TRANSMITTAL LETTER
The University of North Carolina
Office of the President

Transmittal Number 27
February 20, 2004

Subject:

300.1.6.1 POLICY ON ADMINISTRATIVE SEPARATION
600.3.1 SELECTION CRITERIA AND OPERATING INSTRUCTIONS FOR SPECIAL RESPONSIBILITY CONSTITUENT INSTITUTIONS

CHANGES TO THE CODE:

CHAPTER III

SECTION 300 ESTABLISHMENT AND MEMBERSHIP OF COMMITTEES
SECTION 301 THE STANDING COMMITTEES’ JURISDICTION: SUBSECTION 301A
SECTION 302 GENERAL PROVISIONS CONCERNING STANDING COMMITTEES
   SUBSECTION 302A. APPOINTMENT OF MEMBERS
   SUBSECTION 302B. OFFICERS OF STANDING COMMITTEES

For your information, included with this transmittal are 1 newly approved policy, amendments to an additional policy not previously transmitted, as well as changes to The Code as noted:

300.1.6.1 Policy on Administrative Separation. Adopted by the Board of Governors on February 13, 2004. Please contact Gretchen Bataille, Senior Vice President for Academic Affairs, at 919-962-4614 with any questions.

600.3.1 Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions. Amended by the Board of Governors on February 13, 2004. Please contact Jeffrey Davies, Vice President for Finance, at 919-962-4614 with any questions.

An Equal Opportunity/Affirmative Action Employer
Changes to the Code:

Chapter III

Section 300. Establishment and Membership of Committees. Subsection 301A. Amended by the Board of Governors on February 13, 2004. Please contact Leslie Winner, Vice President for Legal Affairs, at 919-962-4588 with any questions.

Section 301. Subsection 301A. Amended by the Board of Governors on February 13, 2004. Please contact Leslie Winner, Vice President for Legal Affairs, at 919-962-4588 with any questions.

Section 302. Subsection 302A. Amended by the Board of Governors on February 13, 2004. Please contact Leslie Winner, Vice President for Legal Affairs, at 919-962-4588 with any questions.

Section 302. Subsection 302B. Amended by the Board of Governors on February 13, 2004. Please contact Leslie Winner, Vice President for Legal Affairs, at 919-962-4588 with any questions.
POLICY ON ADMINISTRATIVE SEPARATION

This policy applies to all staff in the Office of the President whose positions are covered by Policy 300.1.1 of the Policy Manual of the Board of Governors, and is consistent with Policy 300.1.6. This policy applies to both voluntary and involuntary relinquishment of administrative positions.

1. **Retreat to a faculty position.** An administrator, who holds a faculty appointment at a University of North Carolina campus, may assume or return to that appointment with all the rights and responsibilities of faculty in the home department, unless a proceeding is initiated to discharge or demote the administrator from the faculty position. Conditions of the retreat to such a position will be governed by the policy in place on the campus.

2. **Reappointment of an administrator to a different position.** An administrator leaving a position that is categorized as “at will” has no claim to that position; however, there may be circumstances in which assignment to another administrative position or appointment to less than a full-time position would be beneficial for both the institution and the employee. In these cases, the new salary should be appropriate to the assignment. If the President proposes to pay the administrator his or her full current salary after moving the administrator to a position that would normally be lower paying, or if paid leave is to be granted, the agreement with the administrator must be approved by the Board of Governors. This Policy does not supersede any notice or severance pay required by Board of Governors’ policy.

3. **Separation from the University.** In some cases, it may be in the best interests to negotiate a severance agreement with an administrator. UNC policy addresses timely notice for termination of Senior Administrative and Academic Officers hired pursuant to Policy 300.1.1, I.B. In accordance with The University of North Carolina Policy 300.1.1, III.B, in certain circumstances these employees are entitled to notice of the discontinuation of their employment with full pay up to 90 days or severance pay, depending on their length of service. The President may, at his or her discretion, determine that the circumstances justify continuing full pay for employees subject to Policy 300.1.1.I.A for up to 90 days. Any agreement that results in a longer period of compensation must be approved by the Board of Governors.

4. **Retirement.** Nothing in this Policy shall prevent an administrator from retiring or an administrator who holds a faculty appointment from participating in phased retirement consistent with existing University of North Carolina policies.
5. **Agreements.** All agreements made pursuant to this policy must be in writing and signed by both the employee and the President.

