

## COMMITTEE ON BUDGET AND FINANCE

Board Room 1

General Administration Building

Chapel Hill, North Carolina

Thursday, September 9, 2004, 11:30 a.m.

### AGENDA

Minutes of the meetings of July 8 and August 9, 2004

1. Authorization of the Sale of Pooled Revenue Bonds
2. Declaration of Emergency Lease of Student Housing – North Carolina Agricultural and Technical State University
3. Ground Lease of Property – North Carolina State University
4. Revisions to Previously Approved Ground Lease – North Carolina State University
5. Review of Actions Taken by Delegated Authority (no vote required)
6. Report on Higher Education Bond Program for the Joint Legislative Commission on Governmental Operations and Bond Update
7. Allocation of Costs – Comprehensive Study

### DISCUSSION

1. A Progress Report on the UNC Bond Program
2. Privatized Housing (no attachment)
3. Report on the Activities of the Association of Student Governments – Amanda Devore (no attachment)

Minutes of the July 8, 2004 Meeting  
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in the Board Room of the General Administration Building in Chapel Hill, North Carolina, on Thursday, July 8, 2004, at 11:30 a.m.

Members in attendance were: Mr. F. Edward Broadwell, Jr., Mr. William L. Burns, Jr., Mr. Ray S. Farris, Ms. Hannah D. Gage, Mr. Peter D. Hans, and Mr. Jim W. Phillips, Jr. Necessarily absent were Mr. R. Steve Bowden, Governor James E. Holshouser, Jr., and Mr. Benjamin S. Ruffin. Other Board of Governors' members attending the meeting were G. Irvin Aldridge, Brent D. Barringer, J. Addison Bell, C. Clifford Cameron, Anne W. Cates, Amanda Devore, Willie J. Gilchrist, Adelaide D. Key, Charles S. Norwood, Jr., Priscilla P. Taylor, and Robert F. Warwick. Others attending the meeting were President Molly Corbett Broad, Vice Presidents Jeffrey R. Davies and Leslie Winner; Associate Vice Presidents Ginger B. Jones, Robert O. Nelson, Dwayne L. Pinkney, and James O. Smith; Associate Vice President and University Property Officer Terrance Feravich; Assistant Vice Presidents Shari Harris and Claudia Odom; Special Assistant to the University Kennis R. Grogan; and members of the press. Also in attendance was Jeff Passe, Chairman of the Faculty Assembly.

Chairman Phillips called the meeting to order.

The first item of business was to elect Committee officers. On the motion of Ms. Gage, seconded by Mr. Broadwell, Mr. Phillips was elected Chairman by unanimous consent. On the motion of Mr. Hans, seconded by Mr. Burns, Ms. Gage was elected Vice-Chairman by unanimous consent. On the motion of Mr. Farris, seconded by Mr. Burns, Mr. Broadwell was elected Secretary by unanimous consent.

On the motion of Mr. Burns, seconded by Mr. Broadwell, the Committee went into closed session, to consult with legal counsel to consider and give instructions concerning a potential or actual claim, administrative procedure, or judicial action, and to establish or instruct the staff concerning the negotiation of the price and terms of contracts concerning the acquisitions of real property.

CLOSED SESSION

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The Committee returned to open session.

Mr. Phillips extended a welcome to Amanda Devore, the newly elected President of the Student Government Association.

The minutes of the meeting of May 13, 2004 were approved.

Mr. Phillips then asked Vice President Davies to update the Committee on the budgetary actions of the General Assembly. Mr. Davies discussed the funding proposed in response to the Board's supplemental budget request including funds for enrollment, financial aid, distinguished professors' endowments, as well as proposed salary increases.

Following the discussion, at the Chairman's request Mr. Davies, Ms. Harris, and Mr. Pinkney shared a presentation on the bond program that had been given earlier in the month to the Higher Education Bond Oversight Committee. Questions were answered as the presentation was given.

1. Most of the funding for current operations is appropriated directly to the constituent institutions by the General Assembly through the continuation budgets. Funds for expansions and improvements for both current operations and capital improvements are appropriated to the Board of Governors for subsequent allocation. By statute, the Board is directed to allocate such funds in accordance with its Schedule of Priorities and in accordance with any specifications in the appropriations act.

The Board of Governors was not scheduled to meet again before September 2004. With the date for passage of the 2004-05 State Budget uncertain, but anticipated before the September meeting of the Board, it was proposed that the Committee request from the Board the authority to allocate any funds appropriated by the General Assembly for expansions and improvements for the 2004-05 fiscal year, including budget reductions enacted by the General Assembly. It was further requested that the Committee be delegated the authority to allocate any funds made available for capital improvements and repairs and renovations. A full report would be provided to the Board.

It was recommended that the Committee request that the Board delegate the authority to allocate appropriations for expansions and improvements for the 2004-05 fiscal year to the Committee on Budget and Finance and that the proposed allocations be shared with all members of the Board of Governors.

On the motion of Mr. Broadwell, seconded by Ms. Gage, the recommendation was approved.

2. The Chancellor of the University of North Carolina at Chapel Hill had informed the President of the need to invoke emergency procedures as allowed by G.S. 143-129 to provide for the following capital improvements projects.

The first project involved removal and replacement of three trailers located in the UNC-CH Medical School complex. UNC-CH's Department of Environment, Health and Safety had detected that these trailers had developed significant air quality problems and had recommended immediate replacement. UNC-CH had solicited and received proposals and had started the project. The project, estimated to cost \$350,000, would be funded from facilities and administrative receipts.

The second project provided for repairs to the bathroom floors in Old West residence hall. A structural engineering firm performing routine structural inspections on campus detected

that the support structure for the bathroom floors in Old West had been significantly damaged by moisture and had recommended the immediate closing of the bathrooms until repairs could be accomplished. Given that the rooms in this residence hall were under contract for fall semester occupancy and that there was no uncommitted housing space available, UNC-CH had invoked emergency procedures to make the needed repairs by the quickest means possible. The project, expected to cost \$500,000, would be funded from housing receipts.

In accordance with emergency procedures, the State Building Commission had been notified.

3. In 2001, the General Assembly, at the request of the Board of Governors, authorized East Carolina University to construct and equip a new baseball facility. In 2002, at the request of the Board, the General Assembly authorized East Carolina University to renovate student residence halls.

The baseball facility project would provide a new 3,000-seat stadium to replace the existing seating at Harrington Field. The new stadium would contain bleacher and individual seats and a press box. Beneath the seating area would be offices for the coaching staff, locker rooms, and training and equipment rooms. Site work would include parking for at least 100 cars and upgrading the surrounding area to create a new entrance and pedestrian plaza.

The project, with an approved funding level of \$9,735,000, would be financed through a combination of the issuance of special obligation bonds and athletic receipts. The University began construction on the baseball stadium in early May 2004. Interim financing had been provided from available cash balances. The University was now ready to proceed with the issuance of approximately \$8,700,000 in bonds to provide permanent financing to be repaid from athletic receipts.

The student residence hall project would provide for an upgrade to the electrical systems and installation of window air conditioning units at Clement Hall, Green Hall, and White Hall. The three residence halls contained approximately 250,000 square feet and provided housing for 1,200 students. New window units would be installed in all residence rooms. New electrical service to the individual rooms would also be included.

The student residence hall project totaled approximately \$4,250,000 and would be financed through the sale of bonds to be repaid from housing receipts. The housing renovation project started in May 2004. Interim financing had been provided from available cash balances that would be reimbursed from bond proceeds. The University was now ready to proceed with the issuance of approximately \$4,250,000 in bonds to provide permanent financing to be repaid from residence hall receipts.

East Carolina University had reviewed its existing indebtedness and found that approximately \$170,000 could be saved by refunding the remaining \$5,100,000 of proceeds from the 1996 East Carolina University Athletic Department Variable Rate Revenue Bonds and the remaining \$1,235,000 of proceeds from the University of North

Carolina System Pooled Bonds, series 1998A. The bonds were originally issued at the principal amount of \$7,000,000 to renovate and expand Dowdy-Ficklen Stadium and a principal amount of \$2,625,000 to refinance improvements to the Blount Intramural Fields Complex and construction of a parking lot at Dowdy-Ficklen Stadium. The University had requested authority to issue approximately \$6,335,000 in bonds for this purpose.

It was recommended that the following Resolution be adopted and that the Vice President for Finance be authorized to sell bonds, not to exceed \$19,285,000 aggregate principal amount, for the Baseball Stadium project, the Housing Renovation project, refunding the 1996 Bonds, and refunding the 1998A Bonds.

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH  
CAROLINA AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS TO  
FUND THE SPECIAL OBLIGATION BOND PROJECT FOR EAST CAROLINA  
UNIVERSITY

On the motion of Mr. Burns, seconded by Mr. Farris, the recommendation was approved.

4. The Board of Trustees of North Carolina State University requested approval of an exchange of properties that would allow acquisition of property in Morehead City funded by the disposition of two NCSU properties in Raleigh.

The proposed acquisition was a 0.73-acre parcel with a 5,000-square-foot warehouse and 984-square-foot rental house located at 111 North Lockheart Street in Morehead City. The property and warehouse were currently leased by NCSU to support the operational needs of NCSU's Center for Marine Sciences and Technology (CMAST) located on the campus of Carteret Community College. Once acquired, the property and warehouse would continue to support CMAST and the rental property would be severed. The property would be purchased from Spacey Projects Too, LLC for \$307,000, the value established in consultation with the State Property Office. The funding for this acquisition was intended to come from the combined proceeds realized by NCSU from the disposition of two properties described as follows.

1. A 0.22-acre property located at 5 Rosemary Street that contained a 66-year old, two-story wood-frame house. The property was previously used by the Japan Center that had been relocated to the Centennial Campus.
2. A 0.22-acre property located at 7 Rosemary Street that contained a 71-year old, two-story wood-frame house. The property had been used as a rental property.

These two adjacent properties were purchased in the 1970's at a time when future campus expansion was expected to occur to the west of the central campus. Because of the opportunities provided to the south by the Centennial Campus and development of the current Master Plan, it was agreed that the property in Morehead City would provide a

substantially more beneficial, long term contribution to NCSU than these two properties. Working with the State Property Office, NCSU had received signed offers for these two properties that totaled \$316,000 and these proceeds would fund the property acquisition above. The disposition of these two properties as part of the proposed exchange was consistent with NCSU's master plan.

It was recommended that this request for an exchange of properties be approved and transmitted to the Council of State for final action.

On the motion of Mr. Burns, seconded by Mr. Farris, the recommendation was approved.

5. In 2001, the Winston-Salem State University Housing Foundation, LLC leased from the State of North Carolina approximately 7.5 acres of land located on the campus of Winston-Salem State University and constructed a new 448-bed student housing.

The University now requested approval to amend the 2001 lease in order to lease to the Foundation approximately six additional acres of State land on the campus of the University, in addition to extending the term of the 2001 lease to a term not to exceed 35 years. The Foundation would construct a new 400-bed student housing facility and refinance the costs of the 2001 project. Upon completion of construction, the new facility and the 2001 project would be leased by the Foundation to the University for a lease term not to exceed 32 years. The cost would be consistent with the current rate structure for comparable residence halls of the University. It was anticipated that the new facility would be available for student occupancy by the fall of 2005. This leasing arrangement would enable the University to meet the long-term projected housing demands associated with campus growth to 6,000 students by 2010. University residence halls had an occupancy rate of 99% for the 2003-2004 school year. Lease payments would be made from student housing receipts.

