

University of North Carolina FY 2018-19 Budget Priorities

Keeping Promises

In 2017, the University of North Carolina System (the UNC System) outlined a set of five-year goals that included keeping higher education affordable, increasing enrollment and graduation rates, improving student success rates, and supporting the groundbreaking research that fuels North Carolina's innovation economy. To ensure that these goals are more than just words on a page, the UNC System pledged to increase transparency and accountability by regularly reporting on progress, and by holding the institutions accountable for their performance on key strategic plan metrics.

In 2017-18, the General Assembly provided full funding for enrollment growth, additional funding to make NC Promise a reality for thousands of students in fall 2018, and a sizable investment to upgrade data systems.

Since the last legislative session, the UNC System has made progress on the commitment to be more transparent, efficient, and accountable:

- The Board of Governors committed to control tuition for in-state undergraduates; as a result, tuition will not increase for the 2018-19 academic year;
- A task force is examining the university funding model;
- President Spellings has negotiated a series of Performance Agreements with the chancellors at each UNC institution. Those agreements spell out concrete targets that the President and the Board of Governors can use to assess the performance of institutional leadership;
- The System Office has created a set of interactive data dashboards to allow anyone access to data on System and institution-level progress;
- For the first time ever, the System Office has undertaken a system-wide survey of employee engagement, the results of which will be available this spring.

For the 2018 short legislative session, pursuant to the budget request that was approved by the Board of Governors and endorsed by the legislature in 2017, the UNC System will continue to:

- **Inform** leaders with the data needed to effectively manage the enterprise;
- **Innovate** by testing new ideas to improve student success; and
- **Empower** chancellors by granting flexibility in exchange for stronger accountability.

University of North Carolina FY 2018-19 Operating Budget Priorities

	<u>FY 2018-19</u>
Budget for FY 2018-19 per 2017 Appropriations Act <i>(Excludes Aid to Private Institutions)</i>	\$2,905,709,796
Inform: Fulfill the responsibility to be more transparent and accountable	
Data Modernization	2,000,000 R (2,000,000) NR
Innovate: Invest in promising new ideas that will raise graduation rates and grow the economy	
Student Success Initiatives (Innovation Lab, Accelerate through Summer Grants, Adaptive Digital Learning Courseware)	5,000,000 R
Research Opportunities Initiative	3,000,000 R
Faculty Recruitment and Retention	3,000,000 R
Empower: Grant institutions more flexibility in exchange for stronger accountability (allow more efficient use of state funds for repairs and renovations/advanced planning and for personnel)	
Other Targeted Priorities	
Employee Compensation <i>Equity with other state employees and flexibility to determine criteria for distribution</i>	
Lab Schools	1,070,000 R
Medical Education Expansion	2,000,000 R
NCA&T Doctoral Program	2,500,000 R
NCSU Innovation in Manufacturing Biopharmaceuticals	2,000,000 NR
Reinstate NCSSM Tuition Grant	1,500,000 R (1,500,000) NR
Requested Increase to FY 2018-19 Operating Budget	\$20,070,000 R <u>(\$1,500,000) NR</u>
Additional Requested Increase to FY 2018-19 Operating Budget	\$18,570,000
Additional Percent Change Requested	0.67%
Total FY 2018-19 Operating Budget	\$2,924,279,796
Total Percent Change (including increase from 2017 Legislative Session)	5.00%

Inform: Fulfill the responsibility to be more transparent and accountable.

Data Modernization

The data modernization effort is intended to provide the Board of Governors, the UNC institutions, and the UNC institutions with clear, timely, and consistent financial and related data. The 2017-19 budget provided \$9 million (\$8 million nonrecurring; \$1 million recurring) for 2018-19, approximately half of the original budget request. The UNC System has contracted with Gartner to assess current capacity and draft a multi-year, detailed implementation plan. Based on this assessment, next steps will require a greater mix of recurring versus nonrecurring funding to make necessary human capital and related information technology investments. UNC seeks to convert \$2 million nonrecurring to recurring funding for adequate project governance.

Request for 2018-19: Convert \$2 million nonrecurring to recurring

Innovate: Invest in promising new ideas that will raise graduation rates and grow the economy.

Student Success Initiatives:

Student Success Innovation Lab

Targeted investments in promising innovations can improve student success rates; rigorous evaluation of those strategies can provide “what works” and what is cost-effective. The UNC System has raised \$500,000 in seed money from private philanthropy to create a Student Success Innovation Lab, which will make competitive grants to institutions that wish to test evidence-based, scalable strategies to improve student success. Funded projects will be rigorously evaluated by third-party evaluators.

While the private funding will cover the direct costs at a subset of the institutions, additional funding is requested to expand the number of grantees and provide high-quality evaluation.

Request for 2018-19: \$1 million

Accelerate Through Summer (ATS) Grants

Students who earn 30 or more credits per academic year are much more likely to finish a degree and do so in four years. Enabling students to earn credits throughout the entire academic year—including summer—would help more students remain on track to finish a degree on time. Timely completion saves money for families and for state taxpayers, frees up seats for the next generation of students, and sends graduates into the workforce faster and with less debt. Putting campus facilities to good use in the summer also raises the productivity of state investments. Data from the System Office indicate that summer enrollment is strongly correlated with student success rates, but that few students earn 15 or more credits in the summer over the course of their entire degree-seeking career.

The System Office requests additional funding to pilot “Accelerate Through Summer” (ATS) Grants, which would provide free or discounted summer courses to students who, after fall and spring semester, have exceeded the benchmarks necessary to stay on-track to graduate in four years or are within 3 to 9 credits of those benchmarks. Priority will be given to fourth-year students within 3 to 9 credits of graduating and to third-year students within 3 to 9 credits of 90 hours. Funds would also assist students who wish to use summer to earn more than 30 credits per academic year and accelerate their path to a degree.