6. **Effective Date.** The effective date of this policy is February 13, 2004.
Selection Criteria and Operating Instructions for
Special Responsibility Constituent Institutions

A. Achieving and Retaining Status as a Special Responsibility Constituent Institution

Management Staffing Standards and Internal Controls and Safeguards

1. Responsibilities of Special Responsibility Constituent Institutions

The following standards and safeguards must be met and maintained in order to receive and retain the designation as a special responsibility constituent institution.

a. The Chancellor/Executive Director must assume personal responsibility and also establish the appropriate administrative and internal control procedures for carrying out the special delegations of authority. In this regard, the Chancellor/Executive Director must certify that the administrative capability on campus in the areas of budgeting and accounting, personnel, and purchasing, as noted in b., c., and d. below, are sufficient to carry out the increased flexibility being granted.

b. The capability of the staff and the system of budgeting, accounting and internal controls must be sufficient to administer the increased budget flexibility given to the designated institutions.

c. The personnel capacity, which must be exercised under the direction of appropriate administrative officials, must be available on campus to evaluate jobs, classify positions appropriately, set compensation properly, and carry out the related functions of position management at the level of authority provided by the delegation.

d. The on-campus expertise must be available to purchase properly the equipment, supplies, and other goods and services for the institution up to the benchmark level established by the Board of Governors for the institution pursuant to G.S. 116-31.10.

e. The institution must maintain its financial records in such a manner that there are no significant findings in the annual financial audit reports, special reports, electronic

\[1\] On February 13, 2004, the Board placed into policy changes to these criteria that it had adopted on 2/08/02 and 9/12/03.
data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office.

f. Each Chancellor/Executive Director shall prepare a plan for the uses of appropriations carried forward from the previous fiscal year and anticipated lapsed salary funds for the current fiscal year, which should be submitted to the Office of the President by July 15 of each year.

g. Chancellors/Executive Director may delegate the authority for approving departmental plans for expenditures authorized under budget flexibility, but may not delegate the authority below the level of the appropriate Vice Chancellor.

h. The Chancellors/Executive Director shall review an annual internal audit report on expenditures authorized under budget flexibility.

i. The Chancellor shall ensure that procedures and support systems are in place to provide for the effective operation and maintenance of all existing campus buildings and infrastructure. New facilities financed by the 2000 Higher Education Bond Program or any other sources of funds shall become a part of an effective program of preventive maintenance from the time that construction is completed. Procedures shall also be in place to assure proper accountability and safeguarding of all fixed assets and other items purchased by the University.

2. Responsibilities of the President and the Board of Governors

The President is directed to establish the administrative procedures necessary to carry out the following rules:

a. The President and her/his staff shall review the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office for each special responsibility constituent institution.

b. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations. In any instance where significant findings are identified, the President shall notify the Chancellor/Executive Director of the particular special responsibility constituent institution that the institution must make satisfactory progress in resolving the findings, as determined by the President of The University, after consultation with the State Auditor, within a three-month period commencing with the date of receipt of the published financial audit report, any other audit report, or management letter.

c. If satisfactory progress is not made within a three-month period, the President shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of the President of The University of North Carolina, after consultation with the State Auditor. However, once the designation as a special responsibility constituent institution has
been withdrawn by the Board of Governors, reinstatement may not be effective until
the beginning of the following fiscal year at the earliest.

d. Any actions taken by the Board of Governors with respect to withdrawal or
reinstatement of an institution's status as a special responsibility constituent
institution shall be reported immediately to the Joint Legislative Education Oversight
Committee.

e. The President and her/his staff, after consultation with the State Auditor, shall review
and consult with the Director of the Office of State Personnel and the Director of the
Division of State Purchasing and Contracts in ascertaining whether or not a
constituent institution has the management staff and internal financial controls to
administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and
116-31.10. Such review and consultation must take place no less frequently than
once each biennium.

f. The President shall review plans submitted by the Chancellors/Executive Director for
uses of funds carried forward from the previous fiscal year and anticipated lapsed
salary funds and, upon approval, present a summary of these plans to the Board of
Governors at its August meeting each year.

B. Budget Administration

1. Appropriations to Special Responsibility Constituent Institutions

a. All General Fund appropriations made by the General Assembly for continuing
operations of a special responsibility constituent institution of The University of
North Carolina shall be made in the form of a single sum to each budget code of the
institution for each year of the fiscal period for which the appropriations are being
made.

b. Notwithstanding G.S. 143-23(al), G.S. 143-23 (a2), G.S. 143-23(a3), and G.S.
120-76(8), each special responsibility constituent institution may expend the General
Fund monies so appropriated to it in the manner deemed by the Chancellor/Executive
Director to be calculated to maintain and advance the programs and services of the
institutions, consistent with the directives and policies of the Board of Governors
including but not limited to the following:

1. A current institutional expenditure plan for each budget code must be established
and maintained under the direction of the Chancellor/Executive Director.

2. No action shall be taken that would materially change the capability of the
institution to carry out its educational mission as defined by the Board of
Governors. The Board of Governors will retain program responsibility. No
actions taken should have the effect of either establishing a new academic,
research, or public service program or closing such a program without the
specific approval by the Board. Reallocation of academic program resources
should not be made to the extent that a particular existing program is seriously
weakened or effectively discontinued, or a new activity not expressly authorized by the Board of Governors is initiated.