The lease of State land and the lease of the new 400 beds would be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and the Council of State. Construction documents for the new facility would be reviewed by the Office of State Construction and the Department of Insurance.

The financing of the construction of the new facility and the refinancing of the 2001 project would be accomplished through the use of the proceeds of tax-exempt, long-term indebtedness.

It was requested that the Board of Governors adopt the following Resolution and that Winston-Salem State University's request be transmitted to the Council of State for final action:

A RESOLUTION AUTHORIZING AGREEMENTS RELATED TO THE  
CONSTRUCTION OF PRIVATE HOUSING FACILITIES ON THE  
CAMPUS OF WINSTON-SALEM STATE UNIVERSITY.

On the motion of Mr. Broadwell, seconded by Mr. Burns, the recommendation was approved.

6. On June 8, 2001, the Board authorized the Office of the President to execute leases valued up to \$150,000 and acquisitions up to \$250,000. The following property transactions were approved under this delegation and were reported to the Committee on Budget and Finance.

The University of North Carolina at Chapel Hill – Disposition of Real Property

Owner:	State of North Carolina
Disposition reason:	Provide the Town of Chapel Hill a dedicated right-of-way for the existing alleyway known as Pharmacy Lane per the conditions of the Site Development Permit issued by the Town of Chapel Hill for the Global Education Center building
Location:	The alleyway is south of McCauley Street between South Columbia Street and Pittsboro Street, Orange County
Description:	Approximately 260 feet of existing alleyway serving Beard Hall (the School of Pharmacy) off McCauley Street
Estimated value:	No monetary value
Rental Income:	None
Proceeds:	No monetary consideration
Approvals:	The UNC-CH Board of Trustees recommended this action on May 26, 2004

There being no further business, the meeting was adjourned.

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Mr. Jim W. Phillips, Jr.  
Chairman of the Committee  
on Budget and Finance

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Mr. F. Edward Broadwell, Jr.  
Secretary of the Committee  
on Budget and Finance

Minutes of the August 9, 2004 Meeting  
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in Board Room 2 of the General Administration Building in Chapel Hill, North Carolina, on Monday, August 9, 2004, at 12:30 p.m.

Members joining via teleconference were: Mr. R. Steve Bowden, Mr. F. Edward Broadwell, Jr., Mr. Ray S. Farris, Ms. Hannah D. Gage, Mr. Peter D. Hans, Mr. Jim W. Phillips, Jr., and Mr. Benjamin S. Ruffin. Necessarily absent were Mr. William L. Burns, Jr. and Governor James E. Holshouser, Jr. Other Board of Governors' members attending the meeting were Chairman Brad Wilson, Anne W. Cates, Charles Mercer, and Patsy Perry. Others attending the meeting were Vice President Jeffrey R. Davies; Associate Vice Presidents Mark Fleming, Ginger B. Jones, Robert O. Nelson, Dwayne L. Pinkney, and James O. Smith; Assistant Vice Presidents Shari Harris and Claudia Odom; and Special Assistant to the University Kennis R. Grogan. Also in attendance was Sam Watts of the N.C. Center for Public Policy. Amanda Devore, President of the Student Government Association, joined the meeting via teleconference.

Chairman Phillips called the special meeting to order. At its July meeting, the Board of Governors delegated authority to the Committee on Budget and Finance to allocate appropriations for salary increases and expansions and improvements for the 2004-05 fiscal year in anticipation that the General Assembly would adjourn before the September Board of Governors' meeting.

1. The first item of business was the allocation of funds for academic salary increases.

It was recommended that the General Fund appropriations for the 2.5% average salary increase for faculty and other employees who were exempt from the State Personnel Act (EPA) be allocated as shown in the table below.

<b>University Operations</b>	<b>2.5% Increase Funds</b>
Appalachian State University	\$ 1,809,271
East Carolina University	
Academic Affairs	2,939,869
Health Affairs	741,226
Elizabeth City State University	348,410
Fayetteville State University	646,710
North Carolina A & T State University	1,428,117
North Carolina Central University	912,002
North Carolina School of the Arts	335,040
North Carolina State University	5,376,380
UNC-Asheville	464,032
UNC-Chapel Hill	
Academic Affairs	4,079,793
Health Affairs	2,545,471
Area Health Education Centers	688,538
UNC-Charlotte	2,421,240
UNC-Greensboro	2,042,625
UNC-Pembroke	597,377



UNC-Wilmington	1,322,052
Western Carolina University	1,010,036
Winston-Salem State University	668,417
UNC-General Administration	278,732
<b>Total</b>	<b>30,655,338</b>
<b>Agricultural Programs</b>	
Agricultural Research Service	606,896
Cooperative Extension Service	610,881
<b>Total</b>	<b>1,217,777</b>
<b>UNC Health Care System</b>	<b>96,195</b>
<b>N. C. School of Science &amp; Mathematics *</b>	<b>151,971</b>
<b>TOTAL (includes estimated fringe benefits)</b>	<b>32,121,281</b>

*\*Provides an annual average salary increase of 2.5% for non-teaching employees and an annual average salary increase (2.5%) comparable to that provided for public school teachers for all teaching employees of the N. C. School of Science and Mathematics.*

The 2.5% salary increase appropriation was proposed for distribution in exact proportion to the share of each institution in the General Fund salary base.

The allocations, as approved, were for expenditures in accordance with the Resolution on Faculty and Non-Faculty EPA Salary Increases 2004-05, adopted by the Committee on Personnel and Tenure on August 9, 2004 under authority delegated by the Board of Governors and the standing personnel and tenure rules of the Board. The Board of Trustees of the North Carolina School of Science and Mathematics had the specific authority to establish policies and procedures for academic salary increases at the School.

On the motion of Mr. Broadwell, seconded by Ms. Gage, the recommendation was approved.

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

While most of the funding for the Current Operations Budget of each institution was provided in the continuation budgets as approved by the General Assembly, funds for expansions and improvements were appropriated to the Board of Governors for subsequent allocation. These appropriations were provided in Session Law 2004-124 "Current Operations and Capital Improvements Appropriations Act of 2004." By statute, the Board was directed to allocate such funds in accordance with its Schedule of Priorities and with any specifications in the appropriations act. In addition to appropriations for the Schedule of Priorities, the General Assembly made a limited number of special appropriations for designated programs in University Operations, and also made appropriations increases for Agricultural Programs, Related Educational Programs, and the North Carolina School of Science and Mathematics. All allocation recommendations for 2004-05 were included in this item. Appropriations reductions in institutional continuation budgets were also included.

It was recommended that the Allocation Recommendations for Current Operations appropriations for the 2004-05 fiscal year be approved.

*Note: As supplementary information, a Comparative Worksheet showing the House, Senate, and Final Budgets was attached.*

## I. University Operations

### Recommended Allocations for the Schedule of Priorities – Current Operations

It was recommended that the Expansion Budget – Schedule of Priorities for Current Operations of the Board of Governors of The University of North Carolina as set out in the *2003-05 Budget Request* and amended by the *2004-05 Supplemental Budget Request*, be allocated as follows for the 2004-05 fiscal year.

Line	Budget Request for General Fund Appropriations for Current Operations	Budget Request 2004-05	Proposed Allocation 2004-05
<b>1. Access</b>			
a. Enrollment Changes		\$64,691,225*	\$64,691,225*
b. Need-based Student Financial Aid Plan		21,344,000	17,500,000**
c. "Year-round University" Pilots - Summer Term Appropriations		3,047,135	—
d. Focused Growth and Special Needs Institutions		5,300,000	4,200,000
e. Expanding Access to College through Outreach & Special Programs		1,588,000	—
<b>Total – Access</b>		<b>95,970,360</b>	<b>68,891,225</b>
<b>2. Intellectual Capital Formation</b>			
a. Libraries		19,280,000	—
b. Distinguished Professors Endowment Trust Fund – State Matching Funds		15,800,000	8,000,000
c. Distinguished Graduate Fellowship Program – State Matching Funds		2,500,000	—
d. Enhancing Universities to Compete for Outstanding Graduate Students		6,525,506	—
e. New Degree Programs – Revolving Fund		900,000	—
f. Meeting Critical Needs in Health Care		5,764,815	985,815
g. Transition of UNCC to Doctoral/Research Intensive Status		7,344,317	500,000
h. Professional Development		1,850,000	—
<b>Total – Intellectual Capital Formation</b>		<b>59,964,638</b>	<b>9,485,815</b>
<b>3. K-16 Initiatives</b>			
a. Teacher and Principal Quality and Quantity		5,930,000	150,000**
b. Expanded Professional Development		1,725,000	2,000,000
c. Closing the Achievement Gap		1,396,748	—
d. Research		200,000	—
e. E-Learning		550,000	—
f. Meeting Teacher Supply and Demand		4,225,000	—
<b>Total – K-16 Initiatives</b>		<b>14,026,748</b>	<b>2,000,000</b>
<b>4. Creation and Transfer of Knowledge</b>			
a. Major Research Initiatives		13,139,167	1,950,000
b. Public Service		16,079,966	1,000,000
<b>Total – Creation and Transfer of Knowledge</b>		<b>29,219,133</b>	<b>2,950,000</b>
<b>5. Internationalization</b>			
a. Faculty Development and Research		900,000	—
b. Curriculum Development		400,000	—
c. Public Service and Outreach		650,000	—
d. Student Exchange and Study Abroad		690,500	—
e. Technology and Internationalization		90,000	—
<b>Total – Internationalization</b>		<b>2,730,500</b>	—

\* The amount includes \$700,000 for 35 additional students at NCSSM.

\*\*Non-add item – transfer from Escheat Fund.

<b>Line</b>	<b>Budget Request for General Fund Appropriations for Current Operations</b>	<b>Budget Request 2004-05</b>	<b>Proposed Allocation 2004-05</b>
<b>6. Transformation and Change</b>			
a. Computer and Network Security and Information Technology Infrastructure		7,600,000	—
b. Information Systems and Data Management		13,400,000	—
c. Research and High Performance Computing		7,300,000	—
d. Information Technology Training & Professional Development		2,500,000	—
<b>Transformation and Change – Total</b>		<b>30,800,000</b>	<b>—</b>
<b>TOTAL</b>		<b>232,711,379</b>	<b>83,327,040</b>

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

The proposed Line totals and the proposed allocations, as applicable, meet all of the directives cited in the Current Operations and Capital Improvements Appropriations Act of 2004 (SL 2004-124) and the related Joint Conference Committee Report of July 17, 2004.

Line 1a. Recommended Allocations for Access – Enrollment Changes

The General Assembly fully funded the Board's request for Enrollment Changes, which included \$322,890 to "hold harmless" one institution (ECSU) that would otherwise have been reduced.