Request for 2018-19: \$3.5 million

Personalized Learning Through Adaptive Courseware

Advances in technology have given rise to software that can customize academic content, assessment, and support to individual student needs. These tools, known as adaptive digital learning courseware, assess student performance, analyze that performance, and use that information to offer personalized learning paths to each student. Adaptive courseware also enables faculty to assess student progress in real-time, and provides faculty the opportunity to adjust lesson plans accordingly. The overall impact is a personalized learning experience that results in improved student success. The UNC System Office requests additional funding to pilot adaptive digital learning courseware and evaluate the results.

Request for 2018-19: \$500,000

Research Opportunities Initiative (ROI)

The ROI program funds research projects in six areas of critical importance to the North Carolina economy: advanced manufacturing, data science, defense, military and security, energy, marine and coastal sciences, and pharmacoengineering. The program has a strong track record of success, with each dollar the state invests resulting in additional funding from federal and private sources. The General Assembly provided \$1 million in nonrecurring funds in 2017-18. The System Office requests additional funds to continue this work.

Request for 2018-19: \$3 million

Faculty Recruitment and Retention Fund

The UNC System institutions help to power the North Carolina economy by attracting the best and brightest researchers in the world to this state. Established in 2006, the Faculty Recruitment and Retention Fund helps institutional leaders to recruit and retain top faculty members. The General Assembly provided \$1 million in nonrecurring funds in 2017-18. The fund’s current low balance is limiting its effectiveness.

Request for 2018-19: \$3 million

Empower: Grant institutions more flexibility in exchange for stronger accountability.

Allow more efficient use of state funds for repairs and renovations and advanced planning

The UNC System has benefited from a generous percentage of the total State appropriation allocated for repair and renovations (R&R). However, there are still more than a billion dollars of R&R needs identified by the Facilities Condition and Assessment Program. UNC seeks additional flexibility to provide chancellors access to existing funds in to effectively maintain institutional facilities.

Request for expanded authority: Expand carryforward authority to 5.0% (from 2.5%) for repair and renovation, and reinstate authority for small capital projects

The rural institutions that are well positioned to serve the increasing number of low-income students outlined in the Strategic Plan are also some of the smallest institutions. As these universities are asked to enroll more students, the ability to increase the footprint or update facilities is required. In order to plan for the future, institutions need the ability to expend state funds on advanced planning.

Request for expanded authority: Repeal advance planning requirement

Allow more efficient use of state funds for personnel

Institutions are constantly required to adapt to growing student populations and increased technology needs. There is occasionally a need to restructure positions. This can be achieved most efficiently through reorganization through reduction (RTR) which allows an institution to reallocate funds no longer needed in one area to an area that is growing. Currently, RTR is only allowable if there is a net loss of funds to the institution, which would not allow funds to be repurposed.

Request for expanded authority: Extend reorganization through reduction coverage to UNC

Other Targeted Priorities

Lab Schools

The General Assembly's Lab Schools Initiative is off to a great start, with two schools currently in operation and three more due to open in the fall of 2018. These schools provide educational opportunities for students in underserved districts, enable teaching candidates to obtain real-world experience, and provide a venue for faculty to study new approaches to education. Last year, the General Assembly provided start-up and operating costs for lab school programs at East Carolina University and Western Carolina University, and planning funds for the UNC institutions in 2018 and 2019. Additional funding is needed as three new schools come online next year.

Request for 2018-19: \$1.07 million

Medical Education Expansion

The UNC System has a long term goal of supporting the future health care needs of North Carolinians, in part, by increasing the number of medical student slots available at both UNC-Chapel Hill and ECU. The General Assembly provided \$1 million last year to increase the number of student slots at UNC-Chapel Hill. UNC requests additional funds to increase medical student enrollment.

Request for 2018-19: \$2 million

NC A&T Research and Doctoral Funding

The General Assembly provided \$2.5 million in 2017-18 to support established doctoral programs at North Carolina Agricultural and Technical State University for new faculty and graduate student services in the doctoral programs. UNC seeks additional recurring funding for N.C. A&T's transition to doctoral research university status.

Request for 2018-19: \$2.5 million

North Carolina State University - Innovation in Manufacturing Biopharmaceuticals

Funds appropriated by the 2017 General Assembly have already led to partnerships between NC State and six North Carolina-based small and medium-sized companies, a new laboratory in NC State's Golden LEAF Biomanufacturing Training and Education Center (BTEC), and awards for six projects with matching federal funds. UNC requests additional funding to continue to support the BTEC, and to serve as matching funds for a federal grant from the National Institute of Standards and Technology.

Request for 2018-19: \$2 million

North Carolina School of Science and Mathematics Tuition Grant

In 2017, the General Assembly appropriated \$1.5 million in non-recurring funds to bring back the tuition grant for graduates of NCSSM who attend a UNC System institution. While the non-recurring money would fund one-time, one-year scholarships for students graduating in 2018, recurring funding would continue to provide scholarships for future students.

Request for 2018-19: Shift funding from \$1.5 million nonrecurring to recurring.

Capital Budget Priorities

The General Assembly and voters of North Carolina in 2015-16 approved a bond referendum that resulted in investment of over \$1 billion in new and renovated facilities at UNC institutions. In recognition of this significant investment, UNC's capital budget priorities focus on repair and renovations to existing facilities. If the state has surplus nonrecurring funds, UNC has updated the capital priorities to include significant repair and renovation projects.

Request for 2018-19: Proportional percentage of total repair and renovation funding



THE UNIVERSITY OF NORTH CAROLINA SYSTEM

2018 LEGISLATIVE PROPOSALS

Approved March 23, 2018

SUMMARY OF PRIORITY PROPOSALS

Financial and Capital Efficiencies

1. Expand Carryforward Authority to 5.0% (from 2.5%) for Repair & Renovation

Carryforward authority allows UNC institutions to assist the state in addressing significant repairs and renovation (R&R) backlog using existing appropriation. UNC currently has over \$1 billion in R&R backlog on state-supported buildings and has very little flexibility addressing the backlog on our own. This increased flexibility will allow institutions to share responsibility with the state to address this backlog without obligating the state to future expenditures.

