabilities	Establishes the State Employee Total Compensation Committee to study the total compensation of State employees including cash compensation, health care, retirement, leave, and other flexible benefits. Committee is to consist of nine members including one member appointed by the BOG. Limits retiree benefits of State Health Plan to employees that have earned contributory retirement service prior to January 1, 2021.
35.22	State Treasurer Authority Over State Health Plan Employees	Amends GS 135-48.23 to grant the State Treasurer additional authority over State Health Plan employees.

## Appendix B: 2017-19 UNC-Related Provisions Summary

Section	Title	Conference Budget (SB 257 - S.L. 2017-57)
35.24	UNC BOG to Monitor Creation of New Positions and Certain Increases/ Consultation Requirement	Amends G.S. 166-17.3 to require the BOG to monitor nonlegislative salary increases of 5% or more to employees that would result in an annual employee salary of \$100K or more and directs that no such increase is effective until the justification is reported to the Board. Directs the BOG to monitor new positions created with annual salaries of \$70K or more and does not allow a new position to be filled until the justification is reported to the Board.
<b>Capital</b>		
36.2	Capital Appropriations/General Fund	Appropriates funds for capital improvements, including \$5.5M for a Health and Wellness Facility at FSU and \$1M for a new Business School building at UNC-CH.
36.5	Repairs and Renovations Reserve Allocation	Appropriates 50% of the net State allocation to the BOG for repair and renovations at universities (\$62.5 million). Requires that a portion be used to install fire sprinklers in residence halls; funds shall be allocated among the constituent institutions by the President. Requires that the remaining funds be allocated by the BOG and that availability of non-State resources and carryforward funds shall be negatively weighted. Directs that \$10M be allocated for renovation and repurposing of West Hall at UNCP and \$750,000 be allocated to create a plan for the energy production facility at WCU.
36.6	Procedures for Disbursement of Capital Funds	Requires that expenditures of capital funds may not be made until an allotment has been approved by the Governor. Allows Director of Budget to approve the method of financing for a project funded in whole or in part with self-liquidating appropriations prior to award of construction contracts. Requires authorization by Director of Budget to move capital appropriations for furniture and equipment into construction accounts.
36.12	Pay-As-You-Go Capital and Infrastructure Fund Established July 1, 2019	Creates a fund for the purpose of addressing the State's infrastructure needs through a transfer of 4% of all State tax collections. Allows monies in the fund to be utilized for new UNC buildings and for the repair and renovation of buildings.
<b>Other UNC-Related Sections</b>		
2.1	Current Operations and Expansion/General Fund	Includes budget code specific appropriations.
2.2	General Fund Availability Statement	Directs the State Controller to transfer \$125M of the unreserved fund balance to the Repairs and Renovations Reserve.
5.3	Education Lottery Funds/Changes to Revenue Allocations/Needs-Based Public School Capital Fund	Appropriates the Lottery Fund for 2017-19. Includes \$10,744,733 for UNC Need-Based Grant (UNC NBG) and \$30,450,000 for Education Lottery Scholarship (ELS).

## Appendix B: 2017-19 UNC-Related Provisions Summary

Section	Title	Conference Budget (SB 257 - S.L. 2017-57)
6.3	Expenditures of Funds in Reserves Limited	Amends G.S. 143C-4 to restrict funds appropriated into a reserve by the General Assembly to be expended only for the established purpose.
6.4	Cap State-Funded Portion of Nonprofit Salaries	Amends G.S. 143C-6 to limit the use of State funds to \$120,000 for the annual salary of any nonprofit organization employee.
6.6	Clarify Base Budget Definition	Amends G.S. 143C-1 to include adjustments for statutory appropriations as an allowable base budget adjustment and directs the Director of the Budget to include the Opportunity Scholarship annual increase of \$10M for the next 10 years to the base budget.
6.7	Use of State Funds for Employment of Outside Counsel/General Assembly Right to Intervene	Amends G.S. 147-17 to prohibit the use of state funds for litigation services provided by private counsel unless expressly authorized by an appropriation of the General Assembly. Delegates authority to the BOG to approve these expenditures for UNC.
6.12	Report on Use of Lapsed Salary Funds	Directs OSBM to report on the use of lapsed salary funds for FY 2016-17 and FY 2017-18 and requires State agencies, as defined in G.S. 143C-1-1(d)(24), to submit necessary information to OSBM.
7.16	Improve Education Financial and Information Transparency	Directs the State Superintendent to work with the Friday Institute at NCSU, GDAC, and local school leadership to establish common data reporting requirements for DPI to implement the School Business System Modernization Plan.
7.20	Turning TAS Into Teachers Pilot Expansion/ Student Teacher Employment	Directs teacher assistant tuition reimbursement pilot program to begin in FY 2016-17. Expands participating boards of education in FY 2017-18.
7.22	Cooperative Innovative High School Funding Changes	Directs the SBCC, BOG, and SBE to study the costs associated with the Career and College Promise Program and report to House and Senate Appropriations, Education Oversight, and FRD by February 15, 2018. Amends G.S. 115D-5 to require the SBCC, BOG, and SBE to evaluate the success of students in the Career and College Promise Program and report annually by January 15 to Education Oversight.
7.23A	Expand School Connectivity Initiative/ Cybersecurity and Risk Management	Directs DPI and the Friday Institute to expand the connectivity initiative client network to include cybersecurity and risk management services. Directs the department to use \$200,000 of the appropriation in each year of the biennium for this purpose.
7.23H	Future Ready Students	Makes several amendments to G.S 155C including the addition of a waiver for agriculture teacher personnel months of employment requirement upon application to DPI and NCSU Agricultural Extension Education.
7.23K	Digital Learning Plan/Programs/Funds	Directs DPI, the Friday Institute, and the UNC educator preparation program to develop and implement a comprehensive professional development strategy for teachers and students in UNC educator preparation programs for the use of technology and digital resources as teaching tools for K-12 students and implement digital literacy instruction in K-8. Allows for \$1.8M of funds appropriated to DPI to be used for this purpose.

## Appendix B: 2017-19 UNC-Related Provisions Summary

Section	Title	Conference Budget (SB 257 - S.L. 2017-57)
8.1	Teacher Salary Schedule	Sets the teacher salary schedule for fiscal year 2017-18.
8.8C	Third Grade Reading Teacher Bonus Program for 2018-19	Creates a teacher bonus program but excludes charter, regional, and UNC laboratory schools.
9.2	Carryforward of College Information System Funds	Allows funds for NCCCS ERP to be carried forward and includes requirement that the President of NCCCS work with the Friday Institute at NCSU to improve communication between computer systems.
9.11	Establish Board of Postsecondary Education Credentials	Establishes Board of Postsecondary Education Credentials and appoints the President of the UNC System, or designee. Board would be housed under but independent from the Community Colleges System Office.
11A.12	Contracting Specialist and Certification Program	Directs DHHS to submit to the Legislative Oversight on Health and Human Services and FRD the proposal prepared by the School of Government at UNC-CH for the implementation and administration of a contracting specialist training program by September 1, 2017.
11C.5	Child Welfare Postsecondary Support Program (NC REACH)	Requires funds appropriated for the child welfare postsecondary support program (NC REACH) be used to continue providing assistance with "cost of attendance" for foster youth and special needs children. Directs \$50,000 of funds appropriated to the Department of Health and Human Services to be allocated to SEAA to administer scholarships under the program.
11E.3	Local Health Departments/Competitive Grant Process to Improve Maternal and Child Health	Directs DHHS Division of Public Health to collaborate with UNC-CH School of Global Public Health on outcome measures of established local health department competitive grants.
11E.11	Division of Public Health Eating Disorder Study	Directs the Division of Public Health to consult with the UNC Center for Excellence for Eating Disorders at UNC-CH on eating disorder study.
11E.12	Every Week Counts Demonstration Project	Directs faculty at UNC-CH to supervise a demonstration project providing home-based prenatal care for women living in poverty.
11F.5	Use of Dorothea Dix Hospital Property Funds for the Purchase of Additional Psychiatric and Facility-Based Crisis Beds	Increases inpatient behavioral health bed capacity in rural areas. Directs \$4M in nonrecurring funds for beds at UNC Health Care in Caldwell County.
11H.13	Graduate Medical Education Medicaid Reimbursement	Allows DHHS Division of Medical Assistance to reimburse Graduate Medical Education (GME) payments required by S.L. 2015-241 effective July 1, 2017. Requires DHHS to report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and FRD on GME payments. Directs DHHS to identify reductions if necessary to meet specified appropriations level.

