

Minutes of the April 11, 2006 Meeting
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in the Maple Room of the Elliott University Center at the University of North Carolina at Greensboro in Greensboro, North Carolina on Tuesday, April 11, 2006, at 10:00 a.m.

Members in attendance were: Mr. Bradley T. Adcock, Mr. R. Steve Bowden, Mr. F. Edward Broadwell, Jr., Mr. William L. Burns, Jr., Mr. Ray S. Farris, Ms. Hannah D. Gage, Mr. Peter D. Hans, Governor James E. Holshouser, Jr., and Mr. Benjamin S. Ruffin. Other Board of Governors' members attending were John W. Davis III, Phillip R. Dixon, Charles S. Norwood, and Estelle Sanders. Others attending the meeting were President Erskine Bowles, Chief of Staff Jeffrey R. Davies; Vice President Russ Lea; Associate Vice Presidents Ginger Burks, Mark Fleming, Shari Harris, Robert C. Kanoy III, James O. Smith, Joni Worthington; Associate Vice President and University Property Officer Terrance Feravich; Chancellor Steven C. Ballard (ECU), Chancellor Philip L. Dubois (UNCC), Chancellor Patricia A. Sullivan (UNCG), and Chancellor Rosemary DePaolo (UNCW), Fiscal Research Analyst Richard Bostic, and Hilary Coman, project manager for the Efficiency and Effectiveness Study, were in attendance as well as members of the press.

Chair Gage convened the meeting. The minutes of the meetings of February 9 and 10, 2006 were approved.

Chair Gage explained that because of a death in the family of Interim Vice President Robert O. Nelson, Jeff Davies would staff the meeting.

1. The first item of business was to consider the 2006-07 budget priorities (Attachment 1). Mr. Davies explained the item and answered questions.

It was recommended that the Board of Governors adopt the operating and capital budget priorities for presentation to the Governor and the General Assembly for consideration during the 2006 Legislative Session. It was also recommended that the Vice President for Finance be authorized to make refinements to the request in the interest of accuracy and completeness.

It was further recommended that, as part of its budget package, the Board of Governors adopt the following resolution highlighting the cooperative relationship established with the North Carolina State Board of Community Colleges. President Lancaster, President Bowles, and others had been working together to establish a program to successfully provide higher education for the citizens of North Carolina.

Whereas, the State Board of Community Colleges and the University of North Carolina Board of Governors seek to establish a seamless program of higher education for the successful completion and workforce preparation of students in public, post-secondary education in the State of North Carolina; and,

Whereas, the State Board of Community Colleges seeks to establish as many cooperative relationships, educational programs, and economic development activities as possible with the University of North Carolina Board of Governors (BOG); and,

Whereas, there are several budget initiatives to be advanced in the 2006 Session of the North Carolina General Assembly of importance to the North Carolina Community College System (NCCCS) that will accomplish the purposes of student success and workforce preparation, in which the Board of Governors supports the funding; and,

Whereas, these budget initiatives include the following educational, economic development, and student-centered purposes as:

- *the funding of enrollment growth increases at individual community colleges that were not anticipated through an "Enrollment Growth Reserve;"*
- *the weighted per capita funding for "Allied Health Programs" that lead to an Associate degree or diploma, but especially for "Nursing" programs;*
- *"Biotechnology" initiatives with business and industry which from their very origin included university and community colleges research and training partnerships;*
- *additional support for "Student Services" enhancements, including staffing and financial aid, to insure student goal completion and transfer to the University;*
- *"Distance Learning Technology and Infrastructure" to facilitate the exchange of instructional programming and student information between the two systems, to enhance such activities as teacher preparation and degree completion; and*
- *"Economic Development" recruitment and training through the establishment of two additional (Southeast and Northeast) regional-customized industry-training specialists; and,*

Whereas, the North Carolina State Board of Community Colleges has several non-budget initiatives to be advanced in the 2006 Session of the General Assembly, including House Bill 550, which would expedite the rule-making process to facilitate implementation of joint UNC/NCCCS educational programs and activities more quickly; and House Bill 833, which would enable the NCCCS to conduct criminal background checks for students applying for admission to licensure programs.

Now, Therefore, Be It Hereby Resolved that the University of North Carolina Board of Governors endorses and supports the budget and non-budget initiatives herein defined for advancement in the 2006 Session of the General Assembly.

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

2. In June, 1999, the Board adopted a ten-year capital plan totaling \$6.9 billion with approximately 60% of the funding to be provided by the State and the remainder to be provided from non-State resources. Since 1999, the General Assembly, at the request of the Board, had authorized non-appropriated capital improvements projects totaling over \$2.2 billion to be financed from available balances in University accounts or from the sale of bonds to be repaid from University receipts. This amount exceeded the original commitment made by the Board of Governors.

The University was now ready to proceed with the next year of the plan for projects to be funded from non-General Fund resources. The proposals from the campuses continued to capitalize on the authority granted by the 2000 General Assembly allowing the Board of Governors to issue special obligation bonds -- those backed by a pledge of all available institutional revenues excluding tuition receipts and state appropriations. The use of special obligation bonds enhanced credit ratings and led to bond issue savings through more competitive rates of interest. Descriptions of each proposed project as well as the

sources of project financing follow. A detailed financial plan would be reviewed for each project in consultation with financial advisors and bond counsel before bonds were issued and construction contracts were awarded. Final approval for the issuance of bonds was the responsibility of the Board of Governors.

It was recommended that the Board approve 28 capital improvements projects at 10 institutions totaling \$432,250,000. It was also recommended that the Board approve 14 supplements to previously approved capital improvement projects at 7 institutions totaling \$97,366,000. The projects would then be forwarded to the General Assembly for authorization during the 2006 Session. It was further recommended that the Vice President for Finance be authorized to make refinements to the request in the interest of accuracy and completeness.

New Projects:

Appalachian State University

Central Dining Facility - Phase II - \$4,850,000

This project would relocate major campus utilities and transportation infrastructure serving the new central dining facility, construct associated outdoor dining/activity areas and improve pedestrian safety and accessibility to this new complex. The project would be financed from food service receipts.

East Carolina University

Mendenhall Student Center and Ledonia Wright Cultural Center - Expansion and Renovation - \$39,000,000

This project would expand and renovate both the Mendenhall Student Center and the Ledonia Wright Cultural Center. These buildings were no longer capable of meeting the needs of an increasing student population. The expanded and renovated Student Center was expected to include additional student activity space, student organization space, large group meeting/dining areas, retail space for a bookstore, and a business center. The expanded and renovated Cultural Center was expected to better serve in its role as the repository for the University's collection of African and African-American Art and serve as a base for related research and educational programming. The project would be financed from indebtedness to be repaid from a \$150 debt service fee.

Todd Dining Hall - Renovation - \$2,100,000

This project would modernize and rearrange the food preparation and dining areas to provide better circulation and provide contemporary venues including the addition of a stone pizza oven, a grill, and a fresh bakery station. The project would also replace kitchen equipment. The project would be financed from indebtedness to be repaid from food service receipts.

Brody School of Medicine - Renovations - \$1,200,000

This project would renovate the 8,800 square-foot, 500-seat Brody Auditorium in the Brody School of Medicine Building. The project would include replacement of lighting, ceiling, seating, dividing partitions, curtains, entry doors, audiovisual equipment, and enhance accessibility. The project would be financed from indebtedness to be repaid from Medicare receipts.

Brody School of Medicine -Health Science Campus - Renovations - \$6,000,000

The project would renovate 43,000 square feet to be vacated by the Health Sciences Library. The project would replace interior walls, ceilings, lighting, flooring and finishes, and renovate the HVAC system. The project would be financed from indebtedness to be repaid from Medicare receipts and Medical Practice Plan receipts.

Elizabeth City State University

Residence Hall - Heating, Ventilating and Air Conditioning Improvements - \$1,500,000

This project would upgrade the Bias Hall HVAC system. This residence hall with 150 beds was constructed in 1938. The project would be financed from indebtedness to be repaid from housing receipts.

North Carolina State University

Derr Track - Renovation and Expansion - Phase II - \$2,500,000

This project would continue the renovation and expansion of Derr Track. Phase II would include the addition of bleachers, press box facility, restrooms, and concession stands. The project would be financed from indebtedness to be repaid from a \$15 debt service fee.

Partners VI Building and Parking Deck - \$40,000,000

This project would construct a 100,000 square-foot, multi-tenant building and approximately 200-space parking deck on the Centennial Campus. The project would be financed from indebtedness to be repaid from Centennial Campus receipts.

Centennial Campus Infrastructure - \$10,000,000

This project would provide for infrastructure improvements on the Centennial Campus including utilities, walkways, roads, storm water drainage, and landscaping. The project would be financed from indebtedness to be repaid from Centennial Campus receipts.

The University of North Carolina at Chapel Hill

Food Service Facilities - Renovation and Expansion - \$3,500,000

This project would renovate and expand Brinkhous-Bullitt to create a new dining facility that would replace the existing dining services in Brinkhous-Bullitt and Berryhill Hall. The project would be financed from indebtedness to be repaid from food service receipts.

Science Complex - Phase II - \$92,200,000

This project would replace Venable Hall which was scheduled to be demolished as part of the Higher Education Bond program. The new science building would house chemistry, marine sciences, and provide a new library for the chemical sciences. The project would be financed from indebtedness to be repaid from facilities and administrative receipts.

Carmichael Auditorium - Renovation and Expansion - \$15,000,000

This project would include a new HVAC system, replacement of existing auditorium seating, acoustical treatments, upgrade of existing fire alarm system, and updating of the building to meet current building code requirements. A 6,000 square-foot addition was also planned that would provide a museum area, reception area, offices, media room, and support spaces for the UNC Women's Basketball team. The project would be financed from indebtedness to be repaid from student fees and gifts.

Research Resource Facility - Phase II - \$12,400,000

First authorized in 2005, this project would continue the phased construction of the Research Resource Facility project which would construct vivarium facilities in multiple buildings. The project would be financed from facilities and administrative receipts.

Residence Halls - Improvements - \$2,000,000

This project would provide HVAC improvements at Old East and Old West Residence Halls. The project would be financed from indebtedness to be repaid from housing receipts.

Woollen Gymnasium - Renovation - \$4,500,000

This project would convert the Women's Gym in Woollen Gymnasium to house the new Sports Medicine program. The renovation would provide a clinical and education facility shared by Athletics, Student Health Services, and Exercise and Sport Science. The project would provide an athletic training

room, small nutrition clinic, small physician's office, staff office space, teaching laboratory, and conference room. The project would be financed from indebtedness to be repaid from student fees.

Boshamer Baseball Stadium - Improvements - \$14,000,000

This project would provide an upgrade of the Boshamer Baseball facility to include team space, public facilities, and improvements to the batting cages and bull pens. The project would be financed from private gifts.

Frank Porter Graham Child Development Center Facility - \$20,000,000

This project would provide funding for new facilities for programs developed by the Frank Porter Graham Child Development Center. The project would be financed from indebtedness to be repaid from rental receipts and fundraising.

Cogeneration Warehouse - \$500,000

This project would construct a new warehouse located at the cogeneration facility to house repair and replacement parts. The project would be financed from indebtedness to be repaid from utility receipts.

Steam Infrastructure Improvements - \$55,700,000

This project would provide the replacement of the main steam tunnel between the cogeneration facility and campus. The project would be financed from indebtedness to be repaid from utility receipts.

Electrical Infrastructure Improvements - \$10,100,000

This project would construct a new ductbank serving campus electrical and telecommunications needs and would include high speed switches, breakers, cables, and upgraded control system. The project would be financed from indebtedness to be repaid from utility receipts.

Bell Tower Development - Phase I - \$10,000,000

Phase I of this project would provide the initial planning and site work for the Bell Tower Development project. The total Bell Tower Development project would be developed in phases and would include a new Genome Science Laboratory Building providing approximately 200,000 square feet of interdisciplinary research space, a 710-car parking deck, a new academic building and renovation of the existing chilled water plant. The project was also planned to provide an elevated pedestrian walkway linking the Caudill Laboratories to the Bell Tower Development to Medical Drive, and a new open space to accommodate the required storm water mitigation system. The project would be financed from indebtedness to be repaid from facilities and administrative receipts.