2. Provide Reorganization through Reduction Coverage for the University of North Carolina

Extend reorganization-through-reduction (RTR) authority currently available to Cabinet and Council of State departments to the University. Current state law does not provide RTR authority to UNC.

3. Repeal Advanced Planning Requirement

Currently, statute requires UNC institutions to fund advanced planning through “schematic design” for state-supported buildings, which equates to roughly 2% of the estimated project cost, before approaching the legislature with a request. The statute could lead to a significant waste of dollars as institutions are now asked to spend money prior to the legislature indicating support for the project.

4. Reinstate Authority for Small Capital Projects

UNC leaders are asked to manage not just the operations of institutions, but to protect the significant state capital infrastructure investments. They do not have the tools to do so currently. If there is a need to address an issue, campus leaders no longer have the flexibility to use available resources for small capital projects (up to \$1 million) and must hope for sizeable repair and renovation appropriation.

5. Eliminate the Tuition Surcharge for Students taking over 140 Credit Hours

In 2009, the legislature created a surcharge of 50% for students who take over 140 credit hours, which drives up the cost of attendance. More recently, the legislature created a tuition freeze program for eight semesters, which serves as a better approach to incentivize completion without raising the cost of attendance.



2018 LEGISLATIVE PROPOSALS

Approved March 23, 2018

SUMMARY OF PRIORITY PROPOSALS (Continued)

Technical Corrections

1. Technical Corrections for Teaching Fellows Program

In the FY17-18 budget, the legislature reinstated the Teaching Fellows program, which UNC strongly supported. During the process of selecting host institutions, clarifying language requested by various partners were identified, such as clarifying how the funds should flow to various partners and the number of qualifying institutions.

2. Technical Corrections for Principal Fellows Program

Unlike the recently restored Teaching Fellows program, the Principal Fellows Program cannot use resources from their existing Trust Fund to pay for extracurricular enhancement activities and administrative costs. Providing the Principal Fellows program with the same management flexibility as the Teaching Fellows program will be important as the System seeks to find an institution to oversee the program.

3. Technical Corrections for the Board of Governors Free Expression Committee Appointments

H.B. 527, the Restore/Preserve Campus Free Speech Act passed in 2017, includes a provision which creates the Committee on Free Expression. This provision bypasses the typical BOG committee appointment process, as it prescribes size, terms, and process for electing a chair. The Governance Committee of the UNC Board of Governors passed a motion to request this change, which subsequently was presented to the full Board of Governors.

4. Technical Corrections for UNC Laboratory School legislation, including HR, food/transportation services, and assignment criteria

As UNC System institutions begin to hire employees for the new Laboratory Schools, we would like to provide employees with comparable benefit options available to other University employees who are likewise exempt from the State HR Act, specifically access to the Optional Retirement Plan. UNC also seeks clarity on assignment criteria eligibility as new schools are opening in the upcoming year. Finally, UNC would like to offer employees of Lab Schools the same benefit options of existing employees and clarify who is responsible for background checks for employees.



Area:	Institutional Request - Efficiency
Topic:	Expand Carry Forward to 5.0% (from 2.5%) for Repair & Renovations
Governance:	North Carolina General Statutes - G.S. 116-30.3 - Reversions
Current Status:	<ul style="list-style-type: none">• G.S. 116-30.3 addresses state appropriation reversions and provides an exemption to UNC institutions of up to 2.5% of state appropriations. This allows UNC institutions to carry forward unexpended state funds to be used for one-time expenses that don't obligate the state to provide additional expenditures. Typically, agency funds not expended in given fiscal year are returned to the Office of State Budget & Management and General Fund.• In the FY15-16 budget, UNC was provided authority to carry forward up to 5% of state appropriation with the additional increment to be used for building Repair & Renovation (R&R).<ul style="list-style-type: none">○ UNC institutions used this authority to address 35 projects totaling \$30 million• UNC seeks to regain this authority, which sunset two years ago.• In the last five years, UNC's largest reversion was just over \$3 million, so expanding the current authority will not cost the state any money.• Expanding carry forward authority does not limit the Budget Director's ability to force a reversion in the case of a fiscal emergency.• This request was included in the UNC Board of Governors 2017-18 Policy Agenda.
Current Challenges:	<ul style="list-style-type: none">• UNC institutions have significant capital R&R needs, but few ways to address those needs. Carry forward authority remains a primary source of funds to address capital shortcomings on state-supported buildings in years we don't receive significant R&R appropriations from the state. UNC has identified major capital deficiencies through NC's Facilities Condition Assessment Program (FCAP).• Institutions are seeking authority to spend appropriated dollars on areas that are the state's obligations, but they are limited to do so in the current fiscal year due to administrative limitations.• This allows institutions to spend state dollars more strategically and will not limit the amount of reverted funds, as the University will spend on other lower priority needs without this authority.
Proposed Action:	<p>Amend G.S. 116-30.3. – Replace 2.5% with 5.0%.</p> <p>G.S. 116-30.3. Reversions.</p> <p>a) Of the General Fund current operations appropriations credit balance remaining at the end of each fiscal year in each of the budget codes listed in this subsection, any amount of the General Fund appropriation for that budget code for that fiscal year (i) may be carried forward to the next fiscal year in that budget code, (ii) is appropriated in that budget code, and (iii) may be used for any of the purposes set out in subsection (f) of this section. However, the amount carried forward in each budget code under this subsection shall not exceed <u>five percent (5%)</u> two and one-half percent (2.5%) of the General Fund appropriation in that budget code.</p> <p>Amend G.S. 116-30.3(f)</p> <p>f) Funds carried forward pursuant to subsection (a) of this section <u>above two and one-half percent (2.5%) may be used to support one-time expenditures for building repairs and renovations; may be used for one-time expenditures,</u> provided, however, that the expenditures shall not impose additional financial obligations on the State and shall not be used to support positions.</p>



