

2. 2015-16 Operating Budget Allocations.....Andrea Poole

**Situation:** While most of the funding for the Current Operations Budget of each institution comes in the base budgets as approved by the General Assembly, some funds for expansions and improvements are appropriated to the Board of Governors for allocation to the institutions. Reductions mandated by the General Assembly are also appropriated to the Board of Governors for allocation. These items are included in the 2015 Appropriations Act [S.L. 2015-241 (H97), as amended by S.L. 2015-268 (H259)].

**Background:** By statute, the Board is directed to allocate such funds in accordance with its 2015-17 Budget Priorities and with any specifications in the Appropriations Act and the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets, dated September 14, 2015. The General Assembly also made a number of appropriations and adjustments for designated programs in University Operations and Aid to Private Institutions.

**Assessment:** The allocations meet all of the directives cited in the Appropriations Act of 2015 and the related Joint Conference Committee Report. Many of the changes were made directly to each institution's continuation budget; however, items that require Board action are shown in the table on the following page and are also designated with an "A" in this document.

**Action:** This item requires a vote.

**THE UNIVERSITY OF NORTH CAROLINA  
2015-16 Operating Allocations**

	<u>Page</u>
A. Recommended Allocations for Items Requiring Board Approval	
Summary Table .....	1
Enrollment Change Funding .....	2
Management Flexibility Reduction .....	3
Academic Summer Bridge .....	3
UNC System SMART .....	3-4
Comply with Federal Law on Veterans' Tuition .....	4
Increasing Campus Performance.....	4
B. Additional Budget Actions Not Requiring Board Approval	
Compensation Reserve.....	4
Retirement Funding – TSERS and ORP .....	5
State Health Plan .....	5
NCSSM Teachers.....	5
Building Reserves .....	5
ECU Medical School Sustainability Funds .....	6
Mountain Area Health Education Center .....	6
Medical Scholars Program .....	6
Eliminate Hunt Institute .....	6
Elizabeth City State University .....	6
UNC Core .....	6
Recruit Community College Students Pilot .....	6
Union Square Campus, Inc. ....	7
Amend UNC Carryforward Funds to be used for Repairs and Renovations .....	7
NC Guaranteed Admission Program.....	7
NC Research Campus at Kannapolis .....	7
Centralized Process to Determine Residency for Tuition Purposes.....	8
National Guard Tuition Assistance Program .....	8
Aid to Private Institutions .....	8
Intra-Agency Transfers .....	8
Amend Senator Jean Preston Marie Shellfish Sanctuary Legislation.....	8
Economic Modeling Initiative .....	8
University Energy Centers.....	8
C. Budget Changes Effective for FY 2016-17	
Limit Use of State Funds for UNC Advancement Programs .....	9
Western Governors University Challenge Grant .....	9

Appendix A: UNC Operating Budget Comparison – 2015-17

Appendix B: Significant UNC-Related Special Provisions of S.L. 2015-241 (H97)

Appendix C: UNC System SMART Initiatives

Appendix D: S.L. 2015-116 (S478), In-State Tuition for Certain Veterans/Federal Programs

Appendix E: Aid to Private Institutions

Appendix F: UNC-Related Provisions of S.L. 2015-241 (H97) and S.L. 2015-268 (H259)

## 2015-16 Operating Allocations

This document includes recommended allocations for operating and compensation funding, as well as additional information about the 2015 budget and related bills. A comparison of the final budget to the BOG budget priorities can be found in Appendix A.

*It is recommended that the following proposed allocations for 2015-16 be approved and that the President be authorized to make refinements in the interest of accuracy and completeness. It is also recommended that the President be authorized to seek such concurrence as may be required of the Director of the Budget in the allocation of Budget Priorities.*

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

Table 1 summarizes the operating and compensation allocations requiring Board of Governors approval. Following the table is a summary of the methodology for each allocation.

**Table 1: Recommended Allocations for Items Requiring Board Approval**

<b>Institution</b>	<b>Enrollment Change Funding</b>	<b>Management Flexibility Reduction</b>	<b>Eliminate Academic Summer Bridge</b>	<b>UNC System SMART Initiatives (\$2M)</b>	<b>Total Changes</b>
ASU	\$ 4,510,727	(\$ 1,067,407)	\$ –	(\$ 91,633)	\$ 3,351,687
ECU	230,024	(2,231,656)	–	(158,769)	(2,160,401)
ECSU	(1,949,385)	–	(245,000)	(57,697)	(2,252,082)
FSU	(1,392,928)	–	(350,000)	(71,938)	(1,814,866)
NCA&T	(296,202)	(762,649)	(150,000)	(93,787)	(1,302,638)
NCCU	(3,514,071)	(608,838)	(150,000)	(81,667)	(4,354,576)
NCSU	14,541,371	(4,027,965)	–	(280,989)	10,232,417
UNCA	395,706	–	–	(54,215)	341,491
UNC-CH	(491,559)	(4,036,857)	–	(486,728)	(5,015,144)
UNCC	18,436,097	(1,464,039)	–	(121,180)	16,850,878
UNCG	2,304,282	(1,177,900)	–	(84,251)	1,042,131
UNCP	185,954	(413,313)	(150,000)	(67,361)	(444,720)
UNCW	10,501,729	(902,204)	–	(83,975)	9,515,550
UNCSA	511,467	–	–	(54,174)	457,293
WCU	4,988,881	(703,130)	–	(86,668)	4,199,083
WSSU	192,224	(436,444)	–	(73,159)	(317,379)
NCSSM	170,424	–	–	(17,378)	153,046
UNCGA	–	(200,710)	(28,700)	1,965,569	1,736,159
<b>Total</b>	<b>49,324,741</b>	<b>(18,033,112)</b>	<b>(1,073,700)</b>	<b>–</b>	<b>30,217,929</b>

**Note: Resident Tuition for Veterans and Performance Funding/Strategic Reserve are not included in the table above since no funds will change budget codes at this time; however, both items do require BOG allocation.**

*\*ECU, NCSU, UNC-CH, and WCU may allocate the management flex cut across the Health, Agricultural, and AHEC budget codes and NC Arboretum fund code within the parameters outlined in S.L. 2015-241 for the 2015-17 biennium.*

## 2015-16 Operating Allocations

### 1. Enrollment Change Funding <sup>A</sup>

The General Assembly fully funded the projected enrollment change in the UNC System by appropriating \$49,324,741 for 2015-16. Systemwide, enrollment is expected to increase by 3,345 FTE students. While in previous years, enrollment appropriations were allocated directly to the campuses through the continuation budget, the General Assembly made the appropriation for the 2015-16 enrollment changes to UNC-GA, Institutional Programs (BOG Reserve). Therefore, Board action is required for these allocations.

The enrollment change request and allocations are based on the University's student-credit-hour funding model, except for the components that remain on the FTE funding model. State-funded budgeted enrollments (SCH and FTE models) are established as shown in Table 2.

**Table 2: FY 2015-16 Budgeted Enrollment**

<b>Institution</b>	<b>Student Credit Hours</b>	<b>FTE Funding Model *</b>
Appalachian State University	493,670	
East Carolina University	693,664	322
Elizabeth City State University	41,891	
Fayetteville State University	142,271	
North Carolina A & T State University	282,235	
North Carolina Central University	190,179	585
North Carolina State University	809,299	443
UNC Asheville	100,062	
UNC-Chapel Hill	630,428	4,127
UNC Charlotte	683,452	
UNC Greensboro	456,033	
UNC Pembroke	163,328	
UNC Wilmington	393,978	
UNC School of the Arts	–	1,199
Western Carolina University	266,177	
Winston-Salem State University	146,442	
NC School of Science & Mathematics	–	839
<b>Total</b>	<b>5,493,109</b>	<b>7,515</b>

*\*FTE Model programs include: ECU Medical School, NCCU School of Law, NCSU School of Veterinary Medicine, UNC-CH Schools of Dentistry, Law, Medicine, and Pharmacy, UNCSA, and NCSSM. In addition, the General Assembly has fully funded the Board's request for the ECU School of Dentistry. The program will include 50 students per cohort, which began in 2011-12 and is now fully operational with a total of 200 students.*

An enrollment-related special provision (Section 11.14) moves the due date for enrollment projections to December 15 in even-numbered years and can be found on page B-3 of Appendix B.

## 2015-16 Operating Allocations

### 2. Management Flexibility Reduction <sup>A</sup>

The 2015 General Assembly mandated management flexibility recurring reductions of \$18,033,112 for 2015-16 and \$43,474,267 in 2016-17 [S.L. 2015-241 (H97), as amended by S.L. 2015-268 (H259)]. In addition to these recurring reductions, a nonrecurring reduction of \$3 million will also be implemented in 2016-17.