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

<b>Institution</b>	<b>Total Allocations</b>
Appalachian State University	\$ 601,739
East Carolina University	14,346,480
Elizabeth City State University	0
Fayetteville State University	56,588
North Carolina A & T State University	6,472,423
North Carolina Central University	3,305,358
North Carolina School of the Arts	508,309
North Carolina State University	5,998,236
The University of North Carolina at Asheville	694,873
The University of North Carolina at Chapel Hill	4,577,398
The University of North Carolina at Charlotte	7,871,377
The University of North Carolina at Greensboro	5,323,576
The University of North Carolina at Pembroke	1,718,755
The University of North Carolina at Wilmington	1,814,132
Western Carolina University	4,272,242
Winston-Salem State University	6,429,739
<b>Subtotal</b>	<b>63,991,225</b>
North Carolina School of Science & Mathematics	700,000
<b>TOTAL</b>	<b>64,691,225</b>

It was recommended that budgeted enrollments for the constituent institutions of the University for 2004-05 be established as follows:

<b>Institution</b>	<b>Regular Term Average Annual FTE Enrollment</b>	<b>Budgeted Student Credit Hours</b>
Appalachian State University	12,485	378,844
East Carolina University		
Academic Affairs	17,692	544,516
Health Affairs	300	—
Elizabeth City State University	2,120	65,039
Fayetteville State University	4,351	128,577
North Carolina A & T State University	9,669	286,164
North Carolina Central University	6,045	151,060
North Carolina School of the Arts	1,075	—
North Carolina State University	24,441	698,317
The University of North Carolina at Asheville	2,999	86,756
The University of North Carolina at Chapel Hill		
Academic Affairs	18,850	559,674
Health Affairs	5,419	—
The University of North Carolina at Charlotte	16,260	443,100
The University of North Carolina at Greensboro	12,498	351,785
The University of North Carolina at Pembroke	3,768	118,073
The University of North Carolina at Wilmington	9,932	285,739
Western Carolina University	6,615	188,880
Winston-Salem State University	3,885	118,381
<b>TOTAL</b>	<b>158,404</b>	<b>4,404,905</b>

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

	<b>Budgeted FTE Students</b>
East Carolina University Medical School	300
North Carolina Central University Law School	428
North Carolina School of the Arts	1,075
North Carolina State University, Veterinary Medicine	416
UNC-Chapel Hill Law, Medicine, Dentistry and Pharmacy	3,931
<b>TOTAL</b>	<b>6,150</b>

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

The Board requested additional funding of \$21,344,000 to fully fund the Need-Based Student Financial Aid Plan for all undergraduate North Carolina residents. In response, the General Assembly provided \$17,500,000 from the Escheat Fund. These funds would allow for an increase in the number of resident students receiving aid as well as offsets to increases in tuition, fees, and other student charges.

Additionally, the General Assembly replaced \$11,110,240 in General Fund appropriations for several financial aid programs in the University with an appropriation from the Escheat Fund to make funds available to address other University needs.

The General Assembly further provided \$390,000 from the Escheat Fund to fund need-based scholarships for students enrolled in the teacher education programs at the Historically Black Colleges and Universities that did not have any Teaching Fellows (Elizabeth City State University, Fayetteville State University, and Winston-Salem State University).

It was recommended that these funds be allocated to UNC-General Administration, Related Educational Programs for administration by the State Educational Assistance Authority.

The complete text of the legislation was provided as follows:

**NEED-BASED FINANCIAL AID FROM ESCHEAT FUNDS**

**SECTION 9.2.(a)** *There is appropriated from the Escheat Fund to the Board of Governors of The University of North Carolina the sum of twenty-eight million six hundred ten thousand two hundred forty dollars (\$28,610,240) for the 2004-2005 fiscal year and to the State Board of Community Colleges the sum of seven hundred eighteen thousand three hundred ninety-six dollars (\$718,396) for the 2004-2005 fiscal year. These funds shall be allocated by the State Educational Assistance Authority for need-based student financial aid in accordance with G.S. 116B-7 and this act. The use of principal is allowed if interest income is insufficient.*

**SECTION 9.2.(b)** *The Director of the Budget shall include General Fund appropriations in the amounts provided in subsection (a) of this section in the proposed 2005-2007 fiscal biennium continuation budget for the purposes provided in G.S. 116B-7.*

**SECTION 9.2.(c)** *There is appropriated from the Escheat Fund to the Board of Governors of The University of North Carolina the sum of three hundred ninety thousand dollars (\$390,000) for the 2004-2005 fiscal year to be allocated to the State Education Assistance Authority for need-based student financial aid to be used in accordance with G.S. 116B-7 and this act. The State Education Assistance Authority shall use these funds only to provide scholarship loans to North Carolina high school seniors interested in preparing to teach in the State's public schools who also enroll at any of the Historically Black Colleges and Universities that do not have Teaching Fellows. An allocation of 20 grants of six thousand five hundred dollars (\$6,500) each shall be given to the three universities without any Teaching Fellows for the purposes specified in this subsection. The State Education Assistance Authority shall administer these funds and shall establish any additional criteria needed to award these scholarship loans, the conditions for forgiving the loans, and the collection of the loan repayments when necessary.*

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

In response to the Board's request for increased funding for the seven focused growth institutions (ECSU, FSU, NCA&T, NCCU, UNCP, WCU and WSSU) and the two special needs institutions (NCSA and UNCA), the General Assembly provided \$4,200,000 to address the needs of the focused growth institutions. Each of the focused growth campuses previously identified a set of priority needs and this funding would be used to address those needs.

It was recommended that the funds appropriated for the focused growth institutions be allocated in equal dollar amounts.

**Institution**

Elizabeth City State University	\$ 600,000
Fayetteville State University	600,000
North Carolina A & T State University	600,000
North Carolina Central University	600,000
UNC Pembroke	600,000
Western Carolina University	600,000
Winston-Salem State University	600,000

<b>TOTAL</b>	<b>4,200,000</b>
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No appropriations were made in response to the Board's request on Line 1c – "Year-Round University" Pilots – Summer Term Appropriations or Line 1e – Expanding Access to College through Outreach and Special Programs.

Line 2b. Recommended Allocation for Intellectual Capital Formation – Distinguished Professors Endowment Trust Fund – State Matching Funds

In response to the Board's request for Line 2b – Distinguished Professors Endowment Trust Fund – State Matching Funds, the General Assembly appropriated \$8,000,000 (\$6,000,000 in recurring funds and \$2,000,000 in nonrecurring funds). It was recommended that these funds be allocated to UNC-General Administration, Related Educational Programs to provide matching funds for endowed professorships in accordance with applicable legislation and rules and regulations adopted by the Board of Governors.

Line 2f. Recommended Allocation for Intellectual Capital Formation – Meeting Critical Needs in Health Care

In response to the Board's request for Line 2f – Meeting Critical Needs in Health Care, the General Assembly appropriated \$985,815 for the Joint Pharmacy Program between Elizabeth City State University and UNC-Chapel Hill. These funds would allow for enhancement of the science faculty in supporting departments, securing the clinical faculty needed, and addressing the equipment and facilities needs. It was recommended that \$885,815 be allocated to Elizabeth City State University and \$100,000 to UNC-Chapel Hill, Health Affairs.

Line 2g. Recommended Allocation for Intellectual Capital Formation – Transition of UNCC to Doctoral/Research Intensive Status

In response to the Board's request for Line 2g – Transition of UNCC to Doctoral/Research Intensive Status, the General Assembly appropriated \$500,000. It was recommended that these funds be allocated to UNC Charlotte for enhancements required to meet UNCC's transition needs.

No appropriations were made in response to the Board's requests on Line 2a – Libraries, Line 2c – Distinguished Graduate Fellowship Program - State Matching Funds, Line 2d – Enhancing Universities to Compete for Outstanding Graduate Students, Line 2e – New Degree Programs – Revolving Funds, or Line 2h – Professional Development.

Line 3a. Recommended Allocations for K-16 Initiatives – Teacher and Principal Quality and Quantity

In response to the Board's request of \$5,930,000 for Teacher and Principal Quality and Quantity, the General Assembly provided \$150,000 in recurring funds for a Focused Growth Prospective Teachers Pilot Program. These funds would allow Elizabeth City State University, UNC Pembroke, and Western Carolina University to waive out-of-state tuition for up to 20 prospective teaching scholars. The program would be operated according to the provisions of S.L. 2002-126, Section 9.9 which created this pilot program. It was recommended that \$50,000 each be allocated to Elizabeth City State University, UNC Pembroke, and Western Carolina University.

Line 3b. Recommended Allocations for K-16 Initiatives – Expanded Professional Development

In response to the Board's request of \$1,725,000 for Expanded Professional Development, the General Assembly appropriated \$2,000,000 in recurring funds for the Teacher Academy of the UNC Center for School Leadership Development, which was a component of UNC-General Administration. It was recommended that these funds be allocated to UNC-General Administration, Operating.

There were no appropriations made in response to the Board's request on Line 3c – Closing the Achievement Gap, 3d – Research, 3e – E-Learning, or 3f – Meeting Teacher Supply and Demand.

Line 4a. Recommended Allocations for Creation and Transfer of Knowledge – Major Research Initiatives

In response to the Board's request of \$13,139,167, the General Assembly appropriated \$1,950,000 (\$650,000 in recurring and \$1,300,000 in nonrecurring funds) for the UNC Coastal Studies Institute. It was recommended that these funds be allocated to East Carolina University, Academic Affairs.

Line 4b. Recommended Allocations for Creation and Transfer of Knowledge – Public Service

In response to the Board's request of \$16,079,966, the General Assembly appropriated \$1,000,000 in recurring funds for two projects.

It was recommended that \$500,000 be allocated to North Carolina State University, as identified in the Conference Report, for start-up operating expenses and curriculum development for the Biomanufacturing Training and Education Center (BTEC).

It was also recommended that \$500,000 be allocated to North Carolina Central University for start-up operating expenses and staffing for the Bioprocessing Research Institute and Technology Enterprise (BRITE).

There were no appropriations made in response to the Board's request on Line 5 – Internationalization or Line 6 – Transformation and Change.

**Special Appropriations for University Operations**

Several special appropriations to the Board of Governors totaling \$6,792,260 were directed to program areas not included in the Schedule of Priorities requests. These appropriations and the recommended allocations were as follows:

a. Schools Attuned Program

It was recommended that \$500,000, a nonrecurring appropriation, be allocated to UNC-Chapel Hill, Health Affairs to provide additional operating money for the Schools Attuned program.

b. Manufacturing Extension Partnership Program

It was recommended that \$500,000 in recurring funds be allocated to North Carolina State University, as identified in the Conference Report, to provide funds for the Manufacturing Extension Partnership program.

c. Technology Development Initiative: ECU and NCSU

It was recommended that \$150,000 each be allocated to East Carolina University, Academic Affairs and North Carolina State University, Academic Affairs for a total of \$300,000 in recurring funds for a joint program to provide advanced degrees in engineering and business at off-campus locations.

d. UNC-CH Kidney Disease Education Program

It was recommended that \$400,000 in recurring funds be allocated to UNC-Chapel Hill, Health Affairs to establish, implement and oversee a statewide kidney disease education program. The program should include research, educational interventions and program evaluation.

e. Model Teacher Education Consortium

It was recommended that \$1,000,000 in recurring funds be allocated to the UNC Center for School Leadership, which is a component of the UNC-General Administration Operating Budget for the Model Teacher Education Consortium.

f. UNCW Marine Biology

The General Assembly provided \$2,000,000 in recurring funds for the UNC Wilmington Marine Biology program. It was recommended that these funds be allocated to UNC Wilmington.

- g. Institute of Emerging Issues  
It was recommended that \$365,000 in recurring funds be allocated to North Carolina State University, Academic Affairs for the Institute of Emerging Issues.
- h. Hunt Institute  
It was recommended that \$500,000 in recurring funds be allocated to UNC-General Administration, Operating for the Hunt Institute.
- i. Maintain North Carolina Libraries and Virtual Education (NC LIVE) Series  
It was recommended that \$700,000 in recurring funds be allocated to UNC-General Administration, Institutional Programs for the North Carolina Libraries and Virtual Education Series.
- j. Institute of Government  
It was recommended that \$127,260 in recurring funds be allocated to UNC-Chapel Hill, Academic Affairs to provide assistance for registers of deeds.
- k. Morehead Planetarium Funds  
It was recommended that \$200,000 in nonrecurring funds be allocated to UNC-Chapel Hill, Academic Affairs for the Morehead Planetarium.
- l. Distance Education Project  
It was recommended that \$200,000 in nonrecurring funds be allocated to UNC-General Administration, Institutional Programs to assist seven institutions with their distance learning programs. Furthermore, it was recommended that the President be authorized to make further allocations based on legislative intent.
- m. Area Health Education Centers (AHEC)  
A special provision in House Bill 1414 (S.L. 2004-124) directed that funds (\$48,000) be made available for the Wilmington AHEC program (\$24,000) and the Region L AHEC program (\$24,000). It was recommended that UNC-Chapel Hill meet the directive specified by the General Assembly by transferring funds internally. The special provision was provided.