## Appendix B: 2017-19 UNC-Related Provisions Summary

Section	Title	Conference Budget (SB 257 - S.L. 2017-57)
11J.2	Joint Oversight Subcommittees on Medical Education Programs and Medical Residency Programs	Convenes a subcommittee to examine use of State funds to support medical education and medical residency programs. Requires a joint report from DHHS and UNC by February 1, 2018 to the Oversight Committee on Health and Human Services and Education Oversight.
13.7	Digital Data Study	Requires the NC Policy Collaboratory at UNC-CH to develop a proposal to identify and acquire digital data relevant to environmental monitoring and natural resource management and report by March 1, 2018.
13.12	Oyster Research Reporting	Requires the Division of Marine Fisheries and UNCW to report annually by March 1 on the use of the funds for oyster research and restoration activities.
13.13	Continue Research Support for Shellfish Industry	Amends S.L. 2016-94 to direct the NC Policy Collaboratory at UNC-CH, rather than the Chief Sustainability Officer, to study the stability of the shellfish industry. Also requires a shellfish mariculture plan to be submitted to the chairs of the House and Senate Agriculture and Natural and Economic Resources Appropriations and FRD by December 31, 2018 and a plan for economic development related to promotion of the State's shellfish industry by March 1, 2018. Does not allow for F&A costs against the funding for the studies required.
34.21B	Division of Aviation/ITRE Funds	Allows the Division of Aviation to allocated \$1M NR in FY 2017-18 to the Institute for Transportation Research and Education at NCSU to be used for analyzing unmanned aircraft traffic management solutions.
37.2	Government Budgets Transparency/ Accountability/ Reporting	Directs the Department of Information Technology to fully implement the government transparency initiative and to work with all State government agencies, including public universities, to collect all financial information.
39.1	State Budget Act Applies	Affirms the provisions of the State Budget Act remain in full force and effect.

## Appendix C: Aid to Private Institutions

The 2017 General Assembly appropriated funds to programs for private institutions. The funds were appropriated directly to Aid to Private Institutions.

### **1. Opportunity Scholarship Grant Fund Reserve (base budget adjustment)**

The General Assembly made a base budget adjustment to the Opportunity Scholarship Grant Fund Reserve of \$20 million in 2017-18 and \$30 million in 2018-19 to account for statutory increases to the Reserve in accordance with G.S. 115C-562.8(b). This Reserve is used to fund scholarships for the subsequent fiscal year. The revised base budget amount is \$44.8 million in 2017-18 and \$54.8 million in 2018-19. In addition, a special provision (Section 10A.6) of the Appropriations Act mandates that the State Education Assistance Authority (SEAA) establish a task force to study the evaluation of students receiving scholarship grants through the Opportunity Scholarship Grant Program pursuant to G.S. 115C-562.7(c).

### **2. Principal Preparation Grants Program**

The General Assembly appropriated \$80,000 in recurring funds for administration of the Principal Preparation Grants Program, created in 2015-16. The program provides competitive grants for school leadership development and is administered by the State Education Assistance Authority. For more detailed information, please see Section 10A.5 in Senate Bill 257.

### **3. Personal Education Savings Accounts**

The General Assembly appropriated recurring funds of \$450,000 in 2017-18 and \$3,000,000 in 2018-19 to establish the North Carolina Personal Education Savings Account Program. The program will create scholarship grants for eligible children with disabilities, which may be used for qualifying educational expenses including non-public school tuition. The funds provided during the first year of the biennium will be used to establish the program and funds provided in the second year will be used for awards, with up to \$250,000 available for administration. For more detailed information, please see Section 10A.4 in Senate Bill 257.

## Appendix D: Significant UNC-Related Special Provisions of S.L. 2017-57 (Senate Bill 257)

### FULL-TIME STAFF FOR BOARD OF GOVERNORS

**SECTION 10.1.** G.S. 116-11 is amended by adding a new subdivision to read:

"(2a) The Board of Governors of The University of North Carolina may hire staff members deemed necessary by the Board to report directly to the Board. The Board of Governors shall determine the job titles, responsibilities, and salaries and benefits for all staff members hired by and reporting directly to the Board. Salaries and benefits for staff members hired pursuant to this subdivision shall be competitive with other positions of similar level and authority within The University of North Carolina System.

When the Board of Governors hires a staff member pursuant to this subdivision, the Board shall submit a report within 60 days of the date of employment to the Joint Legislative Education Oversight Committee that provides at least the following information regarding the position: job title, description of the position, responsibilities that accompany the position, salary and benefits, and supervisor, if any, of the position."

### ELIZABETH CITY STATE UNIVERSITY BUDGET STABILIZATION FUNDS REPORT

**SECTION 10.2.** The President of The University of North Carolina shall report each quarter of the 2017-2019 fiscal biennium to the Office of State Budget and Management and the Fiscal Research Division of the General Assembly on the status of budget stabilization funds appropriated to Elizabeth City State University by this act for the purpose of supporting temporary faculty, aviation science programs, and student success initiatives. The reports shall provide detailed descriptions of the scope of work that has been completed to date, anticipated activities for the next quarter, and a plan with time lines to complete the full scope of work. The reports shall also include outcomes achieved from improvements implemented using these funds. The first quarterly report required by this section shall be made no later than January 1, 2018.

### ENHANCE UNC DATA SYSTEMS TO IMPROVE INSTITUTIONAL PERFORMANCE AND STUDENT SUCCESS

**SECTION 10.6.(a)** The Board of Governors of The University of North Carolina shall use funds appropriated to the Board by this act to modernize business processes, increase standardization, and maximize State resources. The investment will enable better financial management of The University of North Carolina and should yield, at a minimum, but not limited to, cost-per-unit analysis, predictive modeling, and more timely access to actionable information. Funds shall also be used to enhance data systems for the following purposes: integrating financial, human resource, and student account systems across The University of North Carolina System; developing new data collections systems that track faculty and staff retention rates and post-graduation student outcomes; and expanding "Know Before You Go" data reporting.

**SECTION 10.6.(b)** The President of The University of North Carolina shall submit an initial report to the Joint Legislative Education Oversight Committee by March 1, 2018, regarding the plan to implement subsection (a) of this section and a progress report by March 1, 2019, regarding the status of the implementation of the projects. The initial report shall include at least the information set out in subdivisions (1) through (6) of this subsection for both the data modernization and integration (DMI) project and for the enterprise resource planning (ERP) modernization project. The following information shall be set out separately for each project.

- (1) The challenges and specific goals of the project. In addition, the outcomes expected from the project shall be specifically identified.
- (2) The management structure to be used in managing, operating, and executing the project. The report shall indicate whether a post-project completion governance structure is needed to provide (i) oversight for the systems created for each project and (ii) service of the systems for each project. The report shall also indicate whether any additional funds may be needed to maintain the DMI systems created after initial completion and to maintain the ERP systems created after initial completion.
- (3) The sources and target for movement and transformation of data being sought to achieve the project's goals.



## Appendix D: Significant UNC-Related Special Provisions of S.L. 2017-57 (Senate Bill 257)

- (4) The proposed technical implementation plan for the project, including a description of the technical details of how the project will be implemented in the context of a specific set of vendor products and platforms. The proposed technical implementation plan shall also outline documented industry- and product-specific best practices.
- (5) A detailed schedule for implementation and completion of the project.
- (6) Any additional information deemed relevant by the President or by the Committee.

### UNC/ESCHEATS FUND FOR STUDENT FINANCIAL AID PROGRAMS

**SECTION 10.7.(a)** The funds appropriated by this act from the Escheat Fund for the 2017-2019 fiscal biennium for student financial aid shall be allocated in accordance with G.S. 116B-7. Notwithstanding any other provision of Chapter 116B of the General Statutes, if the interest income generated from the Escheat Fund is less than the amounts referenced in this act, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this act; 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 from the Escheat Fund by this act for student financial aid remain uncommitted 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 10.7.(b)** The State Education Assistance Authority (SEAA) shall conduct periodic evaluations of expenditures of the student financial aid programs administered by SEAA to determine if allocations are utilized to ensure access to institutions of higher learning and to meet the goals of the respective programs. The SEAA may make recommendations for redistribution of funds to the President of The University of North Carolina and the President of the Community College System regarding their respective student financial aid programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

### UNC MANAGEMENT FLEXIBILITY REDUCTION

**SECTION 10.8.(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 shall be done in a manner that recognizes the importance of the academic missions 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) Using alternative funding sources.
- (8) Protecting direct classroom services.

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.