Section 11.4 of S.L. 2015-241 (H97) prohibited reductions to certain campuses (ECSU, FSU, UNCA, UNCSA, and NCSSM), outlined other parameters for allocating the reductions for the 2015-17 biennium, and required a report to the Office of State Budget and Management and the Fiscal Research Division by April 1, 2016 on the implementation of the reductions.

Five BOG-adopted efficiency and effectiveness metrics and three additional factors were considered in the reduction methodology for the remaining institutions, in order for institutions increasing performance or exceeding peer averages to receive a lower reduction.

#### Efficiency and Effectiveness Metrics:

- Freshman to Sophomore Retention – Campus performance greater than public peer average
- Graduation Rate – Six-year graduation rate greater than public peer average
- Degree Efficiency – Bachelor's degrees produced per 100 FTE undergraduates greater than public peer average
- UNC Compliance Index – UNC Compliance score higher than UNC System average
- E&R Spending per Degree – Education and related spending per degree less than comparable public peer average

#### Other Factors:

- No Tuition – Entities without the ability to charge tuition
- Diseconomies of Scale – Headcount enrollment less than 6,500 students
- Pell Grant Recipients – Greater than 1/3 of North Carolina resident undergraduate students receiving a Pell Grant

The related special provision, Section 11.4, may be found on page B-1 of Appendix B.

### 3. Academic Summer Bridge <sup>A</sup>

The 2015 General Assembly eliminated funding for the Academic Summer Bridge program, a program designed to provide a summer residential program for in-state, first generation students who would benefit from additional academic preparation to better transition from high school to the university. Although program funds are at the campus level, the \$1,073,700 reduction was to UNC-GA, Institutional Programs [S.L. 2015-241 (H97), as amended by S.L. 2015-268 (H259)]. Therefore, the Board of Governors needs to allocate the cut. The allocation is according to actual campus program funds.

### 4. UNC System SMART <sup>A</sup>

UNC System SMART is an initiative to increase system-wide efficiency, transparency, and accountability in the areas of human resources, consolidated UNC System financials, procurement and strategic sourcing, capital planning and facilities review, legal services, and

## 2015-16 Operating Allocations

advancement. The methodology for allocation of the \$2,000,000 in reductions shown in Table 1 varies by activity. Each proposed activity, allocation method, and expected return can be found in Appendix C.

### 5. Comply with Federal Law on Veterans' Tuition <sup>A</sup>

Last year, the General Assembly provided funding for the Yellow Ribbon Program, which leveraged federal matching funds to reduce tuition costs for certain nonresident veterans. Subsequently, the federal Veterans Access, Choice, and Accountability Act of 2014 required public institutions of higher education to charge certain nonresident veterans no more than the resident tuition and fee rates or risk losing approval to receive federal educational benefits. To comply, the General Assembly passed S.L. 2015-116 (S478), In-State Tuition for Certain Veterans/Federal Programs, which is included as Appendix D. In the budget, the General Assembly eliminated funding for the Yellow Ribbon Program (\$4,863,276) and provided \$9,300,762 to offset an expected reduction in tuition receipts as a result of granting resident status for certain nonresident veterans for tuition purposes.

These funds were appropriated to UNC-GA, Institutional Programs (BOG Reserve). **It is recommended that the President be authorized to make further allocations, based on campus actual tuition revenue waived.**

### 6. Increasing Campus Performance <sup>A</sup>

In 2011, the General Assembly funded a Board request for \$1,000,000 to reward and improve campus performance. **It is recommended that to maximize the continued use of these funds, they be administratively consolidated with the President's Strategic Initiative Reserve, an existing reserve used to enhance the University's performance.**

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

As noted earlier, the General Assembly mandated reductions and increased appropriations directly to several campus budgets, which do not require Board allocation. These are described on the following pages, for information only. Additionally, although funding for compensation and benefit changes was appropriated directly to the UNC budget, Section 30.10 directs the Office of State Budget and Management (OSBM) to determine the allocation of these funds. Unless otherwise noted, appropriations were made in the 2015 Appropriations Act (S.L. 2015-241, H97).

### 1. Compensation Reserve

The General Assembly funded a \$750 one-time bonus for UNC employees both subject to and exempt from the State Human Resources Act (SHRA and EHRA). This bonus shall not be considered part of an employee's annual salary or base rate of pay for retirement purposes. The Office of State Budget and Management (OSBM) has been directed to determine the allocation of these appropriated funds to each constituent institution. No action is required by the Board of Governors to allocate these funds. Sections 30.10 and 30.18A on page B-5 of Appendix B provide more information.

## 2015-16 Operating Allocations

### 2. Retirement Funding – TSERS and ORP

The General Assembly increased the State’s contribution for members of the Teachers’ and State Employees’ Retirement System (TSERS) from 15.21% to 15.32% and for members of the Optional Retirement Program (ORP) from 12.74% to 12.85% to fund increased retiree medical premiums. The Office of State Budget and Management (OSBM) has been directed to determine the allocation of these appropriated funds to each constituent institution. No action is required by the Board of Governors to allocate these funds. Sections 30.10 and 30.20 on pages B-5 and B-6 of Appendix B provide more information.

### 3. State Health Plan

The General Assembly provided additional funding to continue health benefit coverage for enrolled active General Fund employees. The Office of State Budget and Management (OSBM) has been directed to determine the allocation of these appropriated funds to each constituent institution. No action is required by the Board of Governors to allocate these funds. Sections 30.10 and 30.20 on pages B-5 and B-6 of Appendix B provide more information.

### 4. NCSSM Teachers

The General Assembly provided \$58,980 in recurring funds for changes to the statewide teacher salary schedule that affect teachers at NC School of Science and Mathematics. These funds were appropriated to the NC School of Science and Mathematics.

### 5. Building Reserves

The 2015 General Assembly appropriated funds for the biennium for operating new or renovated University facilities, as shown in Table 3. These funds were appropriated directly to the campuses.

***Table 3: FY 2015-17 Building Reserves***

	<b>2015-16</b>			<b>2016-17</b>	
<b>Institution/Building</b>	<b>Recurring</b>	<b>Nonrecurring</b>		<b>Recurring</b>	<b>Nonrecurring</b>
<b>Appalachian State University</b>					
Annie Belk Hall	\$115,039	\$ 6,310		\$115,039	\$ 0
<b>East Carolina University</b>					
CSLC #9	0	0		120,638	45,585
CSLC #10	0	0		120,638	45,585
<b>NC State University</b>					
Ricks Hall 3 <sup>rd</sup> Floor	27,390	9,701		29,880	0
<b>UNC Wilmington</b>					
S&BS Renovation	328,483	154,271		328,483	0
<b>TOTAL</b>	<b>470,912</b>	<b>170,282</b>		<b>714,678</b>	<b>91,170</b>

## **2015-16 Operating Allocations**

### **6. ECU Medical School Sustainability Funds**

The General Assembly appropriated \$8,000,000 in nonrecurring funds in each year of the biennium for the Brody School of Medicine. These funds were appropriated to ECU, Health Affairs.

### **7. Mountain Area Health Education Center**

The General Assembly appropriated \$8,000,000 in recurring funds for surgery and family medicine residencies in the MAHEC service area. These funds were appropriated to UNC-Chapel Hill, AHEC Programs.

### **8. Medical Scholars Program**

The General Assembly appropriated \$1,000,000 in recurring funds for the Kenan Medical Scholars program at UNC-CH's School of Medicine. This program supports students with a specialization interest in primary care, general surgery, and psychiatry who are interested in practicing medicine in a rural area. These funds were appropriated to UNC-Chapel Hill, Health Affairs.

### **9. Eliminate Hunt Institute**

The General Assembly eliminated all General Fund support for the Hunt Institute (\$737,230). Section 11.21 provides more detailed information. The funds were reduced from UNC-Chapel Hill, Academic Affairs.

### **10. Elizabeth City State University Transition**

The General Assembly fully funded the Board's request of \$3,000,000 in nonrecurring funds in each year of the biennium for Elizabeth City State University Transition. These funds will be used to enhance technology related to enrollment and recruitment of students, campus access and safety, and human resources management. The related special provision, Section 11.13, requires regular reporting on the expenditure of funds, and can be found on page B-3 of Appendix B. These funds were appropriated to Elizabeth City State University.

