



MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance
Committee on Military and Public Affairs

July 20, 2022 at 10:00 a.m.
Via Videoconference and PBS North Carolina Livestream
UNC System Office
140 Friday Center Drive, Board Room
Chapel Hill, North Carolina

AGENDA

- A-1. Welcome and Roll CallJames L. Holmes, Jr., and Michael Williford
- A-2. NCGA Short Session UpdateJennifer Haygood and Bart Goodson
- A-3. Adjourn



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AGENDA ITEM

A-2. NCGA Short Session Update.....Jennifer Haygood and Bart Goodson


Situation: The committees will receive a report on the short session of the North Carolina General Assembly. This will include an update on the status of the state budget and the 2022 UNC System Budget and Policy Priorities.

Background: Ms. Haygood and Mr. Goodson will give an update on the recent Short Session that adjourned on July 1, 2022. The North Carolina House of Representatives and Senate will reconvene on July 26, 2022.

Assessment: Enclosed is the presentation that will be delivered by staff.

Action: This item is for information only.

FY 2022-23 Operating Budget Comparison

 THE UNIVERSITY OF NORTH CAROLINA SYSTEM	UNC Budget Priorities	Conference Budget
Enacted Budget (excludes aid to private institutions)	3,377,373,487	3,377,373,487
UNC System Priorities Enrollment Change Funding Building Reserves NCSSM - Morganton Campus UNC School of the Arts High School Program Laboratory School Support HMSI Cybersecurity and Bomb Threat Preparedness	38,146,796 8,249,114 1,334,979 NR 1,638,794 1,000,000 1,500,000 5,000,000 NR	38,146,796 8,249,114 1,334,979 NR 1,638,794 1,000,000 1,500,000 5,000,000 NR
Total Recommended UNC System Priority Budget Changes	56,869,683	56,869,683
Faculty and Staff Salaries 3.5% increase (from 2.5%), additional 1% if employee is paid on an experience-based salary schedule or has salary set in law Labor Market Adjustment Salary Reserve Retiree Cost of Living Increases	— — —	32,884,497 32,884,497 3,983,805 NR*
UNC Institution-Specific Requests ECSU Aviation Program N.C. A&T Agriculture Research and Extension Match NCSU Innovation in Manufacturing Biopharmaceuticals	1,700,000 1,600,000 2,000,000 NR	1,700,000 1,600,000 2,000,000 NR
Other UNC Items (not requested) Information Technology Rates UNC-CH Collaboratory Partnership with Eshelman Institute for Innovation UNC-CH Opioid Remediation Research and Development UNC-CH Opioid Remediation Outreach UNC-CH Community Opioid Resources Engine for NC UNC-CH Research Grants for HMSIs UNC-CH School of Medicine Class Size Expansion NCSU NC Clean Energy Technology Center N.C. A&T Center for Energy Research and Technology ASU Blue Cross NC Institute for Health and Human Services ASU Appalachian Energy Center UNCP College of Health Sciences FSU Sexual Assault Nurse Examiner Training Program Pilot FSU Innovation and Entrepreneurship Hub	— — — — — — — — — — — — —	290,015 4,956,203 NR* 1,900,000 NR* 600,000 NR* 400,000 NR* 1,000,000 8,000,000 400,000 200,000 225,000 NR* 200,000 1,000,000 NR* 1,500,000 NR* 1,000,000 NR*
Financial Aid and SEAA FAFSA Tracker	—	55,000
Total Recurring Operating Changes	53,834,704	129,748,713
Total Nonrecurring Operating Changes	8,334,979	23,899,987
Total Recommended FY 22-23 UNC Budget	3,439,543,170	3,531,022,187
Total Percent Change	1.8%	4.5%


*Includes funding from reserves

Aid to Private Institutions		
Enacted Budget	263,221,921	263,221,921
Wake Forest Institute for Regenerative Medicine	—	(10,000,000)
Opportunity Scholarship Grant Fund Reserve	—	56,000,000
Personal Education Student Accounts for Children with Disabilities Program	—	16,300,000
High Point University Principal Prep Program Support	—	1,000,000 NR
Campbell University Principal Prep Program Support	—	500,000 NR
HBCU Bound Athletics Inc.	—	25,000 NR*
Total Aid to Private Institutions	263,221,921	327,046,921

**Includes funding from reserves*

Note: All items are recurring unless specified as nonrecurring.