## Appendix D: Significant UNC-Related Special Provisions of S.L. 2017-57 (Senate Bill 257)

**SECTION 10.8.(b)** In allocating the management flexibility reduction, no reduction in State funds shall be allocated in either fiscal year of the 2017-2019 fiscal biennium to any of the following:

- (1) UNC Need-Based Financial Aid.
- (2) North Carolina Need-Based Scholarship.
- (3) Special Education Scholarships for Children with Disabilities.
- (4) North Carolina Personal Education Savings Accounts Program.
- (5) Opportunity Scholarship Program.
- (6) North Carolina State University Agricultural Research.
- (7) North Carolina School of Science and Mathematics.
- (8) University of North Carolina School of the Arts.
- (9) Any entity receiving less than one and one-half percent (1.5%) of the annual net General Fund appropriation for The University of North Carolina.
- (10) Any budget expansion item funded by an appropriation to the Board of Governors of The University of North Carolina by this act for the 2017-2019 fiscal biennium.

**SECTION 10.8.(c)** The University of North Carolina shall report to the Office of State Budget and Management and the Fiscal Research Division on the implementation of the management flexibility reduction in this section no later than April 1, 2019.

The reports shall identify both of the following by campus:

- (1) The total number of positions eliminated by type (faculty/nonfaculty).
- (2) The low-performing, redundant, and low-enrollment programs that were eliminated.

### FUTURE TEACHERS OF NORTH CAROLINA

**SECTION 10.9.(a)** Article 1 of Chapter 116 of the General Statutes is amended by adding a new Part to read:

"Part 4B. Future Teachers of North Carolina.

**"§ 116-41.30. Establishment of Future Teachers of North Carolina.**

(a) Purpose. – Future Teachers of North Carolina, hereinafter FTNC, is established to encourage high-achieving high school students with strong academic, interpersonal, and leadership skills to consider teaching as a career.

(b) Program. – FTNC shall be a program providing professional development and curricula for courses that provide a challenging introduction to teaching as a profession for high school students through courses offered by participating high schools in conjunction with college partners. FTNC courses shall include both content on pedagogy and the profession of teaching and field experiences for high school students.

**"§ 116-41.31. Oversight of Future Teachers of North Carolina.**

(a) FTNC General Administration. – FTNC shall be administratively located in The University of North Carolina General Administration. The President shall select three constituent institutions with highly successful schools of education located in the western, central, and eastern regions of the State, respectively, to collaborate on development of curricula for FTNC and to provide professional development to high school teachers who will teach FTNC courses. The three constituent institutions shall also work with other constituent institutions and other institutions of higher education in the State to seek input in the development of curricula and professional development for FTNC and to create a network of college faculty to provide support to high schools offering FTNC courses.

(b) FTNC Site Applications. – All high schools in the State are encouraged to offer FTNC courses to students. A high school shall apply to offer FTNC courses with the geographically appropriate constituent institution overseeing FTNC and shall ensure that all teachers teaching FTNC courses have received appropriate training. High schools shall also seek a partner institution of higher education to provide support from college faculty. High schools participating in the FTNC program shall report demographic, survey, and other available outcome data to The University of North Carolina General Administration as necessary for completion of the FTNC annual report required by G.S. 116-41.32.

## Appendix D: Significant UNC-Related Special Provisions of S.L. 2017-57 (Senate Bill 257)

(c) FTNC Institution of Higher Education Partners. – Constituent institutions that partner with high schools shall offer dual credit for high school students who successfully complete the FTNC course with a grade of "B" or higher. Other institutions of higher education that partner with high schools are encouraged to offer dual credit for high school students who successfully complete the FTNC course with a grade of "B" or higher. Constituent institutions shall provide annually to The University of North Carolina General Administration data on students who have received dual credit for completion of an FTNC course and students who applied for admission into an educator preparation program at a constituent institution who indicated in the application for admission that the student completed an FTNC course. Other institutions of higher education are encouraged to provide annually to The University of North Carolina General Administration data on students who have received dual credit for completion of an FTNC course and students who applied for admission into an educator preparation program at the institution of higher education who indicated in the application for admission that the student completed an FTNC course.

**"§ 116-41.32. Future Teachers of North Carolina reporting.**

The University of North Carolina General Administration shall report annually, beginning October 15, 2019, on the following:

- (1) Total number and names of local school administrative units with high schools participating in FTNC, total number and names of high schools offering FTNC, partner institution of higher education for each high school, and number of sections of the course being offered at each high school.
- (2) Demographic information of students enrolled in FTNC courses.
- (3) Percentage of students who, after completing the course, reported the following:
  - a. The student plans to choose teaching as a profession.
  - b. The course was very or somewhat effective in helping the student formulate a positive perception of the education profession.
  - c. The coursework and activities increased the student's knowledge of the teaching profession and other careers in education.
  - d. The field experience helped the student understand the many factors that contribute to effective teaching.
- (4) Percentage of students who completed an FTNC course who received dual credit for successful completion of the course, by institution.
- (5) Percentage of students who completed an FTNC course who applied for admission into an educator preparation program, by institution.
- (6) Number of teachers provided professional development for FTNC."

**SECTION 10.9.(b)** The University of North Carolina General Administration shall report by October 15, 2018, on the number of site applications received, number of teachers provided professional development, number of local school administrative units and high schools offering FTNC, and number of sections of the course being offered for the 2018-2019 school year.

**SECTION 10.9.(c)** This section becomes effective July 1, 2017. The selected constituent institutions shall make available site applications and provide professional development to high school teachers no later than February 1, 2018.

### **UNC ENROLLMENT FUNDING/OSBM RESERVE ACCOUNT**

**SECTION 10.10.** Funds appropriated by this act for enrollment adjustments, including funds for the NC Promise Tuition Plan, shall be certified to a reserve account in the Office of State Budget and Management. The appropriation is made on an annual basis and shall be held in reserve until actual enrollment can be verified following the fall semester census. Funds for the spring semester shall be allocated using the actual enrollment from the fall semester and applying the three-year average fall-to-spring retention of fundable credit hours. After verification, the Board of Governors, subject to the approval of the Director of the Budget, shall allocate the funds for the fiscal year to the constituent institutions based on the criteria set out in this section.

## Appendix D: Significant UNC-Related Special Provisions of S.L. 2017-57 (Senate Bill 257)

Upon authorization by the Director of the Budget, funds may be advanced to constituent institutions whose tuition receipts are insufficient to maintain operations until enrollment is verified. Any institutions receiving funds in advance shall report to the Office of State Budget and Management at the close of the semester to reconcile any differences between funding received for enrollment and actual enrollment. An allocation made pursuant to this section may result in an allocation to a constituent institution that is greater than or less than the amount originally requested for enrollment change funding at that institution. Pursuant to G.S. 116-11(9)c., the Director of the Budget may, on recommendation of the Board, authorize transfer of appropriated funds from one institution to another to provide additional adjustments for over or under enrollment or may make any other adjustments among institutions that would provide for the orderly and efficient operation of institutions.

### IN-STATE TUITION FOR VETERANS/COMPLIANCE WITH FEDERAL LAW

**SECTION 10.11.** G.S. 116-143.3A reads as rewritten:

**"§ 116-143.3A. Waiver of 12-month residency requirement for certain veterans and other individuals entitled to federal education benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33.**

(a) Definitions. – The following definitions apply in this section:

- (1) Abode. – Has the same meaning as G.S. 116-143.3(a)(1).
- (2) Armed Forces. – Has the same meaning as G.S. 116-143.3(a)(2).
- (3) Veteran. – A person who served active duty for not less than 90 days in the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration and who was discharged or released from such service.

(b) Waiver of 12-Month Residency Requirement for Veteran. – Any veteran who qualifies for admission to an institution of higher education as defined in G.S. 116-143.1(a)(3) is eligible to be charged the in-State tuition rate and applicable mandatory fees for enrollment without satisfying the 12-month residency requirement under G.S. 116-143.1, provided the veteran meets all of the following criteria:

- (1) The veteran applies for admission to the institution of higher education and enrolls within three years of the veteran's discharge or release from the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration.
- (2) The veteran qualifies for and uses educational benefits pursuant to 38 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as administered by the U.S. Department of Veterans Affairs.
- (3) The veteran's abode is North Carolina.
- (4) The veteran provides the institution of higher education at which the veteran intends to enroll a letter of intent to establish residence in North Carolina.

(c) Eligibility of Other Individuals Entitled to Federal Educational Benefits Under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33. – Any person who is entitled to federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 is also eligible to be charged the in-State tuition rate and applicable mandatory fees for enrollment without satisfying the 12-month residency requirement under G.S. 116-143.1, if the person meets all of the following criteria:

- (1) The person qualifies for admission to the institution of higher education as defined in G.S. 116-143.1(a)(3) ~~and~~ and, with the exception of individuals described in subsections (c1) and (c2) of this section, enrolls in the institution of higher education within three years of the veteran's discharge or release from the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration.
- (2) The person is the recipient of federal educational benefits pursuant to 38 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as administered by the U.S. Department of Veterans Affairs.
- (3) The person's abode is North Carolina.
- (4) The person provides the institution of higher education at which the person intends to enroll a letter of intent to establish residence in North Carolina.