### **11. UNC Core**

The General Assembly appropriated \$1,000,000 in recurring funds to support course development for UNC Core, a program of online instruction for active duty service members and veterans housed at the Friday Center for Continuing Education at UNC-Chapel Hill. These funds were appropriated to UNC-CH, Academic Affairs.

### **12. Recruit Community College Students Pilot**

The General Assembly appropriated \$140,868 in nonrecurring funds to establish a pilot program in the ASU College of Education for the purposes of recruiting and retaining both undergraduate students and community college students [S.L. 2015-241 (H97), as amended by S.L. 2015-268 (H259)]. The funds may be used for personnel, marketing, programming, counseling, and advising. The program ends in FY 2017-18. These funds were appropriated to Appalachian State University.



## 2015-16 Operating Allocations

### 13. Union Square Campus, Inc.

The General Assembly appropriated \$2,000,000 in nonrecurring funds for 2015-16 for the Union Square Campus, Inc., a non-profit entity providing nursing education and training facilities with NCA&T, UNCG, Guilford Technical Community College, and Cone Health. This project also received nonrecurring funds of \$2 million in FY 2014-15. These funds were appropriated to UNC-GA, Institutional Programs.

### 14. Amend UNC Carryforward Funds to be used for Repairs and Renovations

Section 31.17 allows for a one-year increase in carryforward not to exceed 5% of General Fund appropriation for FY 2015-16. The Board is required to submit a report on expenditures for repairs and renovations no later than October 1, 2017 and a report on any expenditures for advanced planning no later than 30 days after the funds are spent. The provision can be found on page B-6 of Appendix B.

### 15. NC Guaranteed Admission Program

Section 11.7 directs the Board of Governors and State Board of Community Colleges to study a deferred admissions program for students identified as academically at risk and requires a joint report by March 1, 2016 on the fiscal impact and the number of students who may participate. The provision further requires each constituent institution design a deferred admission program for implementation at the beginning of FY 2016-17 for 2017-18 admission. The provision, Section 11.7, can be found on page B-2 of Appendix B.

### 16. NC Research Campus at Kannapolis

Section 11.5 of the Appropriations Act, found on page B-1 of Appendix B, again mandated that the Board of Governors use \$29 million to support UNC-related activities at the NC Research Campus at Kannapolis. Since no new funding was provided, the President will direct the following institutions to continue expending additional funds at Kannapolis at the same amount as in 2014-15, as shown in Table 4.

***Table 4: NCRC at Kannapolis FY 2015-16 Funding***

<b>Institution</b>	<b>2015-16 Funds to Kannapolis</b>
Appalachian State University	\$ 421,721
North Carolina A&T State University	2,463,663
North Carolina Central University	1,217,556
North Carolina State University	8,740,176
University of North Carolina at Chapel Hill	11,661,081
University of North Carolina at Charlotte	2,868,928
University of North Carolina at Greensboro	1,302,003
UNC-General Administration	324,872
<b>TOTAL</b>	<b>\$29,000,000</b>

## **2015-16 Operating Allocations**

### **17. Centralized Process to Determine Residency for Tuition Purposes**

Section 11.23 authorizes the State Education Assistance Authority (SEAA) to determine residency for UNC, Community Colleges, and students who apply for state-funded financial aid, beginning after December 31, 2016. The provision also directs various state agencies to cooperate with SEAA in electronic verification of evidence. The provision can be found on page B-4 of Appendix B.

### **18. National Guard Tuition Assistance Program**

The General Assembly appropriated \$200,000 in recurring funds to increase tuition assistance by 10% for active members of the North Carolina Army or Air National Guard. The total program funding after the adjustment will be \$2.1 million. These funds were appropriated to UNC-GA, Related Educational Programs.

### **19. Aid to Private Institutions**

The 2015 General Assembly appropriated \$8,550,000 in additional funds for programs for private institutions. The funds for these programs were appropriated directly to Aid to Private Institutions. Descriptions of these items can be found in Appendix E.

### **20. Intra-Agency Transfers**

The following intra-agency transfers do not require Board action.

#### Amend Senator Jean Preston Marie Shellfish Sanctuary Legislation

In accordance with the Joint Conference Committee Report, recurring funds of \$450,000 in 2015-16 and \$500,000 in 2016-17 will be transferred to UNC Wilmington from the Environment and Natural Resources budget to develop oyster brood stock to provide seed for aquaculture. For more details, see Section 14.9 of the Appropriations Act.

#### Economic Modeling Initiative (UNCC)

In accordance with the Joint Conference Committee Report, \$500,000 in nonrecurring funds will be transferred to UNC Charlotte from the Information Technology budget to support the development of a state economic development modeling capability at UNCC. This initiative will support state agencies involved in economic development and growth efforts. For more details, see Section 7.14 of the Appropriations Act.

#### University Energy Centers

Of the funds appropriated for university energy centers in the Environment and Natural Resources budget, \$253,465 shall be allocated to ASU, \$403,468 shall be allocated to NCA&T, and \$400,000 shall be allocated to NCSU. NCA&T shall prioritize use of funds for the study of the beneficial reuse of coal combustion residuals and the preparation and prosecution of a patent application covering any reuse technology developed at the center. A related special provision (Section 14.27) is included in the Appropriations Act.

## **2015-16 Operating Allocations**

### ***C. Budget Changes Effective for FY 2016-17 (for information only)***

#### **1. Limit Use of State Funds for UNC Advancement Programs**

The General Assembly cut \$16,354,396 in recurring funds beginning in 2016-17 and capped the use of General Fund appropriations for campus advancement activities at \$1 million per campus. The associated special provision, Section 11.6, can be found on page B-1 of Appendix B.

#### **2. Western Governors University Challenge Grant**

The General Assembly appropriated \$2,000,000 in nonrecurring funds for 2016-17 to Western Governors University for development of a North Carolina campus contingent on the University raising \$5 million in private funds. The associated special provision, Section 11.20, can be found on page B-4 of Appendix B.

## Appendix A: The University of North Carolina Operating Budget Comparison - 2015-17

	BOG Budget Priorities		Conference Committee Adjusted (incl. 16-17 enrollment reserve, tech. corr.)	
	2015-16	2016-17	2015-16	2016-17
<b>Certified Base Budget</b> (excludes Aid to Private Instit.)	2,539,126,467	2,539,134,902	2,539,126,467	2,539,134,902
<b>Expansion Items:</b>				
<b>Technical Adjustments</b>				
Enrollment Funding Adjustment <i>Conf. Comm. - includes \$31M in 16-17 reserve</i>	49,324,741	80,261,279	49,324,741	80,324,741
Comply with Federal Law on Veterans' Tuition	–	4,437,485	(4,863,276) 9,300,762	(4,863,276) 9,300,762
Building Reserves	470,926 R 273,288 NR	715,434 R 91,170 NR	470,912 R 170,282 NR	714,678 R 91,170 NR
<b>Other Funds Required to Maintain Current Operations</b>				
Elizabeth City State University Transition	3,000,000 NR	3,000,000 NR	3,000,000 NR	3,000,000 NR
ECU & UNC-CH Med Schools Sustainability Funds <i>(Conf. Comm. - ECU only)</i>	10,000,000	10,000,000	8,000,000 NR	8,000,000 NR
North Carolina Research Campus <i>(Conf. Comm. requires \$29M in expenditures)</i>	7,476,266	7,476,266	–	–
<b>Strategic Plan Investments</b>				
Rewarding Improved Student Performance and Efficiency	5,000,000	5,000,000	–	–
Game Changing Research	5,000,000	5,000,000	–	–
Convert More Discovery into Innovation	2,000,000	2,000,000	–	–
Technology & Competency-Based Learning and Innovation	3,500,000	3,500,000	–	–
<b>Retain Talented Workforce</b>				
Optional Retirement Plan Contribution	10,500,000	10,500,000	–	–
<b>Other UNC Items (not requested in BOG Priorities)</b>				
New Teacher Support Program	–	–	–	–
Evaluation of Teacher Recruitment and Retention Programs (NCSU, Friday Institute)	–	–	–	–
Recruit Comm. College Students Pilot (ASU)	–	–	140,868 NR	140,868 NR
Eastern 4-H Center (NCSU)	–	–	–	–
Union Square Campus, Inc.	–	–	2,000,000 NR	–

Note: All items are recurring funding unless noted as NR (nonrecurring).