Global Education & International Studies Center - Improvements - \$2,500,000

This project would finish shelled-in space on the 4th floor of the Global Education Center. The project would be financed from private gifts.

The University of North Carolina at Charlotte

Prospector Hall - Renovation - Phase II - \$4,000,000

This project would include a conversion of the upper level of the former bookstore into a dining and food service area. The lower level would be renovated to provide retail and food service areas. The exterior of the building would be refinished to meet current University design standards. The project would be financed from indebtedness to be repaid from food service receipts.

Residence Halls - Phase IX - \$38,800,000

This project would include the next phase of planned student housing and was expected to provide an additional 600 beds. Planned to be complete by fall 2009, the residence hall would consist mainly of apartment-style quarters, with some suite-style quarters. The project would be financed from indebtedness to be repaid from housing receipts.

The University of North Carolina at Greensboro

Residence Hall - Acquisition - \$29,500,000

This project would provide a 400-bed residence hall and 200-space, below-grade parking deck. The facility would provide an up-to-date residence hall with apartment-style housing. Each apartment would include a kitchen, private bathrooms, and laundry facilities. The parking deck was necessary to comply with the City of Greensboro's zoning ordinance requiring one parking space for every two beds. The project would be financed from indebtedness to be repaid from housing and parking receipts.

The University of North Carolina at Wilmington

Residence Halls - Improvements - \$4,900,000

This project would continue a comprehensive program to renovate older residence hall facilities and was expected to include window replacements, exterior wall repair, bathroom renovations, upgraded fire alarm and fire sprinkler systems, and HVAC repairs. The project would be financed from housing receipts.

Western Carolina University

Residence Hall - Renovation and Expansion - \$1,000,000

This project would provide for the renovation of the main lobby of Scott Residence Hall and the addition of a new rear entrance to the building which would incorporate a new elevator providing ground floor access. The project would be financed from housing receipts.

Winston-Salem State University

Residence Hall - Renovation - \$4,500,000

This project would include replacement of the heating system, installation of air conditioning, window replacement, and renovation of restrooms. The project would be financed from indebtedness to be repaid from housing receipts.

Supplemental Projects:

Although Engineering News Record and other services that track construction costs have 2006 annual construction inflation at about 7%, the construction market in North Carolina had exceeded the estimates. Anecdotal evidence suggested that there had been a marked increase in construction costs in the last two years. And while the rate of increase had slowed, bids remained higher than originally estimated at virtually every campus. Various services had attributed these increases to higher material prices. Local contractors were reporting a growing cost of labor. Estimates, often using 5% annual inflation, did not fully anticipate cost increases that were the highest in the past 35 years.

These increases had had a significant impact on the actual or anticipated construction budgets for the projects that follow and provided all or very nearly all of the justification for the supplemental authority being requested:

North Carolina State University

Residence Halls - Renovation - Supplement - \$11,500,000

This project was previously approved in the 2005 Session of the General Assembly. The proposed increase would allow the university to continue its programmed renovation of older residence halls, including fire suppression sprinkler systems and air-conditioning. The proposed increase would be financed from indebtedness to be repaid from housing receipts. The total project cost would now be \$32.1 million.

Thompson Theater - Renovation and Expansion - Supplement - \$4,500,000

This project was previously approved in the 2005 Session of the General Assembly. The proposed increase was necessary to ensure compliance with all building codes, improve functionality and address

the known change in bidding climate and increased costs. The total project cost would be \$22.2 million. The project would be financed from indebtedness to be repaid from gifts and a \$20 increase to a previously approved debt service fee for this project.

The University of North Carolina at Chapel Hill

Residence Halls - Improvements - Supplement - \$2,500,000

This project was previously approved in the 2005 Session of the General Assembly. The proposed increase was necessary to ensure compliance with all building codes, attend to an environmental issue and address the known change in bidding climate and increased costs. The proposed increase would be financed from indebtedness to be repaid from housing receipts. The total project cost would be \$8 million.

Botanical Garden Visitor Education Center - Supplement - \$5,000,000

This project was previously approved in the 2003 Session of the General Assembly. The proposed increase was needed to cover construction costs due to escalation and inflation. The proposed increase would be financed from private gifts. The total project cost would now be \$11 million.

Educational Foundation Office Building - Supplement - \$12,000,000

This project was previously approved in the 2004 Session of the General Assembly. The proposed increase would allow the campus to improve functionality and to address the known change in bidding climate and increased cost estimates. The proposed increase would be financed from gifts. The total project cost would now be \$15 million.

Cobb Residence Hall - Renovation - Supplement - \$5,116,000

This project was previously approved in the 2003 Session of the General Assembly. The proposed increase would enable the campus to address the known change in bidding climate and increased cost estimates. The proposed increase would be financed from indebtedness to be repaid from housing receipts. The total project cost would now be \$18.4 million.

Residence College - Phase II - Supplement - \$8,000,000

This project was originally approved in the 2002 Session of the General Assembly. The proposed increase would enable the campus to address the known change in bidding climate and increased costs. The proposed increase would be financed from indebtedness to be repaid from housing receipts. The total project cost would now be \$89 million.

Rizzo Center - Expansion - Supplement - \$5,300,000

This project was previously approved in the 2003 Session of the General Assembly. The proposed increase would enable the campus to address the known change in bidding climate and increased costs. The proposed increase would be financed from indebtedness to be repaid from Rizzo Center receipts. The total project cost would now be \$25.1 million.

The University of North Carolina at Charlotte

Student Union - Supplement - \$10,000,000

This project was originally authorized in the 2003 Session of the General Assembly. The proposed increase was necessary to address the known change in bidding climate and increased costs. The proposed increase would be financed from indebtedness to be repaid from a \$80 increase to an existing \$100 debt service fee previously approved by the Board of Governors for this purpose and from auxiliary receipts. The total project cost would now be \$59.2 million.

The University of North Carolina at Greensboro

Parking Deck Addition - Supplement - \$1,000,000

This project was originally approved in the 2004 Session of the General Assembly. The proposed increase would enable the campus to address the known change in bidding climate and increased costs.

The proposed increase would be financed from indebtedness to be repaid from parking receipts. The total project cost would now be \$13 million.

The University of North Carolina at Pembroke

University Center Expansion - Supplement - \$2,000,000

This project was originally approved in the 2002 Session of the General Assembly. The proposed increase would enable the campus to address the known change in bidding climate and the increased costs associated with preserving the necessary project scope. The project would be financed from indebtedness to be repaid from a \$20 debt service fee. The total project cost would now be \$5.9 million.

The University of North Carolina at Wilmington

University Union Building - Expansion and Renovation - Supplement - \$12,000,000

This project was previously approved in the 1999 Session of the General Assembly. The proposed increase would enable the campus to incorporate the renovation of the Burney Center (originally the bookstore) into the current project and complete the planned University Union complex. The proposed increase would be financed from indebtedness to be repaid from the existing debt service fee previously approved for the construction of the building. The total project cost would be \$44.4 million.

Western Carolina University

Dodson Cafeteria Replacement - Supplement - \$12,250,000

This project was previously approved in the 2003 Session of the General Assembly. A design assessment had indicated that it would be in the university's best, long-term interest to replace rather than renovate this 40-year-old building. The proposed increase would enable the campus to replace the existing Dodson Cafeteria. The proposed increase would be financed from indebtedness to be repaid from a new \$113 debt service fee. The total project cost would be \$17.2 million.

New Student Recreation Center - Supplement - \$6,200,000

This project was previously approved in the 2001 Session of the General Assembly. The proposed increase would enable the campus to address the known change in bidding climate and increased costs. The proposed increase would be financed from indebtedness to be repaid from a \$74 increase to an existing debt service fee of \$128 previously approved for this project. The total project cost would be \$19.7 million.

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

3. North Carolina State University requested authority to direct the call and optional redemption of Parking System Refunding Revenue Bonds, Series 1996. The bonds were issued in the aggregate principal amount of \$6,530,000, pursuant to a resolution adopted by the Board on June 9, 1989, and a Series Resolution adopted by the Board on March 15, 1996. The staff of North Carolina State University had found that it was advisable to redeem all of the outstanding 1996 Bonds maturing June 1, 2007 to 2009, inclusive. The University proposed to use a combination of available balances and bond reserves to accomplish these actions, which would allow the University access to \$1,300,000 in reserves previously set aside in accordance with the bond documents and would eliminate bond coverage requirements. The University would also save over \$230,000 in interest.

It was recommended that the authorizing resolution be adopted and that the Vice President for Finance be authorized to direct the call and redeem the Parking System Refunding Revenue Bonds, Series 1996.

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

4. In October 2001, the Board of Governors authorized North Carolina State University and the University of North Carolina at Chapel Hill to implement a commercial paper program through the periodic issuance of tax-exempt commercial paper bonds. The current maximum authorized borrowing amount was established at \$240 million. Currently, UNC-Chapel Hill and North Carolina State University had outstanding balances of \$110 million and \$6 million, respectively.

North Carolina State University and the University of North Carolina at Chapel Hill had benefited from the Commercial Paper Program and, based on cash-flow analyses, now requested that the maximum authorized borrowing amount be increased to \$500 million. The new maximum amounts would be \$100 million (compared to the current \$60 million) for North Carolina State University and \$400 million (compared to the current \$180 million) for UNC-Chapel Hill. These amounts were based on projections of need from each institution's capital improvement program.

Commercial paper was short-term, unsecured debt issued in the form of promissory notes, and presented an alternative to borrowing from banks. A commercial paper program provided the issuer access to a flexible, low cost source of capital to provide bridge financing for projects. The program was available only to fund projects on an interim basis previously approved by the Board and the General Assembly up to the authorized maximum amount. The additional bonds would be issued by the Board of Governors but would be an obligation of the constituent institution secured by available funds excluding state appropriations, tuition, and restricted gifts. Funds would be drawn on an as-needed basis for capital expenditures. The program would be repaid with proceeds from a long-term bond issue, gift receipts, or other sources.

The Commercial Paper Program had allowed North Carolina State University and UNC-Chapel Hill to issue long-term debt less frequently than in the past and had provided greater flexibility over the timing of bond issues. The less frequent issuance of bonds reduced the costs of issuance and achieved more attractive debt service costs. Tax-exempt commercial paper rates were often several percentage points lower than commercial bank loans.

It was recommended that the authorizing Resolution be adopted and that the Vice President for Finance be authorized to issue bonds as needed to carry out the Commercial Paper Program up to a maximum of an additional \$260 million.

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

5. The University of North Carolina at Pembroke had requested approval to lease State land to the UNCP Student Housing Foundation, LLC, (the Foundation) for the purpose of constructing student housing. The University also requested approval to enter into a long-term lease to acquire up to 360 beds from the Foundation when construction was complete.

The University of North Carolina at Pembroke would lease approximately two acres of land on campus to the Foundation. The Foundation would construct up to 360 beds of student housing which would then be leased back to UNCP at a cost consistent with similar housing on campus. The housing should be available by fall 2007 to accommodate anticipated enrollment growth. UNCP residence halls were currently at 100% occupancy for 2005-06. Lease payments would be met from student housing receipts.

The lease of state land and the lease of the 360 beds would be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and the Council of State. Construction documents would be reviewed by the Office of State Construction and the Department of Insurance.

It was recommended that the authorizing resolution be approved and the request of the University of North Carolina at Pembroke be transmitted to the Council of State for final action.

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

6. The University of North Carolina at Wilmington had requested approval to lease state land to the UNCW Corporation Housing II, LLC for the purpose of constructing student housing. The University also requested approval to enter into a long-term lease to acquire up to 609 beds of student housing from UNCW Corporation Housing II, LLC when construction was complete.

The University of North Carolina at Wilmington would lease approximately 14 acres of land on campus to the UNCW Corporation Housing II, LLC to construct up to 609 beds of student housing which would be leased back to UNC Wilmington at a cost consistent with similar housing on campus for a lease term not to exceed 32 years. It was anticipated that the housing would be available by fall 2007 to accommodate anticipated enrollment growth. The University of North Carolina at Wilmington residence halls were currently at 100% occupancy for 2005-06. Additionally, Phase I, consisting of 524 beds, had been completely leased for fall 2006 and had over 350 names on a waiting list. This leasing arrangement would enable the university to meet current and long-term projected housing demands associated with campus growth to 13,200 students by 2010. Lease payments would be met from student housing receipts.