Area:	University Human Resources Policy
Topic:	Modify SHRA Reduction-in-Force / Reorganization through Reduction Coverage
Governance:	North Carolina General Statutes - Chapter 126 - Article 2 (126-7.1)
Current Status:	<ul style="list-style-type: none">G.S. 126-7.1(j) provides the option to Cabinet and Council of State Departments and Offices to “reorganize through reduction” (RTR) through a voluntary separation process. If an insufficient number of volunteers are found, then the organization may proceed with involuntary RIF actions. The University is not eligible for this provision.
Current Challenges:	<ul style="list-style-type: none">The Office of State Human Resources (OSHR) has communicated that RIF actions may occur <u>only</u> when there is a permanent loss of funds to a state agency or institution. As a result, the University, without an institutional funding loss, cannot pursue certain organizational restructuring that may result in RIF actions.The dynamics of university growth create a significant need for restructuring of positions to increase efficiency and effectiveness, even if it does not result in a loss of funds to the institution. This cannot be accomplished through the current RIF restrictions.<ul style="list-style-type: none"><i>Example:</i> A UNC constituent institution cuts the budget of one of its Schools/Divisions so that it may better allocate those funds elsewhere in the institution. The School/ Division that received the budget cut would <u>not</u> be able to apply RIF procedures to this loss of funds because the institution <u>as a whole</u> has not lost funds.It is inefficient and wasteful for state operations to maintain unnecessary positions when other positions may be needed for which current staff do not possess sufficient skillsets to perform effectively and efficiently.<ul style="list-style-type: none"><i>Example:</i> Technological changes have resulted in the need for fewer staff to perform certain functions or require significantly different skillsets than those held by incumbent employees. Employees in this kind of restructuring would have to be retained, even if the work no longer exists, or reassigned, even if the employee does not have the requisite skillset to perform the new duties.UNC institutions will reassign employees whenever feasible in order to restructure, but the flexibility for a voluntary separation through an RTR process would help when no suitable position can be found to achieve efficiencies through restructuring.
Proposed Action:	<p><i>Extend Reorganization through Reduction (RTR) authority to the UNC system.</i></p> <ul style="list-style-type: none">Amend G.S. 126-7.1(j): “(j) <u>Any</u> department or office listed in G.S. 126-5(d)(1) or (2), <u>and the University of North Carolina and its constituent institutions</u>, may reorganize and restructure its positions through a voluntary separation process, in accordance with a policy approved by the State Human Resources Commission and subject to funding and approval by the Office of State Budget and Management.”OSHR has expressed support for extending RTR to the University System.



Area:	Capital – Institutional Request
Topic:	Eliminate Requirement of Non-State Funding for Advanced Planning on State-Supported Capital Projects
Governance:	North Carolina General Statutes - Chapter 143C-3-3
Current Status:	<ul style="list-style-type: none">G.S. 143C-3-3 was amended in FY15-16 to include a provision requiring UNC institutions to expend non-state dollars on advance planning “through schematic design” for proposed new capital projects."G.S. 143C-3-3. Budget requests from State agencies in the executive branch... (b) University of North Carolina System Request. – Notwithstanding the requirement in G.S. 116-11 that the Board of Governors prepare a unified budget request for all of the constituent institutions of The University of North Carolina, repairs <u>budget requests of the University shall be subject to all of the following:</u> (1) <u>Repairs and renovations, renovations requests</u>, capital fund requests, and information technology requests shall comply with subsections (c), (d), and (e) of this section. (2) <u>The University of North Carolina shall not make a capital funds request proposing to construct a new facility, expand the building area (square feet) of an existing facility, or rehabilitate an existing facility to accommodate new or expanded uses unless the University has completed advance planning through schematic design of the project with funds other than General Fund appropriations.</u>Schematic design is the equivalent of 2% of the total cost for state-supported buildings.The request to eliminate this 2% requirement was included in UNC Board of Governors 2017-18 Policy Agenda and H.B. 775, which has not passed, included a potential fix.
Current Challenges:	<ul style="list-style-type: none">Under current statute, institutions are being asked to identify 2% of the cost of a capital project that is a state-supported project (meaning the state would historically fund the entire project cost).Additionally, the legislation required institutional funding to come from non-appropriated sources (excludes carry forward funds), and the resources must be expended prior to knowing if the legislature is interested in funding the project.This provision was partially based off the Board of Governors’ desire to put “skin in the game” during the Connect NC deliberations, and has the impact of institutions having to raise and spend private money while not providing the donor with any certainty the project will ever be built.The current provision increases the likelihood of investing private resources in projects that won’t be built.By making this change, the institutions will not have to raise significant external funding without any certainty of project coming to fruition.
Proposed Action:	<p>Amend G.S. 143C-3-3 (b) (2) – to clarify intent is only to have conceptual drawings prepared in advance.</p> <ul style="list-style-type: none">The University of North Carolina shall not make a capital funds request proposing to construct a new facility, expand the building area (square feet) of an existing facility, or rehabilitate an existing facility to accommodate new or expanded uses unless the University has completed advanced planning through schematic design <u>conceptual planning</u> of the project with funds other than General Fund appropriations. For purposes of this subdivision, "funds other than General Fund appropriations" includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3 and G.S. 116-30.3B.



