

## THE UNIVERSITY OF NORTH CAROLINA 2018-19 Operating Budget Allocations

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## APPENDIX R

This document includes recommended allocations for operating and compensation funding, as well as additional information about the 2018 budget and related bills. A comparison of the final budget to the Board of Governors' budget priorities can be found in Appendix A.

*It is recommended that the following proposed allocations for 2018-19 be approved and that the president be authorized to make refinements in the interest of accuracy and completeness. It is also recommended that the president be authorized to seek such concurrence as may be required of the director of the budget in the allocation of budget priorities.*

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

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

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

<b>Institution</b>	<b>EHRA &amp; SHRA Compensation</b>	<b>Management Flexibility Reduction*</b>
ASU	\$ 1,061,909	(\$ 372,391)
ECU	2,239,868	(761,520)
ECSU	143,009	0
FSU	371,253	(144,108)
N.C. A&T	824,635	(302,456)
NCCU	549,199	(272,032)
NC State	4,175,483	(1,512,325)
UNCA	307,210	0
UNC-CH	4,239,862	(1,737,704)
UNCC	1,881,509	(567,049)
UNCG	1,177,374	(433,429)
UNCP	373,300	(162,034)
UNCW	1,017,304	(362,973)
UNCSA	237,114	0
WCU	607,266	(225,562)
WSSU	431,453	(146,417)
NCSSM	95,884	0
UNC System Office	266,368	0
<b>Total</b>	<b>\$20,000,000</b>	<b>(\$7,000,000)</b>

*\*ECU, NC State, UNC-Chapel Hill, and WCU may allocate the management flex cut across the Health, Agricultural, and AHEC budget codes and the NC Arboretum fund code within the parameters outlined in S.L. 2017-57.*

**1. EHRA and SHRA Compensation**

In past years, the Board has awarded salary increases to positions exempt from the State Human Resources Act (EHRA) pursuant to policies adopted by the Board. For the 2018-19 fiscal year, the General Assembly appropriated \$20,026,393 in recurring funds to provide a salary increase to both EHRA and SHRA employees for the following purposes: merit, across-the-board, recruitment bonuses, retention increases, or other compensation increases. The recurring funds will impact the employee's base salary and retirement contributions. In addition, the General Assembly mandated that the annual salary of a permanent full-time University employee that is below the amount of \$31,200 shall be increased to that amount. A permanent part-time employee shall receive a prorated portion of \$31,200. Recurring funds of \$26,393 were included in the appropriation for salary increases to teachers at the NC School of Science and Mathematics in accordance with the teacher salary schedule. Table 1 shows the compensation allocations for the EHRA and SHRA employees (see Sec. 35.12 in Appendix D for more information). This allocation requires Board approval. In addition to the salary increase, employees will also receive five days of bonus leave. This leave will have no cash value and cannot be cashed in or counted toward retirement. These funds were appropriated to the UNC System Office, Institutional Programs (Board Reserve).

**2. Management Flexibility Reduction**

The 2017 General Assembly directed a management flexibility nonrecurring reduction of \$7,000,000 to take effect in 2018-19. A special provision (Section 10.8) in the 2017 Appropriations Act provides guidelines for implementation of the reduction and also requires a report to Office of State Budget and Management and Fiscal Research Division by April 1, 2019. The report shall identify the total number of positions eliminated by type (faculty/non-faculty) and the low-performing, redundant, and low-enrollment programs that were eliminated.

The management flexibility reduction shall not be allocated using an across-the-board method, but shall be done in a manner that recognizes the importance of the academic missions and differences among the UNC entities.

In allocating the management flexibility reduction, the provision lists considerations (see Appendix D) and specifies that no reduction in state funds shall be allocated in 2018-19 to any of the following:

- (1) UNC Need-Based Financial Aid
- (2) North Carolina Need-Based Scholarships
- (3) Special Education Scholarships for Children with Disabilities
- (4) North Carolina Personal Education Savings Accounts Program
- (5) Opportunity Scholarship Program
- (6) North Carolina State University Agricultural Research
- (7) North Carolina School of Science and Mathematics
- (8) University of North Carolina School of the Arts
- (9) Any entity receiving less than one and one-half percent (1.5%) of the annual net General Fund appropriation for the University of North Carolina
- (10) Any budget expansion item funded by an appropriation to the Board for the 2017-19 biennium

**B. Budget Items Requiring Future Action/Board Approval****1. Enrollment Change Funding**

The 2017 General Assembly fully funded the Board's enrollment change funding request by appropriating \$48,163,406 for 2018-19. This appropriation was made to an OSBM reserve account. A special provision in the 2017 Appropriations Act (Sec. 10.10) requires that actual enrollment be verified following fall semester census and then the Board will allocate funds for the fiscal year, subject to the approval of the director of the budget. Spring semester funding will be based on a three-year average fall-to-spring retention of fundable credit hours. OSBM may advance funds to institutions to maintain operations until enrollment is verified. The recommended enrollment amounts for each institution will be provided to the Board at its November meeting, at which time a vote will be required to approve the allocation funding.

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

The General Assembly mandated reductions and increased appropriations directly to several institutional budgets, which do not require Board allocation. These are described on the following pages, for information only. Unless otherwise noted, appropriations were made in the 2018 Appropriations Act [S.L. 2018-5 (S99)].

**1. Retirement Funding – TSERS**

The General Assembly appropriated \$1,308,397 in recurring funds in order to increase the state's contribution for members of the Teachers' and State Employee's Retirement System (TSERS) from 18.44% to 18.86%. Nonrecurring funds of \$3,687,299 were also provided for a 1% one-time cost-of-living supplement for retirees. Sections 35.27 and 35.28 provide more information. These funds were appropriated to the UNC System Office, Institutional Programs (Board Reserve).