The lease of state land and the lease of the 609 beds would be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and the Council of State. Construction documents would be reviewed by the Office of State Construction and the Department of Insurance.

It was recommended that the authorizing resolution be approved and the request of the University of North Carolina at Wilmington be transmitted to the Council of State for final action.

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

7. 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 three new capital improvements projects.

The first project would repair fire damage to Cooling Tower #2 at the North Chiller Plant. Because this damage reduced the campus's total cooling capacity by 11% and with the cooling season approaching, UNC-CH had invoked the procedures allowed by the statute to make the needed repairs by the quickest means possible. The project, estimated to cost \$350,000, would be funded from insurance proceeds.

The second project would repair a section of steam distribution tunnel that could no longer safely support the weight of vehicles crossing over it on Pittsboro Street. When a decision was made to close this section of street to all vehicular traffic, UNC-CH invoked the procedures allowed by the statute to make the needed repairs by the quickest means possible. The project, estimated to cost \$1,000,000, would be funded from utility receipts.

The third project would repair a large underground cavity and would involve replacing approximately 800 feet of 10-ft. corrugated pipe roughly 35 feet under the surface of Skipper Bowles Drive. The pipe would be replaced by 10-ft. square concrete culvert. UNC-CH had closed this road to all vehicular traffic until repairs could be made. The project, estimated to cost \$6,000,000, would be funded from Facilities and Administrative receipts, Higher Education Bond funds, and repair and renovation funds.

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

8. The Board of Trustees of the University of North Carolina at Greensboro had requested the authority to establish a new capital improvements project. The project, Reynolds Residence Hall Fire Sprinkler Renovation, would include replacing the existing 43-year-old fire alarm system and installing a new fire-suppression sprinkler system to serve this eight-story 336-bed residence hall built in 1963. The project, estimated to cost \$1,200,000, would be funded from housing receipts. An increase in housing rates would not be required for this project.

It was recommended that this project be authorized and that the method of financing as proposed by the University of North Carolina at Greensboro be approved.

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

9. The Board of Trustees of North Carolina State University had requested approval to lease State property to the Beta Upsilon Chapter of Kappa Sigma for the purpose of providing student housing and organization space for a fraternity. NCSU would lease the property at 2601 Fraternity Court to provide a 11,421 square-foot chapter house with a 40-bed capacity. The initial lease would be for five years with two five-year renewal options. Rent for the first year would be \$159,600. Annual rent for the subsequent years would be no more than 110% of the prior year or the percentage increase for residence hall occupants housed in comparable space, whichever was less. Rental proceeds would be used for the operation of fraternity and sorority housing at NCSU.

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

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

After this, Chair Gage asked Mr. Smith to introduce Hilary Coman. Ms. Coman would be assisting the campuses with the Efficiency and Effectiveness Study. Her first report would be at the May meeting.

On the motion of Mr. Broadwell, seconded by Mr. Adcock, the Committee went into closed session to establish or instruct the staff concerning the negotiation of the price and terms of a contract concerning the acquisition of real property.

CLOSED SESSION

The Committee returned to open session.

Chair Gage asked for the update on the 2000 Higher Education Bond Program. Since the Board met in February, projects had been completed at ECSU, FSU, and NCA&T. Additional projects had been awarded at NCSU, UNC-A, and UNC-CH. In February, a training session on project close-out was held for program and project managers. Thirty-four participants received information and guidance from experts in the field, including a NCSU faculty member from the Construction Engineering and Management program, a lawyer from a construction law firm, and a construction consultant. The spring meeting of the Capital Project Coordinators, Facilities Operations representatives, and the Bond Alliance was held March 8-10 at UNC-Charlotte and provided more opportunities for exchanging information. One active discussion involved managing construction costs in the current economic climate. Representatives from the State Construction Office, the Association of General Contractors, and the American Institute of Architects provided ideas from their own experiences in both the current environment and the earlier, similar hot market of the late 1980s and early 1990s. The Committee received a project status overview reflecting bond program activity by institution. Bond funding was now 84% committed, representing over \$2 billion. Excluding land acquisitions, nearly 60% of the projects were already completed with another 28% underway.

Since the beginning of the bond program, \$332.8M had been awarded in construction contracts to historically underutilized businesses (HUBs). The University's overall participation was 15.94% and exceeded the state's 10% goal. As of the last report to the Board in February, \$15M in construction contracts had been awarded to HUB contractors. African-American participation was 3.55%, non-minority women-owned business participation was 7.80%, and other minorities accounted for 4.59% of the dollars awarded. HUB Contractor Academies graduated at UNC Wilmington and UNC Charlotte. A total of 41 contractors participated in both academies. ECU began its academy on March 14 and had 22 contractors and a representative from the North Carolina Department of Administration's HUB office in the class.

There being no further business, the meeting was adjourned.

Ms. Hannah Gage
Chair of the Committee
on Budget and Finance

Mr. R. Steve Bowden
Secretary of the Committee
on Budget and Finance

**2006-07 BUDGET PRIORITIES
OF
THE BOARD OF GOVERNORS
THE UNIVERSITY OF NORTH CAROLINA**



April 11, 2006

**The University of North Carolina
Operating Budget Priorities – Summary
2006-07**

<u>Budget Item</u>	<u>Recommended Amount</u>
Enrollment Changes	\$ 79,233,129
Need-Based Student Financial Aid Program	21,587,990
Academic Salary Increases (5%)	75,506,625
Expanding Teaching and K-12 Education	21,224,002
North Carolina High Need Teacher Scholarship Loan Program	1,975,000
Prospective Teacher Scholars Expansion Pilot for Math and Science	1,526,620
Lateral Entry Scholarship Program	1,625,000
UNC/NCCCS Partnership Online 2+2 Joint Initiative	1,000,000
Distance Education Professional Development for Mathematics and Science Education (ECU, ECSU, UNCW)	500,000 ^{NR}
Systemwide request to Increase Support for Student Teaching Field-Based Experiences	1,100,000
New Teacher Support and Mentoring Aimed at Retention	2,156,382
University-School Teacher Education Partnerships – Matching Funds	750,000
Lateral Entry Teacher Initiative for High Need Areas – UNCC	500,000
Pilot New Teacher Induction Model – ECU	1,321,000
Pilot New Teacher Induction Model – WCU	500,000
Summer Ventures in Science and Mathematics	1,250,000
DESTINY Lab – UNC-CH	2,000,000
Science, Technology, Engineering and Mathematics (STEM) Education – NCSU	2,000,000
Pilot Initiative to Recruit, Prepare, Mentor, and Differentially Reward Select Mathematics Teachers in High Need Schools	2,100,000
Mathematics and Science Education Network	670,000
Initiative to Improve the Management and Leadership Skills of Principals in High Need Schools (Principals' Executive Program)	250,000
Expanding Nursing and Health Care	19,138,871
Temporary Space – Pharmacy Program – ECSU	43,000
Indigent Care Reimbursement – ECU	2,500,000
Area Health Education Centers (AHEC) Expansion – UNC-CH	3,731,506
AHEC Expansion to Elizabeth City – UNC-CH	1,000,000
Translational Medicine – UNC-CH	2,500,000
CASTLE/CCCDP Program – UNC-CH	350,000
Nurse Scholars Program Expansion	2,750,000
Faculty Production – Graduate Nurse Scholarship Program	1,200,000
AHEC – Expansion to Improve and Expand Nursing Clinical Education	600,000

**The University of North Carolina
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<u>Budget Item</u>	<u>Recommended Amount</u>
Expanding Nursing and Health Care (continued)	
Systemwide Request to Fund the Clinical Component of Nursing at a Higher Level	
ECU	661,866
NCA&T	217,804
NCCU	148,579
UNC-CH	612,086
UNCC	375,890
UNCG	608,665
UNCW	170,354
WCU	144,328
WSSU	674,793
Funding for New BSN programs	
FSU	300,000
UNCP	300,000
ASU	250,000
Research and Jobs	19,318,697
Biomanufacturing Research Institute & Technology Enterprise (BRITE) Operating Funds – NCCU	2,500,000
Biomanufacturing Training and Education Center (BTEC) – NCSU	2,000,000
Center for Rapid Prototyping – WCU	1,758,697
Economic Development Partnership Initiative – NCSU	900,000
Research Campus at Kannapolis	5,000,000
	1,000,000 NR
Hickory Center for Engineering Technology	660,000
	1,100,000 NR
Research – Development Fund	4,000,000
Expand HUB Contractor Academies	400,000
Assisting Focused Growth & Special Needs Institutions	10,000,000
ECSU	1,000,000
FSU	1,000,000
NCA&T	1,000,000
NCCU	1,000,000
UNCP	1,000,000
WCU	1,000,000
WSSU	1,000,000
NCSA	750,000
UNCA	750,000
NCSA - Equipment	750,000
UNCA - Equipment	750,000

NR *Nonrecurring funds*

**The University of North Carolina
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<u>Budget Item</u>	<u>Recommended Amount</u>
Expanding Summer School	1,455,000
General Pilot Project - Summer Term - FSU	780,000
Year-Round University Pilot - Teacher Education - UNCW	675,000
Enhance Recruitment of Outstanding Graduate Students	10,475,839
ASU	162,911
ECU	722,120
ECSU	118,902
FSU	95,900
NCA&T	373,815
NCCU	210,782
NCSA	45,736
NCSU	2,518,032
UNCA	19,878
UNC-CH	3,653,478
UNCC	898,216
UNCG	784,550
UNCP	216,361
UNCW	236,088
WCU	249,210
WSSU	169,860
Matching Funds/Other Programs	8,878,869
Matching Funds – NCA&T Agricultural Programs	1,300,000
Judicial College – UNC-CH	750,000
North Carolina in the World Project – NCCIU	200,000
Libraries – Joint Purchasing and Licensing of Electronic Materials	500,000
RESERVE – Fiscal Impact of Statutory Changes	5,900,000
	228,869 NR
Improvements to Information Technology	32,725,000
Campus IT Infrastructure Update (\$250,000 for each campus)	4,000,000
Data Center Consolidation and Disaster Recovery	6,000,000
RESERVE – Renaissance Computing Institute (RENCI) – Operations	11,525,000
RESERVE – Renaissance Computing Institute (RENCI) – Infrastructure	11,200,000 NR
TOTAL 2006-07 Budget Request – recurring	285,515,153
TOTAL 2006-07 Budget Request – nonrecurring	14,028,869

NR Nonrecurring funds

**The University of North Carolina
Operating Budget Priorities
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The Board of Governors, President, Chancellors, and General Administration staff have worked collaboratively to prepare this budget request for 2006-07. The unfunded items in the 2005-07 Budget Request were reviewed. The President and the Chancellors recommend that the Board transmit to the Governor and the General Assembly the following priorities for funding in 2006-07.

Enrollment Changes

79,233,129

UNC campuses were over-enrolled by approximately 315 students in the fall of 2005. It is expected that an additional 7,484 students will enroll on UNC campuses in the fall of 2006, bringing the total need for enrollment growth appropriations in 2006-07 to \$79.2 million. The North Carolina School of Science and Mathematics has also requested \$240,000 for an additional 12 students.

Need-Based Student Financial Aid Program

21,587,990

The UNC Need-Based Student Financial Aid Program currently serves more than 30,000 North Carolina resident undergraduate students. This additional funding is required to hold needy students harmless for increases in the cost of education in 2006-07 and to cover additional students who have been deemed eligible for the program. The Board of Governors requests an additional \$21,587,990 for this program in 2006-07.

Academic Salary Increases (5%)

75,506,625

The Board of Governors is directed by the General Assembly to make recommendations for salary increases for faculty members and other academic personnel who are exempt from the State Personnel Act. In its 2005-07 biennial budget request, the Board requested academic salary increases of 7.5 percent each year of the biennium. Studies continue to indicate that UNC campuses are losing competitive ground with peer institutions in the marketplace for recruiting and retaining high quality faculty. These studies show that the Board's request of 7.5 percent is minimal, and that it would not bring UNC faculty to the average salaries of their peer institutions. The Board gratefully acknowledges the 2 percent salary increase provided by the General Assembly for 2005-06. For 2006-07, the Board requests an increase of 5 percent, to be awarded on a merit basis according to policy adopted by the Board of Governors.

