

University of North Carolina 2005 Budget Conference Priorities

1. Money Provision Priorities:

- **Full Funding for Enrollment**
- **Faculty & Staff Salary Increases**
- **Minimize Reductions & Maximize Flexibility**
- **Funding for Repairs & Renovations**

2. University Governance Issues:

- **Strike Senate Section 9.19, UNC Research Institutions May Increase Tuition**
- **Strike Senate Section 9.27, Scholarship Student**

3. Enrollment Management Issues:

- **Strike Section 9.4, Study of Enrollment Growth Funding Model**
- **Strike Section 9.7, Study Distance Education**
- **Strike Section 9.2, Enrollment Growth Fund/Encourage Partnerships for New 2+2 Programs**

4. Board of Governors and Other Priorities:

- **House Section 9.13, Bond Modifications**
- **Senate Section 9.14, Amend NC School of Science and Math Tuition Grant**
- **Senate Section 9.25, Tuition Waiver Program Expansion**
- **Strike House Section 9.32, Limit Out-of-State Enrollment at NCSA**
- **House Section 9.33, Nursing Scholars Program**
- **House Section 9.34, Professional Development Programs for Public School Employees**
- **House Section 9.35, Study In-State Teacher Tuition Benefit**
- **Combine House and Senate Sections 29.22 and fully fund \$3.7 million recurring for NCSU Salary Increases for Agricultural Program Employees**
- **Senate Section 29.29, ORP Vesting**
- **Strike Senate Section 9.3, UNC-NCCCS Teacher Education Initiative**

1. Money Provision Priorities:

Full funding for anticipated enrollment growth: The Senate budget would fully fund the Board of Governors' request for anticipated enrollment growth. While the House budget funds projected on-campus enrollment, it falls \$13 million short of the funds needed to serve our students taught at a distance—students who have already accepted admission to a UNC campus. As a result of profound changes in North Carolina's economy, demand for such programs continues to climb, with more than 18,000 students enrolled in UNC distance education programs last fall. More than 60 percent of students enrolled in off-campus programs are age 31 or older, and the majority say they could not have pursued a degree if the off-campus degree program were not available. If full enrollment funding is not provided, all students will likely face larger classes, fewer course sections, and restricted access to degree programs and student service. We urge conferees to adopt the Senate approach.

Faculty and staff salary increases: The Senate budget provides for an annual salary increase for each permanent state employee of \$500 or 2 percent, whichever is greater. The House version includes a flat \$90.50 per month salary increase for each permanent employee. The House approach, in effect, shortchanges UNC faculty, who typically are employed on a nine- or ten-month basis. Importantly—with respect to faculty and other EPA salary funds under the purview of the Board of Governors—the Senate version would provide these funds to the Board in a lump sum and authorize it to establish guidelines for their allocation. This provision would permit these funds to be awarded on the basis of merit and equity, rather than across the board. We urge conferees to adopt the Senate approach, which would result in a larger salary pool for University employees and allow the awarding of faculty and non-faculty EPA salary increases on a merit basis.

Minimize Reductions. Maximize Flexibility: Both the House and Senate budgets would require the University to make permanent cuts to its operating budgets in excess of \$40 million through a combination of management flexibility reductions and line-item cuts. Given the cumulative impact of repeated budget cuts to our campus operating budgets, we urge conferees to reduce the overall level of cuts, avoid line-item cuts, and provide University leaders with full flexibility to make required reductions in a manner that minimizes harm to each campus.

Repairs and Renovations: The House budget sets aside \$47.3 million for the University in a statewide Reserve for Repairs and Renovations of state-owned facilities. The Senate version provides \$23 million for this purpose. If UNC does not receive adequate R&R for basic life-cycle maintenance and repairs, we will not only compound the University's existing backlog of deferred maintenance problems, but create new ones as well. The House approach would be far more beneficial to the University. We urge conferees to adopt the House approach—and to increase the level of R&R funding further if at all possible.

2. University Governance Issues:

Strike Senate Sections 9.19 & 9.27

UNC Research Institutions May Increase Tuition, Section 9.19, Senate Version:

The Senate included in its budget a provision that would permit the boards of trustees of UNC-Chapel Hill and NC State University to increase tuition for those campuses without the approval of the UNC Board of Governors. This significantly takes authority from the Board of Governors and is detrimental for the future of the 16-campus University of North Carolina. The Board of Governors opposes this provision, and urges the Conferees to reject it.