***AREA HEALTH EDUCATION CENTER (AHEC) FUNDS***

*SECTION 9.3. Of the funds appropriated by this act to the Board of Governors of The University of North Carolina for the 2004-2005 fiscal year and in all subsequent fiscal years, the Board of Governors shall allocate the sum of twenty-four thousand dollars (\$24,000) to the Wilmington AHEC program annually and the sum of twenty-four thousand dollars (\$24,000) to the Region L AHEC program on an annual basis for information highway line charges.*

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

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

**Division of Health and Human Services**

**UNC – CCCDP, \$177,000**

Provided nonrecurring funds for UNC Chapel Hill's Carolina Children's Communicative Disorder Program for its operations. It was recommended that these funds be allocated to UNC-Chapel Hill, Health Affairs.

**Division TEACCH, \$237,000**

Provided recurring funds to the Board of Governors to fund Division TEACCH in the School of Medicine at UNC-Chapel Hill. These funds were for the treatment and education of autistic and communications handicapped children. It was recommended that these funds be allocated to UNC-Chapel Hill, Health Affairs.



## II. Agricultural Programs

In response to the Board's request of \$8,900,000, the General Assembly appropriated recurring funds of \$2,239,199 to provide state matching funds for North Carolina A&T State University. It was recommended that these funds be allocated to North Carolina A&T State University to match federal funds for the University's agricultural programs, in accordance with the Conference Report.

In addition, the Joint Committee Conference Report of June 28, 2003 provided \$82,000 in recurring funds beginning in 2004-05 for operating costs for the Structural Pest Control Training Center Facility. It was recommended that these funds be transferred to North Carolina State University, Agricultural Research Service.

## III. UNC Health Care System

The 2004 Session of the General Assembly made no appropriations for expansions and improvements at the UNC Health Care System.

## IV. Related Educational Programs

The General Assembly increased appropriations for Aid to Students Attending Private Colleges and Universities by \$4,620,000 on a recurring basis as outlined in the Conference Report. These funds:

- Provided funding for additional students to receive the Legislative Tuition Grant at the rate of \$1,800 for each full-time North Carolina undergraduate student (\$2,600,000)
- provided funding to add students attending Bible Colleges to those eligible for the Legislative Tuition Grant program (\$420,000)
- provided for additional students to receive the need-based State Contractual Scholarship Program at the rate of \$1,100 per full-time equivalent North Carolina undergraduate student (\$1,600,000)

No Board action was required.

## V. North Carolina School of Science and Mathematics

As previously noted in the Enrollment Change allocation on page three, \$700,000 in recurring funds was being recommended for allocation to NCSSM to fund enrollment growth for 35 additional students.

In addition, the Joint Committee Conference Report of June 28, 2003 provided \$780,000 in recurring funds beginning in 2004-05 for full tuition grants to all students who graduated from the North Carolina School of Science and Mathematics who enrolled full-time in a constituent institution of the University of North Carolina. The program funded students beginning with the Class of 2004. It was recommended that these funds be transferred to UNC-General Administration, Related Educational Programs for administration by the State Educational Assistance Authority. The following special provision from House Bill 397 (S.L. 2003-284) provided additional information.

### ***SCHOOL OF SCIENCE MATH/COLLEGE SCHOLARSHIPS***

*SECTION 9.4.(a) Article 29 of Chapter 116 of the General Statutes is amended by adding a new section to read: "§ 116-238.1. Full tuition grant for graduates who attend a State university.*

- (a) There is granted to each State resident who graduates from the North Carolina School of Science and Mathematics and who enrolls as a full-time student in a constituent institution of The University of North Carolina a sum to be determined by the General Assembly as a tuition grant. The tuition grant shall be for four consecutive academic years and shall cover the tuition cost at the constituent institution in which the student is enrolled. The tuition grant shall be distributed to the student as provided by this section.*
- (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.

(c) In the event a student on whose behalf a grant has been paid is not enrolled and carrying a minimum academic load as of the tenth classroom day following the beginning of the school term for which the grant was paid, the institution shall refund the full amount of the grant to the State Education Assistance Authority.

(d) In the event there are not sufficient funds to provide each eligible student with a full grant:

(1) The Board of Governors of The University of North Carolina, with the approval of the Office of State Budget and Management, may transfer available funds to meet the needs of the programs provided by subsections (a) and (b) of this section; and

(2) Each eligible student shall receive a pro rata share of funds then available for the remainder of the academic year within the fiscal period covered by the current appropriation.

(e) Any remaining funds shall revert to the General Fund."

SECTION 9.4.(b) This section applies to students graduating in the 2003-2004 academic year and each subsequent academic year.

The General Assembly also directed the Board of Governors to evaluate the North Carolina School of Science and Mathematics' tuition grants which provided a four-year tuition grant to all students who graduated from NCSSM and enrolled full-time in a constituent institution of the University of North Carolina. The following special provision provided additional information.

#### **EVALUATE SCIENCE & MATH SCHOOL TUITION GRANTS**

**SECTION 9.6A.(a)** It is the intent of the General Assembly that the Board of Governors of The University of North Carolina review, evaluate, and study G.S. 116-238.1, which provides a four-year tuition grant to any North Carolina resident who graduates from the North Carolina School of Science and Mathematics and enrolls as a full-time student in a constituent institution of The University of North Carolina.

**SECTION 9.6A.(b)** The North Carolina School of Science and Mathematics shall collect data on the median family income of the students attending the school.

**SECTION 9.6A.(c)** The President of the North Carolina School of Science and Mathematics and the Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee regarding the information collected in compliance with subsections (a) and (b) of this section and any findings and recommendations of the Board of Governors. The Joint Legislative Education Oversight Committee shall report to the 2005 General Assembly the information received from the President of the North Carolina School of Science and Mathematics and the Board of Governors and the findings and recommendations of the Board of Governors, along with the Committee's own findings and recommendations regarding the continuation of the tuition grant program.

The following special provision from Session Law 2004-124 allowed North Carolina School of Science and Mathematics to carry forward funds up to 2 ½% of their General Fund appropriation to the next fiscal year for one-time expenditures that would not add financial obligations on the State.

#### **NORTH CAROLINA SCHOOL OF SCIENCE AND MATH CARRYOVER/ONETIME EXPENDITURES**

**SECTION 9.6. G.S. 116-30.2(b) reads as rewritten:**

"(b)The North Carolina School of Science and Mathematics is authorized to be designated as a special responsibility constituent institution for the purposes of G.S. 116-30.1, G.S. 116-30.3, G.S. 116-30.4, G.S. 116-30.5, G.S. 116-30.6, and G.S. 116-31.10. In addition, all General Fund appropriations made by the General Assembly for continuing operations of the North Carolina School of Science and Mathematics shall be made in the form of a single sum to each budget code of the School for each year of the fiscal period for which the appropriations are being made. Notwithstanding G.S. 143-23(a1), G.S. 143-23(a2), and G.S. 120-76(8), the North Carolina School of Science and Mathematics may expend monies from the overhead receipts special fund budget code and the General Fund monies so appropriated to it in the manner deemed by the Director of the School to be calculated to maintain and advance the programs and services of the School, consistent with the directives and policies of the Board of Trustees of the North Carolina School of Science and

*Mathematics. The preparation, presentation, and review of General Fund budget requests of the North Carolina School of Science and Mathematics shall be conducted in the same manner as are requests of the constituent institutions. The quarterly allotment procedure established under G.S. 143-17 shall apply to the General Fund appropriations made for the current operations of the North Carolina School of Science and Mathematics. All General Fund monies so appropriated to the North Carolina School of Science and Mathematics shall be recorded, reported, and audited in the same manner as are General Fund appropriations to constituent institutions of The University of North Carolina."*

## Budget Reductions in Continuation Budgets by the 2004 Session

### Budget Reductions

The 2004 Session made reductions in the continuing operating budgets of The University as shown below:

Code	Institution	Flex Reduction <sup>1</sup>	Bldg. Reserve Reduction	Other Reductions	Total Budget Reductions
<b>UNIVERSITY OPERATIONS</b>					
16080	ASU	\$(1,228,378)	(\$ 134,657)	\$ —	(\$ 1,363,035)
16065	ECU, Academic Affairs	(1,842,533)	(14,439)	—	(1,856,972)
16066	ECU, Health Affairs	(645,057)	—	—	(645,057)
16086	ECSU	(339,200)	(18,455)	—	(357,655)
16088	FSU	(487,834)	(326,584)	—	(814,418)
16070	NCA&T	(915,473)	—	—	(915,473)
16090	NCCU	(685,015)	(461,779)	—	(1,146,794)
16092	NCSA	(284,681)	—	—	(284,681)
16030	NCSU	(4,010,595)	(737,116)	—	(4,747,711)
16055	UNC Asheville	(358,467)	(81,248)	—	(439,715)
16020	UNC-Chapel Hill, Acad. Affairs	(2,857,734)	—	—	(2,857,734)
16021	UNC-Chapel Hill, Health Affairs	(2,295,244)	(1,393,992)	—	(3,689,236)
16022	UNC-Chapel Hill, AHEC	(376,619)	—	—	(376,619)
16050	UNC Charlotte	(1,514,045)	(1,695,396)	—	(3,209,441)
16040	UNC Greensboro	(1,387,710)	—	—	(1,387,710)
16082	UNC Pembroke	(477,927)	(373,598)	—	(851,525)
16060	UNC Wilmington	(858,190)	(379,366)	—	(1,237,556)
16075	WCU	(766,067)	—	—	(766,067)
16084	WSSU	(443,845)	(117,925)	—	(561,770)
16010	UNC-GA, Operating	(274,879)	—	—	(274,879)
16011	UNC-GA, Institutional Programs	—	—	(570,101) <sup>2</sup>	(570,101)
	<b>Total</b>	<b>(22,049,493)</b>	<b>(5,734,555)</b>	<b>(570,101)</b>	<b>(28,354,149)</b>
<b>AGRICULTURAL PROGRAMS</b>					
16031	NCSU, Ag Research Service	(658,931)	—	—	(658,931)
16032	NCSU, Cooperative Ext. Service	(515,663)	—	—	(515,663)
16012	<b>UNC-GA, Related Ed. Prog.</b>	—	—	(11,110,240) <sup>3</sup>	(11,110,240)
16094	NCSSM	(102,676)	—	—	(102,676)
	<b>TOTAL</b>	<b>(23,326,763)</b>	<b>(5,734,555)</b>	<b>(11,680,341)</b>	<b>(40,741,659)</b>

<sup>1</sup> The reduction is 1.47% except for UNC-Chapel Hill-AHEC, UNC-General Administration and NCSSM which were reduced by .85%, as specified in the Conference Report. The reduction excludes teacher programs.

<sup>2</sup> Recurring reduction to eliminate Distance Education Pilot Project Funds (\$500,000) and reduce Institutional Program Reserves except financial aid (\$70,101).