Although not statutorily required by the General Assembly, the Board reiterates its support for a meaningful salary increase for employees subject to the State Personnel Act (SPA). The Board also supports funding for career-banding initiatives and funding for in-range pay adjustments in order to maintain the competitiveness of the University's staff.

**The University of North Carolina
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Expanding Teaching and K-12 Education**21,224,002**

The Board of Governors requests that funds related to Expanding Teaching and K-12 Education be appropriated for the programs identified below. Allocations to a campus will be made by the President when he has determined that the Dean of Education for a campus has a planned, coordinated effort to more efficiently and effectively prepare and develop teachers and administrators for North Carolina's public schools.

North Carolina High Need Teacher Scholarship Loan Program

1,975,000

The North Carolina High Need Teacher Scholarship Loan Program would provide each of the fifteen teacher preparation programs in the University of North Carolina with teacher scholarships for in-state prospective teachers seeking licensure in a high need area identified by the UNC Board of Governors, in collaboration with the N.C. Department of Public Instruction. Funding would provide for 300 scholarships systemwide for freshmen and community college transfer students. The State Education Assistance Authority would administer these funds and work with the Board of Governors to determine the conditions for forgiving the loans and the collection of the loan repayments.

Prospective Teacher Scholars Expansion Pilot for Math and Science

1,526,620

This program would allow UNC. campuses to recruit approximately 145 non-resident students to become mathematics or science teachers in North Carolina. By agreeing to teach for an equivalent number of years in North Carolina, the students would be charged the in-state tuition rate rather than the non-resident rate. The Board of Governors would establish guidelines and regulations for this pilot program, including methodology for determining its success in increasing the supply of qualified mathematics and science teachers for North Carolina public schools. Funds would be administered by State Education Assistance Authority. Distribution to the campuses would be based upon the production of teachers.

Lateral Entry Scholarship Program

1,625,000

The proposed Lateral Entry Scholarship Program would be available for individuals with a bachelor's degree and currently teaching in a North Carolina public school under the lateral entry program. To qualify for the scholarship, the recipient must hold an alternative professional license and be enrolled in:

1. an alternative licensure program through a N.C. Community College lateral entry program; or
2. an alternative licensure program through a teacher education program at a constituent institution of the University of North Carolina; or
3. courses at a N.C. Community College or UNC constituent institution to fulfill a program of study approved by one of the North Carolina Department of Public Instruction Regional Licensure Centers.

The scholarship may be used to cover the cost of tuition and fees for courses needed to achieve licensure in North Carolina (up to \$2,000 per student for a minimum of 800 students). The North Carolina State Education Assistance Authority (SEAA) would administer the funds and distribute monies directly to the individual college or university where the student is taking the required courses. Regulations for participation and continuation in the program, and the distribution of funds would be established by SEAA in consultation with UNC General Administration and the N.C. Community College System.

**The University of North Carolina
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Expanding Teaching and K-12 Education (continued)

UNC/NCCCS Partnership Online 2+2 Joint Initiative

1,000,000

This request is for recurring funds to be appropriated to the University of North Carolina for the UNC/NCCCS 2+2 E-Learning Initiative for further development of online courses for 2+2 programs. Based on a mutually agreed upon decision by the State Board of Education Chairman, the President of the North Carolina Community College System, and the UNC President as to the areas of greatest need, funds would be available to support joint technology development, for systems to track student progress and articulation between a North Carolina Community College and a University of North Carolina campus, and to develop technology to support online courses and 2+2 programs. Nonrecurring funds have initiated the development of online 2+2 degree programs in elementary education, special education, birth through kindergarten, middle grades education with concentrations in mathematics and science, secondary mathematics education, and secondary science education. Appropriation of recurring funds is needed to continue this initiative in building greater capacity and accessibility to teacher education.

Distance Education Professional Development for Mathematics and Science Education

500,000 NR

Funding for this budget request reflects support for a multi-campus (ECU, ECSU, & UNCW) distance education professional development initiative focused on support for mathematics and science teachers. The initiative is aligned with the Eastern North Carolina Broadband Initiative serving seven identified high need school districts in northeastern North Carolina. Funds would enable ECSU to design professional development modules that address common threads of learning for grades K-2 (properties of objects and matter) and grades 3-5 (soil, earth, landforms); ECU would design and implement five professional development courses in the areas of Science (grades 6-8), Biology, Physical Science, Chemistry and Earth Science; and UNCW's professional development modules would be specifically designed for teachers not prepared to teach in science and mathematics classrooms due to placement in classrooms that are out of their licensure area (teachers teaching out-of-field). The outcome for this initiative, made possible through technology, would enable replication and broader use of these online professional development modules for school districts in other regions of the state.

Systemwide Request to Increase Support for Student Teaching Field-Based Experiences

1,100,000

Improved preparation and support of prospective teachers leads to improved teacher quality for all of North Carolina. This request seeks to appropriately fund field-based student teaching courses that require faculty-student ratios smaller than regular courses. Two Board of Governors' Committees – the Special Committee Reviewing the Funding Model for Enrollment Growth and the Committee on Meeting Teacher Supply and Demand – made this recommendation. To provide the necessary field-based supervision, campuses are being asked to reallocate resources to increase the number of faculty providing field-based courses and supervision. These reallocated funds would be used to provide a 1:1 match for creating 30 new positions. The proposed funds would provide the matching fifteen FTEs. Campuses would draw down the match only after they demonstrate that the funds were reallocated within the campus budget to create a new field-based faculty position. Each teacher education program would be matched based on the number of graduates from their respective teacher education program. Outcomes for this initiative will result in greater ability of the teacher education programs to enhance and support field-based student teaching courses and increase the number of teacher education graduates.

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Expanding Teaching and K-12 Education (continued)

New Teacher Support and Mentoring Aimed at Retention

2,156,382

Insufficient preparation, difficult teaching assignments, multiple class assignments, and a general lack of support are usually identified as major factors in N.C.'s annual Working Conditions Survey that cause beginning teachers to leave the profession. While individually, UNC programs have been providing some measure of services to graduates and alternative licensure program completers who obtain teacher education degrees/licensure and begin the initial licensure process, the University could do more to systematize support during the initial three-year induction period. UNC requests funding for this proposal to assign faculty to assist in mentoring newly employed graduates in partnership schools. By providing ongoing tracking and selected services to prospective teachers completing UNC teacher education programs, the University can grow a new population of teacher mentors for future cohorts of graduates and licensure completers and spur those experienced teachers onto more advanced degrees and National Board Certification. Support for this initiative will ultimately improve services, coordinate collective efforts, and extend outreach to better assist in recruiting, licensing, retaining and further developing a quality teacher base for all of N.C., especially high need districts. A total of twenty-nine non-tenure track clinical faculty positions would be distributed to the fifteen teacher education programs based upon the number of new teachers produced annually and an approved plan for implementing the statewide new teacher induction model. This initiative would result in increased support, mentoring, and retention of newly licensed teachers in partnership schools.

University-School Teacher Education Partnerships – Matching Funds

750,000

The University-School Teacher Education Partnerships (USTEP) is an initiative of The University of North Carolina that seeks to join universities, community colleges, public schools, and others to work toward improving teacher preparation and public-school education. Through these partnerships, university faculty and public school cooperating teachers and mentors are given opportunities to work collaboratively, broaden interest, depth of knowledge, and affirm professionalism. Specifically, the universities, public schools and other key partners collaborate to: 1) improve initial preparation and continuing professional development programs, 2) support the revitalization and improve public school curriculum, 3) conduct classroom-based research that will be used to improve classroom practice, and 4) share best practices throughout the state. The results continue to bring about important developments in both school and university education. In northeastern North Carolina for example, Wachovia Partnership East (WPE) began in 2002 as the structural outreach to ECU's community college partners. Originally designed as the conduit for 2+2 program delivery, WPE has expanded to include a network of clinical schools and has provided the college of education with a structure around which to offer other distance education (DE) programs such as master's degrees, lateral entry programs, and mentoring /induction models. The USTEP partnership model, as exemplified by WPE, is the conduit for increased enrollments in professional education programs both initial and graduate, expanded partnerships and services to public schools, continued collaborations with community colleges, and increased numbers of lateral entry teachers served. Funds will be provided as a 1:1 match, requiring the leveraging of external grant and corporate support to demonstrate a matching commitment that would be applied to expand and enhance existing partnership activities. A report of the USTEP activities would be required annually. The overarching goal of this initiative is to extend the university's outreach in producing more teachers, and teachers of higher quality for the public schools of North Carolina.

**The University of North Carolina
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Expanding Teaching and K-12 Education (continued)

Lateral Entry Teacher Initiative for High Need Areas – UNCC

500,000

Funds requested for the Lateral Entry Teacher Initiative at UNC Charlotte would be directed toward preparing more qualified teachers in high need fields for North Carolina's classrooms. The initiative responds to the increasing need for high quality, flexible, affordable, and accessible programs of study for lateral entry teachers seeking the teaching license, particularly individuals located in the south-central region of the state. Funding would enable UNC Charlotte to produce at a minimum 200 hundred new teachers in high need fields above current levels on an annual basis. The Initiative would provide a model for combining the strengths of accredited teacher education programs at the university with the "close to home" accessibility of community sites. To sustain initial lateral entry efforts, expand, and offer models for replication statewide, new resources are required. Funds for this initiative would be directed toward support for a recruitment initiative in collaboration with the Charlotte Chamber and partners from business and industry to intentionally recruit professionals in science, mathematics, and technology to teaching careers; hire a full-time director and clerical support for the program; provide instructional support to offer over 30 courses for lateral entry teachers each summer at convenient community sites (including community colleges) on a stable and predictable basis; supplement the face-to-face Summer Institute with online offerings in middle/secondary education and special education during the academic year to increase access for candidates throughout the region; provide ongoing mentoring to lateral entry teachers in their first three years of service; develop a replicable model of mentoring for this mature population of new teachers; and evaluate effectiveness of recruitment strategies and professional preparation and induction programs for Lateral Entry Teachers. Support for this collaborative outreach to lateral entry teachers would be an important step in responding powerfully to the teacher shortage.

Pilot New Teacher Induction Model – ECU

1,321,000

The College of Education at East Carolina University (ECU) proposes a teacher and administrator induction program for all of Bertie and Halifax County Schools. The pilot would begin with an assessment of the current mentoring status in both school districts, which would be done in cooperation with the district superintendents. Once the initial assessment is complete, a collaborative district-wide induction model would be designed for each district that is aimed at improving new teacher retention during their first three years of service. This initiative is designed as a three year pilot.

Pilot New Teacher Induction Model – WCU

500,000

Western Carolina University's Project START (Supporting, Training, And Retaining Teachers) is a collaborative partnership among the College of Education and Allied Professions, the College of Arts and Sciences, the Center for the Support of Beginning Teachers, Asheville City, and Jackson County Schools. The goal of the project is to improve retention rates and teacher quality by supporting new teachers as they make the transition from pre-service training to application in the real-world classroom. *Project START* strengthens beginning teacher support programs by providing release time for full-time coaches who would work with university faculty and classroom teachers to ensure beginning teacher needs are met. Web-based e-mentoring allows *Project START* new teachers to share resources, lesson plans, instructional strategies and classroom management tips with colleagues from schools in both systems – building a community of learners outside the constraints of geography. This initiative is designed as a three year pilot.

**The University of North Carolina
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Expanding Teaching and K-12 Education (continued)

Summer Ventures in Science and Mathematics

1,250,000

The need to better prepare and attract academically talented students into careers based in science and mathematics, including the teaching profession, is an educational priority for North Carolina and the nation. Summer Ventures in Science and Mathematics (SVSM) is an inter-institutional program of the University of North Carolina System that targets rising high school juniors and seniors. Participating campuses include ASU, ECU, NCCU, UNCC, UNCW and WCU. The North Carolina School of Science and Mathematics (NCSSM) administers SVSM and has completed a 10-year program review. Findings indicate 86.3% have enrolled in an in-state institution of higher education, 85.2% have pursued graduate studies, 64.1% have majored in mathematics, science, or technology and 73% are paying N.C. income tax. The six campuses currently participating in the SVSM program are serving approximately 70 students per site. The SVSM program would like to increase the number of students being served from 70 to 120, which would be an addition of 50 students per site or 300 additional students statewide. Funds are requested to support this expansion. This initiative would result in building a pipeline to science and mathematics professions, including teaching.

