



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

March 19, 2020 at 11:30 a.m.  
University of North Carolina System Office  
Center for School Leadership Development, Board Room  
Chapel Hill, North Carolina

**AGENDA**

- A-1. 2020-21 Operating Budget Priorities ..... Clinton Carter
- A-2. 2020-21 Capital Budget Priorities ..... Clinton Carter
- A-3. 2020 Legislative Proposals ..... Drew Moretz
- A-4. Adjourn

**AGENDA ITEM**

A-1. 2020-21 Operating Budget Priorities ..... Clinton Carter

- Situation:** One of the principal responsibilities of the UNC Board of Governors is to “develop, prepare, and present to the Governor and the General Assembly a single, unified recommended budget for the constituent institutions of The University of North Carolina” [G.S. 116-11(9)a]. In odd numbered years, the governor recommends and the General Assembly enacts a biennial (two-year) budget. In even numbered years, adjustments are made to the budget for the second fiscal year of the biennium.
- Background:** The Office of State Budget and Management (OSBM) has requested supplemental budget proposals for 2020-21, encouraging state agencies to focus requests around their mission and strategic plan.
- Assessment:** The 2020-21 budget priorities and legislative proposal are a continuation of efforts to lay the foundation for a more productive, data driven, and accountable system of higher education, and include support for faculty and staff recruitment and retention and promotion of summer school for student success. In addition, since no budget has been enacted for 2019-20, the proposal requests appropriation of items funded in the 2019 Appropriations Act (H. 966) and the Strengthening Educators’ Pay Act (S.354).
- Action:** This item requires a vote by the Committee on Budget and Finance and a vote by the full Board of Governors.



THE  
UNIVERSITY OF  
NORTH CAROLINA  
SYSTEM

***BOARD OF GOVERNORS  
2020-21 OPERATING BUDGET  
PRIORITIES***

**March 19, 2020**

# Funding in the 2019 Appropriations Act (H. 966) & Strengthening Educators' Pay Act (S. 354)

## Operating Items Funded in H. 966 & S. 354

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• <i>Faculty and Staff Salaries (~3.7%)</i></li><li>• <i>NC Promise Buy Down</i></li><li>• <i>Data Modernization</i></li><li>• <i>Lab Schools Operations</i></li></ul>                          | <ul style="list-style-type: none"><li>• <i>Faculty Recruitment and Retention</i></li><li>• <i>NCSSM Western Campus</i></li><li>• <i>NCSSM Tuition Grants</i></li></ul>  |
| <ul style="list-style-type: none"><li>• <i>Doctoral Funding for N.C. A&amp;T</i></li><li>• <i>Innovation in Manufacturing</i><br/><i>Biopharmaceuticals at NC State</i></li><li>• <i>College of Health Sciences at UNCP</i></li></ul> | <ul style="list-style-type: none"><li>• <i>Western School of Medicine (MAHEC)</i></li><li>• <i>Southern Regional AHEC</i></li><li>• <i>N.C. A&amp;T Agricultural Research and Cooperative Extension</i></li></ul> |

## Capital Items Authorized in H. 966

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• <i>\$631.9 M of Capital Project Authorization for 11 Universities</i></li></ul> | <ul style="list-style-type: none"><li>• <i>\$130 M of Repair and Renovations Funding</i></li></ul> |
|---|--|

## Policy Changes in H. 966

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• <i>Increase UNC System Carryforward %</i></li><li>• <i>Eliminate BOG Pre-Approval on Salaries</i></li><li>• <i>Chancellor-Approved Projects up to \$1M</i></li><li>• <i>Changes to Veterans In-State Provisions</i></li><li>• <i>Lab Schools Changes</i></li></ul> | <ul style="list-style-type: none"><li>• <i>NC Promise Appropriations Through 2024-25</i></li><li>• <i>Carryforward of STEM Capital Study Funds</i></li><li>• <i>UNCA Woods Residence Hall Reimbursement</i></li><li>• <i>Modify Future Teachers NC Program</i></li><li>• <i>Modify Teaching Fellows</i></li></ul> |
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# The University of North Carolina System

## 2020-21 Operating Budget Priorities

Expansion Priorities	FY 2020-21
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<b>1. Faculty and Staff Salaries (1% Increase)</b>	<b>33,410,993</b>
<b>2. Summer Funding</b>	<b>21,104,011</b>
	<b>8,559,447 NR</b>
<b>3. Digital Learning Opportunities in Cybersecurity</b>	<b>3,096,000</b>
	<b>2,000,000 NR</b>
<b>4. Advancement Data Mart</b>	<b>1,500,000 NR</b>

<b>Total Requested Expansion</b>	<b>\$69,670,451</b>
<i>Percent Increase above 2020-21 Base Budget</i>	<i>2.39%</i>

Other Requested Base Budget Adjustments
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<b>Enrollment Changes</b> (Allocated from \$75M Reserve)	<b>32,392,231</b>
Enrollment Funding	29,392,231
Enrollment Growth and Emergency Reserve	3,000,000
<b>Building Reserves - Connect NC Bond Projects</b>	<b>14,832,007</b>
	<b>4,408,768 NR</b>

<b>Total Requested Operating Increase</b>	<b>\$121,303,457</b>
<i>Percent Increase above 2020-21 Base Budget</i>	<i>4.17%</i>

## **The University of North Carolina System 2020-21 Operating Budget Priorities**

The University of North Carolina System continues to make progress on our five-year Strategic Plan that began in 2017 and extends through 2022. During the 2019 school year, the UNC System met or exceeded 10 of the 12 annual benchmarks and, most notably, surpassed our 2022 goals for five-year graduation rates and degree efficiency. Student success rates are at all-time highs, and the UNC System is enrolling and graduating more transfer students and students from Tier 1 and Tier 2 counties than ever before.

### **System Performance on Strategic Plan Goals:**

- The UNC System continues to make great strides on student success, with 71.1 percent of students completing a degree within five years. That is up from 64.7 percent in 2014, and far ahead of the national average among public universities.
- Students are completing their degrees more efficiently, which means they are saving tuition dollars and entering the workforce more quickly.
- The UNC System surpassed its annual performance target in critical workforces—the number of students graduating with credentials in high-demand fields like STEM, health sciences, and teaching.
- The UNC System is serving and graduating more students from low-income backgrounds and rural counties, defying national trends, while the rest of the country has experienced a decline in low-income student enrollment.
- The UNC System continues to be a research powerhouse, bringing in over \$1.6 billion in sponsored research that drives statewide innovation and improvements in health and well-being.

The UNC System is poised to build on these successes; however, in a growing System, maintaining momentum is challenging when additional students arrive but additional state funding does not. The stalled state budget and supplemental Strengthening Educators' Pay Act (S. 354) included significant funding for the UNC System to support faculty and staff salaries, NC Promise, Data Modernization, North Carolina School of Science and Mathematics Western Campus, and made significant investments in repairs and renovations and new capital projects among many other items. Such investments enable us to serve more people across the state of North Carolina. The UNC System remains hopeful that the items included in the 2019 Appropriations Act (H. 966) and the Strengthening Educators' Pay Act (S. 354) will be appropriated and will continue to request the funding included in these bills.

In anticipation of the legislative short session, the System has developed four priorities, along with funding requests for enrollment growth and building reserves:

1. Faculty and Staff Salaries – a 1% increase that, in addition to funding in H. 966 and S. 354, will move the UNC System closer to the 5% raise appropriated for the biennium for other state employees.
2. Summer Funding – providing instructional and student support in the summer to expand access to the courses students need to graduate on time.
3. Digital Learning Opportunities in Cybersecurity – a newly created “Digital Learning Accelerator” will use a competitive grant process to create online programs that prepare adult students, veterans, and rural residents for high-demand fields like cybersecurity.
4. Data Modernization in Advancement – support for creation of a data mart to standardize and aggregate advancement data across institutions and a shared service to support reporting, analytics, and database management.

## 1. Faculty and Staff Salaries

The UNC System's most important assets are the talented faculty and staff that educate and support our students, researchers that produce scientific breakthroughs and attract significant federal and private funding to the state, and public servants that leverage the expertise and resources of the universities to positively impact communities in North Carolina. As such, faculty and staff salaries remain a top priority.

The UNC System has been working hard to understand how well we are retaining and engaging our employees. As part of the Strategic Plan, the UNC System has collected new data on employee engagement and employee turnover to better understand trends in retention, job satisfaction, and institutional pride. The flexibility in allocating state funding for salary increases that the UNC System has traditionally enjoyed can help us address issues identified via this research in a targeted way. In addition, the continued investment in the Faculty Retention and Recruitment Fund has helped the universities retain their most accomplished faculty.

To remain competitive in the global race for talent, we need sufficient resources. Funding appropriated in the 2019 Appropriations Act and the Strengthening Educators Pay Act provided 0.9% and 2.6% salary increases respectively for the biennium. In addition to the funding that was appropriated in these two bills, the UNC System is requesting an additional 1% increase to bring us closer to the approximately 5% increase that was appropriated for other state agencies for the biennium.

### Salary Increases Appropriated to the UNC System Compared to Other State Agencies

	2013-15	2015-17	2017-19	2019-21 (to date)
UNC System	FY14: \$0 FY15: Avg. of \$564 <sup>1</sup>	FY16: \$750 FY17: 3%	FY18: \$1,000 FY19: Avg. of 0.6% <sup>2</sup>	0%
Other State Agencies	FY14: \$0 FY15: \$1,000	FY16: \$750 FY17: 3%	FY18: \$1,000 FY19: 2%	FY20: 2.5% FY21: 2.5%

<sup>1</sup> SHRA employees received a \$1,000 increase and \$5 million was appropriated to be shared among EHRA employees. This equates to a weighted average increase of \$564 per employee.