**2. Data Analytics**

The General Assembly reduced nonrecurring funds and increased recurring funds by \$500,000 for human capital and information technology investments related to data collection, modernization, and integration projects. The revised net appropriation for this purpose is \$9 million for 2018-19. These funds were appropriated to the UNC System Office, Institutional Programs (Board Reserve).

**3. NC Promise Tuition Plan**

The General Assembly provided an additional \$11 million in recurring funds for NC Promise, which sets undergraduate tuition at \$500 per semester for NC residents and \$2,500 per semester for nonresidents at three UNC institutions (ECSU, UNCP, and WCU). Funds will be used to support increased enrollment at each institution. The revised net appropriation for NC Promise is \$51 million. The General Assembly also requires a report by the Board and the chancellors of the NC Promise institutions by October 1, 2018. An associated special provision (Sec. 10.5) can be found in Appendix D and provides more information on the reporting requirements. These funds were appropriated to the UNC System Office, Institutional Programs (Board Reserve).

**4. UNC Teacher and Principal Preparation Program Lab Schools**

Recurring funds of \$1,070,000 appropriated by the General Assembly will provide for administrative and technical assistance related to the UNC Teacher and Principal Preparation Laboratory School Program. These funds are for both start-up assistance, as well as recurring administrative support for three new lab schools to be operated by Appalachian State University, UNC Greensboro, and UNC Wilmington. The revised net appropriation for this purpose is \$2 million for 2018-19. These funds were appropriated to the UNC System Office, Institutional Programs (Board Reserve) and it is recommended that the president be authorized to make further allocations.

**5. Promotion of Access to Affordable College Education**

The General Assembly provided \$1,000,000 in nonrecurring funds to the UNC System Office to promote access to affordable college education to North Carolina residents. Policies to be promoted include guaranteed tuition rates for in-state students for four years at all UNC System institutions. The System Office shall also promote NC Promise, which sets undergraduate tuition at three UNC System institutions at \$500 per semester for NC residents and \$2,500 per semester for nonresidents. The funds were appropriated to the UNC System Office, Institutional Programs (Board Reserve).

**6. Faculty Recruitment and Retention**

The General Assembly increased funding for faculty recruitment and retention efforts at UNC System institutions with a \$1,000,000 appropriation (\$500,000 in recurring and \$500,000 nonrecurring funds). The revised net appropriation for this purpose is \$14 million for 2018-19. The funds were appropriated to the UNC System Office, Institutional Programs (Board Reserve), and it is recommended that the president be authorized to make further allocations.

**7. Tuition Grant for NC School of Science and Mathematics**

Nonrecurring funds are provided for a one-year tuition grant program for students graduating from the NC School of Science and Mathematics at the conclusion of the 2018-19 academic year who then subsequently enroll full-time in a UNC System institution. Students who enroll full-time in a constituent institution in the fall of 2019 will receive a full tuition grant for one year. The net appropriation is \$970,000 (\$1,001,869 in nonrecurring funds less receipts of \$31,869). The source of the receipts is from the closure of the NC Community College Instructional Trust Fund. These funds were appropriated to the UNC System Office, Related Educational Programs, and it is recommended that the president be authorized to make further allocations.

**8. North Carolina Policy Collaboratory at UNC-Chapel Hill**

Nonrecurring funds of \$5,013,000 were appropriated by the legislature for the NC Policy Collaboratory at UNC-Chapel Hill. These funds will provide for acquisition or modification of essential scientific instruments, sample collection and analysis, training or hiring of research staff and other personnel, method development activities, and data management, including dissemination of relevant data to stakeholders. These funds were appropriated to UNC-Chapel Hill, Academic Affairs.

**9. UNC-Chapel Hill School of Law**

The General Assembly provided \$500,000 in recurring funds to UNC-Chapel Hill's School of Law in order to restore funding from a reduction in 2017-18. The revised net appropriation is \$13.1 million for 2018-19. These funds were appropriated to UNC-Chapel Hill, Academic Affairs.

**10. Carolina Institute for Law and Entrepreneurship at UNC-Chapel Hill**

The General Assembly appropriated \$465,000 in recurring funds for the Carolina Institute for Law and Entrepreneurship. This is a joint program between the School of Law, Kenan-Flagler College of Management, and one or more rural incubators to provide law students with hands-on experience in advising aspiring business entrepreneurs. Funding will support administration, faculty, and operating expenses. These funds were appropriated to UNC-Chapel Hill, Academic Affairs.

**11. School of Media and Journalism at UNC-Chapel Hill**

Nonrecurring funds of \$75,000 were appropriated by the legislature for the School of Media and Journalism. The funds will be used for the school's annual photojournalism workshop and community outreach efforts. The funds were appropriated to UNC-Chapel Hill, Academic Affairs.

**12. Western School of Medicine – Asheville**

The General Assembly appropriated \$4,802,500 in nonrecurring funds for the School of Medicine's Asheville campus, a joint program between the UNC-Chapel Hill School of Medicine, other UNC System universities, and the Mountain Area Health Education Center. Funding will support administration, faculty, and related programs for this multi-disciplinary effort. The revised net appropriation is \$15.4 million. These funds were appropriated to UNC-Chapel Hill, Health Affairs.

**13. UNC Rockingham Health Care**

Nonrecurring funds of \$500,000 were provided for UNC Rockingham Health Care for a matching grant for a primary care rural advancement program. These funds were appropriated to UNC-Chapel Hill, Health Affairs.