<sup>3</sup> This amount is a replacement of General Fund appropriation for financial aid programs with an appropriation from the Escheat Fund, which is not a true cut, but rather a swap of funding sources.

The Joint Conference Committee Report of the Continuation, Expansion and Capital Budgets, dated July 17, 2004 and incorporated into the appropriations bill by reference, specified the budget reductions as follows:

- Reduced appropriations by \$23,326,763. This included a 1.47% reduction for the sixteen campuses and a .85% reduction to UNC General Administration, Area Health Education Centers (AHEC) and North Carolina School of Science and Mathematics. Institutions would have the flexibility to manage this reduction.
- Reduced funding in reserves for operating new facilities due to delays in completion dates – nonrecurring reduction of \$5,734,555.
- Replaced general fund appropriations of \$11,110,240 for existing scholarships with an appropriation from the Escheat fund (General Fund Swap). The affected programs were the UNC Need-Based Financial Aid program, the Board of Governors’ Dental and Medical Scholarships, Student Incentive Grants, Teacher Assistant Scholarships, Need-Based Loan (HSM) and Nurse Education Loan.
- Eliminated funding for distance education pilot projects (\$500,000).

No Board action was required since these Legislative changes were made in the continuation budgets.

The Current Operations and Capital Improvements Appropriations Act of 2004 (SL 2004-124) also included the following special provision that directed the Board of Governors to fund a study of the mission and educational program needs of the University System and the Community College System. Since no additional funds were appropriated for this purpose, a reduction to institutional budgets was recommended in the mailing to the Committee; however, during the oral presentation Vice President Davies withdrew the recommendation. For historical purposes, the information in the mailing is listed below.

**UNIVERSITY SYSTEM AND COMMUNITY COLLEGE SYSTEM STUDY**

**SECTION 9.14.** *The Board of Governors of The University of North Carolina shall use up to two million dollars (\$2,000,000) of funds appropriated to The University of North Carolina for the 2004-2005 fiscal year for the comprehensive study of the mission and educational program needs for the University System and the Community College System provided for in House Bill 1264 of the 2004 Regular Session of the 2003 General Assembly if that legislation becomes law.*

The table below showed the recommended nonrecurring reduction for each institution to cover the cost of the study.

<b>Institution</b>	<b>Nonrecurring Reduction</b>
<b>UNIVERSITY OPERATIONS</b>	
Appalachian State University	\$ (102,532)
East Carolina University	(218,062)
Elizabeth City State University	(28,988)
Fayetteville State University	(42,972)
North Carolina A & T State University	(85,113)
North Carolina Central University	(54,914)
North Carolina School of the Arts	(23,367)
North Carolina State University	(41,050)
University of North Carolina at Asheville	(30,374)
University of North Carolina at Chapel Hill	(461,731)
University of North Carolina at Charlotte	(129,097)
University of North Carolina at Greensboro	(121,201)
University of North Carolina at Pembroke	(41,494)
University of North Carolina at Wilmington	(73,604)
Western Carolina University	(66,635)
Winston-Salem State University	(48,485)
UNC-General Administration, Operating	(53,379)
<b>Total</b>	<b>(2,000,000)</b>

It was recommended that the \$2,000,000 be allocated to UNC-General Administration, Institutional Programs to fund the study as required by the General Assembly.

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

**UNC FLEXIBILITY GUIDELINES**

**SECTION 9.1.** *The Chancellor of each constituent institution shall report to the Board of Governors of The University of North Carolina on the management flexibility adjustments made to the General Fund budget codes in order to meet the reserve amounts for that institution. The President of The University of North Carolina shall report to the Board of Governors of The University of North Carolina on the reductions made to the General Fund budget codes controlled by the Board in order to meet the reduction reserve amounts for those entities. The Board of Governors shall make a summary report to the Office of State Budget and Management and the Fiscal Research Division by December 31, 2004, on all reductions made by these entities and constituent institutions in order to reduce the budgets by the targeted amounts.*

**Other Budget-Related Special Provisions**

In addition to the special provisions in the Current Operations and Capital Improvements Appropriations Act of 2004 (House Bill 1414), which were previously cited, the following were noted for information.

**UNC-CHAPEL HILL CONTINUE TO OPERATE HORACE WILLIAMS AIRPORT**

**SECTION 9.7.(a)** *The University of North Carolina at Chapel Hill shall operate the Horace Williams Airport and continue air transportation support for the Area Health Education Center (AHEC) and the public from that location until a replacement facility that is accessible to the University of North Carolina at Chapel Hill becomes operational.*

**SECTION 9.7.(b)** *The University of North Carolina at Chapel Hill shall report to the Joint Legislative Commission on Governmental Operations by July 1, 2006, and biannually thereafter, on*

progress locating a replacement facility for the Area Health Education Center.

**NORTH CAROLINA SCHOOL OF THE ARTS EXEMPT FROM THE UMSTEAD ACT**

**SECTION 9.13. G.S. 66-58(b)(8) reads as rewritten:**

"(b) The provisions of subsection (a) of this section shall not apply to:

...

- (8) ~~The Greater~~ University of North Carolina with regard ~~to its to:~~
  - a. ~~The University's~~ utilities and other services now operated by ~~it nor to the it.~~
  - b. ~~The~~ sale of articles produced incident to the operation of instructional departments, articles incident to educational research, articles of merchandise incident to classroom work, meals, books, or to articles of merchandise not exceeding twenty-five cents (25¢) in value when sold to members of the educational staff or staff auxiliary to education or to duly enrolled students or occasionally to immediate members of the families of members of the educational staff or of duly enrolled ~~students nor to the students.~~
  - c. ~~The~~ sale of meals or merchandise to persons attending meetings or conventions as invited ~~guests nor to the guests.~~
  - d. ~~The~~ operation by the University of North Carolina of an inn or hotel and dining and other facilities usually connected with a hotel or ~~inn, nor to the inn.~~
  - e. ~~The~~ hospital and Medical School of the University of North ~~Carolina, nor to the Carolina.~~
  - f. ~~The~~ Coliseum of North Carolina State University at Raleigh, and the other schools and colleges for higher education maintained or supported by the ~~State, nor to the State.~~
  - g. ~~The~~ Centennial Campus of North Carolina State University at ~~Raleigh, nor to the Raleigh.~~
  - h. ~~The~~ Horace Williams Campus of the University of North Carolina at Chapel ~~Hill, nor to a Hill.~~
  - i. ~~A~~ Millennial Campus of a constituent institution of The University of North ~~Carolina, nor to the Carolina.~~
  - j. ~~The~~ comprehensive student health services or the comprehensive student infirmaries maintained by the constituent institutions of the University of North Carolina.
  - k. Agreements by the North Carolina School of the Arts to the use of that school's facilities for the creation of commercial materials and productions that may be unrelated to educational purposes, so long as the proceeds from those agreements are used for the benefit of the education mission of the North Carolina School of the Arts.

On the motion of Mr. Broadwell, seconded by Ms. Gage, the recommendation was approved with the exception of the special provision that directed the Board of Governors to fund a \$2,000,000 study of the mission and educational program needs of the University System and the Community College System.

3. The third item for consideration was the allocation of funds for capital improvements.

A. Requests of the Board of Governors

In the 2003-05 Budget Request of The Board of Governors approved in November 2002, the Board presented the General Assembly with an appropriations request for capital improvements that totaled \$299,700,500 for University Operations, including \$202,000,000 for repairs and renovations, as well as a request for \$130,000,000 for a new cancer hospital in the UNC Health Care system. In March 2004, the Board amended its request to reflect an increase in the funding needed for the cancer hospital to bring the total estimated project cost to \$180,000,000 and add a project estimated to cost \$60,000,000 for a Cardiovascular Diseases Institute at East Carolina University. In addition, capital improvements totaling \$3,656,000 were requested for the Joint Millennial Campus at North Carolina A&T State University and UNC-Greensboro and improvements totaling \$17,327,321 were requested for mold-related projects and steam line improvements at North Carolina Central University.

B. Capital Improvements Appropriations and Authorizations

The General Assembly appropriated \$12,500,000 from the General Fund for the following projects, as specified in the Joint Conference Committee Report of July 17, 2004.

Center for Design Innovation - \$2,000,000

Provided funds to the UNC Board of Governors to establish the Center for Design Innovation as a component of the National Design Institute. The Center should be located in the Piedmont Triad Research Park and should be established through a collaborative effort as proposed by the North Carolina School of the Arts, Winston-Salem State University, Forsyth Technical Community College, North Carolina A&T State University, The University of North Carolina at Greensboro, and Guilford Technical Community College.

Winston-Salem State University – Department of Life Sciences - \$2,000,000

Provided funds to acquire land and space in the Piedmont Triad Research Park for research laboratories and office space for the Department of Life Sciences at WSSU.

NC A&T State University and UNC-Greensboro Millennium Campus - \$4,000,000

Provided funds to convert three buildings on the former campus of the Central NC School for the Deaf for use as classrooms and offices.

NC Motorsports Testing and Research Complex - \$4,000,000

Provided funds for planning and design of the North Carolina Motorsports Testing and Research Complex to be operated in conjunction with UNC-Charlotte's automotive and motorsports engineering program. *Although the Conference Report specified \$2,000,000 for this project, Senate Bill 3 (technical corrections bill) increased the amount to \$4,000,000.*

UNC-Wilmington School of Nursing - \$500,000

Provided funds for the planning and design of a facility for The University of North Carolina at Wilmington School of Nursing.

In addition to the capital projects included in S.L. 2004-124, House Bill 1264 authorized the issuance of special indebtedness totaling \$388,000,000 for capital projects and land acquisitions to promote health-related and other programs in The University of North Carolina. The following chart identified the institutions, projects, and authorized amounts for the projects included in the legislation:

<b>Institution and Project</b>	<b>Authorization (\$)</b>
<b>East Carolina University</b>	
Eastern Carolina Cardiovascular Diseases Institute	\$ 60,000,000
<b>Elizabeth City State University</b>	
Pharmacy School	28,000,000
<b>Fayetteville State University</b>	
Center of Excellence of Teaching and Nursing	10,000,000
<b>North Carolina A&amp;T State University and UNC Greensboro</b>	
Joint Millennial Campus	10,000,000
<b>North Carolina School of the Arts And Winston-Salem State University</b>	
Joint Center for Design Innovation	10,000,000
<b>UNC Asheville</b>	
Center for Health Promotions and Partnerships	35,000,000
<b>UNC Charlotte</b>	
Bioinformatics Center	35,000,000
<b>UNC Pembroke</b>	
Optometry School	10,000,000
<b>Western Carolina University, the Mountain Area Health Education Consortium, and the N. C. Center for Aging</b>	
Consortium Funds	10,000,000
<b>UNC Health Care System</b>	
North Carolina Clinical Cancer Hospital	180,000,000

Funds for the North Carolina Clinical Cancer Hospital, the Eastern Carolina Cardiovascular Diseases Institute, and the joint millennial campus in Greensboro were included in the Board of Governors request to the 2004 Session of the General Assembly. It was recommended that all other institutions provide the President with plans for expending the funds authorized by the General Assembly in S.L. 2004-124 and House Bill 1264. The plans should include the identification of any proposed new degree programs and link the establishment of those programs to construction timelines. Proposals for new degree programs would follow the review and approval processes required by the Board of Governors. It was further recommended that the Vice President for Finance summarize the plans and present them to the Budget and Finance Committee at its October 2004 meeting.