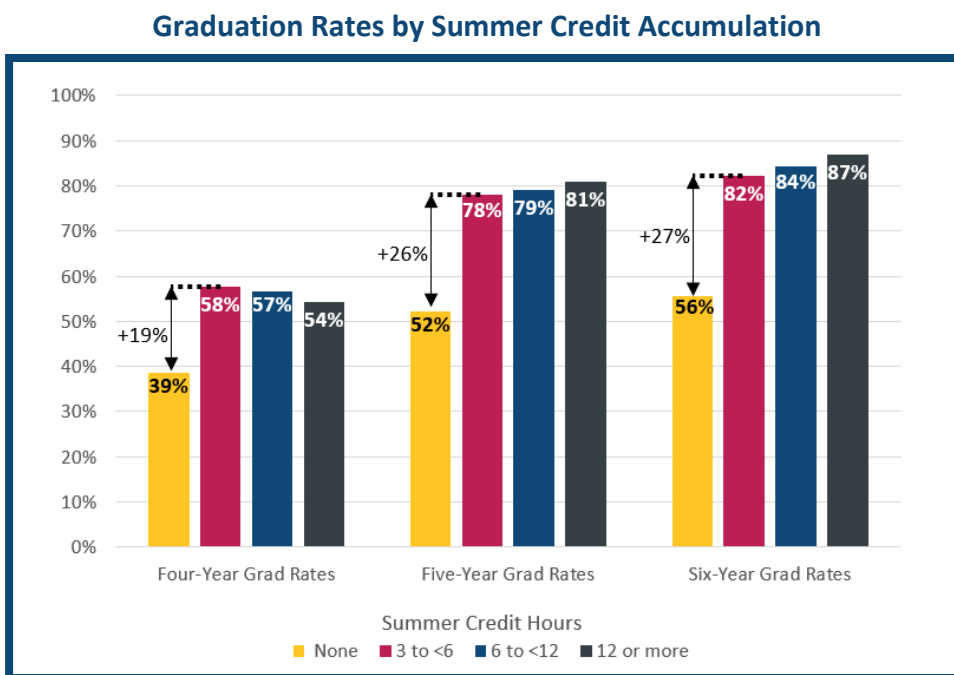
<sup>2</sup> \$20 million was appropriated to be shared among all UNC employees. This equates to a weighted average increase of 0.6% increase to salary and associated benefits.

## 2. Summer School for Student Success

Increasing the number of students that complete a degree on time has clear benefits to the UNC System, its students, and the state of North Carolina. Students who graduate in fewer semesters take on less student debt, consume less state appropriation, and enter the workforce faster than their peers. Graduating students more quickly also helps to moderate overall enrollment growth funding, as new students enroll in the seats freed up by on-time graduates.

Thanks to the sustained efforts across the entire UNC System, our universities continue to set the standard in increasing student success. Four-year graduation rates have increased by 22 percent since 2013, and we recently surpassed 50 percent System-wide.

We believe we can move that number to 60 percent and beyond by leveraging the entire calendar year—including the summer—to help more students complete the courses they need to graduate. Peer-reviewed research and our own data suggests that summer enrollment is a significant opportunity to enable more students to stay on track to a degree. Among students in the UNC System, those that enroll in even a single summer course are much more likely to not only earn a degree, but to earn it on time. Notably, the four-year graduation rate for students that earned 3-6 credit hours in the summer is higher than the six-year rate for students without any summer credit.



*Credit totals indicate the total summer credits accumulated by a student over the course of the student's UNC career.*

State appropriations for instruction in North Carolina are generally restricted to the fall and spring terms, which requires universities to cover the costs of summer with tuition receipts. In addition, students have limited access to financial aid during the summer. This model creates no incentive for universities to offer summer sessions that resemble the fall and spring semesters, discourages the very students who would benefit the most from summer enrollment, and limits more efficient use of the physical plant.

In an effort to increase timely completion rates, the Board of Governors and UNC System Office staff have spent considerable time studying these issues and opportunities to resolve the financial constraints that universities face.

This fall, each of the constituent institutions identified the highest priority courses they would offer in the summer to improve on-time graduation if state funding was available. Each institution identified a set of critical courses—typically those where demand outstrips the supply of seats, resulting in waitlists and “bottlenecks” on a student’s degree path. Many of these courses have spring or fall sections that operate at capacity, are pre-requisite courses for upper division work, or are general education requirements that all students must fulfill to graduate.

Universities also identified the financial and practical constraints they face during summer, as well as the challenges facing students. In particular, they highlighted difficulties in convincing faculty to teach during summer given the lack of funding available; insufficient academic support for students; and pressures on



reduced operations and administrative staff. Every institution highlighted the financial constraints faced by students, not only due to the higher tuition rates charged in the summer, but also due to the lack of summer financial aid, and the challenge of juggling summer employment and summer courses.

To expand summer opportunities offered on campus—and therefore enable more students to experience the positive effect of summer enrollment—the UNC System is requesting strategic investments that will fund faculty to teach critical courses in the summer, expand the availability of student services during summer sessions, and provide scholarships to help students afford the cost of enrolling:

### Summer 2021 Appropriation Request

Start-up Funding for Identified Courses	\$ 8,559,447 NR
Student Services	11,104,011 R
Financial Aid	10,000,000 R
<b>Total</b>	<b>\$ 29,663,458</b>

### Start-up Funding for Identified Courses

Providing an initial investment in summer programs will allow universities the flexibility they need to tailor their summer offerings to eliminate bottlenecks and to target courses that would enable students nearing completion to finish their degrees. The UNC System requests start-up funding to offer the high priority courses identified by each university to support the credit hours listed below:

### Start-up Summer Enrollment Funding for Undergraduate Students

Institution	Appropriation	Credit Hours
ASU	\$ 634,963	2,734
ECU	944,276	3,665
ECSU	130,570	585
FSU	378,453	1,797
N.C. A&T	345,679	1,742
NCCU	1,054,496	4,714
NC State	469,115	1,275
UNCA	599,675	2,870
UNC-CH	597,416	1,885
UNCC	1,334,124	4,650
UNCG	110,587	510
UNCP	141,849	720
UNCW	491,846	1,992
UNC-SA	7,837	45
WCU	457,274	2,410
WSSU	822,789	3,181
NCSSM	38,500*	***
<b>Total</b>	<b>\$8,559,447</b>	<b>34,775</b>

*Funding is calculated using the academic requirements indicated in the existing enrollment model and is based on the high-impact courses identified by institutions. NCSSM figures calculated based on 22 additional FTE, using NCSSM per pupil allocation.*

Institutions would expand their course offerings in summer 2021. If successful in increasing enrollment in the initial year, an institution would receive funding to continue to support these courses via the subsequent enrollment funding request, which will be based on actual credit hours completed in arrears (including summer).

### ***Student Services Funding for Summer Programs***

Simply adding courses to the summer schedule will not drive improvement if students do not have the support and advising needed to succeed. Unfortunately, student services are limited during the summer compared to the fall and the spring. Students have less access to academic support including academic advisors, tutors, and supplemental instruction. Institutions have fewer career counselors during the summer, limiting access to career and graduate/professional school guidance.

Institutions also face major constraints during summer. Expanding summer enrollment will require expanding summer operations and bolstering administrative support. In order to improve effectiveness, several institutions plan to launch summer programs targeting incoming students and at-risk populations, or provide summer internship opportunities to supplement the learning that students do in class. Summer session presents an excellent opportunity to provide these types of focused programs, where institutions can target their resources towards the students that would benefit the most.

### **Student Services Funding for Summer Programs**

Academic Support	\$ 4,609,254
Counseling and Career Services	427,200
Summer Programs and Internships	2,208,450
Student Employment	400,000
Faculty Support	779,680
Outreach	32,800
Summer Operations	1,295,000
Administrative Support	1,351,627
<b>Total Student Services Request</b>	<b>\$11,104,011</b>

*Student Service funding requests are based on institutional submissions.*

The UNC System requests funding to ensure that institutions can provide the same level of student services to students enrolled in summer that they do during the fall and spring. The UNC System will allocate this funding to institutions in eight main areas as identified by the table above.

### ***Summer Scholarships for Student Success***

Many of our institutions cited the lack of financial aid as a barrier to summer enrollment. The absence of state appropriations means that students must bear the full cost of summer. Unfortunately, on-campus jobs are rare and financial aid is typically restricted or unavailable during summer. A small pilot effort by the State Education Assistance Authority (NCSEAA) provides evidence that summer financial aid can get more students on track to a degree. In 2019, SEAA provided \$2.85 million in UNC Need-based Grant funds to our universities to provide scholarships to 3,064 students who were close to graduating and/or earning 30 credits for the year. Of the grantees who had not met the 30-credit benchmark in the fall and spring, 81 percent had met it by summer's end; 181 (6%) of the grantees graduated that summer, including 60 grantees at Appalachian State University.

In response to this compelling evidence, the UNC System requests dedicated funding for summer scholarships to offset the cost to students who would benefit from summer enrollment. Funds will be

targeted to students who can use summer courses to stay on track or accelerate their path to timely completion. The UNC System will disburse the summer scholarships to UNC System institutions based upon guidance from the Board of Governors and the UNC System President.

### **3. Digital Learning Opportunities in Cybersecurity**

In North Carolina, employers are finding that there is a critical shortage of bachelor's degree holders in key fields such as cybersecurity. In addition, a significant number of North Carolinians are place-bound due to jobs, family responsibilities or other circumstances, and cannot pick up and move to attend a UNC System institution in-person. These constraints are especially common for military-affiliated students, veterans, adults (or nontraditional students), and North Carolinians in rural areas. These individuals represent an asset to the state that, if given an opportunity to earn a degree, can help drive economic development and prosperity, especially, in rural North Carolina.