**14. Southern Regional Area Health Education Center**

Nonrecurring funds of \$4,800,000 were provided for the Southern Regional Area Health Education Center. Funds will be used for surgery and family medicine residencies in the Southern Regional AHEC service areas and for facility and structural improvements associated with current residency programs. These funds were appropriated to UNC-Chapel Hill, AHEC.

**15. NC State Innovation in Manufacturing Biopharmaceuticals**

The General Assembly provided nonrecurring funds of \$2,000,000 for North Carolina State University's participation in a collaborative effort to accelerate the development of innovative manufacturing processes for biopharmaceutical products. Funds will support the Biomanufacturing Training and Education Center at North Carolina State University and serve as matching funds for a federal grant from the National Institute of Standards and Technology. These funds were appropriated to NC State, Academic Affairs.

**16. NC Clean Energy Technology Center at NC State**

Nonrecurring funds of \$266,000 were appropriated for the NC Technology Center at North Carolina State University for the development and adoption of clean energy technologies. These funds were appropriated to NC State, Academic Affairs.

**17. Reductions in Supplies/Purchased Services (ECU, N.C. A&T, NC State, UNC Charlotte, UNC Greensboro)**

The General Assembly mandated recurring reductions totaling \$2,675,000 for five institutions in supplies and/or purchased services as shown in Table 2.

**Table 2: Reductions in Supplies/Purchased Services**

<b>Institution</b>	<b>Reductions</b>
ECU ( <i>supplies</i> )	\$ 400,000
ECU ( <i>purchased services</i> )	700,000
N.C. A&T ( <i>supplies</i> )	150,000
NC State ( <i>supplies</i> )	400,000
UNCC ( <i>supplies</i> )	800,000
UNCG ( <i>supplies</i> )	225,000
<b>TOTAL</b>	<b>\$2,675,000</b>

**18. North Carolina School of Science and Mathematics – Morganton Campus**

The General Assembly provided funds (\$116,243 recurring and \$366,200 nonrecurring) for project management and curriculum development at the Morganton campus of the NC School of Science and Mathematics. Funds will also be used for an administrative assistant position for ongoing support in the planning office at the Morganton campus. The revised net appropriation is \$612,443 in 2018-19. These funds were appropriated to NC School of Science and Mathematics.

**19. Aid to Private Institutions**

The General Assembly appropriated funds to programs for private institutions. The funds for these programs were appropriated directly to Aid to Private Institutions. Descriptions of these items can be found in Appendix C.

**20. Intra-Agency Transfers**

The following intra-agency transfers contained in the Joint Conference Committee Report do not require Board action.

Center for Marine Sciences and Technology (CMAST) Shellfish Pathologist at NC State

Recurring funds of \$125,000 will be transferred from the Department of Environment Quality – Division of Marine Fisheries to NC State to establish a shellfish pathologist position at the Center for Marine Sciences and Technology.

Institute for Marine Sciences at UNC-Chapel Hill

Nonrecurring funds of \$125,000 will be transferred from the Department of Environmental Quality – Division of Marine Fisheries to the Institute for Marine Sciences at UNC-Chapel Hill for the continuation of the North Carolina ferry-based water quality monitoring program. An associated special provision in the Appropriations Act (Section 10.2) mandates that UNC-Chapel Hill shall not charge indirect facilities and administrative costs against this funding.

**Appendix A: 2018-19 Operating  
Budget Comparison**

	UNC Budget Priorities	Final Budget SB 99 (S.L. 2018-5)
<b>FY 2018-19 Enacted Budget*</b> (excluding Aid to Private Institutions)	<b>\$2,894,709,796</b>	<b>\$2,894,709,796</b>
<b>Fulfill Our Responsibility To Be More Transparent and Accountable</b>		
Data Modernization	2,000,000 (2,000,000) NR	500,000 (500,000) NR
<b>Invest in Promising New Ideas That Will Raise Graduation Rates and Grow Our Economy</b>		
Student Success Initiatives (Innovation Lab, Accelerate Through Summer Grants, Adaptive Digital Learning Courseware)	5,000,000	—
Faculty Recruitment and Retention	3,000,000	500,000 500,000 NR
Research Opportunities Initiative	3,000,000	—
<b>Other Targeted Priorities</b>		
Employee Compensation Provides salary increases to be awarded based on the priorities of the BOG, \$26,393 for NCSSM teacher salary increases, and funds in an OSBM reserve to increase salaries for full-time state employees to a minimum of \$31,200.	<i>Equity with other state employees and flexibility to determine criteria for distribution</i>	20,026,393
Reinstate NCSSM Tuition Grant	1,500,000 (1,500,000) NR	970,000 NR
Lab Schools	1,070,000	1,070,000
Medical Education Expansion	2,000,000	—
N.C. A&T Doctoral Program	2,500,000	—
NC State Innovation in Manufacturing Biopharmaceuticals	2,000,000 NR	2,000,000 NR
<b>Other UNC Items</b> (not requested in BOG Priorities)		
State Retirement Plan Contributions - TSERS Actuarially determined contribution and 1% one-time cost of living increase to retirees.	—	1,308,397 3,687,299 NR
NC Promise (Funds originally appropriated to OSBM reserve)	—	11,000,000
Promotion of Access to Affordable College Education	—	1,000,000 NR
NC Policy Collaboratory	—	5,013,000 NR
UNC School of Law	—	500,000
Carolina Institute of Law and Entrepreneurship	—	465,000
UNC School of Media and Journalism	—	75,000 NR
Institute of Marine Sciences at UNC-CH (\$125,000 in NR funds to be provided by DEQ)	—	—
Western School of Medicine - Asheville	—	4,802,500 NR
UNC Rockingham Health Care	—	500,000 NR
Southern Regional AHEC	—	4,800,000 NR