## Appendix A: The University of North Carolina Operating Budget Comparison - 2015-17

	BOG Budget Priorities		Conference Committee Adjusted <i>(incl. 16-17 enrollment reserve, tech. corr.)</i>	
	2015-16	2016-17	2015-16	2016-17
Education Opportunities for Students with Disabilities (UNC-CH, Carolina Instit. for Developmental Disabilities)	–	–	–	–
National Guard Tuition Assistance Program	–	–	200,000	200,000
Workers' Compensation Adjustment Reserve	–	–	–	–
MAHEC (UNC-CH) <i>Senate: \$3M of this amount was included by floor amendment as Sec. 11.22 of the bill.</i>	–	–	8,000,000	8,000,000
Medical Scholars Program (UNC-CH)	–	–	1,000,000	1,000,000
UNC Core (UNC-CH)	–	–	1,000,000	1,000,000
<b>Reductions/Adjustments:</b>				
Management Flexibility Reduction <i>Conf. Comm. excludes the following campuses: ECSU, FSU, UNCA, UNCSA, &amp; NCSSM</i>	–	–	(18,033,112)	(43,593,567) R (3,000,000) NR
Advancement Programs Limited to \$1M from State Funds	–	–	–	(16,354,396)
UNC Need-Based Grant Escheat Swap	–	–	–	–
NC Guaranteed Admissions Program	–	–	–	–
Set-Off Debt Collection Cut (ECU, UNC-CH)	–	–	–	–
Eliminate Academic Summer Bridge	–	–	(1,073,700)	(1,073,700)
Eliminate funding for Hunt Institute (UNC-CH)	–	–	(737,230)	(737,230)
UNC School of Law (UNC-CH) <i>Senate: This reduction was included by floor amendment as Sec. 11.22 of the bill.</i>	–	–	–	–
<b>Total Operating Increases</b>	<b>96,545,221</b>	<b>131,981,634</b>	<b>82,607,565</b>	<b>111,772,219</b>
<b>Total Operating Decreases</b>	<b>–</b>	<b>–</b>	<b>(24,707,318)</b>	<b>(69,622,169)</b>
<b>Total Recurring Operating Changes</b>	<b>93,271,933</b>	<b>128,890,464</b>	<b>44,589,097</b>	<b>33,918,012</b>
<b>Total Nonrecurring Operating Changes</b>	<b>3,273,288</b>	<b>3,091,170</b>	<b>13,311,150</b>	<b>8,232,038</b>

Note: All items are recurring funding unless noted as NR (nonrecurring).

## Appendix A: The University of North Carolina Operating Budget Comparison - 2015-17

	BOG Budget Priorities		Conference Committee Adjusted <i>(incl. 16-17 enrollment reserve, tech. corr.)</i>	
	2015-16	2016-17	2015-16	2016-17
<b><i>Salary and Benefit Items:</i></b>				
Beginning Teachers Increase for NCSSM	In addition to the ORP contribution increase above, the BOG requested salary increase equity with other state employees.			
NCSSM Teacher Salary Step Increase			58,980	58,980
Bonus to Retain 2014-15 NCSSM Teacher Salary			—	—
Compensation Increase Reserve – SHRA Employees			—	—
Compensation Increase Reserve – EHRA Employees and NCSSM Teachers			—	—
Compensation Reserve (\$750/employee)			27,212,889 NR	—
State Retirement Contributions – TSERS Members			1,458,018	1,458,018
State Retirement Contributions – ORP Members			988,900	988,900
State Health Plan			3,097,323	3,097,323
<b>Total Salary and Benefit Changes</b>			<b>32,816,110</b>	<b>5,603,221</b>
<b>Total Recommended UNC Budget Changes</b>	<b>96,545,221</b>	<b>131,981,634</b>	<b>90,716,357</b>	<b>47,753,271</b>
<b>Total Recommended UNC Budget</b>	<b>2,635,671,688</b>	<b>2,671,116,536</b>	<b>2,629,842,824</b>	<b>2,586,888,173</b>
<b>Total Percent Change</b>	<b>3.8%</b>	<b>5.2%</b>	<b>3.6%</b>	<b>1.9%</b>
<b><i>Aid to Private Institutions:</i></b>				
<b>Base Budget</b>	108,169,754	108,169,754	108,169,754	108,169,754
NC Need-Based Scholarship Program	—	—	1,000,000	2,000,000
Opportunity Scholarships	—	—	6,800,000	14,000,000
Teacher Recruitment & Retention Scholarship Loan Program	—	—	—	—
Principal Preparation Grant Program	—	—	500,000	1,000,000
Special Education Scholarships	—	—	250,000	250,000
Western Governors Challenge Grant	—	—	—	2,000,000 NR
<b>Total Private Aid</b>	<b>108,169,754</b>	<b>108,169,754</b>	<b>116,719,754</b>	<b>127,419,754</b>

Note: All items are recurring funding unless noted as NR (nonrecurring).

## **Appendix B: Significant UNC-Related Special Provisions of S.L. 2015-241 (H97)**

### **UNC MANAGEMENT FLEXIBILITY REDUCTION**

**SECTION 11.4.(a)** The management flexibility reduction for The University of North Carolina shall not be allocated by the Board of Governors to the constituent institutions and affiliated entities using an across-the-board method but shall be done in a manner that recognizes the importance of the academic missions and differences among The University of North Carolina entities.

Before taking reductions in instructional budgets, the Board of Governors and the campuses of the constituent institutions shall consider all of the following:

- (1) Reducing State funding for centers and institutes, speaker series, and other nonacademic activities.
- (2) Faculty workload adjustments.
- (3) Restructuring of research activities.
- (4) Implementing cost-saving span of control measures.
- (5) Reducing the number of senior and middle management positions.
- (6) Eliminating low-performing, redundant, or low-enrollment programs.
- (7) Using alternative funding sources.
- (8) Protecting direct classroom services.

The Board of Governors and the campuses of the constituent institutions also shall review the institutional trust funds and the special funds held by or on behalf of The University of North Carolina and its constituent institutions to determine whether there are monies available in those funds that can be used to assist with operating costs. In addition, the campuses of the constituent institutions also shall require their faculty to have a teaching workload equal to the national average in their Carnegie classification.

**SECTION 11.4.(b)** In allocating the management flexibility reduction, no reduction in State funds shall be allocated in either fiscal year of the 2015-2017 biennium to any of the following:

- (1) UNC Need-Based Financial Aid.
- (2) North Carolina Need-Based Scholarship.
- (3) Elizabeth City State University.
- (4) Fayetteville State University.
- (5) NC School of Science and Mathematics.
- (6) University of North Carolina at Asheville.
- (7) University of North Carolina School of the Arts.
- (8) State funds allocated to NC State University for support to the Agriculture Education/Future Farmers of America Program.

**SECTION 11.4.(c)** The University of North Carolina shall report on the implementation of the management flexibility reduction in subsection (a) of this section to the Office of State Budget and Management and the Fiscal Research Division no later than April 1, 2016. This report shall identify both of the following by campus:

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

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

**SECTION 11.5.** Of the funds appropriated in this act to the Board of Governors of The University of North Carolina, the Board of Governors shall use twenty-nine million dollars (\$29,000,000) for the 2015-2016 fiscal year and twenty-nine million dollars (\$29,000,000) for the 2016-2017 fiscal year to support UNC-related activities at the North Carolina Research Campus at Kannapolis.

### **LIMIT USE OF STATE FUNDS FOR UNC ADVANCEMENT PROGRAMS**

**SECTION 11.6.(a)** A constituent institution as defined in G.S. 116-2 shall not expend more than one million dollars (\$1,000,000) of State funds on advancement programs. Constituent institutions shall take reasonable actions to increase the reliance of advancement programs on funds generated from fund-raising activities.

**SECTION 11.6.(b)** This section applies to the 2016-2017 fiscal year and each subsequent fiscal year.

## **Appendix B: Significant UNC-Related Special Provisions of S.L. 2015-241 (H97)**

### **NC GUARANTEED ADMISSION PROGRAM (NCGAP)**

**SECTION 11.7.(a)** The General Assembly finds that the six-year graduation rate for students pursuing a baccalaureate degree from any constituent institution of The University of North Carolina is too low. The General Assembly further finds that it is important to design and implement a program for the purpose of achieving the following goals: to assist more students to obtain a baccalaureate degree within a shorter time period; to provide students with a college education at significantly lower costs for both the student and the State; to help decrease the amount of debt resulting from loans that a student may owe upon graduation; to provide a student with an interim degree that may increase a student's job opportunities if the student chooses not to continue postsecondary education; and to provide easier access to academic counseling that will assist a student in selecting coursework that reflects the student's educational and career goals and helps the student succeed academically.