3. Reallocations of interinstitutional program resources should not be made to the extent that campus participation in a particular program is materially weakened without specific approval by the Board.

4. No action should be taken which would have the effect of establishing a new community service or student financial aid program without specific approval by the Board of Governors.

5. Appropriations providing support for Distance Education/Extension degree credit instruction at off-campus locations cannot be reallocated for other purposes without specific approval by the Board of Governors.

c. The quarterly allotment procedure established pursuant to G.S. 143–17 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution.

d. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions.

e. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions.

2. Reversions and Carry-Forwards of Appropriations

Of the General Fund current operations appropriations credit balance remaining in each budget code of a special responsibility constituent institution, at the close of a fiscal year, any amount of the General Fund appropriations for that budget code, may be carried forward by the institution to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this section shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143-25, shall establish the General Fund current operations credit balance remaining in each budget code of each institution. (Note advanced approval requirement in Sections A1.f. and A2.f. above.)

C. Personnel Administration

The Chancellor of a special responsibility constituent institution, when he finds that to do so would help to maintain and advance the programs and services of the institution, may establish and abolish positions, acting in accordance with:

(1) State Personnel policies and procedures if these positions are subject to the State Personnel Act and if the institution is operating under the terms of a Performance
Agreement or a Decentralization Agreement authorized under Chapter 126 of the General Statutes; or

(2) Policies and procedures of the Board of Governors if these positions are exempt from the State Personnel Act.

The results achieved by establishing and abolishing positions pursuant to the conditions set forth in subdivision (1) of this section shall be subject to postauditing by the Office of State Personnel.

With respect to personnel actions taken under subdivision (2) of this section, no action should have the effect of either establishing a new academic program or administrative unit or closing an existing academic or inter-institutional program or administrative unit. No action should be taken which permanently reduces the number or amount of Regular Term budgeted teaching positions supported by General Fund appropriations thereby changing the student-faculty ratio or the budgeted average teaching salary established by the Board of Governors.

Implementation of all personnel actions shall be subject to the availability of funds within the institution's current budget to fund the full annualized costs of these actions.

D. Purchasing

Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for a special responsibility constituent institution with regard to competitive bid procedures and the bid value benchmark shall be an amount not greater than $500,000. The Board shall set the benchmark for each institution from time to time. In setting an institution’s benchmark, the Board shall consider the institution’s overall capabilities including staff resources, purchasing compliance reviews, and audit reports. The Board shall also consult with the Director of the Division of Purchase and Contract and the Director of the Budget prior to setting the benchmark.

Institutions with an expenditure benchmark greater than $250,000 but not greater than $500,000 shall submit to the Division of Purchase and Contract for that Division’s approval, or other action deemed necessary by the Division, a copy of all offers received and the institution’s recommendation of award or other action. Notice of the Division’s decision shall be sent to that institution. The institution shall then proceed with the award of contract or other action recommended by the Division.

The power and authority granted to the Board of Governors with regard to the acquisition, operation, maintenance and disposition of real and personal property and services shall be subject to, and exercised in accordance with, the provisions of Chapter 143 and 146 of the General Statutes and related sections of the North Carolina Administrative Code, except when a purchase is being made that is not covered by a State term contract and either:

(1) The funds used to procure personal property or services are not moneys appropriated from the General Fund or received as tuition or, in the case of multiple fund sources, moneys appropriated from the General Fund or received as tuition do not exceed thirty percent (30%) of the total funds; or
(2) The funds used to procure personal property or services are contract and grant funds or, in the case of multiple fund sources, the contract and grant funds exceed fifty percent (50%) of the total funds.

When a special responsibility constituent institution makes a purchase under condition (1) or (2) above, the requirements of Chapter 143, Article 3 shall apply, except the approval or oversight of the Secretary of Administration, the State Purchasing Officer, or the Board of Awards shall not be required, regardless of dollar value.

Special responsibility constituent institutions shall have the authority to purchase equipment, materials, supplies, and services from sources other than those certified by the Secretary of Administration on term contracts, subject to the following conditions:

(1) The purchase price, including the cost of delivery, is less than the cost under the State term contract;

(2) The items are the same or substantially similar in quality, service, and performance as items available under State term contracts;

(3) The cost of the purchase shall not exceed the benchmark established under G. S. 116-31.10; and

(4) The special responsibility constituent institution notifies the Department of Administration of purchases consistently being made under this provision so that State term contracts may be improved.

E. Impact on Education

Each special responsibility constituent institution shall include in its institutional effectiveness plan those assessment measures that are determined by the Board to be measures that will assure some standard measure of student learning and development in general undergraduate education. The intent of this requirement is to measure the impact of G.S. 116–30.1 through G.S. 116–30.5, establishing and administering special responsibility constituent institutions, and their implementation on undergraduate student learning and development. The measures shall be taken from accountability reports to the Board and any other performance measures developed for this purpose by the Board.