Area:	Capital - Request from Institutions
Topic:	Reinstate Authority for Certain Capital Projects up to \$1 million
Governance:	Reinstate into North Carolina General Statutes
Current Status:	<ul style="list-style-type: none">• In 2012, G.S. 116-13.1 (c) provided UNC institution leaders with the ability to address small capital improvement projects on their campus from funds available to the institution.• In FY14, this authorization was removed and limited UNC to the state authorized level of \$300,000 in Session Law.• In FY17, the legislature did not include this authority in Session Law, nor create a new statute addressing the issue. At this time, neither state agencies nor University leaders can use operating dollars to address capital repairs/improvements.• This request was included in the UNC Board of Governors 2017-18 Policy Agenda and was included in H.B. 775 (Section 7).
Current Challenges:	<ul style="list-style-type: none">• Many University buildings are deficient and need repairs. Failing an emergency repair declaration, institutions are prevented from repairing the facilities unless R&R or carry forward funds are available.• Over the past decade, the UNC System has received approximately \$35 million a year for R&R, which has to be spread amongst 17 institutions.
Proposed Action:	<p>AUTHORIZE STATE AGENCIES TO UNDERTAKE <u>CERTAIN</u> SMALL REPAIRS AND RENOVATIONS PROJECTS WITH FUNDS AVAILABLE</p> <p>(a) Notwithstanding G.S. 143C-8-7, a State agency may undertake repairs and renovations projects so long as each project satisfies the following requirements:</p> <ol style="list-style-type: none">(1) Total project costs do not exceed <u>one million</u> three hundred thousand dollars (\$300<u>1,000,000</u>).(2) The project is one of the types set forth in G.S. 143C-4-3(b)(1) through (12), regardless of whether the relevant State facilities and related infrastructure are supported from the General Fund.(3) The project is paid for with funds available to the agency. <p>(b) Projects undertaken pursuant to this section shall be reported to the Fiscal Research Division on a quarterly basis. A report under this subsection shall include information about all of the following for each project:</p> <ol style="list-style-type: none">(1) The facility at which the project is being undertaken.(2) The nature and scope of the project.(3) The source of funds for the project.(4) The category of projects set forth in G.S. 143C-4-3(b) that the project falls within. <p><u>(c) General Funds contractually obligated for a project shall not revert at the end of the fiscal year but shall remain available to fund the completion of the project.</u></p>



Area:	Student Success
Topic:	Repeal Tuition Surcharge for Provisions for Students Taking Over 140 Credit Hours
Governance:	Remove language from North Carolina General Statutes
Current Status:	<ul style="list-style-type: none">• In 2009, the legislature increased the cost of attendance for students who exceed 140 credit hours by codifying a tuition surcharge of 25%. The following year, this surcharge was raised to 50%.• The intent of the tuition surcharge increase was to provide a disincentive for students to enroll in courses that don't move the student towards graduation and to reduce time to degree.• The legislation is now impacting students, who have complained to legislators about the surcharge. <p>The Current Operations and Capital Improvements Appropriations Act of 2009 included:</p> <p>CODIFY AND INCREASE UNC UNDERGRADUATE TUITION SURCHARGE SECTION</p> <p>9.10.(a) Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:</p> <p>"G.S. 116-143.7. Tuition surcharge.</p> <p><u>(a) The Board of Governors of The University of North Carolina shall impose a twenty-five percent (25%) tuition surcharge on students who take more than 140 degree credit hours to complete a baccalaureate degree in a four-year program or more than one hundred ten percent (110%) of the credit hours necessary to complete a baccalaureate degree in any program officially designated by the Board of Governors as a five-year program. Courses and credit hours taken include those taken at a constituent institution or accepted for transfer. In calculating the number of degree credit hours taken:</u></p> <p><u>(1) Included are courses that a student:</u></p> <ol style="list-style-type: none"><u>Fails.</u><u>Does not complete unless the course was officially dropped by the student pursuant</u><u>to the academic policy of the appropriate constituent institution.</u> <p><u>(2) Excluded are credit hours earned through:</u></p> <ol style="list-style-type: none"><u>The College Board's Advanced Placement Program, CLEP examinations, or similar programs.</u><u>Institutional advanced placement, course validation, or any similar procedure for awarding course credit.</u><u>Summer term or extension programs.</u> <p><u>(b) No surcharge shall be imposed on any student who exceeds the degree credit hour limits within the equivalent of four academic years of regular term enrollment or within five academic years of regular term enrollment in a degree program officially designated by the Board of Governors as a five-year program.</u></p> <p><u>(c) Upon application by a student, the tuition surcharge shall be waived if the student demonstrates that any of the following have substantially disrupted or interrupted the student's pursuit of a degree: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship. The Board of Governors shall establish the appropriate procedures to implement the waiver provided by this subsection."</u></p>



	<p>SECTION 9.10.(b) G.S. 116-143.7(a), as enacted by subsection (a) of this section, reads as rewritten: "(a) The Board of Governors of The University of North Carolina shall impose a twenty-five percent (25%) <u>fifty percent (50%)</u> tuition surcharge on students who take more than 140 degree credit hours to complete a baccalaureate degree in a four-year program or more than one hundred ten percent (110%) of the credit hours necessary to complete a baccalaureate degree in any program officially designated by the Board of Governors as a five-year program.</p> <p>SECTION 9.10.(c) Subsection (a) of this section is effective beginning with the 2009-2010 academic year; subsection (b) of this section is effective beginning with the 2010-2011 academic year.</p>
Current Challenges:	<ul style="list-style-type: none">• Instead of serving as an incentive to complete their degree, students have complained that the legislative change is increasing the cost of attendance at a time when they are about to complete their degree, which makes college less affordable and requires them to take on additional debt.• In recent years, separate legislation has passed creating non-punitive incentives for students to complete in a timely manner, including tuition freezes.• Several legislators have received complaints from constituents and have inquired if UNC would support making changes to the surcharge.
Proposed Action:	<p>Eliminate the tuition surcharge provision in recognition of recent actions of the legislature that accomplishes similar goals in a way that doesn't increase the cost of a degree.</p>