**SECTION 11.7.(b)** The Board of Governors of The University of North Carolina and the State Board of Community Colleges shall jointly study and evaluate how a deferred admission program, to be known as the North Carolina Guaranteed Admission Program (NCGAP), for students identified as academically at risk and designed pursuant to subsection (c) of this section, would address the issues and help achieve the goals set out in subsection (a) of this section. In its study the Board of Governors and State Board of Community Colleges shall also consider the best procedure for implementing NCGAP and the fiscal impact it may have with respect to enrollment.

**SECTION 11.7.(c)** NCGAP shall be a deferred admission program that requires a student who satisfies the admission criteria of a constituent institution, but whose academic credentials are not as competitive as other students admitted to the institution, to enroll in a community college in this State and earn an associate degree prior to enrolling as a student at the constituent institution. A student who earns an associate degree from a community college in this State within three years from the date of the deferred acceptance is guaranteed admission at that constituent institution to complete the requirements for a baccalaureate degree. A constituent institution shall hold in reserve an enrollment slot in the appropriate future academic year for any student who accepts a deferred admission. A constituent institution shall also reduce its enrollment for each academic year by the number of deferred admissions granted for that academic year.

**SECTION 11.7.(d)** The Board of Governors of The University of North Carolina and the State Board of Community Colleges shall report their finding and recommendations to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management by March 1, 2016. The report shall include an analysis of the fiscal impact NCGAP may have with regard to enrollment at constituent institutions of The University of North Carolina and at community colleges, the number of students who may participate in NCGAP, and its effect on FTEs.

**SECTION 11.7.(e)** Based on the analysis conducted by the Board of Governors and the State Board of Community Colleges pursuant to subsection (b) of this section and the recommendations made pursuant to subsection (d) of this section, each constituent institution shall design a deferred admission program as part of NCGAP for implementation at the institution. The institution shall design the program so that it may be implemented at the institution beginning with the 2016-2017 fiscal year and applied to the institution's admission process for the 2017-2018 academic year and each subsequent academic year.

**SECTION 11.7.(f)** The State Board of Community Colleges, in consultation with the Board of Governors of The University of North Carolina, shall adopt rules to ensure that a student participating in NCGAP is provided counseling and assistance in selecting coursework that reflects the student's educational and career goals and that provides a smooth transition from the community college to the constituent institution.

**SECTION 11.7.(g)** NCGAP shall be implemented at all constituent institutions and all community colleges beginning with the 2016-2017 fiscal year and shall apply to admissions policies at each constituent institution and community college beginning with the 2017-2018 academic year and each subsequent academic year.

**SECTION 11.7.(h)** This section does not apply to the North Carolina School of Science and Mathematics.



## **Appendix B: Significant UNC-Related Special Provisions of S.L. 2015-241 (H97)**

### **INTERNSHIPS AND CAREER-BASED OPPORTUNITIES FOR STUDENTS ATTENDING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES (HBCU)**

**SECTION 11.12.(a)** The internship program created pursuant to S.L. 2014-100 to provide internships and career-based opportunities for students attending Historically Black Colleges and Universities may be offered to four or more HBCUs in the discretion of the Board of Governors of The University of North Carolina. Further, there is no requirement that Elizabeth City State University be a permanent participant in the internship program. The internship program shall be administered as provided by subsection (b) of this section.

**SECTION 11.12.(b)** The Board of Governors shall conduct a competitive process to select institutions of higher education that are Historically Black Colleges and Universities to participate in the internship program which links 60 students attending Historically Black Colleges and Universities with North Carolina-based companies. The Board of Governors shall determine the number of institutions that may participate in the program; however, at least two of the institutions shall be private institutions. Funds appropriated by this act for this internship program shall be allocated only to constituent institutions of The University of North Carolina that are designated as an HBCU and private colleges and universities located in North Carolina that are designated as an HBCU.

**SECTION 11.12.(c)** Of the funds appropriated by this act for the support of the internship program, The University of North Carolina may use up to five percent (5%) for costs associated with administering this program.

**SECTION 11.12.(d)** This section applies to the 2015-2016 fiscal year and each subsequent fiscal year.

### **ELIZABETH CITY STATE UNIVERSITY BUDGET STABILIZATION FUNDS REPORT**

**SECTION 11.13.** The President of The University of North Carolina shall report each quarter of the 2015-2017 fiscal biennium to the Office of State Budget and Management and the Fiscal Research Division of the General Assembly on the status of budget stabilization funds appropriated to Elizabeth City State University by this act for the purpose of enhancing technology related to enrollment and recruitment of students, campus access and safety, and human resources management. The reports shall provide detailed descriptions of the scope of work that has been completed to date, anticipated activities for the next quarter, and a plan with time lines to complete the full scope of work. The reports shall also include evidence of improved services and outcomes achieved from improvements implemented using these funds. The first quarterly report required by this section shall be made no later than January 1, 2016.

### **UNC ENROLLMENT GROWTH REPORT**

**SECTION 11.14.** G.S. 116-30.7 reads as rewritten:

**"§ 116-30.7. Biennial projection of enrollment growth for The University of North Carolina.**

By ~~October~~ December 15 of each even-numbered year, the General Administration of The University of North Carolina shall provide to the Joint Education Legislative Oversight Committee and to the Office of State Budget and Management a projection of the total student enrollment in The University of North Carolina that is anticipated for the next biennium. The enrollment projection shall be divided into the following categories and shall include the projected growth for each year of the biennium in each category at each of the constituent institutions: undergraduate students, graduate students (students earning master's and doctoral degrees), first professional students, and any other categories deemed appropriate by General Administration. The projection shall also distinguish between on-campus and distance education students. The projections shall be considered by the Director of the Budget when determining the amount the Director proposes to appropriate to The University of North Carolina in the Recommended State Budget submitted pursuant to G.S. 143C-3-5(b)."

## **Appendix B: Significant UNC-Related Special Provisions of S.L. 2015-241 (H97)**

### **EARLY COLLEGE GRADUATES/UNC ADMISSION POLICY**

**SECTION 11.16.(a)** The Board of Governors of The University of North Carolina shall adopt a policy to require each constituent institution to offer to any student who graduated from a cooperative innovative high school program with an associate degree and who applies for admission to the constituent institution the option of being considered for admission as a freshman or as a transfer student. The constituent institution shall also provide written information to the student regarding the consequences that accompany each option and any other relevant information that may be helpful to the student when considering which option to select.

**SECTION 11.16.(b)** Beginning November 1, 2016, the Board of Governors shall report annually to the Joint Legislative Education Oversight Committee regarding the number of students who graduated from a cooperative innovative high school program with an associate degree and which option was chosen by those students when applying for admission to a constituent institution.

**SECTION 11.16.(c)** This section applies to the 2016-2017 academic year and each subsequent academic year.

### **WESTERN GOVERNORS UNIVERSITY CHALLENGE GRANT**

**SECTION 11.20.** Of the funds appropriated in this act to the Board of Governors of The University of North Carolina, the sum of two million dollars (\$2,000,000) in nonrecurring funds for the 2016-2017 fiscal year shall be used as a challenge grant to Western Governors University to raise the sum of five million dollars (\$5,000,000) in private funds for the 2016-2017 fiscal year to establish a North Carolina campus. The allocation of two million dollars (\$2,000,000) under this section is contingent upon receipt by Western Governors University of five million dollars (\$5,000,000) in private funds for the purpose of establishing a North Carolina campus.

The Board of Governors shall disburse the challenge grant funds of two million dollars (\$2,000,000) to Western Governors University upon notification and appropriate documentation that the sum of five million dollars (\$5,000,000) in private funds has been raised pursuant to this section.

### **CENTRALIZED PROCESS TO DETERMINE RESIDENCY FOR TUITION PURPOSES**

**SECTION 11.23.** It is the intent of the General Assembly to establish a coordinated and centralized process for residency determination that enables efficiencies within the public sectors of higher education and that simplifies the process while enhancing accuracy and consistency of outcomes. The State Education Assistance Authority (SEAA) is hereby authorized to perform all functions necessary to implement the coordinated and centralized process to apply the criteria in G.S. 116-143.1 to determine residency for tuition purposes of students who apply for admission and are admitted to a constituent institution of The University of North Carolina or a community college under the jurisdiction of the State Board of Community Colleges and for students who apply for State-funded financial aid to attend eligible private postsecondary institutions so that the process will be fully functional for terms of enrollment commencing after December 31, 2016.