Our universities have made some progress in meeting these needs, but most have systems, processes, and approaches that are built for traditional undergraduate students. In order to support them in meeting these challenges, we are requesting funding to build a "UNC Accelerator" that can provide a shared resource to institutions that wish to create programs to meet the needs of military, veterans, and rural students in high-demand fields, particularly cybersecurity.

#### **Initial Program Focused Around Cybersecurity**

The Bureau of Labor Statistics estimates that more than 209,000 cybersecurity jobs in the U.S. are unfilled and postings are up 74% over the past five years. In North Carolina, according to the NC Tech Association, there were almost 8,000 job postings in cybersecurity in 2018 (a 44.8% increase over the previous year). Unfortunately, there is a shortage of qualified candidates. Partially due to this high demand, cybersecurity salaries are higher than many other IT jobs. In fact, according to data from LinkedIn, the median base salary of cybersecurity professionals in the U.S. is \$92,500 per year.

There is no undergraduate cybersecurity degree within the UNC System (only concentrations, tracks, and certificates), putting UNC at a distinct disadvantage for attracting students to this growing field and meeting the needs of employers. Further, none of these current offerings are fully online. We therefore lack the capacity to meet this growing critical employment need in North Carolina.

#### **Target Population for Online Degree Programs**

There are over 730,000 veterans in North Carolina and most of them live in Tier One and Tier Two counties. Roughly 237,000 military veterans, active duty, reservists, and military spouses (not including veteran spouses) in the state between ages 18-54 have no bachelor's degree. These potential students tend to need the kind of flexibility and convenience that online programs provide, as service members juggle work, training and deployments, and raising a family.

Similarly, North Carolinians who live and work in rural areas, many of whom would benefit from a postsecondary degree, must often balance current commitments that are based in their community (family obligations and jobs) with their desire to get ahead in the labor market through additional education.

Data suggest that in the absence of affordable degree programs that meet these individuals where they are—that provide the flexibility and support necessary to earn a credential without uprooting—many will enroll in low-quality out-of-state institutions, which often saddle students with debt and no degree.

### Utilizing a Shared Service Model: The UNC Accelerator

To reach these students, many of our universities need additional expertise and capacity. Some of our institutions have turned to online learning program management (OPM) firms to fill this gap. While OPMs provide a needed initial infusion of funds, the downside is the contracts lasting ten years or more.

The alternative is to create a shared service at the System level that will provide the capacity, knowledge, and implementation expertise some universities lack. This internal resource for constituent institution would require a System-wide investment. However, the cost would be less than trying to build the needed capacities across 16 universities. This shared resource will be known as the “UNC Digital Learning Accelerator” (the Accelerator).

Instead of adding significant headcount or using an Online Program Management (OPM) service, the Accelerator will contract for specific services with North Carolina firms specializing in search engine optimization (SEO), recruiting and conversion tactics, as well as student advising and support services. We will have a limited number of positions that serve as “leads” that will monitor the activities of the external partners and play a facilitation role.

### Competitive Grants and Shared Services

The UNC Accelerator will provide funds to institutions in the UNC System through a competitive internal grant process that leverages the demonstrated strengths of the universities. Funding will be granted to institutions for programmatic support and to build a shared services infrastructure at the System Office.

#### Digital Learning Opportunities in Cybersecurity

Support Services	\$ 676,000 R
Program Development	980,000 R 1,000,000 NR
Business Development	190,000 R
Technology	750,000 R
Outreach	500,000 R 1,000,000 NR
<b>Total</b>	<b>\$5,096,000</b>

### Support Services

This provides funding for technology analysts, project managers, and IT support. This group will investigate the application of new technologies and pedagogies, make recommendations for their adoption, and help individual universities with their deployment.

### Program and Business Development

Funding will support for the creation of next generation adaptive courses (e.g., instructional design) and outreach to potential business partners.

### Technology and Outreach

Appropriation will be used for acquisition and deployment of new technologies, both centrally and at the universities, and support for students through the entire education lifecycle (e.g., advising).

In order to provide support for our universities across a wide spectrum of capabilities, there are recurring expenses that will fund an infrastructure for ongoing services that are shared across the System (thereby reducing duplication) and nonrecurring expenses that will support the development of new programs to meet the economic needs of North Carolina.

## 4. Advancement Data Mart

Over the past four years, University Advancement has established sound strategies in gift planning, prospect development, system contracts, and talent development. The successes of these efforts are clear: cash and commitments to our universities have increased by 47% from 2014 to 2017, with more than \$957 million raised over that period. However, our historically minority-serving institutions (HMSIs) and smaller regional institutions (UNCA, UNCSA, and NCSSM) account for less than seven percent of that growth.

A number of issues have been identified with the antiquated Banner Advancement Customer Relationship Management (CRM) system used by UNC System's HMSIs and other institutions of a similar size. These systems are not user-friendly, there are challenges when running reports, there are a lack of easy-to-use analytics tools, and the systems are not mobile-friendly, making them incompatible with frequent travel to solicit donors.

A solution to address these concerns includes a System-level initiative to convert to a modernized data system and creation of an advancement data mart. The UNC System Office has already made progress on purchasing a new CRM to be shared by four of the nine institutions (ECSU, FSU, N.C. A&T, UNCP, and WSSU) and implementation is set to be complete between July 31, 2020 and January 1, 2021.

The UNC System is requesting funding for phase two of the project. This request, which was initially included in the long session budget priorities, will create and implement a data mart to standardize and aggregate advancement data across each of the 17 institutions. It will also allow institutions to participate in a new centralized shared service program that supports each campus with reporting, analytics, and database management. These services center around efforts to improve the accuracy, availability, and accessibility of data at each institution. Expanding shared services will provide efficiencies across the UNC System compared to individual institutions undertaking similar efforts separately.

### Advancement Data Mart

	One-Time Appropriation Request	Recurring Cost (shared among 9 institutions)
Consulting	\$ 200,000 NR	\$ —
Software and Hardware	500,000 NR	200,000 R
Personnel	800,000 NR	800,000 R
<b>Total</b>	<b>\$ 1,500,000 NR</b>	<b>\$ 1,000,000 R</b>

### Enhanced Reporting and Analytics (Data Mart)

This nonrecurring funding will be used to build the data warehouse, improve business processes, and enhance data quality.

### Shared Services

One-time funding covers the cost of recruiting and increasing staff across functional areas. Existing resources at the institutions will support recurring personnel and software licensing costs.

## Enrollment Change Funding

For the first time, the UNC System has based its enrollment funding request on actual credit hours completed in arrears. Unlike in the past when funding arrived in the same semester as incremental growth, institutions will now be required to support increased enrollment for up to a year and a half with existing resources before they receive appropriation for these new students. However, this move allows for more accuracy and transparency in the enrollment funding request as well as efficiency gains in the process to determine the funding amounts.

In order to streamline this process and take advantage of using data in arrears, the UNC System has made the following refinements to data inputs:

- **Measure credit hours at end-of-term rather than at census.** The same criteria are applied to determine if a credit hour is fundable, but this change has the benefit of funding completed courses rather than enrolled courses. It also allows for more flexibility in course formats, as it will include credits earned in short-form courses (e.g., 8-week courses) that may not be included in the census count taken at the beginning of the semester.
- **Fund the calendar year (Spring 2019-Fall 2019) rather than the upcoming spring semester (Fall 2019-Spring 2020).** The timing of the data availability for the spring semester necessitates a move to funding the calendar year rather than the fiscal year. Spring end-of-term data is not available until May; therefore, an estimate would be required for the budget priorities in the absence of this information. Using data from the prior spring allows for the request to be based on actuals for both semesters.
- **All data inputs are based on actual enrollment data from the Student Data Mart.** The funding formula calculates year-over-year change in enrollment. Under the projected model, the prior year's funded enrollment (or "budgeted enrollment") typically served as the starting point to calculate the change. However, the move to arrears necessitated a recalibration of the starting year to align it with the changes detailed above. To that end, all of the data used to calculate the funding request is end-of-term actual enrollment from the Student Data Mart.

In addition to these data refinements, the UNC System is also seeking funding to make the following changes to the data included in the model:

- **Begin including face-to-face summer courses as fundable in the model.** Courses offered in the summer should be no different from courses offered in the fall and spring. If a course is moving a student closer to graduation, the funding model should treat those credit hours the same. As discussed in the summer funding section, allowing new summer courses to be included in the funding model has the potential to dramatically increase on-time graduation. If the request for summer enrollment start-up funding is approved, the UNC System will begin requesting funding for incremental growth in summer course enrollments beginning in 2022.
- **Fund aviation as category 4 level instruction.** Our current funding model has four cost categories that group academic disciplines from least to most expensive. This categorization was created before Elizabeth City State University had an aviation program and "Transportation," which includes aviation, was grouped in the least expensive category. As the aviation program has grown, no change has been made to recognize the cost of flight courses. These are among the most expensive types of courses due to the small class sizes and the specialized equipment required, and should be included with nursing and engineering as category 4 instruction. This change is reflected in our current request and has the impact of increasing ECSU's funding

appropriation from \$269,412 to \$1,049,297, an increase of \$779,885. This cost primarily represents the one-time adjustment to move the existing courses from category 1 to category 4. Incremental funding from enrollment growth going forward will be significantly lower.

