

COMMITTEE ON PUBLIC AFFAIRS

Committee on Public Affairs

October 29, 2015

3. State Relations UpdateJonathan Kappler

Situation: Staff will provide an end of session recap. Rep. Dean Arp has been invited to give an overview of the bond proposal that will go before the voters in March 2016.

Background: The legislature returned to Raleigh on January 28th for the legislative long session. On September 30th, the legislature adjourned until April 25th, 2016. Before adjourning, the legislature passed a number of bills impacting UNC, while not acting on other bills that have the potential to impact the university.

One signature piece of legislation was H. 943, authored by Rep. Dean Arp (Union County). Rep. Arp has been invited to share an overview of this legislation, which would provide approximately \$1.06 billion for UNC projects, should voters approve the referendum.

Assessment: This will be a report on what actions were taken during the legislative session, while also highlighting a number of bills that were discussed during session.

Action: This item is for discussion only.



The University of North Carolina 2015 Session Recap

On September 30th, the legislature concluded their legislative long session by adjourning until April 25th, 2016. Beginning in January and lasting through September, the legislative “long session” was one of longest sessions in recent memory. The legislature discussed many issues potentially impacting the University. Many of these discussions were tied up in the budget deliberations.

Unlike last year where the big disagreements in the budgets surrounded teacher pay, this year the chambers disagreed on the path forward on issues such as economic development incentives, additional tax cuts, and Medicaid reform. Both the House and the Senate budgets provided modest funding increases for UNC, including a number of our top priorities. We appreciate legislative leadership in both chambers for working with us throughout the session.

In the final budget, we had a number of positive outcomes, such as:

- Fully-funding enrollment growth and building reserves
- Increase carry forward from 2.5% to 5% for biennium to be used for R&R or Advanced Planning
- Stabilization funds for Elizabeth City State University and ECU’s Brody School of Medicine
- Transition funding for in-state tuition for veterans
- Providing significant salary flexibility to retain key faculty and staff
- Extended the sunset for the Qualified Excess Benefit Arrangement-eligible employees until August 1st, 2016
- Limited line item cuts
- \$50 million for Repairs & Renovation
- Retained BOG oversight and prioritization of capital projects

Some budget outcomes were less than favorable, including:

- No new investments in Strategic Directions plan, including NCRC, game-changing research or online/digital learning
- Cut to advancement operations in the 2nd year of the biennium
- NC Guaranteed Admissions Program created, but not implemented until 2017 incoming class
- Management Flex cut for both years of biennium (\$18 million in Year 1, \$46 million in Year 2)
- No Salary Increase (\$750 bonus for all permanent employees to be paid in December)
- Restrictions on state funding of advanced planning for capital projects (which was scaled back during conference to permit carry forward funds)
- Maintained existing language requiring UNC to seek approval/funding from GDAC for business intelligence projects

The budget also included provisions, such as a debt affordability study for UNC campuses, acceptable restrictions on campus investments, and early college high school admission policy.

In addition to the budget items, there were numerous pieces of legislation introduced impacting the university.

Legislation Impacting the University of North Carolina

H. 943: Connect NC Bonds

The legislature passed H. 943 which puts a \$2 billion referendum on the ballot in March 2016. In the proposal, slightly over \$1 billion of the package would go to UNC institutions with the NCCCS receiving \$350 million. This package contained 14 new capital projects, as well as \$45 million for the Board of Governors to distribute for Repair & Renovations.

H. 679: UNC Self-Liquidating Capital Projects

The legislature passed the UNC BOG self-liquidating request after adding a provision allowing NCSU to fund with carry forward dollars up to \$5 million to plan for the Plant Sciences building (included in the bond package), which would include a \$9 million match from the private sector.

S. 119/H. 259: Technical Corrections

This related pair of technical corrections legislation included seven technical corrections sought by UNC or UNC Health Care, including a provision eliminating restrictions on the use of carryforward for advanced planning. Unfortunately, two policy requests inserted into near-final technical corrections bills was removed in conference (BOG Legal Services Authority and AP testing fees for UNCSCA and NCSSM). Requests surrounding the Technical Corrections bill led one provision from being removed in the budget conference report.

S. 670: BOG Term-Limits

This bill passed the Senate early in session then moved in the House late. The bill saw numerous changes throughout the legislative process. In addition to limiting BOG members to three four-year terms, the final bill requires at least three names be submitted to full BOG during a Presidential search, as well as creates a process for naming an interim President, which is not in policy or statute today.