## Appendix D: Significant UNC-Related Special Provisions of S.L. 2017-57 (Senate Bill 257)

(c1) Recipients using transferred Post-9/11 GI Bill benefits (38 U.S.C. § 3319) while the transferor is on active duty in the Armed Forces, the commissioned corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration are eligible for the in-State tuition rate, provided the recipient's abode is in North Carolina and the recipient provides the institution of higher education a letter of intent to establish residency in North Carolina.

(c2) Recipients of the Marine Gunnery Sergeant John David Fry Scholarship (38 U.S.C. § 3311(b)(9)), whose parent or spouse died in the line of duty, without regard as to whether the death in the line of duty followed a period of active duty service of 90 days or more, are eligible to receive in-State tuition under this section, provided the recipient's abode is in North Carolina and the recipient provides the institution of higher education a letter of intent to establish residency in North Carolina.

(d) After the expiration of the three-year period following discharge ~~or death~~ as described in 38 U.S.C. § 3679(c), any enrolled veteran entitled to federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 and any other enrolled individual described in subsection (c) of this section entitled to federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 who is eligible for in-State tuition under this section shall continue to be eligible for the in-State tuition rate so long as the covered individual remains continuously enrolled (other than during regularly scheduled breaks between courses, quarters, terms, or semesters) at that institution of higher education."

### STUDY/UNC EQUAL OPPORTUNITY COMPLIANCE OFFICERS

**SECTION 10.13.(a)** The Board of Governors of The University of North Carolina shall study the equal opportunity policies, which include the policies related to diversity and nondiscrimination, adopted by each constituent institution, the implementation of those policies on each campus, and the services provided on each campus. In conducting the study, the Board of Governors shall review and evaluate the equal opportunity policies with a particular focus on transparency and effectiveness of the policies.

As part of the study, the Board of Governors shall direct each constituent institution to identify all staff positions on campus that include as part of the job duties any responsibility for the implementation, administration, or enforcement of policies intended to promote equal opportunity, diversity, or inclusiveness; indicate how those staff positions and the services offered through those positions fit within the organizational structure of the constituent institution; and indicate the direct and indirect costs related to those staff positions and services provided by those staff positions. This information shall include the number of part-time and full-time employees in these staff positions by each individual campus, descriptions of job duties of each of these employees, and the total costs of the positions.

The study shall also consider the feasibility of developing equal opportunity plans at each constituent institution that consolidate all equal opportunity services offered at each constituent institution into a single office headed by an equal employment officer designated by the Chancellor in order to promote effectiveness and efficiency.

**SECTION 10.13.(b)** The Board of Governors of The University of North Carolina shall submit a report that includes its findings, recommendations, and policy changes to the Joint Legislative Education Oversight Committee by January 1, 2018. The Board of Governors shall approve the report prior to the submission to the Joint Legislative Education Oversight Committee.

## Appendix D: Significant UNC-Related Special Provisions of S.L. 2017-57 (Senate Bill 257)

### **BOARD OF GOVERNORS STUDIES/ESTABLISH SCHOOL OF HEALTH SCIENCES AND HEALTH CARE AT UNC-PEMBROKE AND ESTABLISH PHYSICIAN ASSISTANT PROGRAM, CHIROPRACTIC MEDICINE PROGRAM, AND A PILOT PROGRAM FOR BASIC LAW ENFORCEMENT TRAINING AT WSSU**

**SECTION 10.14.(a)** The Board of Governors of The University of North Carolina shall study the feasibility of establishing a School of Health Sciences and Health Care at the University of North Carolina at Pembroke. In its study, the Board of Governors shall consider the health care needs of the region and what health science and health care programs would best serve the region and meet its health care needs. The Board of Governors shall also consider the costs and financial benefits of establishing a School of Health Sciences and Health Care.

The Board of Governors shall submit a report on the study, including its findings and recommendations, by March 1, 2018, to the members of the Senate and the House of Representatives, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library.

**SECTION 10.14.(b)** Of the funds appropriated by this act to the Board of Governors of The University of North Carolina for the 2017-2018 fiscal year, the Board may use up to one hundred thousand dollars (\$100,000) to cover the costs of the study required by subsection (a) of this section.

**SECTION 10.14.(c)** The Board of Governors of The University of North Carolina shall study the feasibility of establishing the following programs at Winston-Salem State University: a Physician Assistant Program, a Chiropractic Medicine Program, and a pilot program for Basic Law Enforcement Training. In its study, the Board of Governors shall consider the costs and financial benefits of establishing these programs at Winston-Salem State University.

The Board of Governors shall submit a report on the study, including its findings and recommendations, by March 1, 2018, to the members of the Senate and the House of Representatives, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library.

### **UNC TO FUND NORTH CAROLINA RESEARCH CAMPUS**

**SECTION 10.15.** Of the funds appropriated by this act to the Board of Governors of The University of North Carolina, the Board of Governors shall use twenty-nine million dollars (\$29,000,000) for the 2017-2018 fiscal year and twenty-nine million dollars (\$29,000,000) for the 2018-2019 fiscal year to support UNC-related activities at the North Carolina Research Campus at Kannapolis.

### **ONE-YEAR COLLEGE TUITION GRANTS FOR CERTAIN GRADUATES OF THE NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS WHO ATTEND A STATE UNIVERSITY**

**SECTION 10.26.(a)** Of the funds appropriated by this act to the Board of Governors for the 2017-2018 fiscal year, the sum of one million five hundred thousand dollars (\$1,500,000) shall be allocated to the State Education Assistance Authority to be held in reserve to provide tuition grants for one academic year to each State resident who graduates from the North Carolina School of Science and Mathematics at the end of the 2017-2018 academic year and who enrolls as a full-time student in a constituent institution of The University of North Carolina for the 2018-2019 academic year. The amount of the grant awarded to each student shall cover the tuition cost at the constituent institution in which the student is enrolled.

**SECTION 10.26.(b)** The tuition grants provided for in this section shall be administered by the State Education Assistance Authority pursuant to rules adopted by the State Education Assistance Authority not inconsistent with this section. The State Education Assistance Authority shall not approve any grant until it receives proper certification from the appropriate constituent institution that the student applying for the grant is an eligible student. Upon receipt of the certification, the State Education Assistance Authority shall remit at the times it prescribes the grant to the constituent institution on behalf, and to the credit, of the student.

## Appendix D: Significant UNC-Related Special Provisions of S.L. 2017-57 (Senate Bill 257)

**SECTION 10.26.(c)** Notwithstanding any other provision of this section, no tuition grant awarded to a student under this section shall exceed the cost of attendance at the constituent institution at which the student is enrolled. If a student, who is eligible for a tuition grant under this subsection, also receives a scholarship or other grant covering the cost of attendance at the constituent institution for which the tuition grant is awarded, then the amount of the tuition grant shall be reduced by an appropriate amount determined by the State Education Assistance Authority. The State Education Assistance Authority shall reduce the amount of the tuition grant so that the sum of all grants and scholarship aid covering the cost of attendance received by the student, including the tuition grant under this section, shall not exceed the cost of attendance for the constituent institution at which the student is enrolled. The cost of attendance, as used in this subsection, shall be determined by the State Education Assistance Authority for each constituent institution.

**SECTION 10.26.(d)** The funds allocated by this section shall not revert at the end of the 2017-2018 fiscal year but shall remain available until the end of the 2018-2019 fiscal year to implement this section.

### ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED LEGISLATIVE SALARY INCREASES/EFFECTIVE JULY 1, 2017

**SECTION 35.1.(a)** Except as provided by subsection (b) of this section, a person (i) whose salary is set by this part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is employed in a State-funded position on June 30, 2017, is awarded a legislative salary increase as follows:

- (1) In the amount of one thousand dollars (\$1,000) in the 2017-2018 fiscal year, effective July 1, 2017.
- (2) As otherwise allowed or provided by law.

**SECTION 35.1.(b)** The following persons are not eligible to receive the legislative salary increases provided by subsection (a) of this section:

- (1) The judicial branch judges whose salaries are set in Section 35.4(a) of this act.
- (2) Teachers, principals, and assistant principals paid pursuant to a salary schedule or pay plan enacted in this act.
- (3) The Governor and members of the Council of State.

**SECTION 35.1.(c)** Part-time employees shall receive the increase authorized by this section on a prorated and equitable basis.

### UNIVERSITY OF NORTH CAROLINA SYSTEM

**SECTION 35.9.(a)** Effective for the 2017-2018 fiscal year, the annual salaries of University of North Carolina SHRA employees shall be increased as provided by Section 35.1 of this act.