DESTINY Lab – UNC-CH

2,000,000

DESTINY serves North Carolina with a team of educators and a versatile fleet of vehicles, including Destiny and Discovery – two 40-foot buses equipped as traveling science laboratories. Since 2000, DESTINY has served 97 counties, 104 school systems, 341 schools, more than 1000 educators, approximately 30,000 students. Aligned with National Science Education Standards and the North Carolina Standard Course of Study, Destiny's programs engage students' imaginations, spark their interest in science, and provide teachers with curricula for classroom use. Funding in this budget request would support collaboration with additional partners statewide to develop more learning experiences and teacher development programs. Key partners would include NCSU's Science House, the N.C. Grassroots Science Museum Collaborative, MSEN, and N.C. teacher education programs. Another key to DESTINY's success will be enhanced collaboration with UNC-CH partners, such as the Morehead Planetarium and Science Center, the Carolina Environmental Program, LEARN NC, the Center for Mathematics and Science Education, and faculty in the sciences. Funds for this initiative would provide an additional traveling laboratory and permit service to all regions of North Carolina, expansion beyond Destiny's current focus on high school biology to new programs focused on other sciences and grade levels, and establishment of a statewide database that assesses impact data on student achievement and attracting more students into science disciplines and into career paths for mathematics and science teaching.

Science, Technology, Engineering and Mathematics (STEM) Education – NCSU

2,000,000

The Board of Governors requests funding to allow NCSU to improve the production, retention and quality of STEM teachers by enhancing efforts through partnerships with N.C. teacher education programs, public schools, and community colleges to increase the numbers of students graduating in the STEM disciplines as well as the overall goal of attracting more students into STEM disciplines, key to competitiveness in a global economy. This initiative is aimed at strengthening programs that will complement the Science House and the Kenan Fellows Program at NCSU and coordinate programs with UNC-CH's DESTINY program. Support for this STEM initiative is critical for public school teacher supply and retention in the high need areas of science and mathematics and would provide expanded service to 8,000 teachers and 40,000 students annually. Through this STEM initiative, NCSU would produce 50 new STEM-focused elementary education teachers and double the number of mathematics teachers produced annually from 40 to 80.

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Expanding Teaching and K-12 Education (continued)

Pilot Initiative to Recruit, Prepare, Mentor, and Differentially Reward Select Mathematics Teachers in High Need Schools

2,100,000

The Board of Governors requests funding to support a pilot initiative with at least four of the rural high need school districts that were originally included in the Leandro court case: Hoke, Halifax, Robeson, Cumberland, and Vance Counties. The pilot would recruit, prepare, mentor and differentially reward up to 90 mathematics teachers licensed at the secondary level or licensed in middle grades with a concentration in mathematics. Retaining teachers in high-need subject areas such as mathematics is particularly difficult in a state where there are high-tech industries to employ science or mathematics graduates and the industries can easily exceed current teacher salaries. Essential information about preparing to be a teacher through traditional and alternative routes has not been consistently available, particularly in those LEAs with an unstable workforce and most understaffed personnel offices. Funds would be used to make improvements in services and outreach that would better assist in recruiting, licensing, retaining and further developing a quality teacher base for these high need districts. This pilot initiative would further explore and study market differentials for public school teacher's salaries in high need licensure areas and how such a market rate might be applied and justified.

Mathematics and Science Education Network

670,000

The Federal *No Child Left Behind* legislation has placed intense demands on improved mathematics and science teaching and learning, as well as on closing the achievement gap between majority and minority students. These demands have increased teacher accountability for improved student performance well beyond that of the state's ABC Accountability Plan. High-quality, ongoing professional development is indispensable in order for teachers to meet the expectations to have strong mathematics and science content and pedagogical content knowledge and also to engage and motivate students through high expectations and inquiry-based teaching. In addition, it is important to prepare more under-represented students to pursue college studies in science and mathematics. The Mathematics and Science Education Network (MSEN) works with students, grades 6-12, to do this through research-based, structured interventions. The MSEN and MSEN Pre-College Program are therefore positioned to help school districts, teachers and students with these challenges. The additional funds requested for these programs would be used to create a new MSEN Center or Pre-College Program, or to expand and enhance the services of existing Centers, based upon an evaluation of effectiveness. The requested funding would also provide for two additional MSEN Pre-College Program sites (located at ECU & WCU).

Initiative to Improve the Management and Leadership Skills of Principals in High Need Schools (Principals' Executive Program)

250,000

Through this initiative, the Principals' Executive Program (PEP) would enhance and link its Instructional Leadership Reform Program to provide focused support in meeting the needs of the recently identified nineteen high schools under Judge Manning's ruling, and the high need schools and districts in the "Pilot Initiative to Recruit, Prepare, Mentor, and Differentially Reward Select Mathematics Teachers in High Need Schools." Using University funds to begin in summer 2006, PEP would provide a customized professional development program and a coaching/mentor component that provides assistance at the school level. Important components of this overall initiative are teacher recruitment and retention in responding to the Governor's Teacher Working Conditions Initiative Survey and the application of a value-added evaluation process of the leadership development. Data driven decision-making is a primary strategy for this school-based reform initiative.

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Expanding Nursing and Health Care	19,138,871
<u>Temporary Space – Pharmacy Program – ECSU</u> The General Assembly appropriated \$28 million for capital construction costs associated with the construction of a permanent Pharmacy Classroom and Laboratory Instructional Facility. In order to meet the need to open the joint UNC-Chapel Hill - ECSU Pharmacy Program, the university acquired six modular units via lease (\$43,000 per year) to temporarily house the Pharmacy Program until the permanent facility could be constructed. ECSU is currently paying for the lease from operating funds for the program, which limits the Pharmacy program's ability to acquire needed supplies, instructional materials and software. Therefore, the request is to cover the lease until such time that the permanent building is completed.	43,000
<u>Indigent Care Reimbursement – ECU</u> The Board of Governors requests funding for the ECU Brody School of Medicine to partially compensate the School for the cost of providing significant levels of service to uninsured patients. Since its opening, ECU's School of Medicine has accepted all patients, irrespective of ability to pay. Last fiscal year, two-thirds of the patients treated at Brody were covered by Medicare, Medicaid, or had no insurance.	2,500,000
<u>Area Health Education Centers (AHEC) Expansion – UNC-CH</u> The Board of Governors requests additional funds for AHEC in six crucial areas: Special Initiatives to Address Health Workforce Shortages (Allied Health, Dentistry, Nursing, and Pharmacy); Latino and Workforce Diversity Initiatives; Primary Care Residency Training; Information Technology; Mental Health Reform & Health Care Quality Initiatives; and the Council for Allied Health in North Carolina.	3,731,506
<u>AHEC Expansion to Elizabeth City – UNC-CH</u> The Board of Governors requests funding for the establishment of a new Area Health Education Center (AHEC) in Elizabeth City. This new facility would serve an area of the state that has significant disparities in health outcomes. Currently, the closest operational AHEC facilities are in Rocky Mount and Greenville. The facility would also address this issue of access.	1,000,000
<u>Translational Medicine – UNC-CH</u> This program was initiated in 2005-06 at the level of \$1 million, with the goal of the program being to stimulate translational research and thereby speed the development of new drugs, therapeutic strategies, devices, and/or diagnostics. This is accomplished by identifying and supporting new teams of investigators who are ideally positioned to collaborate on studies that will take novel therapeutics from the laboratory and develop them for human use. The Board of Governors requests an additional \$2.5 million for this program in 2006-07.	2,500,000
<u>CASTLE/CCCDP Program – UNC-CH</u> The Center for Acquisition of Spoken Language Through Listening Enrichment (CASTLE) is a program developed and directed by the Carolina Children's Communicative Disorders Program (CCCDP) and is within the Department of Otolaryngology/Head & Neck Surgery at UNC-CH. CASTLE provides direct preschool and individual auditory/oral intervention to children who are deaf and hard of hearing, as well as their families. The goal is to not only directly teach the children, but to also teach parents how to facilitate spoken language at home. The Board of Governors requests \$350,000 to expand this program.	350,000

**The University of North Carolina
Operating Budget Priorities
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Expanding Nursing and Health Care (continued)

Nurse Scholars Program Expansion

2,750,000

Funding is requested to increase awards for the Nurse Scholars Program from \$5,000 to \$6,500 per year, to begin to include master's degree students, and to increase the current number of awards. Further changes to the Nurse Scholars Program are a part of the Board of Governor's Non-Budget Legislative Agenda.

Faculty Production – Graduate Nurse Scholarship Program

1,200,000

One of the major impediments to increasing the number of nurses produced in North Carolina is the shortage of faculty for nursing programs in both the community colleges and the universities. This request is for funding to establish a Graduate Nurse Scholarship Program that would fund up to two years of study for a master's student and up to three years of study for a doctoral student. Students seeking a master's degree in nursing education or a master's in another area of nursing related to teaching would be eligible for a \$15,000 scholarship loan per year for up to two years if the student commits to teach at a North Carolina community college for one year for each year the award is received. Students seeking a doctoral degree in nursing would be eligible for a \$15,000 scholarship loan per year for up to three years if the student committed to teaching in a public nursing program in North Carolina for one year for each year the award is received. The scholarship would have to be repaid if the recipient did not meet the work requirement.

AHEC – Expansion to Improve and Expand Nursing Clinical Education

600,000

This request is for funding to go directly to AHEC to support initiatives to improve, expand, and rationalize clinical sites in North Carolina for use by the community colleges, the campuses of UNC, and other providers of nurses in North Carolina. Among the initiatives AHEC is planning are: a state-wide summit on clinical education involving all stakeholders to map a state-wide plan for nursing clinical education in North Carolina, to be followed by regional conferences to put the plan into effect; grants to potential clinical sites to upgrade technology to clinical training level; grants to nursing programs for innovative initiatives in clinical education, particularly the use of technology to prepare students for more efficient and effective use of clinical sites; and a pilot program to place clinical faculty at selected sites to serve multiple programs.

Systemwide Request to Fund the Clinical Component of Nursing at a Higher Level

3,614,365

The 2005-07 biennium budget included a request to fund nursing clinical teaching hours at a higher level than was the case previously. This was based on an analysis of the cost of nursing education nationally, which showed that nursing education per credit hour was as costly as engineering. The clinical aspect is the most costly part of this. One aspect that makes it so costly is the Board of Nursing mandated 10/1 student/faculty ratio for clinical courses. The actual ratios are much lower in many instances due to safety concerns at a site. UNC-General Administration calculated the additional cost of funding all UNC nursing clinical hours at a level compatible with national cost data. Rather than request funding for the entire basis of the funding model, the Board of Governors requests that funds be provided for the portion for hiring more clinical faculty, a total of \$3,614,366. Updates were also made for changes in data that have been determined since the biennial request was developed. For existing nursing programs, these funds can be the basis for the expansions necessary to achieve the aggressive plan the Board of Governors has adopted for the UNC nursing

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Expanding Nursing and Health Care (continued)

Systemwide Request to Fund the Clinical Component of Nursing at a Higher Level (continued)

programs to double the number of prelicensure nursing graduates by 2009-10. Programs need to hire additional faculty immediately. Specifically, this funding would allow the programs to hire approximately 37 more clinical faculty to break the bottleneck that has limited the size of programs and provide additional support for the clinical component. The Board of Governors would allocate these funds based on a plan from each program that would show that the program currently is using its funds in an efficient and effective way and how each program would increase the production of nurses.

Funding for New BSN programs

850,000

The Board of Governors requests funding to support two new Bachelor of Science in Nursing programs (at FSU and UNCP) and ASU's new RN to BSN program. Nursing programs are very expensive to begin, and these programs could expand more rapidly if some initial funding were made available, in order to more quickly provide for faculty hirings, purchase of equipment, and other necessities.