There were a number of items discussed throughout the session. Below are just a few of the issues that saw action/discussion during the legislative session:

- S. 556: Capital Planning Process
- S. 593: Faculty Workload
- S. 474/H. 815: Sexual Assault
- H. 657: Fixed Tuition
- H. 812: Grants Transparency*
- H. 866/H. 897: Student Athlete Stipend
- S. 22: Historical Markers*
- H. 495: OSHR Modernization*
- S. 536: Students Know before You Go
- H. 129: High Achieving Scholarships/Incentivize Students to go to NCCCS
- IT Consolidation
- Four-year degrees at NCCCS

Updated: October, 2015 UNC General Administration

* - Enacted

State Budget and Legislative Update

Drew Moretz & Jonathan Kappler

University of North Carolina – General Administration

Positive Budget Outcomes

- **Fully-funding enrollment growth and building reserves**
- **Increase carry forward from 2.5% to 5% for biennium to be used for R&R or Advanced Planning**
- **Stabilization funds for Elizabeth City State University and ECU's Brody School of Medicine**
- **Transition funding for in-state tuition for veterans**
- **Providing significant salary flexibility to retain key faculty and staff**

Positive Budget Outcomes

- **Extended the sunset for the Qualified Excess Benefit Arrangement-eligible employees until August 1st, 2016**
- **Limited line item cuts**
- **\$50 million for Repairs & Renovation**
- **Retained BOG oversight and prioritization of capital projects**

Less Favorable Budget Outcomes

- **No new investments in Strategic Directions plan, including NCRC, game-changing research or online/digital learning**
- **Management Flex cut for both years of biennium (\$18 million in Year 1, \$46 million in Year 2)**
- **No Salary Increase (\$750 bonus for all permanent employees to be paid in December)**
- **Restrictions on state funding of advanced planning for capital projects (which was scaled back during conference to permit carry forward funds)**

Less Favorable Budget Outcomes

- **Cut to advancement operations in the 2nd year of the biennium**
- **NC Guaranteed Admissions Program created, but not implemented until 2017 incoming class**
- **Maintained existing language requiring UNC to seek approval/funding from GDAC for business intelligence projects**

Budget Provisions: NCGAP

“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...” Implement a program to achieve following goals:

- assist in obtaining BA degree in shorter time period;
- provide education at significantly lower costs for both the student and the State;
- decrease amount of debt a student owes upon graduation;
- 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
- provide easier access to academic counseling to select coursework that reflects the student's educational and career goals and helps the student succeed academically.

“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.”

Budget Provisions: NCGAP

“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 reduce its enrollment for each academic year by the number of deferred admissions granted for that academic year.”

“The BOG and the State Board of Community Colleges report findings and recommendations to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and OSBM by March 1, 2016.

“Based on the analysis conducted by the Board of Governors and the State Board of Community Colleges... recommendations made, **each constituent institution** shall design a deferred admission program for implementation at the institution.”

“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.”

- **All State agency business intelligence requirements, including any planning or development efforts associated with creating business intelligence capability, as well as any master data management efforts, shall be implemented through the GDAC.**
- **No GDAC project shall be initiated, extended, or expanded:**
 - (a) Without the specific approval of the General Assembly, unless the project can be implemented within funds appropriated for GDAC projects.**
 - (b) Without prior consultation to the Joint Legislative Commission on Governmental Operations and a report to the Joint Legislative Oversight Committee on IT, if the project can be implemented within funds appropriated for GDAC projects.**

- **Section 11.6, “a constituent institution...shall not expend more than one million dollars (\$1,000,000) of State funds on advancement programs”**
 - \$16,354,396 total reduction, starting in FY 2016-17
 - Institutions not affected: Elizabeth City State University, Fayetteville State University, University of North Carolina School of the Arts, Western Carolina University, and North Carolina School of Science and Math

H679: UNC Self-Liquidating

- **ASU – New Residence Hall**
 - \$32,000,000
- **ECU – Renovation of Four Residence Halls**
 - \$65,000,000
- **NCCU – Deferred Maintenance and Infrastructure Improvements**
 - \$10,500,000
- **NCSU – Engineering Building Oval and Campus Infrastructure**
 - \$77,000,000
- **Plant Sciences Building at NCSU**
 - Planning \$14,000,000: \$5,000,000 from carry forward funds,
\$9,000,000 non-General Fund match