The University of North Carolina General Administration and the North Carolina Community College System shall take the necessary actions to facilitate an orderly transition from the campus-based residency determination system to the coordinated and centralized process authorized in this section. Each of the Division of Motor Vehicles of the Department of Transportation, the Department of Public Instruction, the Department of Commerce, the Department of Health and Human Services, the Department of Revenue, the State Board of Elections, and the State Chief Information Officer shall expeditiously cooperate with the SEAA in verifying electronically, or by other similarly effective and efficient means, evidence submitted to the SEAA for the purposes of classifying an individual as a resident for tuition purposes. The SEAA shall consult with representatives of The University of North Carolina General Administration, the North Carolina Community College System, and the North Carolina Independent Colleges and Universities in implementing the centralized process.

## **Appendix B: Significant UNC-Related Special Provisions of S.L. 2015-241 (H97)**

### **UNIVERSITY OF NORTH CAROLINA SYSTEM**

**SECTION 30.6.** Effective for the 2015-2017 fiscal biennium, the annual compensation of all full-time University of North Carolina SHRA and EHRA employees shall not be legislatively increased for the 2015-2017 fiscal biennium, but may be increased as otherwise allowed by law

### **USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED SALARY INCREASES, COMPENSATION BONUSES, AND EMPLOYEE BENEFITS AND CLOSURE OF WORKERS' COMPENSATION CLAIMS**

**SECTION 30.10.(a)** The appropriations set forth in Section 2.1 of this act include appropriations for legislatively mandated salary increases and compensation bonuses in amounts set forth in the committee report described in Section 33.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for the purposes of legislatively mandated salary increases, compensation bonuses, and employee benefits, except that any funds remaining shall be divided equally between the Parks and Recreation Trust Fund and the reserve for the closure of workers' compensation claims.

**SECTION 30.10.(b)** If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases, compensation bonuses, and employee benefits exceed the amount required by that agency for those purposes, the Director may reallocate those funds to other State agencies that received insufficient funds for legislatively mandated salary increases, compensation bonuses, and employee benefits.

**SECTION 30.10.(c)** No later than March 1, 2016, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for legislatively mandated salary increases, compensation bonuses, and employee benefits. This report shall include at least the following information for each State agency for the 2015-2017 fiscal biennium:

- (1) The total amount of funds that the agency received for legislatively mandated salary increases, compensation bonuses, and employee benefits.
- (2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.
- (3) The total amount of funds used by the agency for legislatively mandated salary increases, compensation bonuses, and employee benefits.
- (4) The total amount of funds anticipated to be used for the Parks and Recreation Trust Fund and closure of workers' compensation claims

### **COMPENSATION BONUS AWARDED FOR FISCAL YEAR 2015-2016**

**SECTION 30.18A.(a)** Any person (i) whose salary is set by this act in Part 9 or this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is employed in a State-funded position on November 1, 2015, shall be awarded a one-time, lump-sum compensation bonus for the 2015-2016 fiscal year in the amount of seven hundred fifty dollars (\$750.00), payable during the month of December 2015.

**SECTION 30.18A.(b)** Notwithstanding G.S. 135-1(7a), the compensation bonus awarded by this section is not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

**SECTION 30.18A.(c)** The compensation bonus awarded by this section is not part of annual salary and shall be paid out separately. The compensation bonus shall be awarded to eligible permanent employees without regard to an employee's placement within the salary range, including employees at the top of the salary range. The compensation bonus shall be adjusted pro rata for permanent part-time employees.

## **Appendix B: Significant UNC-Related Special Provisions of S.L. 2015-241 (H97)**

### **SALARY-RELATED CONTRIBUTIONS**

**SECTION 30.20.(a)** Effective for the 2015-2017 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employee's salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

**SECTION 30.20.(b)** Effective July 1, 2015, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2015-2017 fiscal biennium are (i) fifteen and thirty-two hundredths percent (15.32%) – Teachers and State Employees; (ii) twenty and thirty-two hundredths percent (20.32%) – State Law Enforcement Officers; (iii) twelve and eighty-five hundredths percent (12.85%) – University Employees' Optional Retirement Program; (iv) twelve and eighty-five hundredths percent (12.85%) – Community College Optional Retirement Program; (v) thirty-two and eighty-one hundredths percent (32.81%) – Consolidated Judicial Retirement System; and (vi) seven and forty hundredths percent (7.40%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and sixty hundredths percent (5.60%) for hospital and medical benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers, University Employees' Optional Retirement Program, and the Community College Optional Retirement Program includes forty-one hundredths percent (0.41%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees and State Law Enforcement Officers includes one hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

**SECTION 30.20.(c)** Effective July 1, 2015, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2015-2016 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand two hundred fifty-one dollars (\$4,251) and (ii) non-Medicare-eligible employees and retirees – five thousand four hundred seventy-one dollars (\$5,471).

### **UNC CARRYFORWARD/TEMPORARY INCREASE ENDING JULY 1, 2017/MUST BE USED FOR REPAIRS AND RENOVATIONS**

**SECTION 31.17.(a)** Notwithstanding G.S. 116-30.3(a), the amount carried forward in each budget code under that subsection on June 30, 2016, shall not exceed five percent (5%) of the General Fund appropriation in that budget code. Any amount carried forward in a budget code that is in excess of two and one-half percent (2.5%) of the General Fund appropriation in that budget code shall be used only (i) for projects that are eligible to receive funds from the Repairs and Renovations Reserve under G.S. 143C-4-3(b) or (ii) for advanced planning of capital improvement projects.

**SECTION 31.17.(b)** The Board of Governors of The University of North Carolina shall submit the following written reports to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on the allocation and use of funds accruing from the temporary increase in the carryforward provided by subsection (a) of this section:

- (1) A report on expenditures for repairs and renovations no later than October 1, 2017.
- (2) A report on any expenditures for advanced planning no later than 30 days after the funds are spent.

## Appendix C: UNC System SMART Initiatives

Activity	Description	Expected Return-on-Investment	Basis for Reduction Allocation
Human Resources (\$400,000)	The Office of State Human Resources (OSHR) is transitioning greater authority to the UNC System in the areas of compensation, benefits management, and employee relations.	Support will focus on more upfront management with campuses in these areas, resulting in some recurring savings and mitigating future compliance-related costs.	FTE
Consolidated UNC System Financials (\$300,000)	Utilize professional accounting services to consolidate audited financial statements of all 18 legal entities of the UNC system according to GAAP and GASB rules.	Goal is to use initial outside report to build future statements internally. Recurring costs would include software and minimal amount for consultant services to cleanse data.	Net assets
Procurement & Strategic Sourcing (\$315,000)	Currently, the UNC System is saving \$6M annually through combined purchasing power and its limited strategic sourcing efforts.	Will focus on catalogue enablement activities (spend radar) and renegotiating maintenance contracts. Additional recurring savings should approach \$15M in three years.	Operating expenses
Capital Planning / Facilities Review (\$175,000)	Provide greater system presence in the planning, design, and bidding of projects greater than \$25M. Assist in acquiring and analyzing space utilization data.	More effective use of campus space and improved comprehensive capital planning capabilities. Will lower new construction costs and reduce future repair costs.	Building assets
Legal Services (\$250,000)	Provides additional legal shared services including litigation support, case preparation, e-discovery services, and public records matters.	Will reduce need for additional Attorney General's staff and expensive private contracts, as well as mitigate future settlement related	Personnel spending
Campus Advancement Shared Services (\$560,000)	Covers costs for shared services employees and operations that assist campuses. <b>Campuses have already received bills for these services.</b>	Supports centralized Planned Giving LLC and prospect research services. Performance and accountability metrics include increasing total gifts, improved donor support, and long-range forecasting.	Fee for service

## Appendix D: S.L. 2015-116 (S478), In-State Tuition for Certain Veterans/Federal Programs

AN ACT TO MAKE CERTAIN VETERANS AND OTHER INDIVIDUALS ENTITLED TO FEDERAL EDUCATIONAL BENEFITS UNDER 38 U.S.C. CHAPTER 30 OR 38 U.S.C. CHAPTER 33 WHO ENROLL IN ANY OF THE STATE'S PUBLIC INSTITUTIONS OF HIGHER EDUCATION ELIGIBLE FOR IN-STATE TUITION BY WAIVING THE TWELVE-MONTH STATE RESIDENCY REQUIREMENT AND TO REPEAL THE REQUIREMENTS REGARDING THE YELLOW RIBBON PROGRAM.

The General Assembly of North Carolina enacts:

**SECTION 1.** Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

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

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

(1) Abode. – Has the same meaning as G.S. 116-143.3(a)(1).