FY 2022-23 Capital Budget Comparison

 THE UNIVERSITY OF NORTH CAROLINA SYSTEM	UNC Budget Priorities	Conference Budget
UNC Institution-Specific Requests ASU - Hickory Campus ECU - Telehealth/Healthcare Digital Transformation* UNC-CH - School of Data Science*	15,000,000 3,000,000 20,000,000	9,000,000 3,000,000 1,000,000
Other UNC Items UNC-CH MAHEC Capital Improvements ECSU - New Dining Facility ECSU - New Residence Hall UNC-CH - Nursing School Renovation (additional funds) UNC-CH - School of Law		4,000,000 5,000,000 (5,000,000) 5,200,000 2,000,000
Total	38,000,000	24,200,000
Increased Total Project Authorization NCSU STEM Building UNC-CH Nursing School Renovation ECSU New Dining Facility (includes \$2.5M of reallocated R&R funds)		20,000,000 5,200,000 7,500,000
Total	–	32,700,000

*Operating items funded from the SCIF

Section & Title		Conference Budget
UNC Section		
8.1	Revise UNC Enrollment Change Documentation Requirements	Requires the BOG to provide information concerning any metrics used when requesting changes in enrollment funding if the funding request is based on a metric other than enrollment growth.
8.2	Revise Wake Forest Institute For Regenerative Medicine Report	Replaces the BOG with the Joint Legislative Oversight Committee on Health and Human Services as the recipient of the report.
8.3	Recommendations on Increasing Nursing Graduates	Requires the BOG and State Board of Community Colleges to provide the Joint Legislative Education Oversight Committee and the Joint Legislative Oversight Committee on Health and Human Services a report on increasing the number of nursing graduates by at least 50%. The report is due by February 1, 2023.
8.4	UNC and ECU Dental School Clinical Operations Personnel Flexibility	Exempts employees of the Adams School of Dentistry at UNC-CH from most of the provisions of the State Human Resources Act. Requires the board of trustees at UNC-CH to develop policies and procedures governing the terms of employment for these employees. The board of trustees shall submit initial classification and pay plans, and other rules and regulations to the Office of State Human Resources for approval. Subsequent changes to the plans shall be submitted for review. Also provides ECU Dental School Clinical Operations the same employment flexibilities as the ECU Medical Faculty Practice Plan.
UNC/NCSEAA Section		
8A.1	Increase Funding and Eligibility Threshold for Opportunity Scholarships and Funding for Personal Education Student Accounts	Increases the funding for the Opportunity Scholarships Program and Personal Education Student Accounts for Children with Disabilities Program over the next 10 fiscal years. The household income eligibility threshold for the Opportunity Scholarships Program is increased from 175% to 200% of the amount required for the student to qualify for the federal free or reduced-price lunch program.
8A.2	Limit Tuition Grants for Graduates of NCSSM and UNCSA to Undergraduate Tuition	Limits the tuition grant program to only be used for undergraduate students.
8A.3	Temporarily Waive Compliance with Certain Selective Service Requirements and Report	For the 2022-23 and 2023-24 academic years, removes the requirement that dependents of active-duty military comply with the requirements of the Selective Service System to qualify for in-state tuition. Allows those who do not comply to be eligible for state-sponsored scholarships, financial assistance, or loans insured by state agencies. NCSEAA shall report to the Joint Legislative Education Oversight Committee by January 15, 2023, on recommendations on ensuring compliance with G.S. 116-143.3(c) and G.S. 143B-421.1 beginning in the 2024-25 academic year. The report should include the practicality of ensuring compliance, methods, administrative costs, and barriers.