F. Reporting Requirements

1. Monthly Report

Each designated institution must prepare a monthly operating report for each budget code in the format of the current BD-701 report. The "Authorized Budget" included in this report, which may be changed under the direction of the Chancellor/Executive Director, will show the institution's current expenditure plan. The current Chart of Accounts will be used for reporting purposes.

2. Fiscal Year Plan
Each Chancellor/Executive Director of a special responsibility constituent institution must prepare a fiscal year plan, due to the President by July 15, as follows:

a. An annual plan specifying programmatic, and major expenditure classification detail, for expending funds carried forward from the previous fiscal year as allowed under G.S. 116-30.3.

b. An annual plan for expending anticipated lapsed salary funds for the fiscal year. This portion of the plan would be a projection of the amount of lapsed salaries and the programmatic priorities for expending the estimated funds.

3. Annual Report

An annual report, and other reports as may be directed by the President, are required from each special responsibility constituent institution. The annual report must be submitted to the Office of the President by October 10 following fiscal year end, and shall include the following information:

a. an annual operating report in the same format as the monthly report described above  
b. the impact on undergraduate student learning and development as demonstrated by the standard assessment measures related to this topic  
c. fiscal savings  
d. management initiatives undertaken  
e. increased efficiency and effectiveness achieved, including institutional purchases under the expenditure benchmark established by the Board of Governors for the institution  
f. other outcomes made possible by the flexibility provided  
g. documentation of any reallocation of resources which distinguishes between one-time and permanent transfers, including the actual uses of funds reallocated during the fiscal year as a result of lapsed salaries  
h. the actual uses of appropriations carried forward from the previous fiscal year  
i. any additional costs incurred  
j. a schedule of positions established and positions abolished  
k. list of positions that were vacant for more than 9 months during the fiscal year and an explanation for the length of the vacancy  
l. compliance certification letter to the President from each SRCI Chancellor/Executive Director

Each institution must establish the administrative procedures necessary to accumulate this information for reporting purposes.
The following changes to the Code were adopted by the Board of Governors on February 13, 2004:

Chapter III

SECTION 300. ESTABLISHMENT AND MEMBERSHIP OF COMMITTEES.

A. The Board of Governors may establish such standing committees as it may deem necessary. Standing committees shall be established and their duties prescribed by a vote of two-thirds of the voting membership of the Board of Governors then in office. Special committees may be created by the Board of Governors or the chair of the board to perform specific functions not requiring the continuous existence of a committee.

B. Each voting member of the board shall at all times serve on one of these standing committees.

C. Special members of the board may be assigned to such standing or special committees as the chair of the Board of Governors may from time to time see fit.

D. The chair of the board may, upon request of a standing committee chair, appoint any voting member to serve temporarily as a voting member of a subcommittee of a standing committee when the chair of the board deems the work of the subcommittee to require such an appointment.

E. The vice chair of the Board of Governors shall at all times be a voting member of a standing committee. The vice chair shall be assigned to a committee by the chair of the board following consultation between the chair and the vice chair. The vice chair’s membership on a standing committee shall be in addition to the prescribed regular membership of the committee.

F. The chair of the Board of Governors shall be a voting member of all standing and special committees, but the chair’s membership shall not be counted in determining a quorum.

SECTION 301. THE STANDING COMMITTEES’ JURISDICTION.

301 A. The standing committees of the Board of Governors shall be: the Committee on Budget and Finance; the Committee on Educational Planning, Policies, and Programs; the Committee on Personnel and Tenure; and the Committee on University Governance.
SECTION 302. GENERAL PROVISIONS CONCERNING STANDING COMMITTEES.

302 A. Appointment of Members.

The chair of the Board of Governors shall appoint voting members of the board to standing committees. The term of each voting member of a standing committee shall normally be two years, commencing upon the effective date of the appointment to the committee and extending until a successor is appointed. The voting membership of each committee shall be divided into two classes, with the terms of approximately one-half of the members expiring each year. To achieve balance and efficiencies in the committee system, the chair may appoint members to one-year terms or reassign members who have served one year of a two-year term. The chair shall appoint members of standing committees to take effect at the first meeting of the committee after July 1. If a voting member has served on a standing committee for four consecutive years, the member shall be, for a period of one year, ineligible for reappointment to the same standing committee. If a vacancy occurs on a standing committee during a term, the chair of the board may appoint a voting member of the board to fill the remainder of the unexpired term.

302 B. Officers of Standing Committees.

A chair, vice chair, and secretary of each standing committee shall be elected by the committee membership each year at the first meeting after July 1. No person may serve more than two successive terms as chair of the same standing committee.