#### Enrollment Funding Request

Institution	Requirements	Receipts	Appropriation
ASU	\$ 9,726,214	\$ 4,550,822	\$ 5,175,392
ECU	(6,307,730)	(5,195,817)	(1,111,913)
ECSU	2,787,537	1,738,240	1,049,297
FSU	3,517,709	976,204	2,541,505
N.C. A&T	3,118,056	3,614,142	(496,086)
NCCU	(2,161,050)	101,883	(2,262,933)
NC State	6,909,225	3,051,746	3,857,479
UNCA	(921,714)	(745,999)	(175,715)
UNC-CH	(321,584)	(3,748,483)	3,426,899
UNCC	4,674,954	1,980,059	2,694,895
UNCG	(4,381,346)	(2,614,731)	(1,766,615)
UNCP	9,453,425	4,467,033	4,986,392
UNCW	12,837,850	3,069,893	9,767,957
UNCSA	916,094	289,635	626,459
WCU	6,783,611	4,867,751	1,915,860
WSSU	(1,058,075)	(126,222)	(931,853)
NCSSM	95,211	0	95,211
<b>Total</b>	<b>\$ 45,668,387</b>	<b>\$ 16,276,156</b>	<b>\$ 29,392,231</b>

*\* FTE Model programs include: ECU Medical and Dental School, NCCU School of Law, NC State School of Veterinary Medicine, UNC-CH Schools of Dentistry, Law, Medicine, and Pharmacy, UNCSA, and NCSSM.*

This request represents a 1.7% increase in total credit hours. Enrollment increases are the greatest at our NC Promise institutions as well as at Appalachian, North Carolina A&T, NC State, and UNC Wilmington.

#### Enrollment Growth and Emergency Reserve

In addition to the enrollment growth funding generated through the model, the UNC System is requesting \$3 million in reserve funding. This reserve would serve two purposes, to temporarily support instances of dramatic enrollment growth and to fund emergency needs.

Moving to actual enrollment in arrears, while more accurate and transparent, puts a strain on rapidly growing campuses because the state funding lags behind when the instruction is delivered and the cost is incurred. This lag makes it difficult to support new programs and incoming students. A reserve would provide temporary funding to bridge extreme growth until enrollment is funded in the formula. In addition, the UNC System Office has seen a substantial increase in the number of one-time campus emergency requests. The budget impasse is expected to exacerbate this issue. The reserve would also serve as a source of funding to meet those needs.

## Building Reserves

The revised definition of the Continuation Budget provided for additional changes including the requirement that operating building reserves be considered as part of an agency's expansion request. The operating costs for authorized capital projects that were completed during the 2019-20 fiscal year or will be completed during the 2020-21 fiscal year are included below. The majority of these projects were constructed as a result of the NC Connect Bond.

### Building Reserves Request

Institution	Building	Nonrecurring	Recurring	Project Status
ECSU	Moore Hall*	\$ 20,177	\$ 88,952	Bidding
NC State	Utility Infrastructure*	—	585,615	Under Construction
NC State	Fitts-Woolard Hall*	688,694	4,114,251	Under Construction
UNCA	Carmichael Hall Renovation*	38,069	124,790	Under Construction
UNCA	Owens Hall Renovation*	57,286	174,848	Under Construction
UNCC	Science Building*	399,562	1,359,237	Under Construction
UNCG	Nursing & Instructional Building*	734,267	981,693	Under Construction
UNCG	South Chiller Plant*	71,908	156,250	Under Construction
UNCP	West Hall Renovation	95,296	230,248	Under Construction
UNCW	Allied Health (Veteran's Hall)*	551,128	2,204,981	Under Construction
UNCSA	Performance Place Renovation*	31,454	11,447	Under Design
UNCSA	Old Library Renovation*	44,313	376,228	Under Construction
WCU	STEM Building*	554,990	2,328,382	Under Construction
WSSU	Science & General Office Building*	314,490	947,223	Under Construction
WSSU	1602 Lowery Street Renovation	39,036	79,253	Under Design
NCSSM	NCSSM Morganton*	768,098	1,068,609	Under Construction
<b>TOTAL</b>		<b>\$4,408,768</b>	<b>\$14,832,007</b>	

\*NC Connect Bond Project





## 2020-21 UNC SYSTEM BUDGET PRIORITIES

March 19, 2020

### Funding in the 2019 Appropriations Act (H. 966) & Strengthening Educators' Pay Act (S. 354)

Operating Items Funded in H. 966 & S. 354	
<ul style="list-style-type: none"> <li>• Faculty and Staff Salaries (~3.7%)</li> <li>• NC Promise Buy Down</li> <li>• Data Modernization</li> <li>• Lab Schools Operations</li> </ul>	<ul style="list-style-type: none"> <li>• Faculty Recruitment and Retention</li> <li>• NCSSM Western Campus</li> <li>• NCSSM Tuition Grants</li> </ul>
<ul style="list-style-type: none"> <li>• Doctoral Funding for N.C. A&amp;T</li> <li>• Innovation in Manufacturing</li> <li>• Biopharmaceuticals at NC State</li> <li>• College of Health Sciences at UNCP</li> </ul>	<ul style="list-style-type: none"> <li>• Western School of Medicine (MAHEC)</li> <li>• Southern Regional AHEC</li> <li>• N.C. A&amp;T Agricultural Research and Cooperative Extension</li> </ul>
Capital Items Authorized in H. 966	
<ul style="list-style-type: none"> <li>• \$631.9 M of Capital Project Authorization for 11 Universities</li> </ul>	<ul style="list-style-type: none"> <li>• \$130 M of Repair and Renovations Funding</li> </ul>
Policy Changes in H. 966	
<ul style="list-style-type: none"> <li>• Increase UNC System Carryforward %</li> <li>• Eliminate BOG Pre-Approval on Salaries</li> <li>• Chancellor-Approved Projects up to \$1M</li> <li>• Changes to Veterans In-State Provisions</li> <li>• Lab Schools Changes</li> </ul>	<ul style="list-style-type: none"> <li>• NC Promise Appropriations through 2024-25</li> <li>• Carryforward of STEM Capital Study Funds</li> <li>• UNCA Woods Residence Hall Reimbursement</li> <li>• Modify Future Teachers NC Program</li> <li>• Modify Teaching Fellows</li> </ul>

## 2020-21 UNC System Operating Budget Priorities

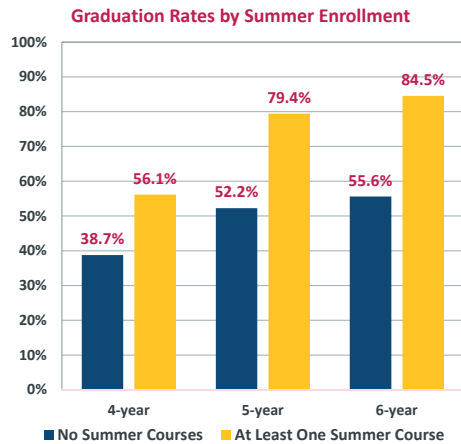
Expansion Priorities	FY 2020-21
1. Faculty and Staff Salaries (1% Increase)	\$33,410,993
2. Summer Funding	21,104,011
	8,559,447 NR
3. Digital Learning Opportunities in Cybersecurity	3,096,000
	2,000,000 NR
4. Advancement Data Mart	\$1,500,000 NR
<b>Total Requested Expansion</b>	<b>\$69,670,451</b>
<i>Percent Increase above 2020-21 Base Budget</i>	<i>2.39%</i>

Other Requested Base Budget Adjustments	
<b>Enrollment Changes</b> (Allocated from \$75M Reserve)	<b>32,392,231</b>
Enrollment Funding	29,392,231
Enrollment Growth and Emergency Reserve	3,000,000
<b>Building Reserves - Connect NC Bond Projects</b>	<b>14,832,007</b>
	4,408,768 NR
<b>Total Requested Operating Increase</b>	<b>\$121,303,457</b>
<i>Percent Increase above 2020-21 Base Budget</i>	<i>4.17%</i>

## Faculty and Staff Salaries

- SL 2019-209 (H. 226) granted a 2.5% salary increase in each year of the biennium (5% total) for state employees, but excluded raises for education agencies.
- An increase of 1% along with the funding in the 2019 Appropriations Act (0.9%), and the Strengthening Educators' Pay Act (2.8%) would provide UNC System employees with a 4.7% increase.

## Room to Improve On-time Graduation Rates



- Students who took at least one summer course had a 4-year graduation rate that was 17.4 percentage points higher than those who did not.
- However, only 58% of students took one or more courses in the summer.
- Increasing student enrollment in the summer has the potential to dramatically increase on-time graduation.

## Summer Funding

- The System Office requested detailed information from institutions concerning the following:
  - Barriers to increasing summer enrollment
  - Undergraduate courses each campus would offer if summer enrollment was funded at the same level as fall and spring
  - Student services that could better leverage summer courses

Summer Funding Request	2020-21
Start-up Funding for Identified Courses	\$8,559,447 NR
Student Services	\$11,104,011 R
Summer Scholarships	\$10,000,000 R

## Digital Learning Opportunities in Cybersecurity

- A newly created “UNC Accelerator” will provide funds through a competitive internal grant process that leverages demonstrated strengths of the UNC institutions.
- The funding requested will lay the ground work for the dramatic acceleration in the UNC System’s ability to address critical workforce needs.
- This will include support for the expansion of essential programs, like cybersecurity, and online delivery options that will increase access for military, veterans, and rural students.

Digital Learning Opportunities in Cybersecurity	2020-21 Request	
	Recurring	Nonrecurring
Support Services	\$676,000	–
Program Development	\$980,000	\$1,000,000
Business Development	\$190,000	–
Technology	\$750,000	–
Outreach	\$500,000	\$1,000,000

## Data Modernization in University Advancement

- Funding will allow for implementation of the primary request of the Board of Governors’ Committee on Historically Minority-Serving Institutions to aid smaller campuses in their alumni engagement efforts.
- This will include creation of a data mart to standardize and aggregate advancement data across each of the institutions and a shared service to support reporting, analytics, and database management.
- Participating institutions will fund associated recurring needs with existing resources through a shared cost model.