**Appendix A: 2018-19 Operating  
Budget Comparison**

	UNC Budget Priorities	Final Budget SB 99 (S.L. 2018-5)
NC Clean Energy Technology Center at NC State	—	266,000 NR
NC State CMAST Shellfish Pathologist (\$125,000 R funds to be provided by DEQ)	—	—
NCSSM - Morganton	—	116,243 366,200 NR
<b>Reductions</b>		
Supplies at NC State	—	(400,000)
Supplies at UNCG	—	(225,000)
Supplies at UNCC	—	(800,000)
Purchased Services at ECU	—	(700,000)
Supplies at ECU	—	(400,000)
Supplies at N.C. A&T	—	(150,000)
<b>Total Operating Increases</b>	<b>22,070,000</b>	<b>59,466,032</b>
<b>Total Operating Decreases</b>	<b>(3,500,000)</b>	<b>(3,175,000)</b>
<b>Total Recurring Operating Changes</b>	<b>20,070,000</b>	<b>32,811,033</b>
<b>Total Nonrecurring Operating Changes</b>	<b>(1,500,000)</b>	<b>23,479,999</b>
<b>Total Recommended UNC Budget Changes</b>	<b>18,570,000</b>	<b>56,291,032</b>
<b>Total Recommended UNC Budget</b>	<b>2,913,279,796</b>	<b>2,951,000,828</b>
<b>Total Percent Change</b>	<b>0.64%</b>	<b>1.9%</b>
<b>Aid to Private Institutions</b>		
<b>Base Budget</b>	<b>167,799,754</b>	<b>167,799,754</b>
NC Need-Based Scholarships	—	535,002
Special Education Scholarship Grant	—	3,015,000
<b>Total Private Aid</b>	<b>167,799,754</b>	<b>171,349,756</b>

*\*This includes UNC enrollment funding that was appropriated to an OSBM reserve account.*



## Appendix B: UNC-Related Provisions

### 2018-19 Budget

Section	Title	Final Budget (SB 99 - S.L. 2018-5) and Technical Corrections (SB 335 - S.L. 2018-97 )
<b>UNC Section</b>		
10.1	UNC Laboratory School Changes	Amends G.S. 116-239 to require the local school administrative unit to administer the National School Lunch Program for the lab schools and clarifies who is eligible to attend a lab school, including allowing for priority for siblings of enrolled students.
10.2	FerryMon/No Overhead	Directs UNC-CH to not charge indirect facilities and administrative costs against the funding provided for the Institute of Marine Sciences for the FerryMon water quality monitoring program.
10.3	Modify Appointment Process for BOG Committee on Free Expression	Amends G.S. 116-301(a) to allow the chair of the BOG to designate a standing or special committee of the Board to act as the Committee on Free Expression.
10.4	Food Processing Innovation Center/Carryforward of Funds	Allows for the funds appropriated in the 2017 Appropriations Act, which were allocated to NC State for the Food Processing Innovation Center, to be used for equipment, supplies, and other operating expenses. Allows for excess funds to be carried forward until the renovations of the space to be leased are completed.
10.5	NC Promise "Buy Down"/Report	Amends G.S. 116-143.11 to remove requirement that the "buy down" funds for NC Promise be authorized by the Director of the Budget. Requires an annual report by October 1 beginning in 2018 by the BOG and chancellors of ECSU, UNCP, and WCU to Ed. Oversight, House and Senate Appropriation Committees, and Fiscal Research detailing any financial obligation resulting from the established tuition rate, the amount required to offset the foregone tuition receipts and how those funds were allocated, and the number of enrolled resident and nonresident students at each institution.
10.6	Southern Regional AHEC Funds	Directs the \$4.8M appropriated for Southern Regional AHEC to be used for residencies in the SR AHEC service areas and for facility and structural improvements associated with current residency programs.
10.7	Extend Initial Terms/Advisory Council on Rare Diseases	Requires that the terms of the initial members of the Advisory Council on Rare Diseases at the UNC-CH SOM end on July 1, 2023, and that members appointed after this date shall serve for terms of three years.
<b>UNC/SEAA Section</b>		
10A.1	Modify and Align the K-12 Scholarship Programs	Amends G.S. 115C-112 to adjust the eligibility requirements of the special education scholarships for children with disabilities and to adjust the timeline for applications and awards. The provision also amends the reporting dates to October 15.
10A.2	Changes to the NC Teaching Fellows Program	Amends G.S. 116-209.62 to allow funds to be used for mentoring and coaching to support forgivable loan recipients, specifies allowance for administrative costs as the greater of \$600,000 or 10% of available funds for the UNC System Office and the greater of \$250,000 or 4% for SEAA, and adds a reporting requirement to include the number of forgivable loan recipients who are employed at a low-performing school.