**SECTION 35.9.(b)** For the 2017-2018 fiscal year, the Board of Governors of The University of North Carolina may provide EHRA employees a salary increase pursuant to the policies adopted by the Board. Funds for EHRA compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across the board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to those policies. The Board shall make a report on the use of these funds to the General Assembly by no later than March 1, 2018.



## Appendix D: Significant UNC-Related Special Provisions of S.L. 2017-57 (Senate Bill 257)

### SPECIAL ANNUAL LEAVE BONUS

**SECTION 35.18A.(a)** Any person who is (i) a full-time, permanent employee of the State, a community college, or a local board of education on July 1, 2017, and (ii) eligible to earn annual leave shall have a one-time additional three days of annual leave credited on July 1, 2017.

**SECTION 35.18A.(b)** Except as provided by subsection (c) of this section, the additional leave granted in this act shall be accounted for separately with the leave provided by Section 28.3A of S.L. 2002-126, by Section 30.12B(a) of S.L. 2003-284, by Section 29.14A of S.L. 2005-276, and by Section 35.10A of S.L. 2014-100. The leave shall remain available during the length of the employee's employment, notwithstanding any other limitation on the total number of days of annual leave that may be carried forward. Part-time, permanent employees shall receive a pro rata amount of the three days.

**SECTION 35.18A.(c)** The additional leave awarded under this section has no cash value and is not eligible for cash in. If not used prior to the time of separation or retirement, the bonus leave cannot be paid out and is lost.

### UNC BOARD OF GOVERNORS TO MONITOR CREATION OF NEW POSITIONS AND CERTAIN INCREASES/CONSULTATION REQUIREMENT

**SECTION 35.24.** Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

**"§ 116-17.3. Board of Governors monitors certain human resources actions.**

(a) The Board of Governors of The University of North Carolina shall monitor nonlegislative annual employee salary increases in the amount of five percent (5%) or more granted at constituent institutions or within the General Administration (i) to employees having annual salaries of one hundred thousand dollars (\$100,000) or greater or (ii) that would result in an annual employee salary of one hundred thousand dollars (\$100,000) or greater. No such salary increase shall become effective unless or until it is reported to the Board by a consultation that includes the justification for the increase or otherwise complies with consultation requirements adopted by the Board.

(b) The Board of Governors of The University of North Carolina shall monitor new personnel positions created at constituent institutions or within the General Administration having annual salaries of seventy thousand dollars (\$70,000) or greater. No such new position may be filled unless or until its creation is reported to the Board by a consultation that includes the justification for the new position or otherwise complies with consultation requirements adopted by the Board."

## 2017-18 Capital Improvement Allocations

### ***A. 2017-18 Allocations from the Reserve for Repairs and Renovations <sup>A</sup>***

For fiscal year 2017-18, the 2017 General Assembly appropriated \$125,000,000 to the statewide Reserve for Repairs and Renovations. Eight (8) specific capital projects for other state agencies were earmarked at a value of \$24,000,000, to be deducted from the \$125,000,000. This yields a net Reserve for Repairs and Renovations equal to \$101,000,000, of which \$50,500,000 (one-half) is allocated to the Board of Governors, as shown below.

It is recommended that the following allocations be made from the Reserve for Repairs and Renovations. It is also recommended that chancellors identify specific projects, consistent with any applicable rules and regulations, to be financed from the institutional allocations and present those projects to the president who shall report to the Joint Legislative Commission on Governmental Operations, as required by legislation.

It is recommended that allocations may be transferred as needed among projects within an institution upon request through existing approval processes. It is also recommended that the president be authorized to make further allocations from the reserve.

<b>2017-18 Allocations - Reserve for Repairs and Renovations <sup>A</sup></b>	<b>Amount</b>
Appalachian State University	\$ 3,596,626
East Carolina University	4,044,303
Elizabeth City State University	1,529,809
Fayetteville State University	1,541,298
North Carolina A&T State University	2,292,115
North Carolina Central University	2,679,962
North Carolina State University	9,247,351
The University of North Carolina at Asheville	1,197,933
The University of North Carolina at Chapel Hill	8,038,073
The University of North Carolina at Charlotte	3,579,547
The University of North Carolina at Greensboro	2,514,816
The University of North Carolina at Pembroke	1,010,000
The University of North Carolina at Wilmington	1,913,915
The University of North Carolina School of the Arts	1,538,276
Western Carolina University	1,625,229
Winston-Salem State University	2,130,747
North Carolina School of Science and Mathematics	1,010,000
The University of North Carolina General Administration	1,010,000
<b>TOTAL ALLOCATIONS</b>	<b>\$50,500,000</b>



## 2017-18 Capital Improvement Allocations

### ***B. Capital Project Authorizations by the 2017 General Assembly for which no Board Action is required (for information only)***

#### **1. Capital Improvements Appropriations and Authorizations**

The General Assembly appropriated \$6,500,000 from the General Fund for the following projects:

FSU	Health and Wellness Facility	\$ 5,500,000
UNC-CH	New Business School Building	\$ 1,000,000

#### **2. Non-General Fund Capital Improvement Projects Authorizations**

The General Assembly authorized capital projects funded from non-general fund sources totaling \$238,230,306 in House Bill 620 (S.L. 2017-141).

**SECTION 2.** The capital improvement projects, and their respective costs, authorized by this act to be acquired or constructed and financed as provided in Section 1 of this act, including by revenue bonds, by special obligation bonds as authorized in Section 5 of this act, by a financing arrangement to the extent authorized in Section 3 of this act, or by any combination thereof, are as follows:

<b>Project Authorization</b>	<b>Amount</b>
<b>East Carolina University</b>	
Dowdy-Ficklen Stadium Southside Renovation	\$ 55,000,000
<b>Elizabeth City State University</b>	
Demolition of Hugh Cale and Doles Halls	611,294
Renovation of Bias Hall	4,522,272
Renovation of Butler Hall	3,790,242
Demolition of Complex A-G Buildings	576,192
Update Master Plan	500,000
<b>North Carolina Central University</b>	
Baynes Residence Hall Renovations	6,542,121
<b>University of North Carolina at Chapel Hill</b>	
Indoor Practice Facility and Fetzer Field	30,000,000
Media and Communication Studio (Athletics)	10,000,000
DLAM Renovations (swing space for Berryhill Hall) and AAALAC Certification	21,890,000
Kenan Labs – Renovations to Labs 7A, 7B, 7C, 8B, and 8C for Applied Physics	7,683,000
Medical Education Building	22,600,000
<b>University of North Carolina at Greensboro</b>	
Spartan Village – Phase II	50,900,000
<b>Western Carolina University</b>	
Parking Deck Facility	23,615,185
<b>Total</b>	<b>\$238,230,306</b>

## 2017-18 Capital Improvements Allocations

### C. Other Actions by the 2017 General Assembly

In addition, the following capital improvements-related special provisions from the Appropriations Act of 2017 (S.L. 2017-57), as amended by the technical corrections bill are noted for information.

36.2	Capital Projects/General Fund	Appropriates \$5.5M to FSU for a Health and Wellness Facility and \$1M to UNC-CH for a new Business School Building.
36.5	Repairs and Renovations Reserve Allocation	Appropriates 50% of the net State allocation to the BOG for repair and renovations at universities (\$50.5 million). Requires that a portion be used to install fire sprinklers in residence halls; funds shall be allocated among the constituent institutions by the President. Requires that the remaining funds be allocated by the BOG and that availability of non-State resources and carryforward funds shall be negatively weighted. Directs that \$10M be allocated for renovation and repurposing of West Hall at UNCP and \$750,000 be allocated to create a plan for the energy production facility at WCU.
36.6	Procedures for Disbursement of Capital Funds	Requires that expenditures of capital funds may not be made until an allotment has been approved by the Governor. Allows Director of Budget to approve the method of financing for a project funded in whole or in part with self-liquidating appropriations prior to award of construction contracts. Requires authorization by Director of Budget to move capital appropriations for furniture and equipment into construction accounts.
36.12	Pay-As-You-Go Capital and Infrastructure Fund Established July 1, 2019	Creates a fund for the purpose of addressing the State's infrastructure needs through a transfer of 4% of all State tax collections. Allows monies in the fund to be utilized for new UNC buildings and for the repair and renovation of buildings.

### D. Additional Information

The table on the following page, *General Assembly Funding – Ten Year History*, a summary by institution of capital improvements appropriations from 2008 through 2017, is provided as supplementary information.