C. Reserve for Repairs and Renovations

The 2004 Regular Session of the 2003 General Assembly appropriated \$76,797,361 to the Statewide Reserve for Repairs and Renovations, of which \$35,326,786 (46%) was allocated to the Board of Governors of The University of North Carolina. Of that amount, \$26,420,144 was to be further allocated by the Board in accordance with the guidelines developed in The University of North Carolina Funding Allocation Model for Reserve for Repairs and Renovations, while \$8,906,642 was designated to restore bond funds used for mold remediation, as authorized by S.L. 2003-284, at North Carolina Central University.

For the \$26,420,144 to be allocated by the Board, guidelines specified that these funds be used only for the following types of projects:

1. Roof repairs and replacements
2. Structural repairs
3. Repairs and renovations to meet federal and state standards
4. Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning systems
5. Improvements to meet the requirements of the Americans with Disabilities Act, 42 U.S.C. § 12101 et seq., as amended
6. Improvements to meet fire safety needs
7. Improvements to existing facilities for energy efficiency
8. Improvements to remove asbestos, lead paint, and other contaminants, including the removal and replacement of underground storage tanks
9. Improvements and renovations to improve use of existing space
10. Historical restoration
11. Improvements to roads, walks, drives, utilities infrastructure; and
12. Drainage and landscape improvements.

In addition, these funds should not be used for new construction or for the expansion of the footprint of an existing facility unless required for compliance with federal or State codes or standards.

In 1994, the Board of Governors adopted a formula for the allocation of repair and renovation appropriations to the campuses. The formula took into account the institutional mission, size, and condition of campus facilities in determining institutional allocations, with the principal responsibility for the selection of specific projects resting with the Chancellors. High priority projects that would not otherwise be funded through institutional allocations were deducted from the available funds prior to applying the formula to determine campus allocations.

It was recommended that the following allocations be made from the Reserve for Repairs and Renovations. The Board's formula had been updated to reflect the most recent data available. It was recommended that Chancellors identify specific projects to be financed from the institutional allocations and present those projects to the President to be transmitted to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division of the Legislative Services Office for their joint review, as required by legislation. It was further recommended that allocations to an institution could be transferred as needed among projects within that institution upon the request of the Chancellor and the approval of the President.



**PROPOSED ALLOCATIONS FROM THE  
2004 RESERVE FOR REPAIRS AND RENOVATIONS**

***Allocations Prior to Applying the Formula:***

<u>The University of North Carolina Center for Public Television</u>	
Replacement of Sauratown Mtn. tower, WUNL-TV	\$ 500,000
<u>The North Carolina Arboretum</u>	
Repairs to Greenhouse, Visitors Education Center and Parking/Roads	50,000
<u>North Carolina School of Science and Mathematics</u>	
HVAC Chilled Water Closed Loop System – Campus Wide	350,000
Water Intrusion – General Repairs – Bryan Ctr., Watts Hall, Beall Hall, and Robotics Laboratory	150,000
Laboratory HAZMAT Requirements – Bryan Center	25,000
<u>North Carolina Center for the Advancement of Teaching</u>	
Building Repairs and Improvements	260,000
<b>North Carolina Central University</b>	
Restore Bond Funds Used for Mold Remediation	8,906,642
<u>Total – Allocations Prior to Applying the Formula</u>	<b>\$ 10,241,642</b>

***Campus Allocations:***

Appalachian State University	\$ 1,497,400
East Carolina University	2,391,700
Elizabeth City State University	619,500
Fayetteville State University	604,200
North Carolina A&T State University	1,482,500
North Carolina Central University	1,078,000
North Carolina School of the Arts	564,400
North Carolina State University	4,426,022
The University of North Carolina at Asheville	742,100
The University of North Carolina at Chapel Hill	5,165,922
The University of North Carolina at Charlotte	1,408,200
The University of North Carolina at Greensboro	1,930,800
The University of North Carolina at Pembroke	687,700
The University of North Carolina at Wilmington	876,700
Western Carolina University	966,900
Winston-Salem State University	643,100

<b>Total – Campus Allocations</b>	<b>25,085,144</b>
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<b><u>TOTAL ALLOCATIONS</u></b>	<b>\$35,326,786</b>
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**II. Nonappropriated Capital Improvements Project Authorizations**

In response to the Board's request, the 2004 Regular Session of the 2003 General Assembly, in House Bill 1699, AN ACT TO AUTHORIZE THE CONSTRUCTION AND THE FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND, OF CERTAIN CAPITAL IMPROVEMENTS PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA, authorized 35 nonappropriated capital projects totaling \$355,482,900. The projects are listed below.

**Appalachian State University**

Central Dining Facility - Supplement	\$ 2,000,000
Steam Line Improvements	2,000,000

**East Carolina University**

Administrative Offices	2,500,000
Stadium Maintenance Repairs - Phase III	2,600,000
Tyler & Fletcher Residence Halls - Air Conditioning and Window Upgrades	3,250,000

**North Carolina A&T State University**

Parking Deck	6,796,750
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**North Carolina Central University**

Biomanufacturing Research Institute and Training Enterprise (BRITE)	17,800,000
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**North Carolina State University**

Biomanufacturing Training and Education Center (BTEC)	33,500,000
Dining Hall Renovations	3,000,000
Renovation of Berry, Becton, and Bagwell Residence Halls-Supplement	4,000,000
Student Commons Improvements	3,500,000
Renovations to Reynolds Coliseum	1,500,000

**The University of North Carolina at Asheville**

Governor's Village Residence Hall	12,700,000
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**The University of North Carolina at Chapel Hill**

Ambulatory Care Renovations	1,800,000
Arthritis Research Center	1,800,000
Carmichael Fields 3 & 4	1,200,000
ITS Building-Supplement	4,000,000
Institute for Advanced Materials, Nanoscience & Nanotechnology	3,800,000
Educational Foundation Office Building	3,000,000
Athletic Facilities Improvements	1,100,000
Addition to WUNC Radio	1,000,000
School of Medicine Research Facilities-Addition	33,000,000
Student Family Housing	19,000,000
Morrison Residence Hall Renovations	24,000,000
Residence Halls Phase II-Supplement	20,500,000
The Daniels Building Renovations	7,000,000
Parking Facilities	17,000,000
Major Infrastructure Improvements	68,436,150
Campus Fiber Optic Wiring	8,000,000

**The University of North Carolina at Charlotte**

Parking Deck-Supplement	4,200,000
Greek Village Housing	21,500,000
Student Union Building-Supplement	6,000,000

**The University of North Carolina at Greensboro**

Parking Deck Addition	8,000,000
Residence Hall Renovations	4,500,000
Dining Hall Renovations	1,500,000

### III. Other Actions by the 2004 Regular Session of the 2003 General Assembly - Capital Improvements

Included in House Bill 1414 was a special provision related to the 2000 Higher Education Bond Program. In response to the Board's request, the General Assembly authorized scope changes for bond projects on the campuses of East Carolina University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina State University, The University of North Carolina at Chapel Hill, and The University of North Carolina at Wilmington. The special provision was provided.

#### **UNC BOND PROJECT MODIFICATIONS**

**SECTION 9.4.(a)** Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interest of the State to respond to current educational and research program requirements at North Carolina Agricultural & Technical State University by:

- (1) Substituting a project entitled "New School of Education" for a project entitled "Central Cooling Plant Phase I" as contained in Section 2(a) of S.L. 2000-3, as it has been determined, based on an independent engineering analysis, that the cooling plant project is not technically feasible.
- (2) The cancellation of "New Student Housing" and "Curtis Residence Hall-Replacement." The money from "New Student Housing" and "Curtis Residence Hall-Renovation" should be transferred to "Scott Residence Hall-Replacement."
- (3) The cancellation of "Holland Residence Hall-Comprehensive Renovation." The unused money should be transferred to "Zoe Barbee Residence Hall-Comprehensive Renovation."

Section 2(a) of S.L. 2000-3 is therefore amended in the portion under North Carolina Agricultural & Technical State University as follows:

- (1) By substituting the "New School of Education" for "Central Cool Plant-Phase I."
- (2) By deleting "New Student Housing 1,897,900" and "Curtis Residence Hall-Replacement 3,723,500" and by amending "Scott Residence Hall-Replacement" to create a total allocation of thirty-one million eight hundred seventy-four thousand seven hundred dollars (\$31,874,700).
- (3) By deleting "Holland Residence Hall-Comprehensive Renovation 856,800" and by amending "Zoe Barbee Residence Hall-Comprehensive Renovation" to create a total allocation of four million five hundred fifty thousand six hundred dollars (\$4,550,600).

**SECTION 9.4.(b)** Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interest of the State to respond to current educational and research program requirements at East Carolina University to reduce the scope of "Expansion & Renovation of the Old Nursing Building" by three million dollars (\$3,000,000) to a total allocation of eleven million six hundred eighty-five thousand five hundred dollars (\$11,685,500) and transferring the unused funds to " 'Old Cafeteria' Office Building-Comprehensive Renovation for Student Services/Academic Use" to create a total allocation of seven million four hundred forty-two thousand one hundred dollars (\$7,442,100).

Section 2(a) of S.L. 2000-3 is therefore amended under the portion under East Carolina University by reduction of allocations for the project entitled "Expansion and Renovation of the Old Nursing Building 14,685,500" by three million dollars (\$3,000,000) to a total allocation of eleven million six hundred eighty-five thousand five hundred dollars (\$11,685,500) and the addition of the money to allocations for the project entitled " 'Old Cafeteria' Office Building-Comprehensive Renovation for Student Services/Academic Use 4,442,100" by three million dollars (\$3,000,000) to create a total allocation of seven million four hundred forty-two thousand one hundred dollars (\$7,442,100).

**SECTION 9.4.(c)** Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interest of the State to respond to current educational and research program requirements at the University of North Carolina at House Bill 1414-Ratified Page 59 Wilmington, due to growth in enrollment and programs offered, by reducing the scope of the comprehensive renovation of the "Alderman Hall Classroom Building" and by reducing the scope of the comprehensive renovation of the "Kenan Auditorium," both as contained in Section 2(a) of S.L. 2000-3, and by transferring a portion of the funds allocated to these two projects to the comprehensive renovation of the "King Hall Classroom Building," "James Hall Classroom Building," and "Kenan Hall Classroom Building," as contained in Section 2(a) of S.L. 2000-3.

Section 2(a) of S.L. 2000-3 is therefore amended in the portion under the University of North Carolina at Wilmington, by reducing the money allocated to "Alderman Hall Classroom Building" by two million two hundred four thousand six hundred fifty-two dollars (\$2,204,652) to create a total allocation of seven hundred thirty-six thousand one hundred forty-eight dollars (\$736,148), by reducing the monies allocated to "Kenan Auditorium" by one million one hundred seventy-three thousand three hundred twenty-five dollars (\$1,173,325) to create a total allocation of one million

nine hundred twenty-one thousand nine hundred seventy-five dollars (\$1,921,975) and by reallocating the money saved as follows: increase the budget of "King Hall" from two million six hundred ninety-seven thousand four hundred dollars (\$2,697,400) to three million five hundred twenty-seven thousand four hundred dollars (\$3,527,400), increase the budget for "Hinton James Hall" from one million four hundred sixty-eight thousand dollars (\$1,468,000) to two million eight hundred fifty-four thousand twenty-five dollars (\$2,854,025), and increase the budget of "Kenan Hall" from three million fifty-six thousand six hundred dollars (\$3,056,600) to four million two hundred eighteen thousand five hundred fifty-two dollars (\$4,218,552).