## Appendix B: UNC-Related Provisions

### 2018-19 Budget

Section	Title	Final Budget (SB 99 - S.L. 2018-5) and Technical Corrections (SB 335 - S.L. 2018-97 )
10A.3	Changes to the NC Principal Fellows Program	Amends Article 5C of G.S. 116 to specify that the Principal Fellows Trust Fund may only be used for scholarship loans, administrative costs, and other program operation costs, including an allowance of up to \$800,000 per year for SEAA's administrative costs.
10A.4	Principal Prep Program Changes	Repeals the amendments made to the Principal Prep Program in the 2017 Appropriations Act and amends Article 23 of G.S. 116 to include the Transforming Principal Preparation Grant Program as a competitive grant for eligible entities to elevate educators in North Carolina public schools. Directs SEAA to administer the program through a cooperative agreement with a private nonprofit. Provision specifies details of the application, selection, and evaluation process, as well as a reporting requirement for grant recipients and SEAA. Of the funds appropriated for the program, \$380,000 are allocated to SEAA to contract with the nonprofit and use up to 5% of the funds for administrative costs.
10A.5	One-Year Tuition Grants for Certain Graduates of the North Carolina School of Science and Mathematics for the 2019-2020 Academic Year	Appropriates \$1,001,869 in nonrecurring funds to be held in a reserve by SEAA to provide tuition grants for one academic year to students who graduate from NCSSM in FY 2018-19 and enroll as full-time students in a UNC institution in academic year 2019-20. Directs that the tuition grants may not exceed the cost of attendance for the institution in which the student is enrolled. If there are not sufficient funds, each eligible student will receive a pro rata share of the funds that are available, and allows the BOG, with the approval of OSBM, to transfer additional funds to meet the needs of the program. Any funds remaining after the 2019-20 fiscal year shall revert.
10A.6	Access to Private Institution Need-Based Scholarships for Veterans	Amends G.S. 116-280 to extend eligibility to veterans living in North Carolina with the intent to establish residency as well as active duty members of the military in the state.

#### ***Salaries and Benefits***

35.1	Eligible State-Funded Employees Awarded Legislative Salary Increases/Effective July 1, 2018/ Raise Minimum Annual State Employee Pay to \$31,200	Increases salaries for state employees by 2% or up to \$31,200, whichever is greater. Excludes UNC employees.
35.12	University of North Carolina System	Allows the BOG to provide a salary increase to EHRA and SHRA employees for the following purposes: merit, across the board, recruitment bonuses, retention increases, or other compensation increases. Directs the Board to report on the use of the funds to the General Assembly no later than March 1, 2019. Also directs that the annual salary of any UNC employee that is below \$31,200 be increased to that amount.

## Appendix B: UNC-Related Provisions

### 2018-19 Budget

Section	Title	Final Budget (SB 99 - S.L. 2018-5) and Technical Corrections (SB 335 - S.L. 2018-97 )
35.13	State Agency Teachers	Increases salaries for state agency teachers who are paid on the Teacher Salary Schedule, including NCSSM, by the same amount authorized to other teachers by Section 8.1.
35.14	All State-Supported Personnel	Allows Director of the Budget to increase expenditures of receipts to provide salary increases to receipt-supported personnel. Directs the allocation of \$15.3M appropriated to the compensation increase reserve to be used to establish a minimum state employee annual salary of \$31,200. UNC employees are eligible for these funds.
35.16	Use of Funds Appropriated for Legislatively Mandated Increases	Directs OSBM to ensure that funds appropriated for mandated salary and benefits increases are used only for that purpose.
35.24	State Human Resources Act/RIF Clarification/UNC	Amends G.S. 126-7.1 to state that no loss of funds shall be required as a precondition for a reduction in force and extends the authority to restructure through voluntary separation to UNC institutions.
35.26	Special Annual Bonus Leave	Provides five days of bonus leave to employees of the State and community colleges credited on July 1, 2018. Establishes that the bonus leave will have no cash value and cannot be cashed in or counted toward retirement. Deducts any bonus leave used from the vacation days in excess of 30 that would convert to sick leave at the end of the year.
35.27	Salary Related Contributions	Increases employer contribution rates for State's retirement program as follows: TSERS from 18.44% to 18.86% and LEO from 23.44% to 23.86% effective July 1, 2018.
35.28	Provide 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	Provides for a one-time 1% cost of living supplement for retirees.
35.19A	Certain State Agencies/ Classification and Salary Administration Flexibility/Pilot Program	Establishes a pilot program for fiscal year 2018-19 to grant sole authority and discretion to UNC to classify new positions, make hiring decisions, and determine the appropriate salary for employees. The HR director is required to ensure that new hires meet the minimum qualifications for the position. Requires a report by March 1, 2019 to Gov. Ops. and Fiscal Research on the actions taken as a result of these flexibilities.



## Appendix B: UNC-Related Provisions

### 2018-19 Budget

Section	Title	Final Budget (SB 99 - S.L. 2018-5) and Technical Corrections (SB 335 - S.L. 2018-97 )
<b>Capital</b>		
36.2	Capital Appropriations/Project Reserve	Appropriates funds from the project reserve account for FY 2017-18, including \$15M for NCSSM-Morganton, \$6M for a Business School at UNCP, \$8.6M for a business school at NCCU, \$16.5M for a steam plant replacement at WCU, \$5.5M of planning funds for a library at UNCW, \$3M for the UNC BOG Planning Task Force, and \$2.77M for renovation of Owen and Carmichael Halls at UNCA. Directs OSBM to disburse \$6M of the funds for UNCP by November 1, 2018.
36.5	Repairs and Renovations Reserve Allocation	Appropriates 50% of the funds in the reserve for repairs and renovations to the BOG (\$32.4 million). Requires that a portion be used to install fire sprinklers in residence halls; funds shall be allocated among the constituent institutions by the president. Directs the Board to submit progress reports to Gov. Ops. concerning the status of completed, current, and planned projects by January 1 and July 1 until all residence halls have fire sprinklers. Requires that a portion of the funds allocated be used for campus public safety improvements. Directs that the R&R funds be allocated by the BOG and that availability of non-State resources and carryforward funds shall be negatively weighted.
36.6	UNC Board of Governors Planning Task Force	Establishes a task force to consist of four current BOG members appointed by the BOG no later than August 1, 2018. Directs the task force to conduct a systemwide analysis of the capital needs of each institution in relation to STEM subject areas. In particular, the task force shall consider the capital needs related to the ECU Brody School of Medicine, the UNC Applied Physical Sciences and Institution for Convergent Science in Chapel Hill, and other STEM projects to determine areas where capital funds may be used more efficiently. Appropriates \$3M to the BOG to be used by the task force. Requires a report containing the UNC System plan and any legislative recommendations by April 1, 2019.
36.8	State Capital and Infrastructure Fund Changes	Amends G.S. 143C-4-3.1 (d) to remove the requirement that 4% of tax collections be deposited in an infrastructure fund and replaces it with a requirement that OSC transfer one-fourth of the General Fund unreserved fund balance at the end of the year.



