



THE
**UNIVERSITY OF
NORTH CAROLINA
SYSTEM**

***BOARD OF GOVERNORS
2019-21 BUDGET PRIORITIES***

January 24, 2019

Approved by the UNC Board of Governors on January 25, 2019

The University of North Carolina System 2019-21 Budget Priorities

	FY 2019-20	FY 2020-21
1. Summer Scholarships for Student Success*	10,000,000	12,000,000
2. Faculty Recruitment and Retention	10,000,000	15,000,000
3. Stronger Transfer Pathways with NCCCS*	4,450,000	4,450,000
	200,000 NR	
4. Data Modernization Initiative	1,000,000	2,000,000
	4,000,000 NR	5,000,000 NR

*Joint request with the North Carolina Community College System

Other Targeted Priorities		
<i>Faculty and Staff Salary Adjustments</i>		<i>equity with state agencies</i>
<i>NCSSM Western Campus Operations</i>	1,408,632	3,389,820
	25,928 NR	795,376 NR
<i>Doctoral Research Funding for N.C. A&T</i>	1,000,000	1,000,000
<i>Rural Residency Program at ECU</i>	1,447,000	2,592,000
<i>Innovation in Manufacturing Biopharmaceuticals at NC State</i>	2,000,000 NR	2,000,000 NR
<i>College of Health Sciences at UNCP</i>	1,100,000	2,100,000
<i>Lab School Operations (six institutions)</i>	500,000	500,000

Total Requested Operating Budget Increase	\$37,131,560	\$50,827,196
	1.28%	1.76%

Enrollment Changes	\$51,078,223	\$103,578,223
<i>Enrollment Growth - Regular (move from projected to actual)</i>	0	45,000,000
<i>Enrollment Growth - Summer (based on actual 2018 enrollment)</i>	43,578,223	43,578,223
<i>NC Promise Buy Down</i>	7,500,000	15,000,000
Building Reserves	\$5,716,728	\$23,781,389
Total Requested Operating Budget Increase	\$93,926,511	\$178,186,808
Including Enrollment and Building Reserves	3.24%	6.16%

Other Legislative (Non-Operating Budget) Agenda Items:

- Significant increase to Repair & Renovations (R&R, dedicated to deferred maintenance)
- Targeted Renewal Projects (Capital Projects - WCU Steam Plant, others)
- Redirect unallocated enrollment growth appropriations (FY18-19 only) toward NC Promise growth reserve fund

Deregulation Agenda Items:

- Carryforward (increase 2.5% threshold to 7.5% with increased portion dedicated to deferred maintenance)
- Restore institutional flexibility on salaries/positions

The University of North Carolina System 2019-21 Budget Priorities

Thanks to continued support of the General Assembly and the commitment of university leaders, faculty, and staff, the University of North Carolina System has made significant progress on each facet of its core mission over the past two years.

Education: The UNC System is helping more North Carolinians than ever get *to* and *through* college at an affordable price.

- Thanks in part to the success of the NC Promise and guaranteed tuition programs, more students are attending UNC System institutions than ever before, including record numbers of students from low-income families and from Tier 1 or Tier 2 counties.
- UNC System institutions are also graduating more students in a timely fashion than at any point in the University's history. Five-year graduation rates have climbed 5.5 percentage points since 2013, far outpacing the national average and setting a new standard for student success.
- More graduates are equipped to work in the state's fastest growing industries, producing more than 21,512 credentials in science, technology, engineering, and healthcare, up from 17,004 just five years earlier.

Research: Breakthroughs from UNC System institutions are helping to power North Carolina's innovation economy and improve lives in North Carolina and across the globe.

- Collectively, the University of North Carolina System brought in nearly \$1.5 billion in research funding last year, a 21 percent increase over 2013 levels.
- UNC System institutions earned 148 patents, up 75 percent since 2013, and launched 31 start-up firms, generating more than \$12 million in licensing revenue.

Public service: The University's work touches North Carolinians in all 100 counties.