(2) Armed Forces. – Has the same meaning as G.S. 116-143.3(a)(2).

(3) Veteran. – A person who served active duty for not less than 90 days in the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration and who was discharged or released from such service under conditions other than dishonorable.

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

(1) The veteran applies for admission to the institution of higher education and enrolls within three years of the veteran's discharge or release from the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration.

(2) The veteran qualifies for and uses educational benefits pursuant to 38 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as administered by the U.S. Department of Veterans Affairs.

(3) The veteran's abode is North Carolina.

(4) The veteran provides the institution of higher education at which the veteran intends to enroll a letter of intent to establish residence in North Carolina.

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

(1) The person qualifies for admission to the institution of higher education as defined in G.S. 116-143.1(a)(3) and enrolls in the institution of higher education within three years of the veteran's discharge or release from the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration.

## **Appendix D: S.L. 2015-116 (S478), In-State Tuition for Certain Veterans/Federal Programs**

- (2) The person is the recipient of federal educational benefits pursuant to 38 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as administered by the U.S. Department of Veterans Affairs.
- (3) The person's abode is North Carolina.
- (4) The person provides the institution of higher education at which the person intends to enroll a letter of intent to establish residence in North Carolina.
- (d) After the expiration of the three-year period following discharge or death as described in 38 U.S.C. § 3679(c), any enrolled veteran entitled to federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 and any other enrolled individual entitled to federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 who is eligible for in-State tuition under this section shall continue to be eligible for the in-State tuition rate so long as the covered individual remains continuously enrolled (other than during regularly scheduled breaks between courses, quarters, terms, or semesters) at that institution of higher education."

**SECTION 2.** G.S. 116-143.8 is repealed.

**SECTION 3.** This act becomes effective July 1, 2015, and applies to qualifying veterans and other individuals entitled to federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 who are enrolled or who enroll in institutions of higher education for any academic quarter, term, or semester that begins on or after that date.

## **Appendix E: Aid to Private Institutions**

The 2015 General Assembly appropriated \$8,550,000 in additional funds for programs for private institutions. The funds for these programs were appropriated directly to Aid to Private Institutions.

### **1. Need-based Scholarships for Private Institutions**

\$1,000,000 in additional recurring funds for 2015-16 and \$2,000,000 in 2016-17 were provided for need-based scholarships for private institutions of higher education. Total program funding after this adjustment will be \$87.4 million for 2015-16.

### **2. Opportunity Scholarship Grants**

Additional recurring funds of \$6,800,000 for 2015-16 and \$14,000,000 in 2016-17 were provided to expand Opportunity Scholarship Grants. The program provides scholarship grants of up to \$2,100 per semester for eligible students to attend nonpublic schools. Total program funding after this adjustment will be \$17.6 million for 2015-16.

### **3. Principal Preparation**

The General Assembly also appropriated \$500,000 in recurring funds for 2015-16 and \$1,000,000 in 2016-17 to create a competitive grant program for principal development to be administered by the State Education Assistance Authority. For more detailed information, please see Section 11.9 in House Bill 97.

### **4. Special Education Scholarships**

Recurring funds of \$250,000 appropriated for each year of the biennium will be used to increase the Special Education Scholarships program by 6%. The program provides scholarship grants of up to \$4,000 per semester for eligible students. The total funding after this adjustment will be \$4.2 million. For more detailed information, please see Sections 11.11 and 11.18 in House Bill 97.



## Appendix F: UNC-Related Provisions of S.L. 2015-241 (H97) and S.L. 2015-268 (H259)

Section	Title	Description
<b>UNC Section</b>		
11.1	Use of Escheat Funds for Need-Based Financial Aid Programs	Directs Escheat funds for student aid.
11.2	Amend Regulation of UNC Institutional Trust Funds and Funds of UNC Health Care System	Requires cash balances deposited in the form of traditional demand or time deposits to be secured.
11.3	In-State Tuition for Certain Veterans and Other Individuals Entitled to Federal Educational Benefits	Passed separately in S.L. 2015-116.
11.4	UNC Management Flexibility Reduction	Guides implementation of management flex cut. Exempts the following: - UNC Need-Based Financial Aid - NC Need-Based Scholarship - ECSU - FSU - NCSSM - UNCA - UNCSA - NCSU Agriculture Education/Future Farmers of America funding Requires a report to OSBM and FRD by April 1, 2016 on the implementation of the reduction.
11.5	UNC to Fund NC Research Campus	Requires \$29M to be spent to support UNC-related activities at the NC Research Campus.
11.6	Limit Use of State Funds for UNC Advancement Programs	Limits to \$1M state dollars used on advancement, beginning in FY 2016-17.
11.7	NC Guaranteed Admission Program (NCGAP)	Directs the BOG and State Board of Community Colleges to study a deferred admissions program for students identified as academically at risk. Requires that the BOG and SBCC report to Ed Oversight, FRD, and OSBM by March 1, 2016 on the fiscal impact and the number of students who may participate. Requires each constituent institution design a deferred admission program for implementation at the beginning of FY 2016-17 for 2017-18 admission. Requires adoption of rules to ensure counseling and assistance in selecting coursework.
11.9	Transforming Principal Preparation	Implements the Principal Preparation program. The program is to be evaluated and revised by the administering nonprofit, the State BOE, and the University by September 15, 2021.
11.11	Special Education Scholarship Changes and Reevaluation Funds	Amends Special Education Scholarship program statute. Increases award limit from \$3,000 to \$4,000 per semester and requires remittance at least two times each school year.
11.12	Internships and Career-Based Opportunities for Students Attending HBCUs	Allows four or more HBCUs to apply to the BOG for funding. No longer requires ECSU to be a participant.
11.13	ECSU Budget Stabilization Funds Report	Requires quarterly reports beginning on Jan. 1, 2016 from the UNC President to OSBM and FRD on the status of budget stabilization funds appropriated to ECSU. Reports shall provide detailed descriptions of the upcoming scope of work and evidence of improved services.
11.14	UNC Enrollment Growth Report	Moves enrollment projections due date to December 15 from October 15.
11.16	Early College Graduates/UNC Admissions Policy	Requires BOG to offer students who graduated from a CIHSP with an associate degree either freshman or transfer status. Requires BOG to report annually to Education Oversight beginning March 1, 2017.
11.18	SEAA Funds for Administration of Special Education Scholarship Grant Program	Allows SEAA increased administrative funding, change from 2% to 3%.

## Appendix F: UNC-Related Provisions of S.L. 2015-241 (H97) and S.L. 2015-268 (H259)

Section	Title	Description
11.19	Education Opportunities for Students with Disabilities	Requires an assessment of gaps in services for people with disabilities (led by HHS). Requires SEAA to study ways to make financial aid available for qualified students with disabilities.
11.20	Western Governors University Challenge Grant	Directs the use of the WGU funds, requiring WGU to raise \$5M for FY 2016-17 to establish a NC campus. Directs the BOG to disburse the \$2M to WGU upon notification and appropriate documentation that the \$5M in private funds has been raised.
11.21	Hunt Institute/No General Funds	Prohibits General Fund dollars to be used to support the Hunt Institute.
11.23	Centralized Process to Determine Residency for Tuition Purposes	Authorizes SEAA to determine residency for UNC, Community Colleges, and students who apply for state-funded financial aid beginning after December 31, 2016. Directs various state agencies to cooperate with SEAA in electronic verification of evidence.