Section & Title		Conference Budget
8A.4	Early Admission to Kindergarten for Students Participating in NCSEAA K-12 Scholarship Programs	Requires NCSEAA to adopt a rule regarding early admission of four-year-old children that establishes the same factors for eligibility as the rule adopted by the State Board of Education pursuant to G.S. 115C-364(d). The rule shall be adopted by December 31, 2022 and will apply to applications for scholarship grants for 2023-24 school year.
8A.5	Changes to NCSEAA's Administration of the Opportunity Scholarship Program	Makes the criminal background check for staff members with the highest decision-making authority privileged information and not a public record. Also changes the requirement to contract with a certified public accountant to perform a financial review from receiving \$300,000 in scholarship funds to enrolling 70 or more receiving scholarship grants. Revises the procedures if a non-public school is found to be in violation of the requirements of the section and requires the Board of Directors of NCSEAA to review the criminal history of a school's highest decision-making staff member to ensure the staff does not pose a threat to the safety of the students, has the integrity to oversee state funds, or has no outstanding criminal sentencing obligations.
8A.6	Changes to NCSEAA's Administration of Education Savings Accounts	Makes technical changes to the eligibility requirements and requires NCSEAA to provide written notice to every parent of an eligible student who would be impacted by the changes.
8A.7	Revise Washington Center Internship Scholarship Program	Allows for one-to-four-week public policy and career readiness seminar programs to be eligible for the scholarships. Changes the maximum amount of the per-student award for semester internships from \$7,000 to \$10,000 and establishes a maximum of \$8,000 for summer programs and \$4,000 for shortened seminar programs. Requires the BOG to develop guidance for awarding academic credit for program participation. Changes the reporting requirement from March 1, 2023, to March 1 of each year in which grants are received under the program.
8A.8	Report On and Suspend Certain Program Evaluation Requirements for Opportunity Scholarships	Requires NCSEAA, the Department of Administration, Division of Nonpublic Education, and the Department of Public Instruction to report to the Joint Legislative Education Oversight Committee on the options and timeline to implement the recommendations from the March 1, 2018 task force report established pursuant to 2017 Budget Bill, the cost of implementing the recommendations, and any other legislative recommendations for improving evaluation of students receiving Opportunity Scholarships. For the 2022-23 academic year, if a school is unable to report test score data, then the school will not lose eligibility for opportunity scholarships. For the 2022 and 2023 calendar years, removes an SEAA reporting requirement on learning loss/gain and standardized test scores.
Salaries and Benefits		
39.2	Labor Market Adjustment Reserve	Establishes policies for the Labor Market Salary Adjustment Salary Reserve, including limiting the amount per employee to the greater of \$15,000 or 15% of their current salary. Requires agencies receiving a reserve to report to OSHR by September 30, 2022, on salary increases provided.
39.13	The University of North Carolina	Increases the legislative salary adjustment from 2.5% to 3.5%.
39.18	Mitigate Bonus Leave	Allows employees to voluntarily cash in special bonus leave benefits. Special leave is liquidated for a cash payment based on the employee's current annual salary. Participating agencies must report to the Fiscal Research Division by September 1, 2023, on the position characteristics of the employees participating in the program.
39.19	Salary Related Contribution Adjustments	Adjusts the state's employer contribution rates for retirement and related benefits.

Section & Title		Conference Budget
39.20	Increased One-Time Cost-Of-Living Supplement for Retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System	Increases the legislative cost-of-living supplement from 3% to 4%.
39.21	Temporary Arrangement to Increase Funding for Public Safety Employees' Line of Duty Death Benefits	Instructs the Department of State Treasurer to transfer funds to expedite the payment of line of duty death benefits for public safety employees.
Capital		
40.1	Capital Improvement and Repairs and Renovations Changes	Adds a new project authorization for the UNC-CH Law School and ASU Hickory Campus. Increases the total project authorization for NCSU's Engineering Building from \$160M to \$180M. Increases the total project authorization for UNC-CH's Nursing School renovation from \$60M to \$65.2M and appropriates an additional \$5.2M in FY 2023. Authorizes and appropriates \$2M in FY 2023 for the UNC-CH Law School, decreases the FY 2023 appropriation for ECSU's new Resident Hall from \$30M to \$25M, increases the total project authorization for ECSU's new Dining Facility from \$7.5M to \$15M and appropriates an additional \$5M in FY 2023. Authorizes and appropriates \$9M for ASU's Hickory Campus. Also requires the \$2.5M of the R&R funds appropriated to the BOG be used for ECSU's Dining Facility. Removes ECSU's Butler Residence Hall Renovation project from the list of projects authorized to receive R&R funds. Increases the matching requirement of private funds from \$80M to \$90M and the intended state allocation from \$80M to \$90M for NC State's STEM Building. Repeals Section 2 of the UNC Non-Appropriated Projects Capital Projects bill (S.L. 2022-15).
40.5	Six-Year Intended Project Allocation Schedule	Increases the intended allocation for NCSU's Engineering Building in FY 2024 from \$18.25M to \$28.25M. Increases the intended allocation for UNC-CH's Business School from \$57.5M to \$68M and redistributes the funds through FY 2025. Increases the intended allocation for UNC-CH's Nursing School in FY 2022 from \$13.75M to \$21.25M and in FY 2023 from \$18M to \$25.5M. Increases the intended allocation for FSU's College of Education in FY 2024 from \$25.2M to \$27.2M.
40.6	Downtown Government Complex Capital Projects	Clarifies details of several downtown government projects, including clarification that the General Assembly will have final authority over any activity related to the planning and construction for the downtown Education Campus.
40.7	Capital Project Inflationary Reserve	Establishes the Capital Project Inflationary Reserve within the State Capital Infrastructure Fund (SCIF). Agencies may request funds from the reserve if they have significantly reduced the scope of the project since it was authorized by the General Assembly, provided evidence of the scope reduction and documented cost increases due to supply chain or inflationary pressures. Requests shall be submitted to Joint Legislative Oversight Committee on Capital Improvements and the Fiscal Research Division.