- Through the Lab Schools initiative, UNC Greensboro, UNC Wilmington, Appalachian State University, East Carolina University and Western Carolina University are providing educational opportunities to more than 1,000 public school students in every corner of the state. In the fall, UNC Charlotte will open a sixth lab school.
- The University is establishing and expanding resources for military affiliated students. Since 2016, the UNC and Community College systems have evaluated over 100 military occupations and courses, recommending the award of 4,000 semester credit hours for military training and experience. New veteran resource centers opened at Elizabeth City State University, Western Carolina, and Winston-Salem State, bringing the total to 13 veteran centers at UNC institutions.

Good governance: Under the leadership of the Board of Governors and President, the UNC System has made several policy reforms designed to maximize student success, transparency, and accountability:

- In an effort to reduce time to degree, the Board of Governors passed a policy that caps most bachelor's degree programs at 120 credits, ensuring that students who take a full course load can finish in four years.
- The Board passed a uniform credit acceptance policy for Advanced Placement (AP) exams, which will harness the General Assembly's \$12 million investment in AP exams to reduce time to degree.

- The UNC System has taken steps to make its funding model more transparent and predictable, using this biennium to transition from a projection model to one that funds actual credit hours completed.
- Thanks to public dashboards that chart system and institutional performance on Strategic Plan goals, the UNC System has embraced a new level of public accountability for results.

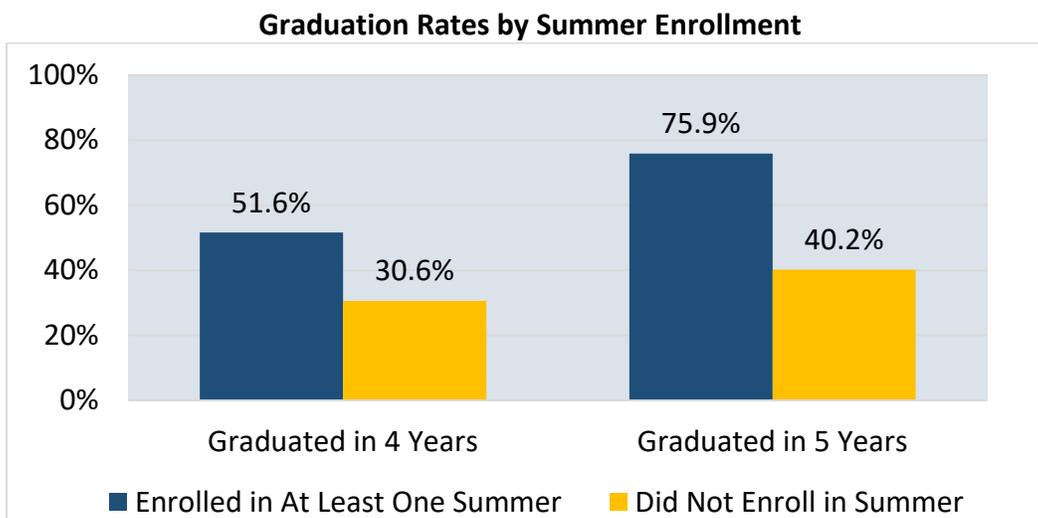
The UNC System has identified four opportunities to build on this momentum:

1. **Summer School for Student Success** – The University will take on-time graduation rates to new heights, increasing the productivity of state investments and keeping student debt low.
2. **Faculty Recruitment and Retention** – The University will redouble efforts to attract and retain the individuals that power this “mighty engine.”
3. **Stronger Transfer Pathways with NCCCS** – The University will work closely with community college partners to build stronger and more affordable pathways to degree completion.
4. **Data Modernization Initiative** – The University will ensure the highest and best use of state resources.

1. Summer School for Student Success (NC 365)

The UNC System continues to set a national standard when it comes to increasing student success. In its Strategic Plan, the UNC Board of Governors called for raising five-year graduation rates from 65% to 70% by 2022. Thanks to each institution’s hard work and the General Assembly’s continued support of the UNC System, *we reached a five-year graduation rate of 70.2 percent in 2017-18, four years ahead of schedule and 8 percentage points ahead of the national average.*

Four-year graduation rates have also increased significantly over this period, but still hover around 50 percent. When it comes to transfer students who enter as juniors, about 30 percent finish their undergraduate degree within two years of transferring. To increase on-time graduation, the UNC System requests funding to expand enrollment in summer courses in order for students to use the entire calendar year to make progress toward a degree.