Scholarship Student, Section 9.27, Senate Version:

One troubling special provision in the Senate budget dictates that all out-of-state undergraduates who receive full scholarships (academic, artistic, or athletic) to attend any of the 16-campus within the University will pay in-state tuition rates. Because no state funds are provided to offset the \$32-million impact of this requirement, campuses would have to redirect existing resources to replace nonresident tuition dollars currently paid from private sources. The Board of Governors opposes this provision, and urges the Conferees to reject it.

3. Enrollment Management Issues:

Strike Sections 9.2, 9.4, and 9.7:

The University respectfully requests that three enrollment management special provisions that are different in the House and Senate budgets not be included in the final budget, Sections 9.2, 9.4 and 9.7. The issues covered in these special provisions - enrollment growth funding model, distance education funding, and UNC/NCCCS 2+2 Programs – have and continue to receive intense review by the Board of Governors as outlined below:

Study of Enrollment Growth Funding Model, Section 9.4:

The Senate Budget included a provision instructing the Office of the State Budget and Management, jointly with the University of North Carolina and the Fiscal Research Division, to review the enrollment funding model and create an alternative to the current model. The House included the same provision, but asked that the final recommendation be submitted to the 2007 General Assembly. We ask the conferees to eliminate this provision from the final budget.

The UNC Board of Governors' recently completed an intensive review of the enrollment model. A special committee of 11 Board members were appointed to review the funding model for University enrollment growth. From September 2003 until November 2004 a series of eight meetings were held. This special committee concluded that the State of North Carolina and the University would benefit from several changes in the funding model. Those changes have been made. After the conclusion of its review, the special committee recommended that the funding model for enrollment be reviewed and thoroughly evaluated periodically and called for a full review of the model every six years.

Study of Distance Education, Section 9.7:

The Senate included in its budget a provision calling on the Office of State Budget and Management to conduct a study of distance education programs. It would include analyzing program duplication and determining which campuses are best suited for a particular course and program of study. The House included the same provision, but called on a private consultant to perform the review. We respectfully request this provision be deleted from the final budget.

The University is already required to submit a biennial report on distance education, mandated in NC Session Laws 1998, Chapter 212, Section 11.7. Cost analysis of University distance programs (as compared to on-campus programs) has been a component of the three reports (2000, 2002, and 2004) submitted to the General Assembly. The University will prepare another review for the 2006 report to the General Assembly in May. It will include an extensive cost analysis.

In addition to the biennial reports on distance education described above, another extensive study of University distance education is currently being undertaken in response to HB 1264 from the 2004 session of the NC General Assembly. HB 1264 called for a joint review by the NC Community College System and University of the future economic development and workforce needs of North Carolina. Extensive information on University distance education activities has been collected by the HB1264 consultants, with further analysis to occur during 2005 as the recommendations are finalized.

The University carefully reviews each campus proposal to establish a distance education program with attention given to need and demand, quality assurance, and avoidance of unnecessary duplication. Duplication is only seen in four areas: agricultural education, library science, nursing and business administration. Approximately two-thirds of all distance education instruction is in the critical needs of teacher education, health sciences (including nursing), technology and business. No University campus is allowed to offer a distance education program unless it has a strong campus-based program. The same standards are applied for distance as for campus programs in the areas of faculty credentials, student qualifications and expectations, and quality assurance.

Enrollment Growth Fund/Encourage Partnerships for New 2+2 Programs, Section 9.2:

Though not the same, both House and Senate budgets included this provision requiring the University to report to the Office of State Budget and Management and the Joint Legislative Education Oversight Committee on each campus's plan for increasing teachers. The provision links those plans to enrollment growth funding. We believe that the enrollment growth dollars should not be distributed based on specific initiatives, but on campus enrollment needs. We urge the conferees to delete this provision.

The Partnerships between the University and the NC Community College system regarding 2+2 programs are strong. Among the many successes of our state's 2+2 programs are the expanding collaborative partnerships between teacher preparation programs on University campuses and community colleges.