Research and Jobs

19,318,697

Biomanufacturing Research Institute and Technology Enterprise (BRITE) Operating Funds – NCCU

2,500,000

NCCU currently has approximately \$2.5million in operating funds for the Biomanufacturing Research Institute and Technology Enterprise (BRITE) program, to support the capital funding investment made by the Golden LEAF Foundation. The Board of Governors requests an additional \$2.5 million in operating appropriations for this program - funding would enhance programmatic activities, including hiring faculty and staff, program development, and equipment purchases.

Biomanufacturing Training and Education Center (BTEC) – NCSU

2,000,000

The Board of Governors also requests additional funding to support the Biomanufacturing Training and Education Center (BTEC) at NCSU. The Golden LEAF Foundation provided \$33.5 million for capital expenditures. These additional recurring funds for operating costs would provide for basic operational support, the development of curriculum, and for the procurement of equipment. \$2.9M in operating funds were appropriated during the 2005 legislative session. This additional amount would complete the current funding requirements in operating funds for BTEC.

Center for Rapid Prototyping – WCU

1,758,697

The Board of Governors requests funding for WCU's Center for Rapid Prototyping, created in the spring of 2002 as a vehicle for engagement with regional industries. Current capabilities allow for the generation of physical prototypes out of a variety of materials using CAD model, CNC, and automated prototyping machines. The Carolinas MicroOptics Triangle is a regional research alliance of Clemson University, Western Carolina University and the University of North Carolina at Charlotte. The three universities will target basic research, manufacturing processes, and student education. This initiative will assist industries that manufacture optoelectronic and photonic components. Funding is requested to provide for additional staffing and equipment for the Center for Rapid Prototyping, as part of WCU's collaboration with the Carolina MicroOptics Triangle.

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Research and Jobs (continued)

Economic Development Partnership Initiative – NCSU

900,000

NCSU's Economic Development Partnership Office has developed a model program with the Wake County Economic Development Commission that has allowed for a close relationship between key faculty and the Commission. The Commission's strategic goals of attracting new industries in the fields of advanced textiles and biotechnology is based on a precision marketing program centered on the university. Funding would be used to model this successful program of partnership development in other areas of the state. These funds would provide support for the New Business Creation Initiative (NBCI), which will identify intellectual property developed at the university and advance the business opportunities for the intellectual property. Funding would provide for workforce preparedness in the areas of globalization and its impact on North Carolina's economy. This effort would focus on assisting North Carolina companies with ties to east Asia navigate economic and cultural difference, specifically with Japan and China, as well as with other countries.

Research Campus at Kannapolis

5,000,000

1,000,000 NR

The Board of Governors requests funding for the University's involvement in the Kannapolis Research Campus, located at the site of the old Cannon Mills headquarters. The campus would be the centerpiece of a public-private partnership, principally between the State of North Carolina, including several UNC institutions, and Mr. David Murdock and his companies (Dole Foods and Castle & Cooke, Inc.). It is anticipated that state funding for this project will need to be increased incrementally over a period of five years. At this time, \$5 million in recurring funds and \$1 million in nonrecurring funds are requested for 2006-07. The Board of Governors asks that the Governor and General Assembly indicate a commitment to provide additional funding contingent upon the accomplishments of project milestones.

Hickory Center for Engineering Technology

660,000

1,100,000 NR

The Board of Governors requests state funding to support the use of two adjoining buildings in Hickory for the development of Engineering Technology programs. Local supporters have raised funds to purchase two former Corning Research and Development buildings. The funds raised by the community will cover the purchase of the facilities, and also some of the redesign and renovation of the buildings and necessary equipment purchases. UNCC would be the fiscal agent for the facility and take the lead in coordination of programs with and advisory committee, including ASU, WCU, and General Administration. For an area that has been so severely affected by job losses, the Center is envisioned as a place that could function to support and stimulate economic development in the region. While some initial proposals envisioned a stand-alone Center, the Board of Governors recommends that the Hickory Metro Higher Education Center and the community colleges in the area be included in the development of a joint long-range plan for providing higher education in the greater Hickory area.

Research – Development Fund

4,000,000

Funding is requested to support the creation of a research investment program under which each constituent institution would receive a share of a research investment program pool based upon that institution's annual research activity. Because needs and requirements vary amongst the institutions, this option would enable individual campuses to choose where to focus resources so as to achieve the greatest effect. Similar approaches have proven successful in South Carolina, Illinois, and Indiana.

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Research and Jobs (continued)

Expand HUB Contractor Academies

400,000

The Board of Governors requests state funding to continue and expand the HUB Contractor Academy program. HUB Academies provide opportunities for minority contractors to learn strategies for successful participation in public construction projects. Because of the success of the HUB Academies offered in 2004-06, minority contractors' desire and demand for these programs has increased. The Board of Governors requests \$400,000 to support this initiative.

Assisting Focused Growth & Special Needs Institutions

10,000,000

The Board of Governors requests an additional \$1 million each for the seven Focused Growth Campuses (ECSU, FSU, NCA&T, NCCU, UNCP, WCU, & WSSU). This funding would be used to increase student retention and graduation rates at those universities. Furthermore, the Board of Governors requests \$750,000 in recurring Special Needs funding for NCSA and UNCA, and an additional \$750,000 in recurring funds for equipment on those two campuses.

Expanding Summer School

1,455,000

The Board of Governors would like to encourage campuses to offer additional courses during the summer term. Currently, summer instruction must be funded through tuition receipts, which results in higher tuition charges during the summer, discouraging students from taking those courses. Funding is requested to support two pilot summer programs at FSU and UNCW. The FSU program would be a broad summer term pilot, including teaching, nursing, business administration and natural science courses. UNCW's Pilot Program would focus exclusively on teacher education. By making additional courses available at a more typical tuition rate, UNCW's Watson School of Education anticipates that prospective teachers would be able to complete a program in three years and those without certification could gain it through licensure-only programs. UNCW intends to emphasize certain high need teaching areas in this pilot project. Funding for this initiative would allow the University to pilot summer term in a manner that is more similar to regular academic year programs, thereby increasing the utilization of facilities and providing a basis for further review of the trimester schedule.

Enhance Recruitment of Outstanding Graduate Students

10,475,839

The Board of Governors requests additional funding for graduate students in order to enhance the competitiveness of UNC institutions who are working to attract the best and brightest minds to live, study and work in the State of North Carolina. These funds would be used to offer graduate tuition awards that cover the difference between in-state and out-of-state tuition. The 1999 legislative session was the last time that the number of these awards was increased by the General Assembly. Since then, most UNC institutions have added new graduate degree programs and increased in their total graduate student enrollment. Funding is requested for an additional 900 graduate tuition awards, to be distributed to UNC campuses based on the number of new graduate programs since 1999, the number of graduate degrees awarded, the non-resident graduate population, and the sponsored research funding.

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Matching Funds/Other Programs **8,878,869**

Matching Funds – NCA&T Agricultural Programs 1,300,000

Based on requests from the Board of Governors, the General Assembly has authorized funds for the past several years so that NCA&T's School of Agriculture and Environmental Sciences could achieve the mandated matching funds imposed by the federal Agricultural Research, Extension, and Education Reform Act of 1988. This additional funding is required to achieve the current federal requirement of one-hundred percent matching money from the state.

Judicial College – UNC-CH 750,000

The Board of Governors requests additional funds for the UNC-CH School of Government's Judicial College. The program provides continuing education to judicial officials in North Carolina, including appellate judges, superior and district court judges, prosecutors, defenders, magistrates, clerks of court, and other judicial branch employees, in various areas of law and justice.

North Carolina in the World Project – NCCIU 200,000

In 2005-06, the General Assembly appropriated \$200,000 in nonrecurring funds to the North Carolina Center for International Understanding's project, "North Carolina in the World: A Plan to Increase Student Knowledge and Skills about the World." The Board of Governors requests that this funding be made permanent (recurring).

Libraries – Joint Purchasing and Licensing of Electronic Materials 500,000

The Board of Governors requests funds for a University-wide collaborative model in which every student, faculty member, researcher, and staff member in each UNC institution would have equal and unlimited access to a carefully selected collection of electronic resources and databases in high-priority disciplinary areas. Collective purchase of electronic resources would provide a consistent and stable digital library to support the development and success of: (1) high-priority programs and curricula in nursing, allied health sciences, math and science education, biotechnology, and related fields; and, (2) distance education and collaborative instructional initiatives, such as interinstitutional partnerships among universities, community colleges, and emerging entities such as the Kannapolis Biotechnology Campus, and the development of associated online learning modules. The funds would also be used for licensing at the system level. The University could increase the amount of information available to students and faculty at far less cost than if each institution were to license its resources individually. Other consortial experience has demonstrated that every \$5 invested can net as much as \$25 worth of content while also saving staff time in negotiating, licensing, managing, and hosting resources.

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Matching Funds/Other Programs (continued)

RESERVE – Fiscal Impact of Statutory Changes

5,900,000

The following items are included in the Board of Governors' 2006 Non-Budget Legislative Agenda. If enacted, these items would have a fiscal impact on the State Budget. The impact for all items is noted, and for items effective July 1, 2006, it is recommended that a reserve be established for 2006-07.

228,869 NR

Tuition Remission Exchange Program – The request would implement a tuition remission exchange program between the University and the Community College system. If enacted, the program would require a maximum appropriation of \$7.7 million for tuition and \$12.9 million in enrollment changes for Community College employees to take courses at the University; and, \$1.3 million for tuition and \$3.2 million for University employees to take courses at the Community Colleges. It is recommended that the program be enacted effective July 1, 2007. If enacted, the Board of Governors and the North Carolina Community College System will request an appropriate level of funding as part of the 2007-09 budget requests.

Immediate (or 1-year) Vesting in the Optional Retirement Plan – This request would provide immediate (or 1-year) vesting in Optional Retirement Plan for EPA employees in order to make compensation packages more competitive with University peers. The maximum reduction of available balances in State Retirement System would total \$806,300.

Parental Savings Trust Fund – This item would amend GS 105-134.6 and GS 116-209.25 to allow taxpayers who make contributions to the Parental Savings Trust Fund to deduct all, or a portion of, their total contributions in calculating N.C. taxable income for any given tax year beginning in 2006. If enacted, the provision would result in a recurring reduction of General Fund Revenues of \$1.3 million.

Parking Fines Assessment – This recommendation would modify the General Statutes to allow for the recovery of parking fines assessed on the campuses that are currently being reverted to the General Fund. If enacted, the provision would result in a recurring reduction of General Fund revenues of \$4.6 million.

Exemption from Sales Tax – This request would provide that organizations, including disregarded entity limited liability companies, that are recognized by the Internal Revenue Service as charitable organizations, exempt from taxation under Section 501(a) of the Internal Revenue Code, shall be exempt from paying sales tax in connection with providing student housing and other educational facilities. If enacted, the provision would result in a one-time reduction of General Fund revenues of \$228,869.