Graduation rates shown for first-time students who started in Fall 2011. “Summer enrollment” represents students that earned 3 or more credits in a summer session during their UNC career.

UNC System data indicates that students who earn credit in the summer are much more likely to graduate and to graduate on time. This pattern holds for first-time and transfer students, for low-income students, and those at historically minority-serving institutions. Today’s students, many of whom are working adults, active duty military, and returning veterans, need the flexibility to earn credits year-round so that they can complete a degree in a timely fashion.

Most state funding – both appropriations and financial aid – operates on the traditional academic calendar. The UNC System enrollment funding model currently excludes courses delivered on campus in the summer, and state grants and scholarships have traditionally not been available. The lack of funding has left summer sessions under-utilized and the physical plant under-leveraged.

Graduates who finish on-time take on less debt, enter the workforce more quickly, and free up capacity for the next generation of students. With strategic investment in summer sessions, the UNC System has a chance to become the national leader in graduation rates among public university systems.

Enrollment Funding for On-Campus Undergraduate Summer Courses

Request for 2019-20: \$43,578,223 (R)

In place of the typical enrollment growth request based on projected credit hours, the UNC System requests recurring enrollment funding for on-campus, undergraduate credit hours delivered in the summer. This investment will expand the availability of courses and academic services in the summer and bring summer tuition costs in-line with current in-state tuition rates, starting in summer 2020.

Summer Enrollment Funding for Undergraduate Students

	Appropriation	Credit Hours
ASU	\$ 7,283,066	37,322
ECU	3,324,771	13,217
ECSU	58,594	311
FSU	1,790,688	6,364
N.C. A&T	1,373,832	6,947
NCCU	1,698,878	8,902
NC State	5,429,682	26,505
UNCA	613,979	3,788
UNC-CH	4,416,468	23,878
UNCC	7,075,595	25,851
UNCG	2,279,956	6,910
UNCP	957,989	3,520
UNCW	2,506,523	11,561
WCU	2,644,890	12,436
WSSU	2,123,312	5,847
TOTALS	\$43,578,223	193,359

Funding is calculated using the existing enrollment model and is based on actual student credit hours enrolled in the summer of 2018.

Currently, summer enrollment is entirely receipt supported, which restricts the type and number of courses that can be offered. Bringing summer funding in line with fall and spring allows institutions greater flexibility to eliminate bottle neck courses and add additional sections that juniors and seniors need to graduate.

In subsequent fiscal years, the UNC System will base enrollment growth requests on actual credit hours completed in arrears (including summer). Additional information about the enrollment funding request is detailed on page 9.

Summer Scholarships for UNC System and NCCCS Students

Request for 2019-20: \$10 million (R) (UNC: \$7 million/NCCCS: \$3 million)

Request for 2020-21: \$12 million (R) (UNC: \$8 million/NCCCS: \$4 million)

The North Carolina Student Aid Study Group, a joint project of the UNC and North Carolina Community College systems, has identified summer scholarships as a key strategy to increase student success and reduce time to degree in both systems. Traditionally, state financial aid programs have not been available in the summer, which limits students' ability to afford summer courses. Research and experience show that providing scholarship money in the summer can encourage more students to earn the credits necessary to graduate on time (or accelerate their path to a degree).

In summer 2018, the State Education Assistance Authority (NCSEAA) made \$2.8 million in UNC Need-Based Grant funding available which helped nearly 4,000 UNC System students pay for summer school. Financial aid officers targeted funds to students who were within a course or two of earning the 30 credits necessary to stay on track to graduate in four years. The results were promising: by the end of the summer, more than 77% of grantees had met or exceeded the 30-credit benchmark.

The UNC and North Carolina Community College systems request dedicated funding for summer scholarships to help more students complete a degree in a timely fashion. Funds will be targeted to students who can use summer courses to stay on track or accelerate their path to timely completion. NCSEAA will disburse the summer scholarships to UNC and NCCCS institutions based upon guidance from the governing boards and presidents of each system.