The Wachovia Partnership East is a great example of such collaborative efforts. The College of Education at East Carolina University has established consortium partnerships with four community colleges and numerous public schools within the University's service region to create seamless articulation agreements for programs of study in elementary education and special education. This partnership places faculty members on the community college campuses to serve in advising and recruitment roles, as well as providing support for coordination of efforts to offer courses on the community college campuses.

4. Board of Governors and Other Priorities:

UNC Bond Modifications, House Section 9.13:

The House budget includes the bond modification items requested by the Board of Governors' in its Legislative Agenda. We ask the conferees to adopt the House provision.

Amend NC School of Science and Math Tuition Grant, Senate Section 9.14:

The Senate budget amends the tuition grant program so that the Tuition Grant covers cost of attendance at a UNC institution, not just the cost of tuition. This item is a Board of Governors' priority on its Legislative Agenda. The House provision eliminated the Tuition Grant program entirely. We urge conferees to adopt the Senate approach.

Tuition Waiver Program Expansion, Section 9.25, Senate Version:

The Senate budget provides for an exception to the 12-month residency requirement for full-time employees of the University to allow them to pay in-state tuition rates for their dependent children and spouses immediately after establishing residency. It also authorizes a study for a tuition waiver exchange program between UNC and the NC Community College system. This item is a Board of Governors' priority on its Legislative Agenda and was requested by the campuses to improve the benefits package offered to faculty and staff. The House did not address this issue in their budget. We urge conferees to adopt the Senate approach.

Limit Out-of-State Enrollment at NCSA, Strike House Section 9.32:

The House budget limits out-of-state enrollment at the NC School of the Arts to 40% for the fall 2007 entering freshmen class and 35% by the fall 2008 freshmen class. NCSA is an internationally renowned arts conservatory. Its highly diverse student body is essential to its success. We urge the conferees to eliminate this House provision.

Nursing Scholars Program, Section 9.33, House Version:

The House budget provided for a clarification in the Nursing Scholars Program, stating that if a student who receives a scholarship is unable to pursue the course of study for a semester due to limited faculty resources, that recipient shall not be required to forfeit or repay the scholarship loan for that semester. This is a request from the State Education Assistance Authority. We urge the conferees to adopt the House provision.

Professional Development Programs for Public School Employees, Section 9.34, House Version:

The House budget included a special provision that would allow the Board of Governors to consult with the State Board of Education regarding professional development programs. We support this House provision and ask the conferees to include it in the final budget.

Study In-State Teacher Tuition Benefit, Section 9.35, House Version:

The House budget provided for a study of the current In-state Teacher Tuition benefit statute which requires teachers to establish a legal residence to be considered in-state for professional development programs. Many teachers work in North Carolina but live in neighboring states and amending the current statute would be beneficial to those teachers. This issue is a priority on the Board of Governors' Legislative Agenda. We urge the conferees to include the House provision in the final budget.

ORP Vesting, Section 29.29, Senate Version:

The Senate budget amends the current statute regarding the Optional Retirement Program to allow University employees to become vested after one year of ORP coverage. This item is a

Board of Governors' priority on its Legislative Agenda and is essential to recruiting and retaining faculty and staff. We urge the conferees to accept this Senate provision.

NCSU Salary Increases for Agricultural Program Employees, Combine House & Senate Sections 29.22:

The Senate budget provides funds for salary increases for NCSU Agricultural Program Employees exempt from the State Personnel Act. Special consideration should be given to addressing the competitive standing of researchers with faculty rank in the Agricultural Research Service and the "field faculty" (county agents) in the Cooperative Extension Service. Such consideration is vital to both the recruitment and retention of these valuable faculty. The Board of Governors, in its 2005-07 budget proposal, requested \$3.7 million recurring - we urge the conferees to appropriate funds to provide for additional salary increases for these employees.

UNC-NCCCS Joint Initiative for Teacher Education and Recruitment, Strike Senate Section 9.3

The Senate budget included this provision, but located the office in the Regional Alternative Licensure Centers. The joint request between UNC and the NCCCS housed the offices at Community College campuses. We ask the conferees to eliminate this Senate provision.