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

Institutional Appropriations	2008 <sup>1</sup> Bonds	2009 <sup>2</sup>	2010 <sup>3</sup> COPS	2011 <sup>5</sup>	2012	2013	2014 <sup>7</sup>	2015 <sup>9</sup>	2015 <sup>8</sup> Bonds	2016 <sup>9</sup>	2017 <sup>10</sup>	2008-2017
ASU	-	\$ 1,386,700	\$ -	\$ 1,453,300	\$ 506,200	\$ 4,982,626	\$ 3,519,300	\$ 2,311,700	\$ 70,000,000	\$ 2,348,135	\$ 3,596,626	\$ 90,104,587
ECU	-	3,339,300	-	3,124,900	1,065,200	6,223,834	1,084,100	4,826,500	90,000,000	3,955,756	4,044,303	117,663,893
ECSU	-	744,000	-	873,200	305,900	1,788,627	316,800	1,410,300	-	716,818	1,529,809	7,685,454
FSU	-	744,000	-	873,200	305,900	1,788,627	316,800	1,410,300	10,000,000	454,868	7,041,298	22,934,993
NCA&T	-	1,380,600	-	1,299,700	451,700	2,661,937	452,700	2,015,300	90,000,000	1,817,367	2,292,115	102,371,419
NCCU	-	896,800	-	905,500	305,900	1,807,823	337,500	1,502,500	30,000,000	1,528,201	2,679,962	39,964,186
NCSU	-	6,110,000	-	5,904,300	2,074,000	12,206,701	2,115,200	9,013,500	160,000,000	8,311,457	9,247,351	214,982,509
UNCA	-	744,000	-	873,200	305,900	3,788,627	316,800	1,410,300	-	2,916,077	1,197,933	11,552,837
UNC-CH	12,500,000	6,296,600	-	6,585,200	2,284,500	5,913,326 <sup>6</sup>	2,392,000	8,766,500	68,000,000	14,978,394	9,038,073	136,754,593
UNCC	-	1,728,000	-	1,904,400	706,100	4,132,925	775,800	3,453,900	90,000,000	920,657	3,579,547	107,201,329
UNCG	-	1,485,300	-	2,073,300	714,900	4,254,199	739,600	3,292,800	105,000,000	2,539,103	2,514,816	122,614,018
UNCP	-	744,000	-	873,200	305,900	1,788,627	316,800	1,410,300	23,000,000	588,398	11,010,000	40,037,225
UNCW	-	971,200	-	1,291,100	482,700	2,664,083	476,000	2,119,200	66,000,000	1,218,501	1,913,915	77,136,699
UNCSA	-	744,000	-	873,200	305,900	1,788,627	316,800	1,410,300	-	542,095	1,538,276	7,519,198
WCU	-	957,400	-	1,097,900	390,800	2,232,057	410,100	1,826,000	110,000,000	1,443,792	2,375,229	120,733,278
WSSU	-	744,000	-	873,200	305,900	1,788,627	316,800	1,410,300	50,000,000	903,205	2,130,747	58,472,779
NCSSM	-	744,000	-	873,200	305,900	1,788,627	316,800	5,410,300	58,000,000	153,890	1,010,000	68,602,717
Subtotal	12,500,000	29,759,900	-	31,752,000	11,123,300	61,599,900	14,519,900	53,000,000	1,020,000,000	45,336,714	66,740,000	1,346,331,714
<b>Non-Institutional Appropriations</b>												
N.C. Arboretum	-	-	-	386,222	-	-	-	-	-	-	-	386,222
UNC Health Care	-	-	-	-	-	-	-	-	-	-	-	-
Other (UNC-GA, UNC-TV, SEAA, HBS, C.S.I., Land Acquisition, Fire Safety, 4-H Camps & Equipment)	10,000,000 <sup>4</sup>	1,240,100	-	936,500	462,162	2,400,100	480,100	2,000,000	-	151,786	1,010,000	18,680,748
Subtotal	10,000,000	1,240,100	-	1,322,722	462,162	2,400,100	480,100	2,000,000	-	151,786	1,010,000	19,066,970
<b>TOTAL</b>	<b>22,500,000</b>	<b>31,000,000</b>	<b>-</b>	<b>33,074,722</b>	<b>11,585,462</b>	<b>64,000,000</b>	<b>15,000,000</b>	<b>55,000,000</b>	<b>1,020,000,000</b>	<b>45,488,500</b>	<b>67,750,000</b>	<b>1,365,398,684</b>
Less: Repairs and Renovations Res.	-	31,000,000	-	33,074,722	11,585,462	60,000,000	12,000,000	50,000,000	-	33,738,500	50,500,000	281,898,684
<b>TOTAL</b>	<b>22,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>	<b>3,000,000</b>	<b>5,000,000</b>	<b>1,020,000,000</b>	<b>11,750,000</b>	<b>17,250,000</b>	<b>1,083,500,000</b>

## Notes :

1. The 2008 General Assembly appropriated \$99,612,826 for capital projects and \$32.1M for repairs and renovations to BOG. All but \$12.5M were later reverted to the GF to help balance the 2008-09 State Budget.
2. The 2009 General Assembly funded repairs and renovations with a combination of federal stimulus funds (\$12M) and bonds to be repaid by the State (\$50M) of which 50% (\$31 million) was allocated to the Board; UNC-CH's Biomedical Research Imaging Center was previously scheduled to be funded from the General Fund in 2009-10 and 2010-11. BRIC will now be funded from bonds at \$223 million.
3. The 2010 General Assembly provided UNC with special indebtedness funding of \$60M for repairing and renovating facilities and infrastructure and \$22M for acquiring equipment for teaching and research in the fields of health, science, engineering and technology and completing related capital improvements. These authorizations were repealed by S.L. 2011-66.
4. The 2008 General Assembly provided UNC with special indebtedness funding of \$25M for system-wide land acquisitions. This authorization was reduced to \$10M by S.L. 2011-66.
5. Prior to distribution, S.L. 2012-2 and S.L. 2012-57 authorized the Director of the Budget to use up to \$114M of the 2011 Repairs and Renovations to ensure adequate funding in the state Medicaid program for the 2011-12 fiscal year. On November 15, 2012, \$33,074,722 was allocated to the University for 2011 Repairs and Renovations.
6. Due to other available funds, UNC-Chapel Hill has been reduced by 50%.
7. The 2014 General Assembly provided UNC with special indebtedness funding of \$12M for repairing and renovating facilities and infrastructure and ASU \$3M for planning the Health Sciences Building.
8. The 2015 General Assembly provided UNC with bond funding of \$1,020,000,000 to be allocated among 15 projects for new construction, with voter approval and \$50 million for Repairs and Renovations. The Bond Act also identified additional bond proceeds of \$45 million for ECSU, UNCA, & UNCSA.
9. The 2016 General Assembly appropriated \$81,400,000 to the statewide Reserve for Repairs and Renovations. Eight (8) specific capital projects for other state agencies were earmarked at a value of \$13,923,000, to be deducted from the \$81,400,000. This yields a net Reserve for Repairs and Renovations equal to \$67,477,000, of which \$33,738,500 (one-half) is allocated to the Board of Governors.
10. The 2017 General Assembly appropriated \$125,000,000 to the statewide Reserve for Repairs and Renovations. Eight (8) specific capital projects for other state agencies were earmarked at a value of \$24,000,000, to be deducted from the \$125,000,000. This yields a net Reserve for Repairs and Renovations equal to \$101,000,000, of which \$50,500,000 (one-half) is allocated to the Board of Governors.

## AGENDA ITEM

B-3. Connect NC Bond Program Report ..... Will Johnson

**Situation:** On March 15, 2016, the citizens of North Carolina approved the Connect NC Bond Referendum.

**Background:** The Connect NC Bond Program contains 21 capital improvement projects at all 17 University of North Carolina institutions, 14 new projects, and seven renovation projects that total \$1,065,000,000 in bond funding. Other funds, including non-General Funds, have contributed to the projects at nine UNC institutions bringing the total to \$1,288,991,792.

**Assessment:** UNC institutions are currently confirming the project academic programs and total project cost, engaging design teams, developing project schedules, hiring Construction Managers at Risk, and establishing fiscal year cash-flow requirements of their respective bond-supported capital improvements projects.

UNC-GA is also working with the Office of State Construction, Fiscal Research Division, and the Office of State Budget and Management to coordinate design and construction reviews, funding procedures, and statutory reporting requirements for the Connect NC Bond Program capital improvement projects. Formal reviews of Advance Planning and Schematic Design documents are ongoing for all UNC bond projects.

**Action:** This item is for information only.

## AGENDA ITEM

B-4. Request for Additional Project and Financing Authority – NCCU ..... Jonathan Pruitt

**Situation:** North Carolina Central University (“NCCU”) requests that the Board of Governors approve an \$11,194,762 increase in the project and financing authority for NCCU’s Student Center Project, which was originally authorized under S.L. 2016-97 in the amount of \$36,084,571. If approved, the total project and financing authority for the Student Center Project would increase to \$47,279,333.