**SECTION 9.4.(d)** Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interests of the State to respond to current educational and research program requirements at Fayetteville State University by changing the scope of the "Comprehensive Renovation and Conversion of Spaulding (Old Infirmary) for Public Safety Facilities" to "Comprehensive Renovation of Spaulding for Student Health Services and Student Counseling."

Section 2(a) of S.L. 2000-3 is therefore amended by retitling the project currently entitled "Comprehensive Renovation and Conversion of Spaulding (Old Infirmary) for Public Safety Facilities" to "Comprehensive Renovation of Spaulding for Student Health Services and Student Counseling."

**SECTION 9.4.(e)** Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interests of the State to respond to current educational and research program requirements at Fayetteville State University by reallocating unused money from the "William Collins Building Renovation" to a new project entitled "Mitchell Building Renovation for use by Public Safety".

Section 2(a) of S.L. 2000-3 is therefore amended in the portion under Fayetteville State University by reducing the money allocated to "William Collins Building-Comprehensive Renovation" by three hundred thousand dollars (\$300,000) to a total of three hundred forty thousand six hundred dollars (\$340,600) and by the addition of a project entitled "Mitchell Building-Comprehensive Renovation for use by Public Safety \$300,000."

**SECTION 9.4.(f)** Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interests of the State to respond to current educational and research program requirements at North Carolina State University by substituting a project entitled "Harrelson Classroom Building-Replacement Classroom Facility Construction" for the project entitled "Harrelson Classroom Building-Comprehensive Renovation" as contained in Section 2(a) of S.L. 2000-3.

Section 2(a) of S.L. 2000-3 is therefore amended in the portion under North Carolina State University, by deleting "Harrelson Classroom Building-Comprehensive Renovation" and substituting "Harrelson Classroom Building-Replacement Classroom Facility Construction."

**SECTION 9.4.(g)** Pursuant to Section 2(b) of S.L. 2000-3, the General

Assembly finds that it is in the best interests of the State to respond to current educational and research program requirements at the University of North Carolina at Chapel Hill by deleting a project entitled "Community Health Building-Consolidation of Programs" as contained in Section 2(a) of S.L. 2000-3, and dispersing the funds from that project to other health affairs related bond projects.

Section 2(a) of S.L. 2000-3 is therefore amended in the portion under the University of North Carolina at Chapel Hill by deleting "Community Health Building Consolidation of Programs" and disbursing the funds associated with that project as follows: adding ten million six hundred twenty-five thousand seven hundred forty-seven dollars (\$10,625,747) to the project entitled "School of Medicine-Medical Research Building-Comprehensive Renovation of Classroom & Laboratory Space," for a total of twenty-three million five hundred twenty thousand seven hundred forty-seven dollars (\$23,520,747); adding one million forty thousand six hundred dollars (\$1,040,600) to a project entitled "Burnett Womack Building Research Laboratory-Comprehensive Renovation," for a total of twenty-five million eight hundred eighty-eight thousand six hundred dollars (\$25,888,600), and adding six million six hundred seventy-three thousand six hundred fifty-three dollars (\$6,673,653) to a project entitled "Berryhill Hall Laboratory Building-Comprehensive Renovation" for a total of seventeen million three hundred seventy-three thousand six hundred fifty-three dollars (\$17,373,653).

**SECTION 9.4.(h)** Nothing in this section is intended to supersede any other requirement of law or policy for approval of the substituted capital improvement projects.

Section 9.5 of Session Law 2004-124 included a special provision related to real property. The provision was listed below for informational purposes.

**FAYETTEVILLE STATE UNIVERSITY AND NORTH CAROLINA SCHOOL OF THE ARTS RETAIN REAL PROPERTY PROCEEDS**

**SECTION 9.5.** Notwithstanding any other provision of law, Fayetteville State University and the North Carolina School of the Arts may retain the proceeds from the sale of their existing chancellor's residences and the appurtenant land.

Fayetteville State University may use the proceeds from the sale of its existing chancellor's residence and the appurtenant land, and any other nonappropriated funds available, to construct or otherwise acquire a new chancellor's residence. Proceeds from the sale not used for that purpose shall revert.

The North Carolina School of the Arts may use the proceeds from the sale of its existing chancellor's residence and the appurtenant land, and any other nonappropriated funds available, to construct or otherwise acquire a new chancellor's residence. Proceeds from the sale not used for that purpose shall revert.

IV. Supplementary Information

An attached table, *General Assembly Funding - Ten Year History*, a summary by institution of capital improvements appropriations from 1995 through 2004, was provided as supplementary information.

On the motion of Mr. Farris, seconded by Ms. Gage, the recommendation was approved.

There being no further business, the meeting was adjourned.

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Mr. Jim W. Phillips, Jr.  
Chairman of the Committee  
on Budget and Finance

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Mr. F. Edward Broadwell, Jr.  
Secretary of the Committee  
on Budget and Finance

Authorization of the Sale of Pooled Revenue Bonds

In November 1998, the Board approved the first issuance of pooled bonds to provide long-term financing for multiple campuses at one time in lieu of individual institutional issues. A pooled issue presents an attractive offering for investors often resulting in lower interest rates and improved bond insurance rates. Additionally, the fixed costs of issuing bonds are spread among all participants resulting in savings for individual institutions through economies of scale. The Board also approved the issuance of pooled bonds in 2000, 2002, 2003, and in the winter of 2004. Since the last issue, East Carolina University and the University of North Carolina at Greensboro have asked to be included in the sixth pooled issue to finance 8 projects previously approved by the Board of Governors. Bond proceeds would be used by ECU to make improvements to Dowdy-Ficklen Stadium. The debt would be repaid from athletic receipts. ECU would also construct College Hill Residence Halls, Phase I and the bonds would be retired from housing receipts. At UNCG, bond proceeds would be used to fund three projects to repair and renovate a dining hall and two residence halls, to be repaid from dining and housing receipts. And UNCG would construct an exercise track for students and a softball complex as well as renovate the Student Health Center with the debt being repaid from the existing student facilities fee. The size of the bond issue is now being finalized and is anticipated to be between \$50 million and \$55 million.

The Board of Governors would issue the bonds and then make a "loan" to each institution participating in the pool. The bonds would be outstanding for a maximum of 30 years. The University has been assisted in drafting the bond documents by the legal firms of Parker Poe Adams & Bernstein and Thigpen, Blue, Stephens & Fellers. Banc of America Securities, LLC and BB&T Capital Markets are providing underwriting services for the bonds. Robinson, Bradshaw & Hinson will serve as the underwriters' counsel. The trustee will be Wachovia Bank, N.A. The bond insurance provider will be selected by a competitive process.

It is recommended that the following resolution be approved and the Vice President for Finance be authorized to sell the bonds as requested between the September 2004 and January 2005 Board of Governors' meetings.

A RESOLUTION AUTHORIZING THE ISSUANCE OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM POOL REVENUE BONDS FOR THE PURPOSE OF PAYING THE COST OF MAKING LOANS TO CONSTITUENT INSTITUTIONS; PROVIDING FOR THE PAYMENT OF SUCH BONDS AND THE INTEREST THEREON FROM REVENUES DERIVED FROM THE LOANS; AND APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS WITH RESPECT THERETO

Declaration of Emergency Lease of Student Housing – North Carolina Agricultural and Technical State University

On August 9, 2004 the Chancellor of North Carolina Agricultural and Technical State University informed the President of the need to invoke emergency procedures to immediately enter into a lease agreement for up to 94 beds to accommodate students wishing to reside on campus for the fall semester. This action was necessary because of an unforeseen construction delay in the renovation of Morrison Hall that reduced the University's available housing capacity. Morrison Hall is expected to be ready for student occupancy by the beginning of the 2005 spring semester.

The State Property Office, using its emergency procedures, secured a lease for the duration of the fall semester with Oakwood Corporate Housing at their Northwinds Apartments Community. Estimated at \$87,730, the cost of the lease will be funded from student housing receipts.

All students contracted and assigned to Morrison Hall were given the choice of staying at other assigned housing at the previously contracted cost or to select from other available university housing options and paying any additional cost called for by the university's housing cost schedule.

After placement of this leased space within the university's housing cost strategy, it is expected that a portion of the total lease cost will not be offset by rents charged to the students and will need to be funded from housing reserves.



Ground Lease of Property – North Carolina State University

The Board of Trustees of North Carolina State University has requested approval to enter into a ground lease with the NC State University Centennial Development LLC (name pending) to construct and operate a golf course on the NCSU Centennial Campus. Situated on approximately 193 acres in the southern section of the Centennial Campus and with a capital cost of approximately \$12.8 million, the golf course and related facilities would be built to State and University requirements, meet Centennial Campus Development and Design Guidelines, and comply with all environmental and regulatory requirements. The NCSU men's and women's golf teams and students enrolled in the Professional Golf Management and Turfgrass Management programs would have programmatic use of the golf course.

The LLC will reimburse NCSU for golf course design costs incurred and the project completed at no cost to NCSU.

The property and the improvements will revert to NCSU at the end of the 99-year lease.

It is recommended that the request of the Board of Trustees be approved and transmitted to the Council of State for final action.

Revisions to Previously Approved Ground Lease – North Carolina State University

The Board of Trustees of North Carolina State University has requested approval of revisions to the term and other items for the ground lease and air rights agreement previously approved by the Board of Governor's at their May 2003 meeting. *Previous values of items revised are shown within parentheses in the description that follows.*

The lease would provide a 115,000 *(104,000)* square-foot area within Carter-Finley Stadium to the NCSU Student Aid Association, Inc. for the construction of a facility to replace the existing press box constructed in 1966. The new facility is proposed to be a four-level *(three-level)* structure that would include areas for the media, fifty suites, and the addition of approximately 900 club seats.

The area to be leased is along and above the west concourse of Carter-Finley Stadium. The term of the lease is up to 30 years to be consistent with financing requirements *(20 years -- the time required to repay the debt borrowed by the Association)* and the estimated value of construction improvements is \$40 million *(\$30 million)*. The improvements will revert to North Carolina State University at the termination of the ground lease.

It is recommended that the request of the Board of Trustees be approved and transmitted to the Council of State for final action.

**Property Actions Approved Under Delegated  
Authority to the Office of the President**

On June 8, 2001, the Board authorized the Office of the President to execute leases valued up to \$150,000 and acquisitions up to \$250,000. The following property transactions were approved under this delegation and are reported to the Committee on Budget and Finance.

East Carolina University – Disposition of Real Property by Lease

Owner: State of North Carolina  
Disposition reason: Provide a ground lease to Pitt County Memorial Hospital to construct and operate a Gamma Knife (radiology) facility  
Location: The property is located adjacent to the MRI Building on the Brody School of Medicine campus.  
Description: Approximately 2,200 square-feet of land  
Estimated value: \$70,400  
Rental Income: 20-year ground lease with one 5-year renewal option with the property and the improvements reverting to the lessor upon expiration of the lease or the lessor can require the lessee to restore the site to the condition it was when acquired at no cost to the lessor  
Proceeds: \$6,400 annually with periodic CPI adjustments over the life of the lease  
Approvals: The ECU Board of Trustees recommended this action on August 6, 2004.