Advancement Data Mart	2020-21 Request
	Nonrecurring
Consulting & Travel	\$200,000
Software & Hardware	\$500,000
Personnel	\$800,000

## *Enrollment Funding Request*

- Funding request is based on actual enrollment in arrears for the first time.
- Incremental change is determined by increase/decrease in credit hours from CY 2018 to 2019.
- Amount of funding depends on the change in number and type (discipline) of credit hours and the residency of the student.

Instit.	Requirements	Receipts	Appropriation
ASU	\$ 9,726,214	\$ 4,550,822	\$ 5,175,392
ECU	(6,307,730)	(5,195,817)	(1,111,913)
ECSU	2,787,537	1,738,240	1,049,297
FSU	3,517,709	976,204	2,541,505
NCA&T	3,118,056	3,614,142	(496,086)
NCCU	(2,161,050)	101,883	(2,262,933)
NCSU	6,909,225	3,051,746	3,857,479
UNCA	(921,714)	(745,999)	(175,715)
UNC-CH	(321,584)	(3,748,483)	3,426,899
UNCC	4,674,954	1,980,059	2,694,895
UNCG	(4,381,346)	(2,614,731)	(1,766,615)
UNCP	9,453,425	4,467,033	4,986,392
UNCW	12,837,850	3,069,893	9,767,957
UNCSA	916,094	289,635	626,459
WCU	6,783,611	4,867,751	1,915,860
WSSU	(1,058,075)	(126,222)	(931,853)
NCSSM	95,211	—	95,211
<b>TOTALS</b>	<b>\$45,668,387</b>	<b>\$16,276,156</b>	<b>\$29,392,231</b>

## *Enrollment Growth and Emergency Reserve*

### Enrollment Growth Reserve

- Moving to actual enrollment in arrears puts a strain on rapidly growing campuses making it difficult to support new programs and incoming students.
- This reserve would provide temporary funding to bridge extreme growth until enrollment is funded in the formula.

### Emergency Reserve

- FY 2019-20 has seen a substantial increase in the number of one-time campus emergency requests.
- The budget impasse is expected to exacerbate this issue.

## ***Building Reserves for New Construction***

Institution	Building	Nonrecurring	Recurring	Project Status
ECSU	Moore Hall*	\$ 20,177	\$ 88,952	Bidding
NC State	Utility Infrastructure*	—	585,615	Under Construction
NC State	Fitts-Woolard Hall*	688,694	4,114,251	Under Construction
UNCA	Carmichael Hall Renovation*	38,069	124,790	Under Construction
UNCA	Owens Hall Renovation*	57,286	174,848	Under Construction
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UNCG	South Chiller Plant*	71,908	156,250	Under Construction
UNCP	West Hall Renovation	95,296	230,248	Under Construction
UNCW	Allied Health (Veteran's Hall)*	551,128	2,204,981	Under Construction
UNCSA	Performance Place Renovation*	31,454	11,447	Under Design
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WSSU	1602 Lowery Street Renovation	39,036	79,253	Under Design
NCSSM	NCSSM Morganton*	768,098	1,068,609	Under Construction
<b>TOTAL</b>		<b>\$4,408,768</b>	<b>\$14,832,007</b>	

## ***FY2020-21 Proposed Large Capital Projects***

Institution	Project	Est. Cost
ASU	Wey Hall Renovation	\$25,400,000
NCCU	Taylor Education Building Renovation	\$11,500,000
UNCA	Lipinsky Hall Renovation	\$23,000,000
UNC-CH	Wilson Hall Annex	\$25,000,000
UNCW	Randall Library Renovation and Expansion	\$56,400,000
UNCSA	Stevens Center - Phase 2 (Auditorium Renovation)	\$32,300,000
NCSSM	Academic Commons Renovation and Expansion	\$12,600,000
<b>TOTAL</b>		<b>\$186,200,000</b>

## FY2020-21 Proposed Small Capital Projects

Institution	Project	Est. Cost
ASU	Replace I.G. Greer - Advanced Planning and Demolition	\$8,600,000
ECU	Utility Infrastructure Repairs	\$6,000,000
ECSU	Emergency Repairs to Butler Hall and University Suites*	\$6,000,000
FSU	Renovation of Lyons Science Center and Annex - Phase 2	\$6,000,000
NC A&T	Marteena Hall Renovation - Phase 1	\$9,800,000
NCCU	Steam Line and Infrastructure Repairs	\$5,200,000
NC State	Mann Hall Renovation	\$10,000,000
UNCA	Owen Hall - Upfit Studios	\$3,900,000
UNCA	Roadway Repairs and ADA Accessibility	\$4,500,000
UNC-CH	Fetzer Hall Renovation	\$8,000,000
UNC-CH	Replace Carrington Hall (Nursing) - Advanced Planning	\$2,000,000
UNCC	McEniry HVAC Upgrades and Repairs	\$5,200,000
UNCG	Infrastructure Repairs including Steam Line Replacement	\$5,000,000
UNCP	Campus Police Station Renovation and Retrofit	\$4,000,000
UNCW	King Hall Renovation	\$6,000,000
UNCSA	Stevens Center Renovation - Phase 1 (Restrooms, ADA & Misc Repairs)	\$8,000,000
WCU	Dam Repairs and Utility/Infrastructure Repairs	\$5,000,000
WSSU	Miscellaneous Repairs and Upgrades to Hauser Building	\$4,000,000
WSSU	Replace Boiler and Add Chiller to Central Heating Plant	\$3,500,000
NCSSM	Roofing, Building Envelope, and Miscellaneous Repairs	\$10,000,000
System	Systemwide Demolition and Infrastructure Repairs	\$8,000,000
<b>TOTAL</b>		<b>\$128,700,000</b>

QUESTIONS?

## AGENDA ITEM

A-2. 2020-21 Capital Budget Priorities ..... Clinton Carter

<b>Situation:</b>	<p>One of the principal responsibilities of the Board of Governors is to “develop, prepare, and present to the Governor and the General Assembly a single, unified recommended budget for the constituent institutions of the University of North Carolina” [G.S. 116-11(9)a]. In odd-numbered years, the governor recommends and the General Assembly enacts a biennial (two-year) budget. In even numbered years, adjustments are made to the budget for the second fiscal year of the biennium.</p> <p>With Board approval, the appropriated capital projects will be included in the budget request for the second fiscal year of the biennium.</p>
<b>Background:</b>	<p>The capital projects recommended for appropriated funding were identified by the universities as priority projects that are critical to their campuses. The functionality of many of these buildings has been affected by deferred maintenance and the lack of funds for renovation.</p>
<b>Assessment:</b>	<p>The funding of these projects will significantly extend the useful life of these buildings and affect the ability of the universities to provide suitable academic space.</p>
<b>Action:</b>	<p>This item requires a vote by the Committee on Budget and Finance and a vote by the full Board of Governors.</p>



## 2020-21 Capital Budget Priorities

### ISSUE OVERVIEW

Appropriated capital projects are supported by general funds and include the construction, repair, or renovation of state-supported facilities, such as academic and administrative buildings, and related infrastructure. These projects, if approved by the Board, will be included in the budget request submitted for legislative action.

The capital projects listed below are over \$10M and include priority projects for universities that did not receive appropriations for a significant project in the conference budget.

Institution	Project	Estimated Cost
Appalachian State University	Wey Hall Renovation	\$25,400,000
North Carolina Central University	Taylor Education Building Renovation	\$11,500,000
UNC Asheville	Lipinsky Hall Renovation	\$23,000,000
UNC–Chapel Hill	Wilson Hall Annex	\$25,000,000
UNC Wilmington	Randall Library Renovation and Expansion	\$56,400,000
UNC School of the Arts	Stevens Center Renovation – Phase 2 (Auditorium)	\$32,300,000
North Carolina School of Science and Mathematics	Academic Commons Renovation and Expansion	\$12,600,000
<b>TOTAL:</b>		<b>\$186,200,000</b>

The capital projects listed below are required to take care of critical needs, deferred maintenance issues, or emergency repairs in state-supported facilities and related infrastructure. The project costs exceed funding that is available from R&R funds and will not be corrected without additional appropriations. A special appropriation is requested for Elizabeth City State University due to the magnitude of repairs needed to correct environmental and structural issues and allow the residence halls to be fully reoccupied.

Institution	Project	Estimated Cost
Appalachian State University	Replace I.G. Greer – Advanced Planning and Demolition	\$8,600,000
East Carolina University	Utility Infrastructure Repairs	\$6,000,000
Elizabeth City State University	Emergency Repairs to Butler Hall and University Suites*	\$6,000,000
Fayetteville State University	Renovation of Lyons Science Center and Annex – Phase 2	\$6,000,000
North Carolina A&T State University	Marteena Hall Renovation – Phase 1	\$9,800,000
North Carolina Central University	Steam Line and Infrastructure Repairs	\$5,200,000
North Carolina State University	Mann Hall Renovation	\$10,000,000
UNC Asheville	Owen Hall – Upfit Studios	\$3,900,000
UNC Asheville	Roadway Repairs and ADA Accessibility	\$4,500,000
UNC-Chapel Hill	Fetzer Hall Renovation	\$8,000,000
UNC-Chapel Hill	Replace Carrington Hall (Nursing) – Advanced Planning	\$2,000,000
UNC Charlotte	McEniry HVAC Upgrades and Repairs	\$5,200,000
UNC Greensboro	Infrastructure Repairs including Steam Line Replacement	\$5,000,000
UNC Pembroke	Campus Police Station Renovation and Retrofit	\$4,000,000

UNC Wilmington	King Hall Renovation	\$6,000,000
UNC School of the Arts	Stevens Center Renovation – Phase 1 (Restrooms, ADA and Miscellaneous Repairs)	\$8,000,000
Western Carolina University	Dam Repairs and Utility/Infrastructure Repairs	\$5,000,000
Winston-Salem State University	Miscellaneous Repairs and Upgrades to Hauser Building	\$4,000,000
Winston-Salem State University	Replace Boiler and Add Chiller to Central Heating Plant	\$3,500,000
North Carolina School of Science and Mathematics	Roofing, Building Envelope, and Miscellaneous Repairs	\$10,000,000
UNC System	Systemwide Demolition and Infrastructure Repairs	\$8,000,000
<b>TOTAL:</b>		<b>\$128,700,000</b>

\* Special appropriation requested

#### **RECOMMENDATION**

It is recommended that the capital projects be included in the FY2020-21 budget request.