S119/H259: Technical Corrections

- **In-state tuition for vets fix: included (in both tech corrections)**
- **Advanced planning fix: included in H259**
- **Academic Summer Bridge fix: included in H259**
- **Graduate Medical Education (GME) clarification (UNC Health Care): included in S119**
- **NCSSM/UNCSA AP testing fees: not included**
- **\$300k limitation on capital/R&R expenditures: not included**
- **BOG Legal Services Authority: not included**

- **Limits members of the Board of Governors to three four-year terms**
- **Presidential Search**
 - **Three final candidates presented to the full Board**
 - **Provide authorization for the Board to appoint an Interim President**
 - **Earlier provisions requiring three finalist names to be made public removed**

Other Bills & Policy Items

- **S556: Capital Planning Process**
- **S593: Faculty Workload**
- **S474/H815: Sexual Assault**
- **H657: Fixed Tuition**
- **H812: Grants Transparency***
- **H866/H. 897: Student Athlete Stipend**
- **S22: Historical Markers***
- **H495: OSHR Modernization***

***Enacted**

Other Bills & Policy Items

- **S536: Students Know before You Go**
- **H129: High Achieving Scholarships/Incentivize Students to go to NCCCS**
- **IT Consolidation**
- **Four-year degrees at NCCCS**

H943: Connect NC Bond

Institution/Agency	Amount
Total for University of North Carolina	\$980,000,000*
Total for NC Community Colleges	\$350,000,000
Total for Local Parks and Infrastructure	\$312,500,000
Total for National Guard	\$70,000,000
Total for Agriculture	\$179,000,000
Total for State Parks and Attractions	\$100,000,000
Total for Public Safety	\$8,500,000
Grand Total	\$2,000,000,000

* The Plant Sciences Building Ag/NCSU Partnership (\$85,000,000) is listed under “Agriculture”, when included with the amount for the University of North Carolina, the total is \$1,065,000,000.

H943: Connect NC Bond

University of North Carolina			
Institution/Agency	County	Project	Amount
Appalachian State University	Watauga	New Health Sciences Building	\$70,000,000
East Carolina University	Pitt	Life Sciences & Biotech. Building	\$90,000,000
Fayetteville State University	Cumberland	Lyons Science Bldg. Renovation	\$10,000,000
NC Central University	Durham	New Business School	\$30,000,000
NC State University	Wake	Engineering Building	\$75,000,000
North Carolina A & T State University	Guilford	Engineering Building	\$90,000,000
North Carolina School of Science and Math	Burke	North Carolina School of Technology and Engineering	\$58,000,000
UNC – Chapel Hill	Orange	Medical Education Bldg. Replacement	\$68,000,000
UNC – Charlotte	Mecklenburg	New Sciences Building	\$90,000,000
UNC – Greensboro	Guilford	Nursing School Building	\$105,000,000
UNC – Pembroke	Robeson	New Business School	\$23,000,000
UNC – Wilmington	New Hanover	Allied Health and Human Services/ Nursing Building	\$66,000,000
Western Carolina University	Jackson	Science/STEM Building	\$110,000,000
Winston-Salem State University	Forsyth	Sciences Building	\$50,000,000
Various	Statewide	Capital Repairs and Renovations	\$45,000,000
Subtotal for University of North Carolina			\$980,000,000
Agriculture			
NC State University	Wake	Plant Sciences Building Ag/NCSU Partnership	\$85,000,000
Total for University of North Carolina			\$1,065,000,000

H943: Connect NC Bond

- **Referendum Date: March 15**
 - “The question of the issuance of the bonds authorized by this section shall be submitted to the qualified voters of the State at the time of the election in 2016 when voters of this State are given an opportunity to express their preference for the person to be the presidential candidate of their political party.”
- **Guidance from Legal Affairs on what is permissible by state employees regarding the bond campaign**
- **External bond campaign structure**
 - Plan to have umbrella organization to coordinate fundraising and other bond campaign activities

What's Next?

- **Interim Committee meetings**
 - **Program Evaluation Oversight Committee already meeting**
- **State Relations Council meeting**
- **Interim Strategy**
 - **Campus visits**
 - **Legislative roadshow**