## Appendix B: UNC-Related Provisions

### 2018-19 Budget

Section	Title	Final Budget (SB 99 - S.L. 2018-5) and Technical Corrections (SB 335 - S.L. 2018-97 )
<b><i>Other UNC-Related Sections</i></b>		
2.1	Current Operations and Expansion/General Fund	Includes budget code specific appropriations.
2.2	General Fund Availability Statement	Directs the State Controller to transfer \$155.2M of the unreserved fund balance to the Reserve for Capital Projects and \$64.8M to the Repairs and Renovations Reserve.
5.1	Appropriation of Receipts Increased Due to Salary and Benefit Increases	Appropriates receipts required to pay the legislatively mandated salary increases and employee benefits for the 2018-19 fiscal year.
5.3	Needs-Based School Capital and Lottery Changes	Appropriates the Lottery Fund for 2018-19. Includes \$10,744,733 for UNC Need-Based Grant (UNC NBG) and \$30,450,000 for Education Lottery Scholarship (ELS).
6.3	Budget Accountability and Transparency Reform Initiative	Implements a Base Budget Reform Plan Pilot with OSBM and DPS to ensure the highest level of transparency for meaningful review of the state budget by all citizens of the state.
7.26	Statewide Anonymous Safety Tip Line Application	Amends G.S. 115C-105.51 to include NCSSM and UNCSA high schools and makes other technical changes.
8.1	Teacher Salary Schedule	Sets the teacher salary schedule for fiscal year 2018-19.
8.8	Clarify Application of Highly Qualified Graduate Supplement	Amends the 2017 Appropriations Act to allow for the supplement to be effective for teachers entering in the 2017-19 fiscal biennium.
8.9	Bonuses for Certain Veteran Teachers	Directs DPI to provide a one-time bonus of \$385 to any teacher employed as of October 1, 2018 with at least 25 years of experience, who did not receive an increase pursuant to the 2018-19 salary schedule.
8.10	Revise Certain Teacher Bonus Programs	Makes technical changes to teacher bonus program.
9.6	Eliminate NCCCS Instructional Trust Fund	Repeals G.S. 155D-42 and appropriates remaining fund balance to the BOG for the NCSSM tuition grants.
11E.5	Every Week Counts Demonstration Project	Amends the 2017 Appropriations Act to direct DHHS to allocate \$3M in nonrecurring funds to UNCP to initiate a 3-year demonstration project. Directs UNCP to secure an additional \$3M from UNC-CH to continue the project through the third year. Allows for up to \$2M to be raised by the UNC School of Medicine by private sources. Directs UNCP to conduct the project with the UNC School of Medicine. Requires faculty at UNCP and UNC SOM to supervise the project.

## Appendix B: UNC-Related Provisions

### 2018-19 Budget

Section	Title	Final Budget (SB 99 - S.L. 2018-5) and Technical Corrections (SB 335 - S.L. 2018-97 )
13.1(f-l)	Funding to Address Per- and Poly-Fluoroalkyl Substances, Including GenX/Use of Expertise and Technology Available In Institutions of Higher Education Located Within the State	Directs the NC Policy Collaboratory at UNC-CH to identify faculty expertise, technology, and instrumentation located within institutions of higher education in the state, including UNC-CH, UNCW, NC State, N.C. A&T, Duke, and other public and private institutions, and to coordinate faculty and resources to conduct nontargeted analysis for PFAS, including GenX, at all public water supply surface water intakes and one public water supply well selected by each municipal water system as identified by DEQ. Requires the Collaboratory to report the results of the sampling, no later than December 1, 2019, and report to the Environmental Review Commission, DEQ, DHHS, and the US EPA. Beginning October 1, 2018, the Collaboratory shall report no less than quarterly on all activities conducted, including any findings and recommendations for any steps that should be taken to address the impacts of PFAS, including GenX on surface water, groundwater, and air quality in the state. Appropriates \$5.013M to the BOG to be allocated to the Collaboratory to cover the costs. These funds shall not revert.
14.1	Clean Water Management Trust Fund	Allocates up to \$1M of the funds appropriated to the Department of Natural and Cultural Resources for the Clean Water Management Trust Fund to ASU to reduce sediment loading in Payne Branch impacting the university's water supply.
24.1	Child Well-Being Transformation Council	Directs the UNC School of Government to convene the first meeting of the Children's Council no later than October 31, 2018 and host the first four meetings. Requires the SOG to facilitate the work of the council during the meetings and provide necessary clerical and administrative support for the meetings, conduct research and provide technical assistance, and assist with the preparation of the first report due June 30, 2019.
34.4	Compensation to NC State for DOT I-440 Project	Directs proceeds derived from compensation received by the state for impacts from the I-440 expansion on land owned or assigned to NC State or an associated entity to be deposited in the account of the university or entity.
38.8	Allow Cities to Use Revenues for Public Education	Amends G.S 160A-209 to allow for supplemental funding for elementary and secondary public education. Also amends Article 30 of G.S. 160A-690 to allow a city to use property tax revenue as supplemental funding for public education, including UNC lab schools.
39.8	Effective Date	Provides that the act becomes effective July 1, 2018.