**AGENDA ITEM**

A-3. 2020 Legislative Proposals ..... Drew Moretz

- Situation:** The Board of Governors is responsible for submitting a list of policy proposals to the General Assembly before each legislative session.
- Background:** The 2020 legislative proposals were first reviewed by the Committee on Public Affairs at its meeting on February 20, 2020. Feedback gathered through comments and discussion during that meeting was used to fine-tune requests, which are now ready for a vote.
- Assessment:** The attached proposals align with the University's Strategic Plan, and reinforce the efforts of the UNC System Office and UNC System constituent institutions to achieve the goals of previous legislation instated by the General Assembly.
- Action:** This item requires a vote by the committee and a vote by the full Board of Governors.

## 2020 LEGISLATIVE PROPOSALS

### SUMMARY OF PRIORITY PROPOSALS

#### Operational Efficiencies

**1. Consolidate and Simplify the UNC Need-based Grant, Education Lottery Scholarship, and Community College Grant into one North Carolina Scholarship**

The existence of three separate programs, with three different eligibility criteria, makes state-based grant programs more complex to navigate and understand for students and families. Consolidating these three programs into a single North Carolina Scholarship would create a simpler, more user-friendly state aid system.

**2. Exempt Commissioned Officers/Public Safety Positions from most of the NC HR Act**

In an effort to increase our ability to retain our first responders, we seek legislative support for exempting our public safety personnel. Exempts commissioned officers and public safety positions from NC HR Act (EHRA non-faculty) to allow for better hiring and compensation practices. The impacted employees will retain coverage under Article 8 of NCGS 126, which provides disciplinary due process and grievance rights aligned with SHRA employees.

**3. AHEC Primary Care Plan Report Elimination; Change Date for Primary Care Report and Sunset Legislative Reports**

In 1995, the legislature required the BOG and UNC to report every other year on goals and plans for Primary Care programs in NC. AHEC has compiled these reports for all of the programs across the state and these reports are of limited value. We seek to eliminate the “Primary Care Plan” report.

The “Primary Care Report” though is a national model, but the national data necessary to complete the report comes out in October. We seek to change the next report due date to April 15, 2021.

More generally, many reports required by the legislature have a useful shelf life. As the legislature creates new reporting requirements, the legislature should consider including a sunset provision so new reports don’t continue to add up even when the issues at play have been resolved.

**4. Allow UNC Board of Governors to retain outside counsel**

Current statute requires that the Attorney General’s office represent the University in any litigation filed against it, unless the University obtains the approval of the Attorney General and the Governor to retain outside counsel. The University’s lack of control over its representation sometimes leads to operational challenges and disputes about litigation strategy, and often prevents the University from assembling the best team and resources for each litigation matter.

## 2020 LEGISLATIVE PROPOSALS

### Technical Corrections

#### 1. Lab School Technical Corrections

- Exclude NCSSM, UNCSA, and Lab Schools from definition of “public school unit” in Chapter 115C, which calls for DPI oversight over financials
- Decrease number of Lab Schools to 6 (from 9) and/or allow Institutions to operate more than one Lab School
- Clarify *“a lab school shall not unlawfully discriminate when make admissions decisions.”*

### Institution-specific

#### 1. Remove Debt Service and Campus Security fee from statutory cap on fee increases

Smaller institutions within the UNC System are severely limited by the statutory restriction on the cap of student fee increases. For a small school like UNCA, a 3% increase in the debt service fee would not raise sufficient funds to finance a project more than \$600,000 with a 20-year amortization and only raise \$12/student. Due to the lack of economies of scale, this impacts the small schools the most and will limit their ability to serve their student populations should they need to expand areas such as dining halls, student life centers should they try to grow.

#### 2. UNC-TV Millennial Campus Designation

Current law does not authorize the Board of Governors to designate System Office affiliates as millennial campuses, unlike System campuses. Specifically, the region could benefit from UNC-TV having the flexibility afforded in millennial campus designation. Given its main campus location in the RTP, UNC-TV is uniquely positioned to become a hub for performing arts, technological, media and educational innovation, and associated economic development initiatives as the Park tries to redesign its future as a work/live/play destination. If authorized, the BOG would still need to approve the designation along with the land use plans.

#### 3. Create special designed license plate for NC Arboretum

Currently, approximately 60 entities have legislative approval for a specialty-designed licensed plate, which serves to raise money for the entities with the plates. The NC Arboretum is seeking to be added to the list, which requires a change to GS 20-63.

<b>Area:</b>	<b>Need-based aid</b>
<b>Topic:</b>	<b>Consolidate and simplify the UNC Need-based Grant, Education Lottery Scholarship, and Community College Grant into one North Carolina Scholarship</b>
<b>Governance:</b>	G.S. 115D-40.1 Financial Assistance for Community College Students Article 35A of Chapter 115C of the General Statutes S.L 2000-67 Section 10.1 <b>NEED TO ID LOTTERY SCHOLARSHIP PROVISION</b>
<b>Current Status:</b>	There are currently three different need-based aid programs that serve public college and university students in North Carolina: the UNC Need-based Grant, Education Lottery Scholarship, and the Community College Grant. The NC Student Aid Study Group, a joint effort by the UNC and North Carolina Community College Systems, recommended that the state consider consolidating the three programs into one scholarship program.
<b>Current Challenges:</b>	The existence of three separate programs, with three different eligibility criteria, makes state-based grant programs more complex to navigate and understand for students and families. Consolidating these three programs into a single North Carolina Scholarship would create a simpler, more user-friendly state aid system.
<b>Proposed Action:</b>	See DRAFT language

<b>Area:</b>	<b>University Human Resources Policy</b>
<b>Topic:</b>	<b>Exempt University Police/Public Safety Staff from Most Provisions of the NC Human Resources Act</b>
<b>Governance:</b>	<b>North Carolina General Statutes - Chapter 126 - Article 1 (§ 126-5)</b>
<b>Current Status:</b>	<ul style="list-style-type: none"> <li>University sworn officers and telecommunicators are subject to the NC Human Resources Act (SHRA), which defines classification, compensation, selection/promotion processes, etc. aligned with other SHRA employees subject to the Act.</li> <li>Law enforcement officers are automatically enrolled in the state 401(k) supplemental retirement program with a 5% employer contribution.</li> <li>EHRA non-faculty employees are exempt from all but Articles 6 and 7 of Chapter 126; see 126-5(c1)(8).</li> </ul>
<b>Current Challenges:</b>	<ul style="list-style-type: none"> <li>The University competes with counties and municipalities for police, telecommunications, and public safety officers. Some modifications to pay ranges (such as metropolitan rates for certain areas of the state) have been taken within the SHRA compensation program but are insufficient in comparison to the competition from many county and municipal entities.</li> <li>Changes to existing SHRA pay ranges require coordination and approvals from the Office of State Human Resources rather than being managed directly by the UNC System Office for EHRA non-faculty employees.</li> <li>The University would need to retain comparable due process protections to other SHRA employees to attract and retain police and public safety officers.</li> </ul>
<b>Proposed Action:</b>	<p><b><i>Add an exemption to NCGS 126-5 to provide EHRA non-faculty status for employees in police and telecommunicator positions.</i></b></p> <ul style="list-style-type: none"> <li><b>Amend § 126-5 to add:</b>  (c14) Except as to the provisions of Articles 6, 7, and 8 of this Chapter, the provisions of this Chapter shall not apply to commissioned police officer and police telecommunicator positions of the University of North Carolina. Employees in positions covered by this exception shall be eligible for all employment and retirement benefits provided to state law enforcement officers subject to this Chapter.</li> </ul> <p><b><i>Enroll University law enforcement officers in the University's 403(b) supplemental retirement program with a 5% employer contribution.</i></b></p> <ul style="list-style-type: none"> <li><b>Amend § 143-166.30(d) to add:</b>  (d) Supplemental Retirement Income Plan for State Law-Enforcement Officers. - As of January 1, 1985, there shall be created a Supplemental Retirement Income Plan, hereinafter called the "Plan," established for the benefit of all law-enforcement officers employed by the State, who shall be participants. The Board of Trustees of the State Retirement System shall administer the Plan and shall, under the terms and conditions otherwise appearing herein, provide Plan benefits either (i) by establishing a separate trust fund in conformance with Section 401(a), Section 401(k) or other sections of the Internal Revenue Code of 1954 as amended or, (ii) by causing the Plan to affiliate with some master trust fund providing the same benefits for participants. Law-enforcement officers employed by the University of North Carolina shall have the option to participate in a Plan administered by the University. The Plan shall be separate and apart from any retirement systems.</li> <li><b>Amend § 135-5.1(b) to add:</b>  (6) Eligible Law-Enforcement Officers enrolled in the Optional Retirement Program shall participate in the University of North Carolina 403(b) Plan under same terms and conditions pursuant to G.S. 143-166.30(d).</li> </ul>
<b>Legacy Exceptions:</b>	<ul style="list-style-type: none"> <li>This change retains the grievance and disciplinary protections under Article 8 of the Chapter.</li> </ul>