Section & Title		Conference Budget
40.9	Increase Dollar Threshold for Capital Projects	Increases the threshold for capital projects requiring BOG approval from \$2M to \$4M. Requires UNC System institutions to follow the provisions of G.S. 143-131 for any repair work involving the expenditure of public money between \$100,000 and \$500,000.
Other UNC-Related Sections		
2.1	General Fund Appropriations	Includes budget code specific appropriations.
2.2	General Fund Availability	Directs the State Controller to transfer \$1.8B to the State Capital and Infrastructure Fund (SCIF), \$1B to the Stabilization and Inflation Reserve, and \$80M to the Local Project Reserve.
4.1	Appropriation of Receipts Increased Due to Salary and Benefit Increases	Appropriates any receipts necessary to be used to pay legislatively mandated salary increases and employee benefit increases.
5.1	Unexpended Nonrecurring Funds Appropriated in 2021-22 Fiscal Year Do Not Revert	Allows agencies to not revert nonrecurring funds that remain unspent as of June 30, 2022. Any remaining funding will revert on June 30, 2023.
7.8	Revise Allocation of Funds from the Elementary and Secondary School Emergency Relief Fund for the National College Advising Corps	Focuses the program on supporting existing college advisers and placement of new advisers especially in tier III counties as designated by the Department of Commerce. Changes the initial report due on October 1, 2022, from The National College Advising Corps (CAC) to the Joint Legislative Education Oversight Committee and the Fiscal Research Division to an interim report and requires a final report on October 1, 2023.
7.11	Interoperable and Interconnected Student Data Systems Study	Directs myFutureNC, Inc. to consult with NCSEAA, DPI, and the Community College and UNC System Offices to submit a report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division by March 15, 2023, on the requirements necessary to create an interconnected and interoperable real-time data system to facilitate transmission of student data.
9D.1	Modify Medicaid Receivables Accounted for as Nontax Revenue	Makes technical changes to the deposits required by UNC Hospitals for FY 2023.
9D.11	Average Commercial Rate Supplemental and Directed Payment Program/ECU Health Physicians	Includes ECU Health Physicians in the Directed Payment Program.
9F.1	Use of Opioid Settlement Funds	Creates the Opioid Abatement Reserve and directs allocation of funds, including to the NC Collaboratory at UNC-CH.
12.9	Water and Sewer Infrastructure Funds	Appropriates \$3.6M to Elizabeth City and requires at least \$1M shall be used on a new pump station to accommodate recent campus improvements at ECSU.
43.8	Effective Date	Legislation is effective July 1, 2022.