## Appendix B: UNC-Related Provisions

### 2018-19 Budget

Section	Title	Final Budget (SB 99 - S.L. 2018-5) and Technical Corrections (SB 335 - S.L. 2018-97 )
<b><i>Technical Corrections Bill</i></b>		
12.1	Study/Fair Treatment of College Athletes	Creates a legislative commission to examine the needs and concerns of college students participating in athletics on behalf of the UNC constituent institutions. Specifies that the commission will consist of six members of the Senate and six members of the House as well as the Lieutenant Governor. Directs the commission to study issues related to health insurance, injuries, including concerns arising from concussions and long-term physical and mental health and wellness, profit-sharing, time devoted to educational responsibilities, educational opportunities, financial assistance, representation, and other issues deemed relevant. The commission is required to submit a report on the results of the study by March 1, 2019.



The 2018 General Assembly appropriated funds for the following programs. The funds were appropriated directly to Aid to Private Institutions.

**1. Special Education Scholarship Grant**

The General Assembly appropriated \$3,015,000 in recurring funds for special education scholarship grants. The revised net appropriation is \$13.1 million in 2018-19.

**2. Need-Based Scholarships**

The General Assembly appropriated recurring funds of \$535,002 in 2018-19 for need-based scholarships for students attending private institutions. A corresponding special provision in the Appropriations Act (Section 10A.6) expands access to include veterans. The revised net appropriation is \$88.9 million in 2018-19.

## APPENDIX R

### MODIFY APPOINTMENT PROCESS FOR BOG COMMITTEE ON FREE EXPRESSION

**SECTION 10.3.** G.S. 116-301(a) reads as rewritten:

"(a) The chair of the Board of Governors of The University of North Carolina System shall establish 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.Expression."

### NC PROMISE "BUY DOWN"/REPORT

**SECTION 10.5.** G.S. 116-143.11 reads as rewritten:

**"§ 116-143.11. NC Promise Tuition Plan; State "buy down" of certain financial obligations.**

...

(b) Notwithstanding any other provision of law, the State shall "buy down" the amount of any financial obligation resulting from the established tuition rate that may be incurred by Elizabeth City State University, the University of North Carolina at Pembroke, and Western Carolina University as provided by this subsection. Beginning with the 2018-2019 fiscal year, the Director of the Budget shall determine each fiscal year, based on information provided by the Board of Governors and the Chancellor of each constituent institution, the amount required to offset the forgone tuition receipts at each of the three institutions as a result of the tuition rate established by this section. The Director of the Budget shall authorize an increase in the base budget of The University of North Carolina of up to forty million dollars (\$40,000,000) each fiscal year to cover the cost of the "buy down" that fiscal year and shall allocate the appropriate sum to each constituent institution. Any increase in the base budget authorized pursuant to this subsection shall not be included in the calculation of projected enrollment growth under G.S. 116-30.7-University.

...

(d) By October 1, 2018, and by October 1 of each year thereafter, the Board of Governors and the chancellors of Elizabeth City State University, the University of North Carolina at Pembroke, and Western Carolina University, respectively, shall submit a report to the Joint Legislative Education Oversight Committee, the House Appropriations Committee on Education, the Senate Appropriations Committee on Education/Higher Education, and the Fiscal Research Division on the amount of any financial obligation resulting from the established tuition rate incurred at each constituent institution and at least the following information for the fiscal year:

- (1) The amount required to offset the forgone tuition receipts at each of the three constituent institutions as a result of the tuition rate established by this section and how those funds were allocated to each constituent institution.
- (2) The number of enrolled resident students at each constituent institution.
- (3) The number of enrolled nonresident students at each constituent institution."

### ONE-YEAR TUITION GRANTS FOR CERTAIN GRADUATES OF THE NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS FOR THE 2019-2020 ACADEMIC YEAR

**SECTION 10A.5.(a)** Of the funds appropriated by this act to the Board of Governors of The University of North Carolina for the 2018-2019 fiscal year, the sum of one million one thousand eight hundred sixty-nine dollars (\$1,001,869) in nonrecurring funds shall be allocated to the State Education Assistance Authority (Authority) to be held in reserve to provide tuition grants for one academic year to each State resident who graduates from the North Carolina School of Science and Mathematics at the end of the 2018-2019 school year and who enrolls as a full-time student in a constituent institution of The University of North Carolina for the 2019-2020 academic year. Except as otherwise provided in this section, the amount of the grant awarded to each student shall cover the tuition cost at the constituent institution in which the student is enrolled.

**SECTION 10A.5.(b)** The tuition grants provided for in this section shall be administered by the Authority pursuant to rules adopted by the Authority not inconsistent with this section. The Authority shall not approve any grant until it receives proper certification from the appropriate constituent institution that the student applying for

## APPENDIX R

the grant is an eligible student. Upon receipt of the certification, the Authority shall remit at the times it prescribes the grant to the constituent institution on behalf, and to the credit, of the student.

**SECTION 10A.5.(c)** No tuition grant awarded to a student under this section shall exceed the cost of attendance at the constituent institution at which the student is enrolled. If a student, who is eligible for a tuition grant under this section, also receives a scholarship or other grant covering the cost of attendance at the constituent institution for which the tuition grant is awarded, then the amount of the tuition grant shall be reduced by an appropriate amount determined by the Authority. The Authority shall reduce the amount of the tuition grant so that the sum of all grants and scholarship aid covering the cost of attendance received by the student, including the tuition grant under this section, shall not exceed the cost of attendance for the constituent institution at which the student is enrolled. The cost of attendance, as used in this subsection, shall be determined by the Authority for each constituent institution.

**SECTION 10A.5.(d)** In the event there are not sufficient funds to provide each eligible student with a full grant as provided by this section, the following applies:

- (1) The Board of Governors of The University of North Carolina, with the approval of the Office of State Budget and Management, may transfer available funds to meet the needs of the tuition grant program.
- (2) Each eligible student shall receive a pro rata share of funds available for the 2019-2020 fiscal year covered by the appropriation for the 2018-2019 fiscal year.