<b>Area:</b>	<b>System office and AHEC Request – Efficiency</b>
<b>Topic:</b>	<b>Remove requirement for redundant report and changing date of remaining report</b>
<b>Governance:</b>	<b>SL 1995-507, sec 23A.5(a), (b), and (b1), § 143-613 and S.L. 2012-142, sec. 9.5, S.L. 1995-507, sec. 23A.5(d), § 143-613</b>
<b>Current Status:</b>	<ul style="list-style-type: none"> <li>• The 1995 legislation, hereafter referred to as “Primary Care Plans,” required the Board of Governors and the University of North Carolina to set goals and create plans to encourage NC residents to enter the primary care disciplines of general internal medicine and family medicine. The statute required a report every two years, starting on May 16, 1996. The Allied Health Education Centers (AHEC) has compiled these reports and plans for the University and, after presentation and approval of the Board of Governors, the University has submitted these updates each biennium.</li> <li>• The 2012 legislation, hereafter referred to as the “Primary Care Report,” required the University and the Board of Governors to update the legislature on “the progress of private and State-operated medical schools and State-operated health professional schools towards increasing the number and proportion of graduates entering primary care” every year. The report, due November 15 each year, has been completed by AHEC and, after presentation and approval by the Board of Governors, the University has submitted it to the legislature.</li> </ul>
<b>Current Challenges:</b>	<ul style="list-style-type: none"> <li>• The value of the biennial Primary Care Plans has diminished over the last 20 years, and AHEC and the Sheps Center for Health Services Research believes it no longer produces valuable information needed to address remaining underlying issues. While most plans are substantive (though some only a few sentences), many schools have acknowledged that plans rarely change so they often just make minor edits (dates, faculty updates, etc.) and resubmit. There are no state/national databases used for this, but rather self-reporting by NC’s 5 medical schools, 9 nurse practitioner schools, and 11 physician assistant schools —and then compilation and editing by AHEC. Though the Primary Care report is every two years, collecting and compiling the report is resource intensive (i.e., personnel FTE effort), requiring persistent follow-up with schools from January to April for them to comply and submit their plans. We request eliminating requirement for continued reporting.</li> <li>• On the other hand, the annual Primary Care Report has become a national model. AHEC, with the assistance of the Sheps Center, produces this report using the state licensure database and related national data. However, the national data has continued to lag and is now often not available until sometime in October. The delayed data the past few years has made it difficult to obtain the data, create the report, submit it to the System Office, have it seen and approved by the Board of Governors, and then reported to the legislature by November 15 each year. We request changing the date for this annual report to April 15, beginning in 2021 (a report was submitted in November 2019).</li> </ul>
<b>Proposed Action:</b>	<p><b>Amend § 143-613</b></p> <p>(a) In recognition of North Carolina's need for primary care physicians, Bowman Gray School of Medicine and Duke University School of Medicine shall each prepare a plan with the goal of encouraging North Carolina residents to enter the primary care disciplines of general internal medicine, general pediatrics, family medicine, obstetrics/gynecology, and combined medicine/pediatrics and to strive to have at least fifty percent (50%) of North Carolina residents graduating from each school entering these disciplines. These schools of medicine shall present their plans to the Board of Governors of The University of North Carolina by April 15, 1996, and shall update and present their plans every two years thereafter. The Board of Governors shall report to the Joint Legislative Education Oversight Committee by May 15, 1996, and every two years thereafter on the status of these efforts to strengthen primary health care in North Carolina.</p>



(b) The Board of Governors of The University of North Carolina shall set goals for the Schools of Medicine at the University of North Carolina at Chapel Hill and the School of Medicine at East Carolina University for increasing the percentage of graduates who enter residencies and careers in primary care. A minimum goal should be at least sixty percent (60%) of graduates entering primary care disciplines. Each school shall submit a plan with strategies to reach these goals of increasing the number of graduates entering primary care disciplines to the Board by April 15, 1996, and shall update and present the plans every two years thereafter. ~~The Board of Governors shall report to the Joint Legislative Education Oversight Committee by May 15, 1996, and every two years thereafter on the status of these efforts to strengthen primary health care in North Carolina.~~

Primary care shall include the disciplines of family medicine, general pediatric medicine, general internal medicine, internal medicine/pediatrics, and obstetrics/gynecology.

(b1) The Board of Governors of The University of North Carolina shall set goals for State-operated health professional schools that offer training programs for licensure or certification of physician assistants, nurse practitioners, and nurse midwives for increasing the percentage of the graduates of those programs who enter clinical programs and careers in primary care. Each State-operated health professional school shall submit a plan with strategies for increasing the percentage to the Board by April 15, 1996, and shall update and present the plan every two years thereafter. ~~The Board of Governors shall report to the Joint Legislative Education Oversight Committee by May 15, 1996, and every two years thereafter on the status of these efforts to strengthen primary health care in North Carolina.~~

(c) The Board of Governors of The University of North Carolina shall further initiate whatever changes are necessary on admissions, advising, curriculum, and other policies for State-operated medical schools and State-operated health professional schools to ensure that larger proportions of students seek residencies and clinical training in primary care disciplines. The Board shall work with the Area Health Education Centers and other entities, adopting whatever policies it considers necessary to ensure that residency and clinical training programs have sufficient residency and clinical positions for graduates in these primary care specialties. As used in this subsection, health professional schools are those schools or institutions that offer training for licensure or certification of physician assistants, nurse practitioners, and nurse midwives.

(d) The progress of the private and State-operated medical schools and State-operated health professional schools towards increasing the number and proportion of graduates entering primary care shall be monitored annually by the Board of Governors of The University of North Carolina. Monitoring data shall include (i) the entry of State-supported graduates into primary care residencies and clinical training programs, and (ii) the specialty practices by a physician and each midlevel provider who were State-supported graduates as of a date five years after graduation. The Board of Governors shall certify data on graduates, their residencies and clinical training programs, and subsequent careers ~~by November 15 of each calendar year,~~ beginning in November of 2012 and each year thereafter on April 15, to the Fiscal Research Division of the Legislative Services Office and to the Joint Legislative Education Oversight Committee.

(e) The information provided in subsection (d) of this section shall be made available to the Appropriations Committees of the General Assembly for their use in future funding decisions on medical and health professional education.

<b>Area:</b>	<b>University Legal Representation</b>
<b>Topic:</b>	<b>University's use of outside counsel</b>
<b>Governance:</b>	<b>G.S. 116-11</b>
<b>Current Status:</b>	North Carolina law currently requires that the Attorney General's office represent the University in any litigation filed against it, unless the University obtains the approval of the Attorney General and the Governor to retain outside counsel (which is rarely granted).
<b>Current Challenges:</b>	The University's lack of control over its representation sometimes leads to operational challenges and disputes about litigation strategy, and often prevents the University from assembling the best team and resources for each litigation matter.
<b>Proposed Action:</b>	<p>The University could seek to amend Chapter 116 of the General Statutes to allow the Board of Governors to authorize the President to engage legal counsel for the University and its constituent institutions without seeking approval from any other State agency or official first. The proposed new subsection would allow the President to select either the AGs office, in-house lawyers already employed by the University in a constituent institution's office of legal affairs, or private outside counsel (or some combination thereof).</p> <p>G.S. 116-11 is amended to read:</p> <p>"§ 116-11. Powers and duties generally. The powers and duties of the Board of Governors shall include the following: ...</p> <p>(13b) Notwithstanding G.S. 114-2.3 or G.S. 147-17, or any other provision of law, the Board may authorize the President to designate legal counsel as the President deems necessary to represent the interests of the Board, The University of North Carolina, any constituent institution, and any officer or employee, in any matter, case, or proceeding in or before any court or agency of this State or any other state or the United States. The authority conferred herein includes the discretion to designate whether legal representation in any given matter is provided by the Attorney General's office, attorneys employed on the legal affairs staff of the University, private counsel, or any combination thereof. G.S. 114-2.3(d), 143C-6-9(b), and 147-17(c1) shall not apply to these expenditures.</p>

<b>Area:</b>	<b>Legislation Impacting Oversight of UNC Lab Schools, NCSSM, and UNCSA</b>
<b>Topic:</b>	<b>Modify “Public School Unit” Term’s Applicability to Lab Schools, NCSSM, and UNCSA</b>
<b>Governance:</b>	<b>S.L. 2019-51 (which amended Chapter 115C of the General Statutes)</b>
<b>Current Status:</b>	S.L. 2019-51 includes a new term, “public school unit,” in Chapter 115C. The term is defined to include NCSSM, UNCSA, and UNC lab schools (in addition to charter schools, traditional public schools, etc.).
<b>Current Challenges:</b>	<p>Use of the term “public school unit” more broadly in Chapter 115C could subject NCSSM, UNCSA, and lab schools, which all operate under the auspices of the UNC Board of Governors, to an additional layer of oversight and reporting requirements from DPI. UNC K-12 schools do not currently fall under DPI’s oversight. For the most part, these schools are not subject to Chapter 115C or State Board of Education (SBE) policy unless specifically stated in statute. Instead, they are subject to separate statutes in Chapter 116, and must abide by policies set by the UNC Board of Governors.</p> <p>Because these schools are governed not by the SBE but by the BOG, including them under the term “public school unit” with schools governed by SBE, DPI, and local boards of education will prove continually problematic as the term “public school unit” becomes incorporated into new legislation without taking into consideration the impact of requiring constituent institutions of the UNC System to comply with statutes and policies meant to apply to schools governed by SBE and local boards of education.</p>
<b>Proposed Action:</b>	Amend G.S. 115C-5(11)(d), as amended by S.L. 2019-51, to remove UNCSA, NCSSM, and UNC laboratory schools from the definition of “public school unit” by removing G.S. 115C-5(11)(d)(2).