Area:	North Carolina Teaching Fellow Program
Topic:	Program Modifications
Governance:	North Carolina General Statutes - Chapter 116 - Article 23
Current Status:	<ul style="list-style-type: none">• The state appropriation for NC Teaching Fellows is currently directed to the State Education Assistance Authority (SEAA) instead of splitting funds into separate categories to reflect the distinct administrative roles of SEAA and the UNC System Office.• G.S. 116-209.62(f) currently allows for five Teaching Fellows partner institutions.• G.S. 116-209.62(g) provides that forgivable loans be used for completion of a “program leading to teacher licensure,” but does not specify the type of licensure (initial vs. advanced). Additionally, the categories of eligible students defined in subsection (g)(1)-(4) include a corresponding limit on the length of time that each category can qualify for a forgivable loan in terms of number of years, rather than the number of semesters. The statute currently provides that forgivable loan awards can be used only for the cost of “tuition, fees, and the cost of books.”• G.S. 116-209.62(j) establishes reporting requirements for the North Carolina Teaching Fellows Commission and SEAA, but does not include other key stakeholders including the partner institutions and the North Carolina Department of Public Instruction.• G.S. 116-209.63(a) sets the term of the forgivable loan as “beginning on the first day of September after the completion of the program leading to teacher licensure or 90 days after termination of the forgivable loan, whichever is earlier.”• Throughout G.S. 116-209, the term “UNC General Administration” is used, which needs to be updated to reflect the recent change to “UNC System Office.”
Current Challenges:	<ul style="list-style-type: none">• The current funding structure for the North Carolina Teaching Fellows Program creates unnecessary bureaucracy by requiring the UNC System Office to retroactively file requests for reimbursement from SEAA. Since there is a clear distinction between the respective roles of SEAA and the UNC System Office in the administration of the program, the statute should be adjusted to allow for a one-time transfer of funds to the UNC System Office at the beginning of each fiscal year to cover programmatic expenses and eliminate the unnecessary paperwork from reimbursement requests to the benefit of both entities.• Following the North Carolina Teaching Fellows Commission’s selection of five partner institutions, made in line with the requirements of G.S. 116-209.62(f), there has been considerable support for program expansion. The statute should be modified to increase the number of partner institutions from five to eight institutions and to grant the North Carolina Teaching Fellows Commission with additional discretion to ensure institutional diversity.• The current statute does not specify that Teaching Fellows is intended to provide a pathway to <i>initial</i> teacher licensure, which has caused some confusion in regard to the parameters for eligibility. Furthermore, since partner campuses have varied pathways within their respective educator preparation programs, specifying the length of time for forgivable loan eligibility by a set number of semesters, rather than number of years provides greater flexibility to campuses without any financial impact. Additionally, currently forgivable loans are limited to tuition, fees, and books, which may prevent students with financial hardship from participating in the Teaching Fellows Program.



	<ul style="list-style-type: none">• Current statute, specifically G.S. 116-209.62(j), does not include the full list of stakeholders that will be needed to compile the reporting criteria as directed by the General Assembly. To ensure proper collaboration and facilitate data sharing, the Teaching Fellows partner institutions and the Department of Public Instruction should be included to the list of responsible parties for the purposes of Teaching Fellows reporting.• As the entity responsible for handling the financial administration and repayment for the program, SEAA has cited the need for the language dictating the terms of the forgivable loans in G.S. 116-209.63(a) to be clarified by referencing the date of a Teaching Fellow's graduation.• By using the term "General Administration" instead of "UNC System Office," the current statute includes outdated terminology that does not align to the North Carolina Teaching Fellows Program rules adopted by SEAA nor documents produced by the NC Teaching Fellows Commission.
Proposed Action:	<p>GOAL #1: <i>Modify the statutory language to provide separate allocations of funds to SEAA and the UNC System Office to eliminate unnecessary bureaucracy and paperwork.</i></p> <ul style="list-style-type: none">• Amend G.S. 116-209.62(c) – Add New Language. (c) Uses of Monies in the Trust Fund. – The monies in the Trust Fund may be used only for (i) forgivable loans granted under the Program, (ii) administrative costs associated with the Program, including recruitment and recovery of funds advanced under the Program, and (iii) extracurricular enhancement activities of the Program. <u>At the beginning of each fiscal year, the Authority shall transfer the greater of six hundred thousand dollars (\$600,000) or ten percent (10%) of available funds from the Trust Fund to University of North Carolina System Office for the Program's administrative costs, the salary of the Director of the Program and other Program staff, expenses of the Commission, and to provide the Commission with funds to use for the extracurricular enhancement activities of the Program. The Authority may retain the greater of four percent (4%) of the funds appropriated or two hundred fifty thousand dollars (\$250,000) each fiscal year for administrative costs associated with the scholarship grant program.</u> <p>GOAL #2: <i>Expand the number of Teaching Fellows partner institutions from five to eight and grant the Commission discretion to ensure institutional diversity.</i></p> <ul style="list-style-type: none">• Amend G.S. 116-209.62(f) – Add New Language (f) Program Selection Criteria-The Authority shall administer the Program in cooperation with eight institutions of higher education with approved educator preparation programs selected by the Commission that represent a diverse selection of both postsecondary constituent institutions of The University of North Carolina and private postsecondary institutions operating in the State. <p>GOAL #3: <i>Clarify that Teaching Fellows is designed to provide support for applicants pursuing INITIAL teacher licensure. Additionally, clarify the length of time that a forgivable loan can be applied by specifying a set number of semesters instead of years, which provides greater flexibility to campuses without additional cost. Also allow forgivable loans to be used for qualified expenses, as determined by SEAA.</i></p> <ul style="list-style-type: none">• Amend G.S. 126-7.1(j) – Add New Language (g) Awards of Forgivable Loans. – The Program shall provide forgivable loans to selected students to be used at the five selected institutions for completion of a program leading to initial teacher licensure as follows:



- (1) North Carolina high school seniors. – Forgivable loans of up to eight thousand two hundred fifty dollars (\$8,250) per year for up to **eight semesters**.
- (2) Students applying for transfer to a selected educator preparation program at an institution of higher education. – Forgivable loans of up to eight thousand two hundred fifty dollars (\$8,250) per year for up to **six semesters**.
- (3) Individuals currently holding a bachelor's degree seeking preparation for teacher licensure. – Forgivable loans of up to eight thousand two hundred fifty dollars (\$8,250) per year for up to **four semesters**.
- (4) Students matriculating at institutions of higher education who are changing to a pathway that leads to teacher licensure through a selected educator preparation program. – Forgivable loans of up to eight thousand two hundred fifty dollars (\$8,250) per year for up to **four semesters**.

Forgivable loans may be used for tuition, fees, the cost of books, **and other qualified expenses as defined by the Authority.**

GOAL #4: Include all necessary stakeholders in the reporting process to ensure proper collaboration and appropriate sharing of needed data.