Any remaining funds shall revert to the General Fund.

**SECTION 10A.5.(e)** The funds allocated in accordance with this section for the 2018-2019 fiscal year shall not revert at the end of the 2018-2019 fiscal year but shall remain available until the end of the 2019-2020 fiscal year to implement this section.

### UNIVERSITY OF NORTH CAROLINA SYSTEM

**SECTION 35.12.(a)** For the 2018-2019 fiscal year, the Board of Governors of The University of North Carolina may provide EHRA and SHRA employees a salary increase pursuant to the policies adopted by the Board. Funds for EHRA and SHRA compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across the board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to those policies. The Board shall make a report on the use of these funds to the General Assembly by no later than March 1, 2019.

**SECTION 35.12.(b)** After the award of the pay increase authorized in subsection (a) of this section, the annual salary of a permanent full-time University employee that is below the amount of thirty-one thousand two hundred dollars (\$31,200) shall be increased to that amount. A permanent part-time University employee shall receive a prorated portion of thirty-one thousand two hundred dollars (\$31,200).

### SPECIAL ANNUAL LEAVE BONUS

**SECTION 35.26.(a)** Any person who is (i) a full-time permanent employee of the State or a community college institution on July 1, 2018, and (ii) eligible to earn annual leave shall have a one-time additional five days of annual leave credited on July 1, 2018.

**SECTION 35.26.(b)** Except as provided by subsection (c) of this section, the additional leave shall be accounted for separately with the leave provided by Section 28.3A of S.L. 2002-126, by Section 30.12B(a) of S.L. 2003-284, by Section 29.14A of S.L. 2005-276, by Section 35.10A of S.L. 2014-100, and by Section 35.18A of S.L. 2017-57 and shall remain available during the length of the employee's employment, notwithstanding any other limitation on the total number of days of annual leave that may be carried forward. Part-time permanent employees shall receive a pro rata amount of the five days awarded by this section.

**SECTION 35.26.(c)** The additional leave awarded under this section has no cash value and is not eligible for cash in. If not used prior to the time of separation or retirement, the bonus leave cannot be paid out and is lost.

**SECTION 35.26.(d)** Notwithstanding any provision of G.S. 126-8 to the contrary, any vacation leave remaining on December 31 of each year in excess of 30 days shall be reduced by the number of days awarded in this section that were actually used by the employee during the year such that the calculation of vacation leave days that would convert to sick leave shall reflect a deduction of those days of special annual leave awarded in this section that were used by the employee during the year.

## APPENDIX R

The following special provisions were included in the 2017 Appropriations Act (S.L. 2017-57) and are shown here since these pertain to allocations for the 2018-19 fiscal year.

### UNC MANAGEMENT FLEXIBILITY REDUCTION

**SECTION 10.8.(a)** The management flexibility reduction for The University of North Carolina shall not be allocated by the Board of Governors to the constituent institutions and affiliated entities using an across-the-board method but shall be done in a manner that recognizes the importance of the academic missions and differences among The University of North Carolina entities.

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

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

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

**SECTION 10.8.(b)** In allocating the management flexibility reduction, no reduction in State funds shall be allocated in either fiscal year of the 2017-2019 fiscal biennium to any of the following:

- (1) UNC Need-Based Financial Aid.
- (2) North Carolina Need-Based Scholarship.
- (3) Special Education Scholarships for Children with Disabilities.
- (4) North Carolina Personal Education Savings Accounts Program.
- (5) Opportunity Scholarship Program.
- (6) North Carolina State University Agricultural Research.
- (7) North Carolina School of Science and Mathematics.
- (8) University of North Carolina School of the Arts.
- (9) Any entity receiving less than one and one-half percent (1.5%) of the annual net General Fund appropriation for The University of North Carolina.
- (10) Any budget expansion item funded by an appropriation to the Board of Governors of The University of North Carolina by this act for the 2017-2019 fiscal biennium.

**SECTION 10.8.(c)** The University of North Carolina shall report to the Office of State Budget and Management and the Fiscal Research Division on the implementation of the management flexibility reduction in this section no later than April 1, 2019.

The reports shall identify both of the following by campus:

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

**UNC ENROLLMENT FUNDING/OSBM RESERVE ACCOUNT**

**SECTION 10.10.** Funds appropriated by this act for enrollment adjustments, including funds for the NC Promise Tuition Plan, shall be certified to a reserve account in the Office of State Budget and Management. The appropriation is made on an annual basis and shall be held in reserve until actual enrollment can be verified following the fall semester census. Funds for the spring semester shall be allocated using the actual enrollment from the fall semester and applying the three-year average fall-to-spring retention of fundable credit hours. After verification, the Board of Governors, subject to the approval of the Director of the Budget, shall allocate the funds for the fiscal year to the constituent institutions based on the criteria set out in this section.

Upon authorization by the Director of the Budget, funds may be advanced to constituent institutions whose tuition receipts are insufficient to maintain operations until enrollment is verified. Any institutions receiving funds in advance shall report to the Office of State Budget and Management at the close of the semester to reconcile any differences between funding received for enrollment and actual enrollment. An allocation made pursuant to this section may result in an allocation to a constituent institution that is greater than or less than the amount originally requested for enrollment change funding at that institution. Pursuant to G.S. 116-11(9)c., the Director of the Budget may, on recommendation of the Board, authorize transfer of appropriated funds from one institution to another to provide additional adjustments for over or under enrollment or may make any other adjustments among institutions that would provide for the orderly and efficient operation of institutions.