<b>Area:</b>	<b>Laboratory Schools</b>
<b>Topic:</b>	<b>Permit a Constituent Institution to Operate More than One Laboratory School</b>
<b>Governance:</b>	<b>Article 29A of Chapter 116</b>
<b>Current Status:</b>	Article 29A of Chapter 116 currently requires that the Board of Governors designate at least nine constituent institutions to submit proposals to establish laboratory schools. Additionally, the statute permits the Board of Governors Subcommittee on Laboratory Schools to grant three waivers of the requirements for eligible local school administrative units in which laboratory schools may be located.
<b>Current Challenges:</b>	The requirement that nine separate constituent institutions must establish lab schools is unnecessarily limiting and may prevent an institution with one lab school with positive outcomes from having a broader impact. The proposed change would permit the Board of Governors to approve a constituent institution to operate more than one laboratory school. The small number of lab schools eligible to receive waivers from the Board of Governors Subcommittee on Laboratory Schools also limits our institutions' options to establish partnerships with certain local school administrative units to establish lab schools.
<b>Proposed Action:</b>	Amend Article 29A of Chapter 116 to require the establishment of nine laboratory schools in total as opposed to requiring that nine constituent institutions establish laboratory schools. Please see attached redlined document.

<b>Area:</b>	<b>Laboratory Schools</b>
<b>Topic:</b>	<b>Recruitment Efforts for Laboratory School Population to Reasonably Reflect Population of Local School Administrative Unit</b>
<b>Governance:</b>	<b>G.S. 116-239.9, as proposed to be amended by H966, Section 8.5.(d)</b>
<b>Current Status:</b>	The current proposed language in H966 regarding making efforts for the population of the school to reasonably reflect the composition of the general population residing in the local school administrative unit is unclear about what is expected.
<b>Current Challenges:</b>	The current proposed language does not include limiting language which guards against non-discrimination as the comparable statute for charter schools (G.S. 115C-218.45(e)) does.
<b>Proposed Action:</b>	<p>Modify subsection (e) of Section 8.5.(d) of H966 so that it reads as follows:</p> <p>(e) Within one year after a laboratory school begins operation, the laboratory school shall make <u>reasonable</u> efforts <u>in the recruitment process</u> for the population of the school to reasonably reflect the racial, ethnic, and socioeconomic composition of the general population <u>of students</u> residing within the local school administrative unit in which the school is located. <u>A lab school shall not unlawfully discriminate when making admissions determinations.</u></p>

<b>Area:</b>	<b>Economic Impact, Excellent and Diverse Institutions and Student Success</b>
<b>Topic:</b>	<b>Remove Debt Service Fee from the statutorily mandated 3% cap on fees</b>
<b>Governance:</b>	<b>§ 116-143.10. Cap on student fees.</b>
<b>Current Status:</b>	The Code currently stipulates that, “ Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The University of North Carolina and the Board of Trustees at each constituent institution may increase the cumulative total of all undergraduate student fees approved by either the Board of Governors or the Board of Trustees by no more than three percent (3%) per academic year. (2016-94, s. 11.4(b).)”
<b>Current Challenges:</b>	With the legislatively mandated 3 percent cap on student fees, a 3% increase in the debt service fee would generate less than \$12 per student in debt service fees for UNC Asheville. That would generate less than \$40K and would not allow us to do a project more than \$ .6M with a 20 year amortization. As a comparison, our recent Highsmith Student Union project was an \$11.6M project. This cap is particularly burdensome on the smaller schools in the System that do not have the scale to generate the revenue needed to fund debt service projects. If we want to grow headcount and continue to attract and retain students, we need the flexibility to build and renovate buildings supported by the debt service fee such as our, dining halls, student life centers, and other auxiliary buildings. Having well-maintained and modern facilities helps us attract top talent and it will foster student success because students congregate and learn in these spaces as well.
<b>Proposed Action:</b>	Amend 116-143.10 to say “ ...cumulative total of all undergraduate student fees, <b><i>except the debt service fee</i></b> , approved by the Board of Governors...

<b>Area:</b>	
<b>Topic:</b>	<b>Authorize BOG to Designate Affiliates as Millennial Campus (UNC-TV)</b>
<b>Governance:</b>	<b>NCGS § 116-198 (Article 21B)</b>
<b>Current Status:</b>	<p>Board of Governors may act on recommendation made by the President of The University of North Carolina after consultation by the President with the Chancellor and the Board of Trustees of a constituent institution, to designate real property held by, or to be acquired by, a constituent institution as a Millennial Campus of the institution.</p> <p>Millennial campus designation gives universities regulatory flexibility to (i) finance projects &amp; (ii) collaborate w/industry &amp; private sector on innovative ventures.</p> <ul style="list-style-type: none"> <li>• Exempt from provisions of Umstead Act</li> <li>• Broader authority on revenue &amp; debt to allow quicker development &amp; foster public-private partnerships</li> </ul> <p>To qualify for millennial campus designation a constituent institution must demonstrate:</p> <ul style="list-style-type: none"> <li>• Enhance an institution's research, teaching &amp; service missions</li> <li>• Drive economic development in the area</li> <li>• Have administrative &amp; fiscal capability to maintain such a campus</li> </ul>
<b>Current Challenges:</b>	<p>Current law does not authorize the Board of Governors to designate system office affiliates as millennial campuses. UNC-TV, the North Carolina Arboretum and the UNC Press could all potentially benefit from the flexibility afforded millennial campuses. UNC-TV, in particular given its main campus location in the RTP, proximity to an international airport and existing relationship world class public and private universities; its statewide broadcast reach; regional and national content creation reputation and brand identity brand identity; and its multiplatform technological infrastructure, is uniquely positioned to become a hub for performing arts, technological, media and educational innovation and a laboratory for public safety, content distribution and associated economic development experimentation.</p>
<b>Proposed Action:</b>	<p>Amend NCGS § 116-198.33 (4b)</p> <p>The term "Millennial Campus" means all real property and appurtenant facilities designated by the Board of Governors as part of a Millennial Campus of a constituent institution <u>or affiliate</u> of The University of North Carolina other than North Carolina State University or the University of North Carolina at Chapel Hill. The properties designated by the Board of Governors do not have to be contiguous with the constituent institution <u>or affiliate</u> to be designated as part of the institution's Millennial Campus.</p> <p>Amend NCGS § 116-198.34(8b)</p> <p>Acting on recommendation made by the President of The University of North Carolina after consultation by the President with the Chancellor and the Board of Trustees of a constituent institution, <u>or by the President with Chief Executive Officer of a system office affiliate</u>, to designate real property held by, or to be acquired by, a constituent institution <u>or affiliate</u> as a "Millennial Campus" of the institution <u>or the system office</u>. That designation shall be based on an express finding by the Board of Governors that the institution <u>or affiliate</u> desiring to create a "Millennial Campus" has the administrative and fiscal capability to create and maintain such a campus and provided further, that the Board of Governors has found that the creation of the constituent institution's <u>or affiliate's</u> "Millennial Campus" will enhance the institution's or affiliate's research, teaching, and service missions as well as enhance the economic development of the region served by the institution <u>or affiliate</u>. Upon formal request by the constituent</p>



institutions or affiliates, the Board of Governors may authorize two or more constituent institutions or affiliates which meet the requirements of this section to create a joint Millennial Campus.



## **2020 LEGISLATIVE PROPOSALS**

**March 19, 2020**

### **2019 Legislative Policy Agenda Review**

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#### ***Cleared the decks (in event of override or UNC mini-budget):***

- *Carry forward increase*
- *Board-approval for certain capital projects up to \$1m*
- *Reinstate Campus Flexibility for Certain HR Actions*
- *Eliminate Tuition Surcharge reduction*
- *Lab Schools Adjustment (more coming)*
- *Expansion of Teaching Fellows (increased eligible institutions)*

#### **If no override/mini-budget and legislature starts over:**

- These items remain top priorities of institutions

## 2020 Legislative Policy Agenda

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### **Types of Requests**

#### ***Institutional requests:***

- *RFP sent to institutions*

#### ***System Priority:***

- *Consistent with new/ongoing goals of the University*

#### ***Approval of 2020 Agenda slated for March***

#### ***Complicated by:***

- *Uncertain path forward, due to lack of biennial budget*
- *April 28<sup>th</sup> legislative return*

## Draft Agenda

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### ***Operational Efficiencies:***

- *Financial Aid Consolidation*
  - *Based on Financial Aid Working Group Recommendations*
- *Exempt Public Safety Officers from most NC HR Act*
  - *Retain employee protections*
  - *Significant need to retain quality officers*
- *AHEC Report Elimination; Date Change; Sunset Reports*
  - *Eliminate one report; change due date on another*
  - *Generally, Sunset reports after biennium or 5-years*
- *Allow BOG to retain Outside Counsel*
  - *Currently, AG and Governor must approve*
  - *Included in past Budget Technical Corrections*

## Draft Agenda

### **Operational Efficiencies:**

- **Lab School Changes**
  - *Modify definition of term "Public School Unit"*
  - *Permit constituent institution to operate more than 1 Lab School*
  - *Student Recruitment Efforts*
  - *Reduce DPI financial reporting (move to quarterly)*
- **Remove debt service/campus security from 3% statutory cap on fees**
  - *(impacts small schools most significantly)*
- **Authorize BOG to designate UNC-TV as Millennial Campus**
  - *Currently, Millennial designation only for universities*
- **Create specialty license plate for NC Arboretum**

QUESTIONS?