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Improvements to Information Technology	32,725,000
<u>Campus IT Infrastructure Update (\$250,000 for each campus)</u> The Board of Governors requests funding in the amount of \$250,000 for each campus, in order to allow each institution to designate and fund its highest priority information technology need. Each institution has differing needs, and this approach would allow each Chancellor to determine an annual expenditure in information technology that is of the most importance.	4,000,000
<u>Data Center Consolidation and Disaster Recovery</u> Since Hurricane Katrina devastated colleges and universities in New Orleans and the Mississippi Gulf region, UNC institutions have elevated concerns regarding the University's capacity to protect critical information technology (IT) assets and sustain instruction and administrative activities in the midst of a natural disaster or other crisis situation. Four themes emerged from system-wide discussions: protecting critical IT resources from loss or destruction as a result of an unanticipated event, disaster or other crisis situation; restoring critical IT resources after such an event, disaster or crisis; ensuring the availability of critical IT resources which support the mission of the University; and positioning critical IT resources so that they can be shared by constituent institutions and other partners across the state and the nation. UNC campus IT administrators, working with UNC General Administration, have developed a strategy to move from a highly decentralized approach to disaster recovery to a more uniform and centralized approach. In addition, several campuses are taking advantage of opportunities to achieve additional economies of scale while sharing data center and technical resources and consolidating hardware assets where practical. These funds would enable campuses to update aging IT infrastructure and to acquire back up and recovery resources, crisis communications software, centralized staff and data center services to address unmet disaster recovery needs and transition to increased consolidation of data center operations for critical University applications.	6,000,000
<u>RESERVE – Renaissance Computing Institute (RENCI) – Operations</u> The Renaissance Computing Institute (RENCI) and the University of North Carolina General Administration have a unique opportunity to partner with IBM and bring to North Carolina a first-of-its-kind ultrascale computing platform, the IBM BlueGene/P. The partnership, known as the IBM BlueGene Initiative can help transform North Carolina so the state can compete and prosper in the knowledge economy, now and in the future. Based on wide-ranging discussions with N.C. industry leaders and higher education institutions, the Initiative was shaped around four components: Establishing the world's largest unclassified computing system; Building an enabling infrastructure; Recruiting the human talent; and Establishing systemic outreach to all North Carolina citizens. The University supports North Carolina making a one-time investment of \$47 million to enable the state to move from the bottom to first place in the world by having the largest supercomputer of its kind. As a companion to the state's investment, the University requests one-time funding of \$11,200,000 to build the enabling infrastructure for RENCI and several UNC campuses.	11,525,000 11,200,000NR
In order to leverage the state's investment and achieve the full objectives of this initiative, the University requests \$11,525,000 in recurring funds to contract with RENCI for staff support and computer operations; computing equipment and storage for UNC campuses and funds to support collaboration with community colleges and other N.C. institutions.	
These funds will be held in reserve, pending further review.	

University of North Carolina Capital Budget Priorities – Summary

Institution	Description	Requested 2006-07
UNCW	School of Nursing	\$27,000,000
NCSU	Engineering Building III Complex – Centennial Campus *	86,000,000
	Coastal Studies Institute (ECU, ECSU, NCSU, UNC-CH, UNCW)	30,000,000
UNCC	Center City Classroom Building	45,827,389
UNC-CH	Science Complex South – Genomic Sciences Building	145,000,000
UNC-CH	Alfred Mann Institute (contingent on award) *	25,000,000
ASU	College of Education Living Learning Academic Building – Planning	1,820,000
ECSU	Parking Lots and Street Repair – Planning	98,800
FSU	Science & Technology Complex – Planning	1,144,000
NCA&T	General Classroom/Instructional Facility – Planning	1,040,000
NCCU	Complete Repairs to Steam Line – Planning	332,800
NCSA	Library – Planning	1,258,400
UNCA	Rhodes Hall – Comprehensive Modernization – Planning	416,000
UNCG	Academic Classroom & Office Building – Planning	2,279,028
UNCP	New Residence Hall – Planning	1,040,000
WCU	New School of Health and Gerontological Sciences Building – Planning	2,402,661
WSSU	Student Activities Center – Planning	768,225
ASU	Allied Health and Nursing Building – Planning	2,080,000
ECU	Shared Academic Building (Colleges of Business and Education) – Planning	4,409,600
ECSU	Upgrade Main Electrical Service Entry – Planning	104,000
FSU	Conversion of Lyons Science Bldg to General Classroom Building – Planning	182,000
NCA&T	Biotechnology Building (Bio-engineering, Bio-Medicine, Bio-Agriculture) – Planning	1,300,000
NCCU	School of Nursing – Planning	1,300,000
NCSA	Central Storage Facility – Planning	165,386
NCSU	Centennial Campus Library – Planning	5,928,000
UNCA	Lipinsky Hall – Comprehensive Modernization – Planning	390,000
UNCC	Research Facilities, Phase 2 – Planning	2,553,824
UNCG	Nursing Wing – Moore Building – Planning	1,421,778
UNCW	Scientific Laboratory Building – Planning	1,539,200
WCU	New Education and Allied Professions Building – Planning	2,089,710
WSSU	Hill Hall Comprehensive Renovation – Planning	312,000
UNC Hlth Care	Master Facility Plan	3,000,000
	Systemwide Reserve – Land Acquisition	10,000,000
	Reserve – Plan for Dentistry	7,000,000
TOTALS		415,202,801

* Total construction amount subject to agreements concerning intellectual property rights and other funds.

University-wide Facilities

In 2005, the Board of Governors prepared and presented to the General Assembly a comprehensive six-year plan and request for capital improvements. As enrollment grew and missions changed to reflect new degree programs, as well as the Higher Education Bond program moving into the construction phase of implementation, it was appropriate that the Board present a revised six-year capital plan to the legislature.

The 2005 six-year plan for capital improvements was built upon those projects originally planned for the second phase of the Board's ten-year plan adopted in 1999. In preparing the requests, campuses were instructed to review their institutional plans and make amendments to reflect changes in growth and other needs since 2000.

For an orderly progression of the University's capital improvements program, it is recommended in 2006-07 that full construction funding be appropriated for projects previously authorized for design. It is further recommended that planning funds be appropriated for all other top-priority projects. The 2007 General Assembly will be asked to consider construction funding for those projects planned in 2006-07.

APPALACHIAN STATE UNIVERSITY

The projects requested to be funded by the state for ASU are listed below in the Chancellor's priority order.

College of Education Living Learning Academic Building – Planning – \$1,820,000

Funds would provide the College of Education with approximately 120,000 square feet to be constructed along with a 400-bed residence hall to create a "living learning" center focused on teacher education. ASU has projected enrollment of more than 2,500 students involved in teacher education over the next five years. The facility would contain 24 classrooms, six computer labs, offices for faculty and staff, clinical space to serve the program needs related to counseling and communication disorders, and adequate space to serve a rapidly expanding federal and state grant program. The total project amount is \$35,000,000.

Allied Health and Nursing Building – Planning – \$2,080,000

The facility would be developed in concert with the Watauga Regional Medical Center, which has agreed to donate sufficient land. The building will contain approximately 135,000 square feet and will provide a central location for the approved College of Nursing and the consolidation of other academic and research programs in Allied Health. This facility would provide a much needed enhancement of both the quality and quantity of health-related higher educational opportunities available in Western North Carolina. The total project amount is \$40,000,000.

EAST CAROLINA UNIVERSITY

The projects requested to be funded by the state for ECU are listed below in the priority order of the Chancellor.

School of Dentistry – distributed sites and campus facility

Pending Further Review – The project would consist of a 112,500 square-foot School of Dentistry Building at ECU expected to cost \$48,000,000 and ten patient-centered clinics located in selected rural and possibly other underserved areas of the state. The clinics would provide care to primarily low income, underserved patients. The clinics are estimated to cost \$3,000,000 each. Funds for this project would be held in reserve pending further review of the establishment of a dental school at ECU. The total cost of this project is \$78,500,000.

Shared Academic Building (Colleges of Business & Education) – Planning – \$4,409,600

The project would provide for the construction of a 225,000 square-foot building that would include offices, classrooms and meeting spaces to meet the needs of expanding programs and enrollment growth. The two units proposed to occupy the new space are the Colleges of Education and Business, both of which have experienced significant growth and have capacity needs beyond their current building space. The relocation of these two academic units would vacate a significant amount of existing campus space, providing space for other academic units that have also experienced similar growth. The project would also include a new utility plant. The total cost of this project is \$84,800,000.

ELIZABETH CITY STATE UNIVERSITY

The projects requested to be funded by the state for ECSU are listed below in the priority order of the Chancellor.

Parking Lots and Street Repair – Planning – \$98,800

In keeping with ECSU's master plan and to accommodate enrollment growth, the university would use funds to remove an existing communications tower, resurface deteriorated campus roads, construct 1,200 parking spaces, improve drainage, and provide appropriate pedestrian access in accordance with the Americans with Disabilities Act. The total cost of this project is \$1,900,000.

Upgrade Main Electrical Service Entry – Planning – \$104,000

ECSU's main electrical service system is over 30 years old and in need of replacement. This upgrade would supply sufficient electrical power to the southern loop of the campus. The upgrade would also allow the university to participate in a load management energy conservation program offered by its electrical provider. The total cost of this project is \$2,000,000.

FAYETTEVILLE STATE UNIVERSITY

The projects requested to be funded by the state for FSU are as follows in the priority order of the Chancellor.

Science and Technology Complex – Planning – \$1,144,000

The proposed facility would serve as the hub for a new science and technology complex on campus. The facility would replace Lyons Science Building as the principal science facility on campus. It would include laboratories, classrooms, research areas, faculty offices, and meeting space to help the campus meet the demands of increased enrollment and to offer science and technology instruction to 21st century standards. The total cost of this project is \$22,000,000.

Conversion of Lyons Science Building to General Classroom Building – Planning – \$182,000

After the currently inadequate Lyons Science Building is replaced, this 76,000 square foot facility would be renovated and reconfigured to serve as a general classroom building. The renovation would include telecommunications upgrade, electrical, plumbing and other infrastructure systems improvements. The total cost of this project is \$3,500,000.

NORTH CAROLINA A&T STATE UNIVERSITY

The projects requested to be funded by the state for NCA&T are as follows in the priority order of the Chancellor.

General Classroom/Instructional Facility – Planning – \$1,040,000

The proposed interdisciplinary facility would provide classroom space to meet the needs of NCA&T's growing student body. The facility will be equipped with technology capabilities, distance learning classrooms, auditoriums, large and medium tiered classrooms and computer labs. The facility will enable the university to continue to provide courses in accordance with its mission. The total cost of this project is \$20,000,000.

Biotechnology Building (Bioengineering, Biomedicine, Bioagriculture) – Planning – \$1,300,000

The proposed facility would enable NCA&T to support ongoing and expanding research activities in bioengineering, biotechnology and biomedicine. NCA&T's biotechnology program is interdisciplinary and will incorporate research activities currently housed in the College of Engineering, College of Arts and Sciences, and School of Agriculture and Environment Sciences. The total cost of this project is \$25,000,000.

NORTH CAROLINA CENTRAL UNIVERSITY

The projects requested to be funded by the state for NCCU are listed below in the priority order of the Chancellor.

Complete Repairs to Steam Lines – Planning – \$332,800

This project would complete the needed replacement of underground steam lines/tunnels (approximately 60% of the campus total) that was funded in the 2000 Higher Bond Program. The steam lines, over time, have deteriorated significantly causing a reduction in condensate return, thereby increasing the University utility bill for boiler maintenance. In addition, these cracked and broken steam lines vent from manholes around campus causing a significant safety concern. The total cost of this project is \$6,400,000.

School of Nursing – Planning – \$1,300,000

This project would provide for the construction of a classroom with labs, common areas, and supporting infrastructure for the School of Nursing. The School has experienced rapid enrollment growth in recent years and the campus plans to expand this program to help address the statewide shortage of nurses. The current Nursing Program is expected to exceed the capacity of its current building in the next several years. The total cost of this project is \$25,000,000.

NORTH CAROLINA SCHOOL OF THE ARTS

The projects requested to be funded by the state for NCSA are listed below in the priority order of the Chancellor.

Library – Planning – \$1,258,400

The current library on the NCSA campus is only 33% of the size recommended by the Southern Association of Colleges and Universities and other National Educational Library Associations and is in poor condition. The proposed new library would provide the necessary space for books, periodicals, and other reference materials and a fully functional environment for the utilization of these resources by students and faculty. The total cost of this project is \$24,200,000.

Central Storage Facility – Planning – \$165,386

This project would include the construction of a 50,000 square foot commercial storage facility. The school generates a tremendous need for storage space unique to the academic environment of a performing arts conservatory. Each classroom activity and performance has the potential to generate valuable props, costumes and specialty equipment that require a controlled climate to retain their value and extend their useful life cycle. This facility will provide the school with a professional and reliable means to protect and manage these assets. The total cost of this project is \$3,180,500.

NORTH CAROLINA STATE UNIVERSITY

The projects requested to be funded by the state for NCSU are listed below in the priority order of the Chancellor.

Engineering Building III Complex – Centennial Campus – \$86,000,000

The project would allow for the continued relocation of the College of Engineering to the Centennial Campus. The 166,700 square-foot facility would meet the needs of the Departments of Mechanical & Aerospace Engineering and Biomedical Engineering. As proposed, the funding would provide \$27.2 million for the Alfred G Mann Institute for Biomedical Engineering, a research complex that will work in cooperation with UNC-CH's Medical School in developing future biomedical technologies. Funds for the Mann Institute will be held in reserve pending further consideration of agreements concerning intellectual property and other funds.