Elizabeth City State University – Disposition of Real Property by Easement

Owner: State of North Carolina  
Disposition reason: Provide Eastern North Carolina Natural Gas Company an easement to install, operate and maintain a natural gas distribution system dedicated to the ECSU campus that will initially serve the following buildings: Central Utility Plant, Student Center, University Suites, Bedell Cafeteria, Fine Arts Complex, Information Technology Center, 200 Bed Residence Hall and KE White Center.  
Location: Generally connecting to buildings on the southern part of campus  
Description: Generally 20-foot wide, non-exclusive easements that accommodate the main trunks and branches of the buried distribution system  
Estimated value: Benefits to ECSU by providing a more reliable source of energy, a choice of energy source (oil or natural gas) and an opportunity to reduce costs  
Rental Income: None  
Proceeds: No monetary consideration  
Approvals: The ECSU Board of Trustees recommended this action on June 8, 2004.

North Carolina State University – Disposition of Real Property by Easement

Owner: State of North Carolina  
Disposition reason: This conservation easement to North Carolina Department of Transportation (NCDOT) will facilitate additional repair of Rocky Branch stream and its eroded banks. The restoration project will serve as a valuable and continuing teaching tool for the university and professional community.  
Location: Along each side of Rocky Branch stream between Morrill Drive and Pullen Road south of Derr Track  
Description: A total of approximately four acres including stream and buffer areas  
Estimated value: Benefits to NCSU. NCDOT will provide funding for stream restoration along Rocky Branch in exchange for stream credits to be used for future mitigation of disturbance of other urban streams.  
Rental Income: None  
Proceeds: No monetary consideration  
Approvals: The NCSU Board of Trustees recommended this action on July 12, 2004.

### Allocation of Costs – Comprehensive Study

The Current Operations and Capital Improvements Appropriations Act of 2004 (SL 2004-124) included the following special provision that directs the Board of Governors to fund a study of the mission and educational program needs of the University System and the Community College System. The provision states that the study shall be financed from “funds appropriated to The University of North Carolina.” Consistent with the historical interpretation of this language, a nonrecurring reduction to institutional budgets is recommended. It is recommended that the reductions be spread over two fiscal years to lessen the impact of the additional reductions on institutional budgets in the current fiscal year.

#### **UNIVERSITY SYSTEM AND COMMUNITY COLLEGE SYSTEM STUDY**

**SECTION 9.14.** The Board of Governors of The University of North Carolina shall use up to two million dollars (\$2,000,000) of funds appropriated to The University of North Carolina for the 2004-2005 fiscal year for the comprehensive study of the mission and educational program needs for the University System and the Community College System provided for in House Bill 1264 of the 2004 Regular Session of the 2003 General Assembly if that legislation becomes law.

The table below shows the recommended nonrecurring reduction for each institution to cover the cost of the study.

<b>Institution</b>	<b>Nonrecurring Reduction 2004-05</b>	<b>Nonrecurring Reduction 2005-06</b>
<b>UNIVERSITY OPERATIONS</b>		
Appalachian State University	\$ (51,266)	\$ (51,266)
East Carolina University	(109,031)	(109,031)
Elizabeth City State University	(14,494)	(14,494)
Fayetteville State University	(21,486)	(21,486)
North Carolina A & T State University	(42,557)	(42,557)
North Carolina Central University	(29,957)	(29,957)
North Carolina School of the Arts	(11,683)	(11,683)
North Carolina State University	(206,526)	(206,526)
University of North Carolina at Asheville	(15,187)	(15,187)
University of North Carolina at Chapel Hill	(230,866)	(230,866)
University of North Carolina at Charlotte	(64,548)	(64,548)
University of North Carolina at Greensboro	(60,600)	(60,600)
University of North Carolina at Pembroke	(21,747)	(21,747)
University of North Carolina at Wilmington	(35,802)	(35,802)
Western Carolina University	(33,318)	(33,318)
Winston-Salem State University	(24,242)	(24,242)
UNC-General Administration, Operating	(26,690)	(26,690)
<b>Total</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>

It is recommended that the \$2,000,000 be allocated to UNC-General Administration, Institutional Programs to fund the study as required by the General Assembly.

**University of North Carolina Board of Governors**  
**UNC Bond Program Report**  
**September 2004**

The annual focus on readying facilities for fall classes is much in evidence in the projects that have been completed since the last board meeting. New student housing facilities have been completed at Elizabeth City State University (\$5.2M), North Carolina Central University (\$1.5M), and Western Carolina University (\$21.4M, of which \$14.4M is bond funding). UNC-Pembroke completed its new science building (\$16.5 M) and UNC-Asheville completed its new Highsmith Student Center (\$11.5M).

The program has also achieved another milestone now that the first institution/affiliate has completed its bond program. With the completion of the final phase of the Bryan Center Renovations (\$3.1M), the North Carolina School of Science and Mathematics has completed its entire bond program. In addition to this development, eleven institutions have now placed their entire programs underway. They are Appalachian State University, East Carolina University, North Carolina School of the Arts, North Carolina State University, The University of North Carolina at Asheville, The University of North Carolina Charlotte, The University of North Carolina Pembroke, The University of North Carolina at Wilmington, Western Carolina University, and Winston-Salem State University.

Following the rapid price changes in steel, concrete, and petroleum-related products earlier this year, the construction market appears to have stabilized although clearly at higher prices than the campuses experienced in previous bids. Each of the campuses have adopted plans to counter these increases and these plans will continue to be monitored until all projects are placed in construction.

The University hosted the third meeting of the Carolinas Association of General Contractors' Joint AGC/UNC committee on July 29<sup>th</sup>. This important relationship continues to provide a forum for sharing information that provides insight into the bidding climate and seeks to identify ways to improve that climate. The Higher Education Bond Oversight Committee will hold its quarterly meeting on September 13<sup>th</sup> on the campus of The University of North Carolina at Greensboro.

Overall, the bond program currently has 62.3% of the \$2.5 billion in funds either committed under contract, completed, or expended in land acquisitions. The actual expenditures for bond projects are now in excess of \$1 billion. An updated project status overview is included in this report reflecting the activity by institution.

**The University of North Carolina  
Bond Project Status Overview - August 2004 Data  
Contractual Commitments from Bond Funds**

Institution	# of Projects per Bond List*	# of Project Bid Packages*	Total Dollar Value	In Design Phase				In Construction Phase				Complete				Land Acquisitions	
				\$	%	#	%	\$	%	#	%	\$	%	#	%	\$	%
Appalachian State University	13	23	\$87,406,200	\$5,327,718	6.10%	3	13.04%	\$59,884,272	68.51%	9	39.13%	\$12,488,163	14.29%	9	39.13%	\$829,300	0.95%
East Carolina University	13	23	\$190,609,500	\$8,729,051	4.58%	4	17.39%	\$68,862,637	36.13%	7	30.43%	\$64,530,059	33.85%	10	43.48%	\$7,667,248	4.02%
Elizabeth City State University	19	21	\$46,296,800	\$3,058,675	6.61%	6	28.57%	\$20,707,182	44.73%	4	19.05%	\$4,658,362	10.06%	5	23.81%	\$0	0.00%
Fayetteville State University	16	25	\$46,021,400	\$2,110,133	4.59%	10	40.00%	\$16,329,218	35.48%	11	44.00%	\$718,988	1.56%	2	8.00%	Not Applicable	N/A
North Carolina A&T State University	24	36	\$161,800,091	\$8,980,521	5.55%	6	16.67%	\$60,806,209	37.58%	12	33.33%	\$24,382,074	15.07%	13	36.11%	\$6,081,437	3.76%
North Carolina Central University	23	47	\$121,246,203	\$8,197,617	6.76%	6	12.77%	\$66,666,743	54.98%	26	55.32%	\$5,087,710	4.20%	6	12.77%	\$1,733,376	1.43%
North Carolina School of the Arts	12	10	\$42,547,500	\$2,585,109	6.08%	3	30.00%	\$4,424,045	10.40%	2	20.00%	\$21,694,142	50.99%	3	30.00%	\$2,602,802	6.12%
North Carolina State University	40	102	\$468,256,655	\$18,510,324	3.95%	24	23.53%	\$189,916,781	40.56%	29	28.43%	\$54,524,642	11.64%	42	41.18%	\$1,377,975	0.29%
UNC-Asheville	9	12	\$50,464,200	\$3,052,742	6.05%	4	33.33%	\$4,746,963	9.41%	1	8.33%	\$13,474,943	26.70%	7	58.33%	Not Applicable	N/A
UNC-Chapel Hill	50	88	\$510,539,075	\$31,693,069	6.21%	36	40.91%	\$193,268,149	37.86%	32	36.36%	\$77,601,284	15.20%	20	22.73%	\$1,338,342	0.26%
UNC-Charlotte	15	23	\$190,033,501	\$12,996,514	6.84%	7	30.43%	\$143,342,810	75.43%	10	43.48%	\$11,652,551	6.13%	6	26.09%	Not Applicable	N/A
UNC-Greensboro	17	26	\$166,008,255	\$5,684,444	3.42%	5	19.23%	\$44,760,825	26.96%	7	26.92%	\$43,081,153	25.95%	10	38.46%	\$3,113,921	1.88%
UNC-Pembroke	17	15	\$56,873,600	\$2,310,927	4.06%	9	60.00%	\$9,957,938	17.51%	3	20.00%	\$21,191,239	37.26%	2	13.33%	Not Applicable	N/A
UNC-Wilmington	18	33	\$109,201,800	\$7,508,009	6.88%	14	42.42%	\$27,406,031	25.10%	8	24.24%	\$3,185,907	2.92%	12	36.36%	\$2,100,000	1.92%
Western Carolina University	15	26	\$100,336,744	\$6,651,388	6.63%	7	26.92%	\$33,918,332	33.80%	10	38.46%	\$21,416,117	21.34%	8	30.77%	\$0	0.00%
Winston-Salem State University	13	24	\$46,786,581	\$1,359,176	2.91%	2	8.33%	\$15,302,480	32.71%	8	33.33%	\$16,302,793	34.85%	14	58.33%	Not Applicable	N/A
UNC Center for Public Television	2	6	\$65,890,600	\$0	0.00%	0	0.00%	\$28,248,366	42.87%	1	16.67%	\$8,916,347	13.53%	5	83.33%	Not Applicable	N/A
NC School of Science and Math**	2	4	\$5,163,000	\$0	0.00%	0	0.00%	\$0	0.00%	0	0.00%	\$5,163,000	100.00%	4	100.00%	Not Applicable	N/A
The NC Arboretum	1	6	\$9,331,700	\$362,807	3.89%	2	33.33%	\$1,614,984	17.31%	2	33.33%	\$1,978,838	21.21%	2	33.33%	Not Applicable	N/A
Reserve – For Repairs and Renovations and Cost Overruns			\$25,186,595														
<b>Total</b>	<b>319</b>	<b>550</b>	<b>\$2,500,000,000</b>	<b>\$129,118,224</b>	<b>5.16%</b>	<b>148</b>	<b>26.91%</b>	<b>\$990,163,965</b>	<b>39.61%</b>	<b>182</b>	<b>33.09%</b>	<b>\$412,048,312</b>	<b>16.48%</b>	<b>180</b>	<b>32.73%</b>	<b>\$26,844,401</b>	<b>1.07%</b>

\*The number of projects undertaken by the institutions differs from the number as listed in the bond legislation because projects are in some instances combined or separated into multiple phases. The percentages reported are based on the number of bid packages being prepared by the institution in order to give a more accurate progress picture. The number of projects listed based on legislation, reflects the original 316 items plus 3 projects approved through scope change requests.

\*\*With no projects still in design, a design contract amount continues to be reported reflecting the designer's ongoing responsibility and the institution's financial commitment until the completion of the project when the design contract amount is incorporated into the total reported under "Complete."

Construction Manager at Risk preconstruction fee is listed under "Construction" column and will reflect a project count when a Gross Maximum Price contract is executed.