**Background:** Due to the increase in the estimated construction costs per square foot and a nominal increase in the size of the building, the project is now estimated to cost \$47,279,333. As a result, NCCU is asking that the Board request that the Director of the Budget approve \$11,194,762 in additional project and financing authority for the Student Center Project, which is authorized under Section 3 of S.L. 2016-97.

To support the increased financing costs that result from the Student Center Project’s higher construction costs, NCCU is also requesting that the Board permit NCCU to combine the designated student debt service fee for the Student Center Project with the unencumbered balance of the designated student debt service fee for NCCU’s deferred maintenance projects previously approved by the Board and authorized under S.L. 2015-275.

**Assessment:** Using conservative enrollment and debt service assumptions, the combined student fee is projected to be sufficient to support the annual debt service requirements associated with the Student Center Project’s revised cost estimate. Because NCCU will not issue the balance of the debt associated with the Deferred Maintenance Projects, NCCU’s requested increase for the Student Center Project authorization is not expected to impact NCCU’s issuer credit rating.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## **Request for Additional Project and Financing Authority – NCCU**

### **OVERVIEW**

The Board previously approved the construction and financing of an approximately 100,230 SF student center (the “Student Center Project”) on the campus of North Carolina Central University (“NCCU”). Financing for the Student Center Project was to be supported by a designated student debt service fee of \$350 (the “Student Center Fee”). The North Carolina General Assembly authorized the construction and financing of the \$36,084,571 Student Center Project under S.L. 2016-97.

The Board also previously approved \$10,500,000 in deferred maintenance and infrastructure improvements on NCCU’s campus (the “Deferred Maintenance Projects”), which the General Assembly authorized under S.L. 2015-65. Financing for the Deferred Maintenance Projects was to be supported by a designated student debt service fee of \$100 (the “Deferred Maintenance Fee”). To date, NCCU has financed Deferred Maintenance Projects totaling \$1,355,000, leaving NCCU with \$9,145,000 in outstanding project and financing authority under S.L. 2015-275.

The amount originally authorized for the Student Center Project was based on NCCU’s preliminary programming and functional areas plan for the Student Center Project. NCCU subsequently engaged Obrien Atkins/Duda Paine to complete the design for the Student Center Project. After completing its review of the Student Center Project, Obrien Atkins/Duda Paine determined the original construction cost estimates were too low due to inflationary pressures in the local construction market. The building size was also increased to approximately 104,100 SF to provide adequate functional and circulation areas. Due to the increase in the estimated construction costs per square foot and the increase in the building size, the project is now estimated to cost \$47,279,333.

As a result, NCCU is asking that the Board request the Director of the Budget to approve \$11,194,762 in additional project and financing authority for the Student Center Project, bringing the total authorized amount to \$47,279,333, which is authorized under Section 3 of S.L. 2016-97.

To support the increased financing costs that result from the Student Center Project’s higher construction costs, NCCU is also requesting that the Board permit NCCU to combine the Student Center Fee with the unencumbered balance of the Deferred Maintenance Fee. Because the Deferred Maintenance Fee will be repurposed, NCCU will not undertake any additional Deferred Maintenance Projects or issue any additional debt under the authority granted under S.L. 2015-275.

The combined fee will produce an annual revenue stream of approximately \$428 per student through fiscal year 2028, increasing to \$450 per student thereafter. Using conservative enrollment and debt service assumptions, the combined student fee is projected to be sufficient to support the annual debt service requirements associated with the Student Center Project’s revised cost estimate.

Because NCCU will not issue the balance of the debt associated with the Deferred Maintenance Projects, NCCU’s requested increase for the Student Center Project authorization will increase the total amount of debt NCCU may issue by \$2.05 million, which is not expected to impact NCCU’s issuer credit rating.

It is recommended that the Board request additional project and financing authority for the Student Center Project as set out in the attached resolution.

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA REQUESTING  
THE DIRECTOR OF BUDGET TO INCREASE FINANCING AUTHORITY FOR NEW STUDENT CENTER PROJECT  
AT NORTH CAROLINA CENTRAL UNIVERSITY**

**WHEREAS**, under North Carolina Session Law 2016-97 the General Assembly of North Carolina authorized the Board of Governors (the "Board") of the University of North Carolina (the "University") to finance a New Student Center at North Carolina Central University ("NCCU") in the amount of \$36,084,571 through the issuance of special obligation bonds pursuant to Section 116D-26 of the General Statutes of the State of North Carolina; and

**WHEREAS**, the Board has determined that the anticipated cost of the New Student Center at NCCU has increased to approximately \$47,279,333 since the approval by the General Assembly; and

**WHEREAS**, Section 3 of North Carolina Session Law 2016-97 allows, at the request of the Board and upon determining that it is in the best interest of the State to do so, the Director of the Budget to authorize an increase in the cost of funding the projects authorized by North Carolina Session Law 2016-97;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Governors of the University of North Carolina as follows:

Section 1. ***Request to Increase Authorization for New Student Center.*** The Board hereby requests, as contemplated by Section 3 of North Carolina Session Law 2016-97, that the Director of the Budget authorize an increase in the cost of the New Student Center at NCCU from \$36,084,571 to \$47,279,333 and likewise approve the issuance of special obligation bonds of the Board in such amount and for such purpose as would be required under North Carolina Session Law 2016-97.

Section 2. ***Deferred Maintenance Project Authority.*** The Board hereby authorizes NCCU to use the unencumbered portion of the \$100 student debt service fee originally designated to support the deferred maintenance projects approved under North Carolina Session Law 2015-275 to support the financing for the New Student Center. NCCU may not finance any additional deferred maintenance projects under the authority granted under North Carolina Session Law 2015-275.

Section 3. ***Effective Date.*** This Resolution is effective immediately on the date of its adoption.

The foregoing Resolution was duly adopted by the Board at a regular meeting of the Board held on the 8<sup>th</sup> day of September, 2017.

STATE OF NORTH CAROLINA

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SS:

COUNTY OF ORANGE

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SECRETARY'S CERTIFICATE  
OF AUTHENTICATION

I, Andrea Poole, Senior Associate Vice President and Secretary of the University of North Carolina, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina at its regular meeting on September 8, 2017, (2) notice of the meeting of the Board of Governors of the University of North Carolina held on September 8, 2017 was sent to each member of the Board, and (3) a quorum was present at the meeting on September 8, 2017 at which time the foregoing Resolution was adopted.

**WITNESS**, my hand and the seal of the University of North Carolina this \_\_\_\_ day of \_\_\_\_\_, 2017.

[SEAL]

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Andrea Poole, Senior Associate Vice  
President and Secretary  
The University of North Carolina



## AGENDA ITEM

B-5. Sale of Special Obligation Bonds – UNC Chapel Hill..... Jonathan Pruitt

**Situation:** The University of North Carolina at Chapel Hill requests that the Board issue special obligation bonds in an amount not to exceed \$125,000,000 for the purpose of (1) refinancing outstanding indebtedness to achieve interest rate savings, (2) refinancing outstanding commercial paper indebtedness to provide long-term financing at a fixed interest rate for the facilities originally financed and (3) paying the costs incurred in connection with the issuance of the bonds.

**Background:** The Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the General Assembly. These projects have been previously approved by the Board of Governors and the General Assembly and have been approved for financing. This request is for refinancing the previously issued bonds.

**Assessment:** The University of North Carolina at Chapel Hill currently has an issuer credit rating of “Aaa” with a Stable Outlook by Moody’s Investor Service, an issuer credit rating of “AAA” with a Stable Outlook by S&P Global Ratings and an issuer credit rating of “AAA” with a Stable Outlook by Fitch Ratings. The refinancing is expected to have no impact on the University’s credit ratings.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## **Sale of Special Obligation Bonds – The University of North Carolina at Chapel Hill**

### **ISSUE OVERVIEW**

The Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the General Assembly. Although a specific source of funding is used by a campus when retiring these bonds, special obligation bonds are generally payable from all campus revenues excluding tuition, State appropriations, and restricted reserves.

The University of North Carolina at Chapel Hill requests that the Board issue special obligation bonds in an amount not to exceed \$125,000,000 for the purpose of (1) refinancing a portion of the 2009A Bonds issued on behalf of the University to achieve interest rate savings, (2) refinancing outstanding commercial paper bonds to provide long-term financing at a fixed interest rate for the facilities originally financed and (3) paying the costs incurred in connection with the issuance of the 2017 Bond. The 2017 Bond is expected to be issued in a single taxable series and publicly sold with J.P. Morgan Securities LLC and RBC Capital Markets, LLC serving as underwriters for the 2017 Bonds (the underwriters are part of the University's underwriting pool selected through a RFP process).

The Board's approval would permit the refundings to proceed at appropriate savings levels and other benefits to the University as the Senior Vice President for Finance and Budget, in consultation with the appropriate officers at the University, determine to be in the best interest of the University. The general policy is to achieve a minimum net present value savings threshold of 3.0% for a refunding for debt service savings.