Centennial Campus Library – Planning – \$5,928,000

The project would provide a 202,000 gross square foot library on the Centennial Campus as well as the Institute for Emerging Issues and other associated non-profit public policy focused entities. The library will serve the specific needs of the Centennial Campus and address significant shortages in student study space. The Textiles Library will be relocated to this facility. Project costs would include \$12.8 million for associated infrastructure costs. The total cost of this project is \$114,000,000.

THE UNIVERSITY OF NORTH CAROLINA AT ASHEVILLE

The projects requested to be funded by the state for UNCA are listed below in the priority order of the Chancellor.

Rhodes Hall – Comprehensive Modernization – Planning – \$416,000

This project would provide for the comprehensive modernization of 26,700 square-foot Rhodes Hall, constructed in 1966. The renovated facility would provide classroom, office, and laboratory space for the environmental science, computer science and engineering programs. The total cost of this project is \$8,000,000.

Lipinsky Hall – Comprehensive Modernization – Planning – \$390,000

This project would provide for the comprehensive renovation of one of the original campus buildings. Lipinsky Hall currently houses student services that will move into Phillips Hall when it is renovated. Space in this facility would be configured for use by the departments of Fine Arts and Music to accommodate the growth in demand for space by these academic programs. The total cost of this project is \$7,500,000.

THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

The projects requested to be funded by the state for UNC-CH are as follows in the priority order of the Chancellor.

School of Dentistry – Oral Sciences Teaching & Learning Facility

Pending Further Review – This facility would provide teaching, office and research space for the School of Dentistry. Included in the project is a pedestrian bridge across Manning Drive. The construction of the Oral Sciences Teaching and Learning Facility would occur in two phases. The first phase would provide seminar space and preclinical teaching facilities to accommodate enrollment growth in the Dental School. The second phase would replace the existing Dental Office Building and Dental Research Building with modern facilities for faculty to conduct research. Funds for this project would be held in reserve pending further review of the establishment of a dental school at ECU. The total cost of this project is \$125,000,000.

Science Complex South – Genomic Sciences Building – \$145,000,000

This project would provide 210,000 square feet of teaching, office and research space for Genomic Sciences as well as a pedestrian bridge from the Science Complex to the Health Affairs Campus. The Genomic Sciences Building would serve as a central resource for scientific information spanning multiple disciplines. Within the facility, researchers would conduct basic research in biology and in the interfaces between biology and chemistry, physics, computer science, mathematics, materials science, psychology and the social sciences.

Alfred Mann Institute – \$25,000,000

Contingent on Award – The proposed Alfred E. Mann Institute would provide a \$100 million endowment for biomedical commercialization activities at North Carolina State University and UNC-Chapel Hill. A \$25 million facility would be constructed on the UNC-CH campus for the Mann Institute. Funds for this request will be held in a reserve pending further consideration of agreements concerning intellectual property and other funds.

THE UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE

The projects requested to be funded by the state for UNCC are listed below in the priority order of the Chancellor.

Center City Classroom Building – \$45,827,389

The new general classroom building will be designed primarily to house graduate and professional education programs. Some undergraduate programming will also be offered. It will provide space to the Belk College of Business for their MA, MBA, and Ph.D. programs, the College of Architecture's Charlotte Community Design Studio, the Lee College of Engineering's Systems Engineering program, and space appropriate to offering continuing education programs. In addition, graduate programs tailored to the needs of professionals working and living in this region will be offered in Business Gaming and Cyber Security, Public Administration, Liberal Studies, Art Administration, Public History, and Organizational Science. Also offered will be programs in Health Administration, Nursing, and Professional Development programs to promote teacher retention for beginning K-12 teachers. The building is critical to the University's need to keep pace with projected undergraduate, graduate, and professional development program growth.

Research Facilities, Phase 2 – Planning – \$2,553,824

The proposed building would provide laboratory space to accommodate growth in research programs at UNC Charlotte and support industry/university collaborative projects. Sufficient space is not available on campus to support on-going research or support public-private partnerships, an expanding grants program, and the capital creation that is envisioned for this region of North Carolina. State-of-the-art laboratories would be provided for research activities. The total cost of this project is \$49,112,000.

THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO

The projects requested to be funded by the state for UNCG are listed below in the priority order of the Chancellor.

Academic Classroom and Office Building – Planning – \$2,279,028

This project would provide for the construction of a facility to help alleviate the need for classroom space. Enrollment is anticipated to grow to a total of 17,367 students in fall, 2007. This growth will be accompanied by an increase in faculty members. Space is also needed to house new academic programs (based upon regional, state-wide, and national demand) and growth in externally funded research. The total cost of this project is \$43,827,470.

Nursing Wing – Moore Building – Planning – \$1,421,778

This project will provide for an addition to the Moore Building and to enable the School of Nursing to be located in a single facility. Current utilization of the building is fully scheduled for both day and evening classes and the School of Nursing is occupying space in two other academic buildings and an old house. Qualified nursing students are being turned away because of inadequate space. Additional space requirements are needed for the doctoral program. The total cost of this project is \$27,341,888.

THE UNIVERSITY OF NORTH CAROLINA AT PEMBROKE

The projects requested to be funded by the state for UNCP are listed below in the priority order of the Chancellor.

New Residence Hall – Planning – \$1,040,000

Funds would be used to construct a four story, brick veneer building to provide UNCP with 360 student beds. There will be 22 single (88 beds) and 68 double (272 beds) suites. The suites will not have individual kitchen facilities, but there will be a kitchenette on the first floor. The building will contain other public areas including study rooms, laundry and vending rooms, a 30-station computer lab on the first floor, and two elevators. In addition to the bedrooms and public areas, the building will contain administrator apartments and will be fully sprinkled for fire protection. The total cost of this project is \$20,000,000.

Land Acquisition

Funds would be used by UNC Pembroke to purchase adjoining parcels and other parcels proximate to campus consistent with the university's master plan. UNCP has requested \$3 million for land acquisition.

THE UNIVERSITY OF NORTH CAROLINA AT WILMINGTON

The projects requested to be funded by the state for UNCW are listed below in the priority order of the Chancellor.

School of Nursing – \$27,000,000

This 80,000 square-foot building would allow for the expansion of the School of Nursing and related programs. The current space does not allow for expansion of the nursing program despite projections of significant increases in both undergraduate and graduate programs. The requested space would provide modern classrooms, laboratories, simulation spaces, faculty offices, and various support spaces for the School of Nursing. The General Assembly has previously provided advanced planning funds for this facility.

Scientific Laboratory Building – Planning – \$1,539,200

This 80,000 square-foot building would provide adequate classroom, office and research space for faculty and students in the departments of Psychology and Earth Sciences. The modern laboratory classrooms that would be included in this facility would provide students in the earth sciences and psychology with functional and safe learning environments that are conducive to modern instruction and experimentation in the earth sciences and clinical psychology. The total cost of this project is \$29,600,000.

WESTERN CAROLINA UNIVERSITY

The projects requested to be funded by the state for WCU are listed below in the priority order of the Chancellor.

New School of Health and Gerontological Sciences Building – Planning – \$2,402,661

Western North Carolina is rapidly becoming a destination-of-choice for retirees, with centers for retirement developing especially in Henderson, Transylvania, Buncombe and Clay counties. Currently, 16 percent of the people who live in the region are elderly and that percentage is increasing at fast rate. This proposed project would allow the campus to house expanded programs in nursing and health-related programming to address the changing demographics in western North Carolina. The campus has plans for numerous innovative programs in health, gerontology, and occupational and physical therapy that would supplement the existing program offerings that would be housed in this proposed facility. The total cost of this project is \$46,205,011.

New Education and Allied Professions Building – Planning – \$2,089,710

This project would enhance WCU's efforts to help address the acute shortage of teachers in North Carolina by providing for the expansion of WCU's teacher education programs. The proposed new facility would provide state-of-the-art classrooms to support teaching and learning through the use of new technology and media that are currently unavailable in the existing facility due to its age, size, and configuration. Additionally, WCU has a strong commitment to helping keep teachers in the field once they begin teaching. The proposed facility would be designed to support adult learning to help promote teacher retention. The total cost of this project is \$40,186,740.

WINSTON-SALEM STATE UNIVERSITY

The projects requested to be funded by the state for WSSU are listed below in the priority order of the Chancellor.

Student Activities Center – Planning – \$768,225

This facility would provide needed student activity space to address the rapid enrollment growth experienced by the campus. The campus would supplement state funds with nonappropriated funds to fully fund this project. By providing the types of services that parents and students expect from the contemporary college-going experience, this proposed facility would help WSSU remain competitive and successful in fulfilling its focused-growth mission. The total cost of this project is \$14,773,560.

Hill Hall Comprehensive Renovation – Planning – \$312,000

This project would provide for the renovation of Hill Hall and expedite use conversion from a laboratory and classroom facility to administrative offices to address the need for additional office space required by the campus' rapid growth. As a response to the increase in the numbers of students enrolled in the University, the administrative units that provide the important student-support services and functions have also grown. The renovated facility would house the Departments and/or Divisions of Institutional Effectiveness, Enrollment Management, Information Technology, Human Resources, and Budget and Analysis. The total cost of this project is \$6,000,000.

OTHER

The following project is requested for East Carolina University, Elizabeth City State University, North Carolina State University, University of North Carolina at Chapel Hill, and University of Wilmington.

Coastal Studies Institute – \$30,000,000

This project would provide for a multi-campus center for coastal studies to be located in Dare County. The Coastal Studies Institute was established in 2002 as a partnership between East Carolina University, Elizabeth City State University, North Carolina State University, University of North Carolina at Chapel Hill, and the University of North Carolina at Wilmington to undertake research, offer educational opportunities, and provide outreach to North Carolina's maritime counties. The Center would be focused on research in maritime history, underwater archaeology, coastal processes, estuarine ecology, tourism and coastal management. Facilities would include a research building with an auditorium, wet labs and administrative space, a storage/garage building and a dormitory. The General Assembly has previously appropriated \$1.3 million for this project.

The following project is requested for UNC Healthcare.

Master Facility Plan – \$3,000,000

These funds would be used by UNC Health Care and the UNC School of Medicine to develop a comprehensive master plan. This Master Facility Plan, coordinated with the Campus Master Plan for UNC-Chapel Hill, would provide a more detailed and formal plan for development and funding, and would lay the foundation for future program and service development.

Repairs and Renovations

The Reserve for Repairs and Renovations was formally established by the General Assembly in 1993 to address both current maintenance needs and the documented backlog of deferred maintenance projects. General Statute 143-15.3(a) requires the State Controller to set aside an amount equivalent to three percent (3%) of the replacement value of state-supported buildings and place the funds into a reserve to be used for the repair and renovation of state facilities.

Every three years, the State Construction Office reviews the facilities and infrastructure at each constituent institution through its Facilities Condition and Assessment Program (FCAP). The FCAP reviewers document deficiencies and estimate the funds required to remedy those deficiencies. The documented deficiencies were carefully considered by all campuses in preparing their 2005 capital plans. A total of \$749,033,071 for system-wide repairs and renovations will be needed from the Reserve for Repairs and Renovations from 2005 to 2011. Specific projects listed in the plan will be revised as buildings and infrastructure deteriorate and lower priority projects become more immediate needs. The amount requested in the Schedule of Priorities for 2005-07 was \$250,000,000. The 2005 Session appropriated \$57,500,000 to the University for 2006-07 and it is recommended that the 2006 Session allocate funds from the Reserve for Repairs and Renovations to continue the University's plan to reduce documented deficiencies in its infrastructure and facilities.

Land

This request for funds to be utilized by the University for acquisition of land is presented without identification of specific requirements for individual institutions of the University, as advance disclosure of firm land acquisition plans tends to push prices higher. Further, a detailed land acquisition plan is often subject to interruptions of timing by factors that are not entirely controllable by the state and the University. Land acquisitions are planned to accommodate long-range University growth and development and usually involve properties adjoining campus boundaries. Such properties are generally advantageous building or parking sites or serve to provide buffer areas for the campus. It is recommended that the 2006 Session of the General Assembly appropriate \$10 million for land acquisition.