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SJR 917 - Adjournment Resolution

Adjourns the 2022 legislative session. Authorizes the General Assembly to reconvene to consider limited matters on the following dates:

- July 26
- August 23
- September 20
- October 18
- November 15
- December 13

Other Bill Activity

- **HB 1068/SL 2022-15: UNC Non-Appropriated Capital Projects**
 - Authorizes the following campuses to issue debt to finance capital projects based on authorization granted by the Board of Governors:
 - Appalachian State University
 - Elizabeth City State University
 - North Carolina State University
 - North Carolina A&T State University
 - UNC Wilmington
 - Western Carolina University
 - Made technical changes to various capital projects funded in the 2021 state budget, including the dining and residence hall projects at Elizabeth City State University.
 - Signed into law on June 30, 2022.
- **HB 159/SL 2022-71: Education Law Changes**
 - Contains various changes to education law, including the expansion of the NC School of Science and Math Board of Trustees to account for the additional congressional seat that North Carolina recently earned.
 - Signed into law on July 8, 2022.
- **HB 1175/SL 2022-42: 2022 Speaker & PPT Appointments**
 - Appoints the Honorable Leo Daughtry to the North Carolina State Board of Transportation.
 - Became law July 1, 2022.
- **HR 1176/Adopted: BOG Vacancy**
 - Appoints Dr. Lee Barnes to the UNC Board of Governors to fill the vacancy created by Governor Daughtry's resignation.
 - Became law June 30, 2022.



JOINT MEETING OF BUDGET AND FINANCE AND MILITARY AND PUBLIC AFFAIRS COMMITTEE

Meeting of the Board of Governors
July 20, 2022



NCGA SHORT SESSION UPDATE




Jennifer Haygood and Bart Goodson

2022 Budget Priorities

HB 103	Priority	Request	Actual
✓	Enrollment Funding	\$38,146,796 R	\$38,146,796 R
✓	Building Reserves	\$8,249,114 R/ \$1,334,979 NR	\$8,249,114 R/ \$1,334,979 NR
✓	NCSSM-Morganton	\$1,638,794 R	\$1,638,794 R
✓	UNCSA High School Program	\$1,000,000 R	\$1,000,000 R
✓	Lab School Support	\$1,500,000 R	\$1,500,000 R
✓	HMSI Security	\$5,000,000 NR	\$5,000,000 NR

- HB 103, 2022 Appropriations Act, passed the NCGA on July 1, 2022.
- The bill was signed by the Governor on July 11, 2022 and is now SL 2022-74.

2022 Legislative Priorities

Status	Priority	Request	Actual
	Informal Bid Threshold	Increase from \$30k to \$100K	Increase from \$30k to \$100K <ul style="list-style-type: none">• HB 103/SL 2022-74
	BOG Capital Project Threshold	Increase from \$2M to \$4M	Increase from \$2M to \$4M <ul style="list-style-type: none">• HB 103/SL 2022-74
	NCSSM BOT Expansion	Match new congressional seat	Match new congressional seat <ul style="list-style-type: none">• HB 159/SL 2022-71

Salaries/Inflationary Pressures/Concerns:

The following items were addressed in HB 103, 2022 Appropriations Act/SL 2022-74:

Faculty and Staff Salaries:

3.5% increase (from 2.5%) – \$32,884,497

- additional 1% if employee is paid on an experience-based salary schedule or has salary set in law

Labor Market Adjustment Salary Reserve – \$32,884,497

- This will address staff shortages and help recruit and retain capable employees.

Retiree Cost of Living Increases – \$3,983,805 NR*

- Increases the legislative cost-of-living supplement from 3% to 4%.

Capital Project Inflationary Reserve

- \$250 million in the SCIF to help with cost escalation of authorized State agency and UNC System capital projects.

Unexpended nonrecurring funding:

- All unexpended NR funds allocated in the 2021-22 budget do not revert to General Fund until June 30, 2023.

Other Bill Activity

HB 1068/SL 2022-15: UNC Non-Appropriated Capital Projects

- Authorizes the six campuses to issue debt to finance capital projects based on authorization previously granted by the Board of Governors.
- Made technical changes to various capital projects funded in the 2021 state budget at Elizabeth City State University, Fayetteville State University, and UNC-Chapel Hill.

HB 159/SL 2022-71: Education Law Changes

- Contains various changes to education law, including the expansion of the NC School of Science and Math Board of Trustees to account for the additional congressional seat that North Carolina recently earned.

HR 1176/Adopted: BOG Vacancy

- Appoints Dr. Lee Barnes to the UNC Board of Governors to fill the vacancy created by Governor Leo Daughtry's resignation.
- Became law June 30, 2022.

SJR 917, Adjournment Resolution:

This resolution adjourned the 2022 legislative session on July 1, 2022. It authorizes the General Assembly to reconvene to consider limited matters on the following dates:

- July 26
- August 23
- September 20
- October 18
- November 15
- December 13

QUESTIONS?

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