- **Amend G.S. 116-209.62(j) – Add New Language**

(j) Annual Report. – The Commission, in coordination with the Authority, **the Department of Public Instruction, and the selected educator preparation programs participating in the Teaching Fellows program,** shall report no later than January 1, 2019, and annually thereafter, to the Joint Legislative Education Oversight Committee...”

GOAL #5: Clarify the loan terms by adding a reference to a student’s graduation date.

- **Amend G.S. 116-209.63 – Add New Language**

(a) Notes. – All forgivable loans shall be evidenced by notes made payable to the Authority that bear interest at a rate not to exceed ten percent (10%) per year as set by the Authority and beginning on the first day of September after the completion of the program leading to teacher licensure or 90 days after **graduation, whichever is later.** **Notwithstanding the previous sentence, if the forgivable loan is terminated, the note shall be made payable to the Authority 90 days after termination of the forgivable loan.** The forgivable loan may be terminated upon the recipient's withdrawal from **the Program** or by the recipient's failure to meet the standards set by the Commission.

GOAL #6: Update statute to accurately reference “UNC System Office” in place of “UNC General Administration.”

- **Amend G.S. 116-209(a), (b), and (c) – Replace with New Language**

“(a) Program. – There is established the North Carolina Teaching Fellows Program to be administered by **The University of North Carolina System Office,** in conjunction with the Authority and the Commission.

“(b) Trust Fund. – There is established the North Carolina Teaching Fellows Program Trust Fund to be administered by the Authority, in conjunction with **The University of North Carolina System Office.**

“(c) ...from the Trust Fund to **The University of North Carolina System Office.**”

Area:	Principal Fellows
Topic:	Modify Principal Fellows Program to Permit Commission to Use a Portion of Trust Funds to Cover Administrative Expenses
Governance:	North Carolina General Statutes - Chapter 116 - Article 5c (116-74.41, 116-74.42, 116-74.43)
Current Status:	<ul style="list-style-type: none"> ● G.S. 116-74.42 calls on The Board of Governors of The University of North Carolina to appoint a director of the Principal Fellows Program who “shall chair and staff the Principal Fellows Commission, and shall administer the extracurricular enhancement activities of the program. The Board of Governors shall provide office space and clerical support staff for the program.” ● G.S. 116-74.42 also states that: “The SEAA shall perform all of the administrative functions necessary to implement this Article, which functions shall include: rule making, dissemination of information, disbursement, receipt, liaison with participating educational institutions, determination of the acceptability of service repayment agreements, and all other functions necessary for the execution, payment, and enforcement of promissory notes required under this Article.” ● G.S. 116-74.43 places the following restriction on use of trust fund dollars: “This university trust fund may be used only for scholarship loans granted under the Principal Fellows Program and administrative costs associated with the recovery of funds advanced under the program.”
Current Challenges:	<ul style="list-style-type: none"> ● The System Office currently pays ~\$300,000 per year in administrative costs associated with direction of the Principal Fellows Program. Those expenses include the Director’s salary, additional professional development and co-curricular activities for the Fellows, and indirect costs. The funds come out of the System Office’s appropriation. ● In contrast, the Teaching Fellows program grants the State Education Assistance Authority the flexibility to spend up to a fixed portion of the Trust Fund on administrative costs (including the Director’s salary) and extracurricular enhancement activities. ● The System Office plans to transfer the Principal Fellows Program to the School of Education at North Carolina State University where it will be more effective. Revising G.S. 116-74.43 to mirror the flexibility granted the Teaching Fellows Commission to cover administrative and data collection costs will facilitate a seamless transfer of the program to NC State, where the program will be more effective.
Proposed Action:	<p>Amend G.S. 116-74.43 – Add a New Clause that Mirrors the Teaching Fellows Program</p> <p>This university trust fund may be used only for scholarship loans granted under the Principal Fellows Program and administrative costs associated with the recovery of funds advanced under the program. <u>The Authority may use up to \$1 million from the Trust Fund in each fiscal year to pay administrative costs; the salary of the Director of the Program; the expenses of the Commission; for necessary data collection and evaluation activities; and to provide the Commission with funds to use for the extracurricular enhancement activities of the Program.</u></p>



Area:	Board of Governor Governance Committee Request
Topic:	Modify Appointment Process for BOG Committee on Free Expression
Governance:	North Carolina General Statutes - G.S. 116-301
Current Status:	<ul style="list-style-type: none">• H.B. 257, the Restore/Preserve Campus Free Speech Act, was passed in the 2017 legislative session, which included a provision creating a Board of Governors Committee on Free Expression.• The provision prescribed specific membership, terms, and selection criteria, which differs from the normal Board of Governor appointment process led by the chair.• The provision in 116-301 reads: (a) The Board of Governors of The University of North Carolina System shall establish the Committee on Free Expression and appoint 11 individuals from among its membership to the Committee. The members of the Committee on Free Expression shall elect a chair from the members of the Committee. Each member of the Committee on Free Expression shall serve on the Committee at the pleasure of the Board of Governors. Each member's term shall be equal to the remainder of the member's respective term on the Board of Governors. In the event of a vacancy on the Committee, the Board of Governors shall appoint a replacement from among its membership.
Current Challenges:	<ul style="list-style-type: none">• The UNC Board of Governors' Governance Committee passed a resolution requesting a change to the appointment process to mirror what exists for all other committees, which provides the chair of the BOG with the authority to appoint committee leadership, terms, and size.
Proposed Action:	<p>Amend G.S. 116-301</p> <p>(a) The <u>chair of the</u> Board of Governors of The University of North Carolina System shall establish <u>shall designate a standing or special committee of the Board of Governors to act as the Committee on Free Expression, and appoint 11 individuals from among its membership to the Committee. The members of the Committee on Free Expression shall elect a chair from the members of the Committee. Each member of the Committee on Free Expression shall serve on the Committee at the pleasure of the Board of Governors. Each member's term shall be equal to the remainder of the member's respective term on the Board of Governors. In the event of a vacancy on the Committee, the Board of Governors shall appoint a replacement from among its membership.</u></p>



