



The University of North Carolina

Proposed 2014 Policy Agenda

1) Support state aid intercept to keep student fees affordable

Several states, including Virginia, Kentucky, Colorado and Massachusetts, have intercept programs that provide public entities more favorable access to capital markets. Credit ratings are typically “one-notch” below the state’s general obligation bond rating. Implementing a program in North Carolina would allow UNC campuses to refinance existing debt or finance new debt on self-liquidating projects with AA category bonds. The estimated total cash savings on refinancing existing debt is \$8.2 million for the UNC system and would greatly assist our campuses in keeping student fees affordable.

2) Incentivize savings practices to encourage and maximize campus efficiencies

Current state statutes governing the carry-over of General Fund appropriations to the next fiscal year provide little direct incentive for campuses to conserve funds. Carry-forward authority is limited to a maximum of 2.5% of an institution’s annual General Fund appropriation. This restriction tends to cause a noticeable uptick in spending during the fourth quarter of the fiscal year. The current incentive is, in effect, to “use it or lose it,” as budget managers fear they will lose funds going forward if they fail to expend the full amount appropriated. Best business practices are designed to encourage savings.

This recommendation would increase the current carry-forward maximum from 2.5% to 10.0% of an institution’s annual appropriation. These retained savings would be used to support critical one-time investments including: (1) building repairs and renovations, (2) computer and other equipment upgrades, (3) matching and leveraging private funds to support the Distinguished Professorship program, (4) implementing energy savings projects and other efficiency initiatives, (5) need- and merit-based student aid.

3) Authorize the UNC Board of Governors to establish residency policy for military-affiliated students

The UNC Board of Governors seeks statutory authority to establish a residency policy for military-affiliated students that would permit the charging of in-state tuition rates. This change permits the UNC Board of Governors to establish new residency parameters for qualified military-affiliated students. The U.S. Department of Defense has identified “in-state tuition for service members” as a top need of service members and their families.

4) Permit UNC to administer a health insurance program to contain Affordable Care Act (ACA) costs

Under the ACA, UNC and other state government agencies must provide healthcare coverage for non-permanent employees or face significant fines. Current service levels provided by the State Health Plan are greater than what is required by the ACA. At \$5,200 per employee annually, this is a major unfunded mandate impacting both UNC system and state agency budgets. This recommendation would allow the UNC system to create a pilot healthcare program that would save an estimated \$2,000 per employee, yet still meet ACA service level requirements.

5) Support the use of Other Tobacco Products Tax to fully fund the University Cancer Research Fund (UCRF)

The University Cancer Research Fund (UCRF) is a nation-leading investment to stimulate cancer research and reduce North Carolina's leading cause of death. Since its inception, the state has provided approximately \$50 million annually through a variety of funding streams. In FY13, the state support resulted in over \$250 million in extramural funds, a 5:1 return. Last session, UCRF’s \$8 million General Fund Appropriation was eliminated. We propose allocating 12.8% of the Other Tobacco Products tax (currently 8.8%) to get state support for the UCRF back to around \$50 million.

6) Provide for eligibility and participation in the Optional Retirement Program (ORP) for SPA employees hired between August 1, 2011, and December 31, 2012

University employees hired between these dates were not eligible to enter the ORP, which has a 5-year vesting period. Instead, they were forced to enroll in the Teachers and State Employees Retirement Plan, which carries a 10-year vesting period. The UNC system requests allowing 2,612 employees hired during this period to be eligible to opt-in the ORP. UNC Hospital employees were provided this option last year, but SPA employees at the University were not. Granting this request will encourage more employees to move from the TSER defined-benefit plan to the ORP defined-contribution plan.

7) Modify tuition waiver benefit to allow UNC faculty and staff to take three classes per year instead of two

Until 2009, faculty and staff at UNC institutions were allowed to take three classes per year under the tuition assistance program. This proposal would revert to the prior threshold if classroom space is available. There would be no additional cost to the State if this benefit is allowed, and it would help encourage our workforce to improve their education and skills.