The University of North Carolina at Chapel Hill currently has an issuer credit rating of "Aaa" with a Stable Outlook by Moody's Investor Service, an issuer credit rating of "AAA" with a Stable Outlook by S&P Global Ratings and an issuer credit rating of "AAA" with a Stable Outlook by Fitch Ratings. The refinancing is expected to have no impact on the University's credit ratings.

Parker Poe is bond counsel, and Prager & Co. is the financial advisor.

It is recommended that the president of the University, or her designee, be authorized to sell the special obligation bonds through the attached resolution.

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF  
NORTH CAROLINA AUTHORIZING THE ISSUANCE OF SPECIAL  
OBLIGATION BONDS TO REFINANCE SPECIAL OBLIGATION BOND  
PROJECTS AND RELATED MATTERS FOR THE UNIVERSITY OF NORTH  
CAROLINA AT CHAPEL HILL**

**WHEREAS**, by Chapter 116 of the General Statutes of North Carolina, the Board of Governors (the “*Board*”) of the University of North Carolina (the “*University*”) is vested with general control and supervision of Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, The University of North Carolina School of the Arts, North Carolina State University, The University of North Carolina at Asheville, The University of North Carolina at Chapel Hill (“*UNC Chapel Hill*”), The University of North Carolina at Charlotte, The University of North Carolina at Greensboro, The University of North Carolina at Pembroke, The University of North Carolina at Wilmington, Western Carolina University and Winston-Salem State University and other institutions; and

**WHEREAS**, the Board is authorized by Chapter 116D of the General Statutes of North Carolina (the “*Act*”) to issue, subject to the approval of the Director of the Budget, at one time or from time to time, (1) special obligation bonds of the Board for the purpose of paying all or any part of the cost of acquiring, constructing, or providing special obligation projects and (2) refunding bonds for the purpose of refunding any bonds issued by the Board under the Act or under any Article of Chapter 116 of the General Statutes of North Carolina, including the payment of any redemption premium on them and any interest accrued or to accrue to the date of redemption of the bonds refunded; and

**WHEREAS**; the Board has been advised that it may be able to achieve debt service savings by refunding in advance of their maturities all or a portion of The University of North Carolina at Chapel Hill General Revenue Bonds, Series 2009A (the “*2009A Bonds*”), the proceeds of which were used to finance and refinance the construction, renovation, improvement, equipping and furnishing of certain facilities on the UNC Chapel Hill campus;

**WHEREAS**; the Board has determined to refund some or all of The University of North Carolina at Chapel Hill General Revenue Bond, Series 2002A (the “*Commercial Paper Bonds*”), the proceeds of which were used to finance and refinance the construction, renovation, improvement, equipping and furnishing of certain facilities on the UNC Chapel Hill campus, in order to provide long-term financing for such facilities (the projects financed and refinanced with proceeds of the 2009A Bonds and the Commercial Paper Bonds and refinanced as described herein are collectively referred to as the “*Special Obligation Bond Projects*”); and

**WHEREAS**; the Board has determined to issue The University of North Carolina at Chapel Hill General Revenue Refunding Bonds (with appropriate descriptions and series designations) (the “*Bonds*”) in an aggregate principal amount not to exceed \$125,000,000 under the General Trust Indenture dated as of January 15, 2001 (the “*General Indenture*”) between the Board and The Bank of New York, the successor to which is The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”), and Series Indenture, Number 15 between the Board and the Trustee (the “*Fifteenth Series Indenture*”) to (1) refund all or a portion of the 2009A Bonds and the Commercial Paper Bonds as determined in accordance with this Resolution and (2) pay the costs incurred in connection with the issuance of the Bonds; and

**WHEREAS**, the Bonds and other obligations issued under the General Indenture are payable solely from any funds of UNC Chapel Hill or the Board in each Fiscal Year remaining after satisfying obligations of UNC Chapel Hill or the Board under a trust indenture, trust agreement or bond resolution providing for

the issuance of debt of the Board with respect to UNC Chapel Hill as of the date of the General Indenture, including Unrestricted General Fund balances and Unrestricted Quasi-Endowment Fund balances shown as such on the UNC Chapel Hill financial statements, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by UNC Chapel Hill students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof and (4) revenues generated by Special Facilities (as defined in the General Indenture) (the “*Available Funds*”); and

**WHEREAS**, the issuance of the Bonds does not directly or indirectly or contingently obligate the State or any agency or political subdivision of the State to levy or to pledge any taxes to pay the cost, in whole or in part, of the Special Obligation Bond Projects in compliance with Section 116D-23 of the Act;

**WHEREAS**, the Board anticipates that the Bonds will be purchased and publicly offered by J.P. Morgan Securities LLC and RBC Capital Markets, LLC (collectively, the “*Underwriters*”) pursuant to the terms of a bond purchase agreement (the “*Purchase Agreement*”) between the Board and the Underwriters; and

**WHEREAS**, there have been made available to the Board forms of the following documents related to the Bonds (the “*Board Documents*”), which the Board proposes to approve, ratify, execute and deliver, as applicable, to effectuate the financing:

1. the Fifteenth Series Indenture;
2. the Purchase Agreement;
3. an Escrow Agreement between the Board and The Bank of New York Mellon Trust Company, N.A., as escrow agent, related to the refunding of the 2009A Bonds;
4. the Preliminary Official Statement (the “*Preliminary Official Statement*”) relating to the Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “*Official Statement*”) relating to the Bonds; and
5. the Bonds in the form set forth in the Fifteenth Series Indenture;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Governors of the University of North Carolina as follows:

Section 1. **Authorization of Bonds.** That the Board hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$125,000,000 under the General Indenture and the Fifteenth Series Indenture. The Bonds may be issued in one or more series of bonds, including any combination of tax-exempt and taxable bonds, and for the appropriate savings levels and other benefits to UNC Chapel Hill in refunding the 2009A Bonds and the Commercial Paper Bonds, as the Senior Vice President for Finance and Budget of the University, in consultation with the appropriate officers at UNC Chapel Hill, determine to be in the best interest of the University and UNC Chapel Hill.

Section 2. **Sufficiency of Available Funds.** That the Board hereby finds that sufficient Available Funds are available to pay the principal of and interest on the Bonds.

Section 3. **Authorization of Board Documents.** That the form and content of the Board Documents be and the same hereby are in all respects authorized, approved and confirmed, and the Chairman of the Board, the President and the Senior Vice President for Finance and Budget of the University, the Secretary

and the Assistant Secretary of the Board and the Secretary of the University, individually and collectively (the “*Authorized Officers*”), be and they hereby are each authorized, empowered and directed to execute and deliver the Board Documents for and on behalf of the Board, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as shall to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein, and that from and after the execution and delivery of the Board Documents the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Board Documents as executed.

Section 4. ***Authorization of Preliminary Official Statement and Official Statement.*** That the form, terms and content of the Preliminary Official Statement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the Preliminary Official Statement by the Underwriters in connection with the sale of the Bonds is hereby in all respects authorized, approved, ratified and confirmed. The Chairman of the Board, the President and the Senior Vice President for Finance and Budget of the University, individually or collectively, be and they hereby are each authorized, empowered and directed to deliver the Official Statement for and on behalf of the Board in substantially the form and content of the Preliminary Official Statement presented to the Board, but with such changes, modifications, additions or deletions therein as shall to them seem necessary, desirable or appropriate, his execution of the Purchase Agreement to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein, and the use of the Official Statement by the Underwriters in connection with the sale of the Bonds is hereby authorized, approved and confirmed.

Section 5. ***General Authority.*** From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers and the Vice Chancellor for Finance and Administration of UNC Chapel Hill are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to the issuance and on-going administration of the Bonds.

Section 6. ***Conflicting Provisions.*** All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 7. ***Effective Date.*** This Resolution is effective immediately on the date of its adoption.

*PASSED, ADOPTED, AND APPROVED* this 8th day of September, 2017.

STATE OF NORTH CAROLINA

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COUNTY OF ORANGE

SECRETARY'S CERTIFICATE  
OF AUTHENTICATION

I, Andrea Poole, Senior Associate Vice President and Secretary of the University of North Carolina, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina at its regular meeting on September 8, 2017, (2) notice of the meeting of the Board of Governors of the University of North Carolina held on September 8, 2017 was sent to each member of the Board, and (3) a quorum was present at the meeting on September 8, 2017 at which time the foregoing Resolution was adopted.

*WITNESS*, my hand and the seal of the University of North Carolina this \_\_\_\_ day of \_\_\_\_\_, 2017.

[SEAL]

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Andrea Poole, Senior Associate Vice  
President and Secretary  
The University of North Carolina