Area:	University Human Resources Policy
Topic:	Amend Employment Requirements for UNC Laboratory School Employees
Governance:	North Carolina General Statutes - Chapter 116 – Article 29A (G.S. 116-239.10 and 116-239.12)
Current Status:	<ul style="list-style-type: none">• The 2016 Appropriations Act (SL 2016-94) added Article 29A to Chapter 116 of the North Carolina General Statutes to establish the University of North Carolina Laboratory Schools.• G.S. 116-239.10 (“Employees”) sets requirements for appointing staff of the Lab Schools.• G.S. 116-239.12 (“Criminal history record checks”) sets requirements for conducting background checks on applicants for Lab School positions.
Current Challenges:	<ul style="list-style-type: none">• G.S. 116-239.10(7) limits the benefits available to employees of the laboratory schools in comparison to other University employees (for example, all other University employees may choose to participate in the Optional Retirement Program). The current language is too specific and may result in a diminished benefit eligibility for these employees.• G.S. 116-239.12(c) presents significant logistical difficulties in requiring a board of trustees to be involved in the hiring process and does not provide enough flexibility to the institution to complete the required background check efficiently.
Proposed Action:	<ul style="list-style-type: none">• Amend G.S. 116-239.10(7): (7) Employee benefits. – Employees of the constituent institution <u>who work in laboratory schools</u> shall <u>be eligible for benefits</u> participate in the Teachers' and State Employees' Retirement System and the State Health Plan on the same terms as other employees employed by of the constituent institution.• Amend G.S. 116-239.12(c): (c) The board of trustees <u>chancellor</u> shall require the person to be checked by the <u>North Carolina</u> Department of Public Safety, <u>or by the campus police department, if so equipped</u>, (i) to be fingerprinted and to provide any additional information required by the <u>North Carolina</u> Department of Public Safety <u>or campus police department</u> to a person designated by the board of trustees <u>chancellor</u> or to the local sheriff, or the municipal police, <u>or campus police</u>, whichever is more convenient for the person and (ii) to sign a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the repositories. [...]



Area:	Laboratory Schools Legislation
Topic:	Modify Laboratory Schools Legislation: Food and Transportation Services
Governance:	North Carolina General Statutes - Chapter 116-239.8(b)(4)
Current Status:	This section establishes that local school administrative units will provide food services and transportation services to students attending laboratory schools.
Current Challenges:	<ul style="list-style-type: none">• The current law does not explicitly state which entity administers the school nutrition program for laboratory schools.• Current law also does not mention that district buses may be used for extracurricular activities and other educational trips.
Proposed Action:	<ul style="list-style-type: none">• Amend: G.S. 116-239.8(b)(4)– Clarifies that laboratory school nutrition programs will be administered by the local school administrative unit and clarifies that laboratory schools will have access to local school administrative unit buses for extracurricular activities and educational trips: Food and transportation services. – The local school administrative unit in which the laboratory school is located shall continue to provide food services and transportation to students attending the laboratory school <u>in the same manner as provided for other schools in the local school administrative unit in that school year, including transportation of students and personnel for laboratory school extracurricular activities and educational trips. The local school administrative unit in which the laboratory school is located shall administer the National School Lunch Program for the laboratory school, as provided in G.S. 115C-264. The board of trustees chancellor shall arrange for the provision of these services from the local school administrative unit.</u>



Area:	Laboratory Schools Legislation
Topic:	Modify Laboratory Schools Legislation: Student Admissions and Assignment <i>and</i> Review of Laboratory Schools
Governance:	North Carolina General Statutes – NC G.S. Chapter 116-239.9(a)(c) and Chapter 116-239.13(2)
Current Status:	This section establishes which students are eligible to attend laboratory schools.
Current Challenges:	<ul style="list-style-type: none">• The current law is unclear as to whether siblings of enrolled students may also attend the laboratory school.• It is also unclear how rising kindergarteners may be eligible to attend a lab school.• Changes eligibility to attend a laboratory school from students who were previously enrolled in a low-performing school to students who are assigned to a low-performing school.
Proposed Action:	<ul style="list-style-type: none">• Amend:116-239.9(a),(c) – Clarifies that siblings of students already enrolled in a laboratory school are also eligible to attend a laboratory school and provides for the possibility of an admission preference for siblings of enrolled students. It also more clearly states that children assigned to, rather than just enrolled in, a low-performing school may attend a lab school. This change helps to clarify admissions eligibility for rising kindergarteners who have not yet been enrolled in a low-performing school:<p>(a) Any child who is residing in a local school administrative unit in which a lablaboratory school is located and (i) is enrolled in assigned to a low performing school, as defined by G.S. 115C 105.37 at the time of the student's application, or (ii) <u>did not meet expected growth in the prior school year based on one or more indicators listed in subsection (c1) of this section, or</u> (iii) is a sibling of a child who meets the criteria in subsection (i) or (ii) of this paragraph is eligible to may attend the lablaboratory school.</p><p>(b) No local board of education shall require any student enrolled in the local school administrative unit to attend a lablaboratory school.</p><p>(c) During each period of enrollment, the lablaboratory school shall enroll an eligible student under subsection (a) of this section who submits a timely application, <u>with priority enrollment given in the order in which applications are received to up to the capacity of a program, class, grade level, or building, in the order in which applications are received. The laboratory school may give enrollment priority to siblings of currently enrolled students who were admitted to the laboratory school in a previous year. Once enrolled, students are not required to reapply in subsequent enrollment periods.</u></p>• Amend Chapter 116-239.13(2) – Consistent with the language above, this clarifies that laboratory schools will report on students who were assigned to low-performing schools rather than those who were enrolled in low-performing schools:<p>The public school student admissions process and the number of students enrolled under the priority admissions<u>under the category of (i) students who were previously enrolled in assigned to a low performing school and (ii) students who did not meet expected student growth in the school year prior to enrollment at each lab</u>laboratory school.</p>