### *Other UNC-Related Sections*

2.1	Current Operations and Expansion/General Fund	Includes budget code specific appropriations.
5.2	Education Lottery Funds/Expenses of the Lottery/Limit on Regional Offices	Appropriates the Lottery Fund for 2015-2017. Includes \$10,744,733 for UNC Need-Based Grant (UNC NBG) and \$30,450,000 for Education Lottery Scholarship (ELS).
6.3	Venture Capital Multiplier Fund	Amends G.S. 147-69.2(b) and creates G.S. 147-69.2A to: - Expand the types of investments the State Treasurer may make with Escheat funds - Require the State Treasurer to engage a third-party professional to conduct a valuation and projection of the financial status of the Escheat Fund. This report shall include a recommendation of the annual amount available for scholarships, grants, and loans from the fund. The report will be presented by December 31 of each year.
7.13	Electronic Forms & Digital Signatures	Directs the State CIO to implement a digital form program for state agencies that includes electronic signature capacity.
7.14	Economic Modeling Initiative	Allocates money to BOG for UNCC to provide economic modeling for the state. UNCC report to IT Oversight and FRD by Jan 15, 2016. Provides \$500,000 to UNCC for FY 2015-16 and FY 2016-17.
7.17	Governmental Budgetary Transparency/Expenditures Online	Directs the State CIO to establish a State budget transparency website to include expenditures for state agencies, counties, cities, and local education agencies. Provides \$814K to implement this section.
7A.2	Statutory Changes Creating the Department of Information Technology	Creates Department of Information Technology. Exempts UNC from participation. Requires that UNC implement all business intelligence through the Government Data Analytics Center (GDAC). Requires the Department to identify potential funding sources for projects and prohibits projects from being initiated, expanded, or extended without either approval from the General Assembly (appropriated funds) or prior consultation with Gov Ops (non-appropriated funds).
8.14	Collaborative Procurement	Directs DPI to collaborate with the Friday Institute to implement public school cooperative purchasing agreements for the procurement of IT goods and services.
8.41	Amends Educator Preparation Program Approval Process	Directs the BOG to work with the State Board of Education, the State Board of Community Colleges, and the North Carolina Independent Colleges and Universities to establish standards for approval of educator preparation programs.
12A.13	Funds for Design and Implementation of Contracting Specialist and Certification Program	Requires study of designing a specialist training program for management level personnel similar to the Certified Local Government Purchasing Officer program at UNC-CH School of Government.
12E.11	Improve Maternal and Child Health/ Establish Competitive Grants Process	Requires DHHS and Division of Public Health to work with UNC-CH Gillings School of Global Public Health to develop a statewide plan to improve birth outcomes and overall health status of children from birth to five and lower infant mortality rates. A report is due to Ed Oversight by April 1, 2016 on the application process for local health departments to apply for a competitive grant.
12H.19	Drug Reimbursement Using Average Acquisition Cost	Changes the methodology for drug dispensing fees. This is associated with a \$3.7M reduction in the HHS section of the committee report.
12H.20	Medicaid Dental Service Cost Settlement	Requires DHHS to submit a state plan amendment to assure that all State-operated dental schools receive the same reimbursement. Exempts this amendment from the prior submission requirements of G.S. 108A-54.1A(e).

## Appendix F: UNC-Related Provisions of S.L. 2015-241 (H97) and S.L. 2015-268 (H259)

Section	Title	Description
12H.23	Restricting Graduate Medical Payments	Directs DHHS to submit a plan amendment to eliminate reimbursement for Graduate Medical Education in addition to the base rate, effective January 1, 2016, and requires a report identifying alternate funding by January 1, 2016. This is associated with a \$31M reduction in the HHS section of the committee report.
12H.25	Medicaid Transformation Enactment Contingency	Directs various changes to the Medicaid program in the event that House Bill 372 of the 2015 Regular Session is not ratified prior to March 1, 2016.
14.9	Amends Senator Jean Preston Marine Shellfish Sanctuary Legislation	Expands a program to enhance shellfish habitats, including recommending increased support of existing research hatchery at UNCW.
14.21	Environmental Review Commission Studies	Directs the Environmental Review Committee to consult with UNC-CH School of Government faculty (among others) on a study of local government authority over solid waste management matters.
14.27	Energy Centers	Of the funds appropriated for university energy centers, \$253,465 shall be allocated to ASU, \$403,468 shall be allocated to NCA&T, and \$400,000 shall be allocated to NCSU. NCA&T shall prioritize use of funds to study beneficial reuse of coal combustion.
14.29A	Oyster Research Reporting	Requires that the Division of Marine Fisheries and UNCW shall annually report no later than March 1 to the chairs of the Senate and House appropriation committees and FRD regarding the funding for oyster research.
15.11	Workforce Development Boards/ Changes to Conform with Federal Law	Adds UNC President to NCWorks Commission (formerly Commission on Workforce Development).
15.11A	State Match for Revolutionary Fibers and Textiles Manufacturing Innovation Institute Grant Program	Provides that if federal funds become available for the grant program that NCSU may use funds available to meet state matching requirements.
29.30	Increase and Adjust DMV Fees	Increases DMV fees and eliminates a statutory appropriation for Bowles Center for Alcohol Studies at UNC-CH.
29.40	Special Registration Plates	Creates new special registration plates including a Save the Honey Bee plate. Half of money derived from the sale to the apiculture program at NCSU.
30.6	University of North Carolina System	Does not provide legislative salary increase, but does allow for other increases as allowed by law.
30.8	All State-Supported Personnel	Does not provide legislative salary increases, but does allow other increases as allowed by law and legislative compensation bonus.
30.10	Use of Funds Appropriated for Legislatively Mandated Salary Increases, Compensation Bonuses, and Employee Benefits and Closure of Workers' Compensation Claims	Requires OSBM to ensure that funds appropriated are used only for the purposes of legislatively mandated salary increases, compensation bonuses, and employee benefits. Also requires that OSBM report to the Joint Legislative Commission on Governmental Operations on the expenditure of those funds by March 1, 2016.
30.11	Monitor Salary Increases	Requires OSBM and OSHR to provide a semiannual report to President Pro Tempore of the Senate and the Speaker of the House of Representatives on non-legislative salary increases.
30.12A	Salary Adjustment Fund	Guides implementation of salary adjustment funds. Sec. 31.12A makes UNC employees ineligible for this funding.
30.18	State Workers' Compensation Study (H)/Reform (S)	Amends Article 63 of Chapter 143 to expand the State Employees Workplace Requirements Program for Safety and Health to include Workers Compensation. Includes UNC in this program. Creates a \$23M reserve for State agency workers' compensation costs, \$2M of which is for closure of claims and the remainder to be distributed to State agencies to fund workers' compensation line items.
30.18A	Compensation Bonus Awarded for Fiscal Year 2015-16	Provides one-time lump-sum compensation bonus for FY 2015-16 of \$750 payable in December 2015 to permanent state-funded positions.
30.20	Salary-Related Contributions	Sets new State Health Plan rates and employer contribution rates for retirement and related benefits.
30.30A	Qualified Excess Benefit Arrangement	Extends sunset data for eligibility to participate in QEBA from January 1, 2015 to August 1, 2016.
32.18	Sales Tax Changes	Makes various changes to sales tax laws, including removing the exemption for installation, repair, and maintenance of property.

## Appendix F: UNC-Related Provisions of S.L. 2015-241 (H97) and S.L. 2015-268 (H259)

Section	Title	Description
<b>Capital</b>		
31.2	Capital Projects/General Fund	Appropriates \$4M to NCSSM for upgrades and building repair and \$1M to NCSU for engineering building advance planning.
31.5	Repairs and Renovations Reserve Allocation	Allocates R&R money (one-third to UNC). Requires a portion to be used in each fiscal year for the installation of sprinklers in residence halls. Requires a portion to be used in each fiscal year for campus public safety improvements. Requires that the BOG consider the availability of non-state resources and carryforward funds available and include information in any report submitted.
31.9	Require Non-General Fund Resources to be Used for Advanced Planning of University Capital Projects	Prohibits UNC from making a capital funds request unless the University has first completed advanced planning of the project with funds other than GF appropriations.
31.13	Debt Affordability Study for UNC	Creates GS 116D-55 to require the Board to study the debt affordability of UNC and report to OSBM, Gov Ops, DST, and UNCGA.
31.14	Authorize State Agencies to Undertake Small Repairs and Renovations Projects with Funds Available	Authorizes State agencies to undertake R&R projects with total cost <\$300K, paid for with available funds.
31.17	Amends Require UNC Carryforward Funds to be Used for Repairs and Renovations	Allows for temporary increase in carryforward not to exceed 5% of General Fund appropriation for FY 2015-16. The BOG is required to submit a report on expenditures for repairs and renovations no later than October 1, 2017 and a report on any expenditures for advanced planning no later than 30 days after the funds are spent.
<b>Technical Corrections Bill</b>		
3.5	Academic Summer Bridge Program/Technical Correction	Corrects the reduction of funds for the Academic Summer Bridge Program by \$119,300 to \$1,073,700 and increases the management flexibility reduction by the same amount.
3.6	Appalachian State University/Recruit Community College Students Pilot	Amends funds appropriated for the pilot program to allow for funds to be used to recruit and retain both undergraduate and community college students for the program.
3.10	Mountain Area Health Education Center Funds	Amends funds appropriated to MAHEC to allow for use in psychiatry residencies in the MAHEC service area.
9.3	Require Non-General Fund Resources to be used for Advanced Planning of University Capital Projects	Amends Section 31.9 to include carried forward funds as funds other than General Fund appropriations.