2. Faculty Recruitment and Retention

Request for 2019-20: \$10 million (R)

Request for 2020-21: \$15 million (R)

Academic quality is dependent on excellent faculty, and competitive salaries remain the single most important factor in recruiting and retaining top talent. At a time when other states have mounted highly funded and targeted raids and regularly undercut recruitments, it is critical that we invest in a strong push to retain our best and an equally strong recruitment strategy.

The Faculty Recruitment and Retention Fund enables UNC system institutions to proactively address issues that make the most in-demand faculty vulnerable to external universities. Ensuring competitive recruitment is also increasingly important, especially as many of the most distinguished professors near retirement. Effective retention and recruitment efforts also extend to building strong salary structures

that reward high performance – something that current faculty will recognize as commitment to value and that potential recruits will see as attractive long-term benefits to a position.

The requested appropriations will be used to fund data-driven proposals from the universities for specific salary adjustments, of both recruits and current faculty, designed to build and retain talent in areas of critical importance to the varied missions, regions, and the needs of the State of North Carolina overall.

3. Stronger Transfer Pathways with NCCCS

Over the past decade, the number of students transferring from a North Carolina community college to the UNC System has increased sharply, due in large part to efforts by individual institutions and the two systems to improve alignment of courses and degree pathways. The UNC and North Carolina Community College Systems have worked closely to develop a Comprehensive Articulation Agreement (CAA) which is a national exemplar. The two systems are now poised to build on these successes to strengthen and streamline the paths from community college to UNC and onto graduation. To do so, the NCCCS and UNC propose the following:

Transfer Student Scholarships

Request for 2019-20: \$4 million (R)

The North Carolina Student Aid Study Group identified reforms to increase transfer student success. Research indicates that students who complete their associate degree before transferring to a four-year university are significantly more likely to complete a bachelor's degree. In North Carolina, completion of particular types of associate's degrees activates the terms of the CAA, which assures admission to a UNC System institution and enables transfer students to enter with junior standing. However, less than one third of NCCCS transfers arrived at UNC having completed an AA or AS degree.

In order to encourage students to complete an associate degree before transferring, the UNC and North Carolina Community College Systems request funding to provide students with a one-time scholarship upon transfer to a UNC institution after earning an eligible associate degree covered by the CAA.

Improve Credit Transfer for Community College and Military-affiliated Students

Request for 2019-20: \$150,000 (R), \$200,000 (NR)

Together, the UNC and North Carolina Community College systems have worked to streamline credit transfer across institutions and to grant veterans credit for their military experience. A comprehensive statewide agreement for alignment and articulation of general education courses, as well as a governing body — Transfer Advisory Committee (TAC) — was created to oversee transfer practices across all 4-year UNC System institutions. In response to a 2014 law (S.L. 2014-67), the systems created a Military Credit Advisory Council (MCAC) and convened panels of faculty experts to develop shared standards for the uniform granting and transferring of course credits for military training and occupational experience.

These two committees require funding to maximize reach, expand scope, and tackle other issues that may stand in the way of seamless pathways for students. TAC has identified the need for site reviews, convening of key NCCCS and UNC faculty and staff around new initiatives, and support for the creation of several new pathways programs. In 2019-20, MCAC's goals are to complete the initial phase of military credit evaluation and create a searchable database of military credit equivalencies.

Expand the Availability of Open Educational Resources (OER)

Request for 2019-20: \$300,000 (R)

According to national data, the price of college textbooks has significantly outstripped the rate of inflation, and college students now spend an average of \$500 to \$600 per year on books.

In response, a national movement has emerged to create Open Educational Resources (OER)—digital textbooks and other course materials that are available to all at little or no cost. Groups of expert faculty identify materials that align with commonly taught courses, curate those books and articles, and make them available to other faculty that teach the same course. Assigning OER materials across a number of introductory courses has the potential to save students millions of dollars in textbook costs.

The requested funding would help curate and catalyze adoption of high-quality OER materials for the most commonly taught courses across the UNC and community college systems, with priority given to those courses that universally transfer under the Comprehensive Articulation Agreement.

4. Data Modernization Initiative

Request for 2019-20: \$1 million (R), \$4 million (NR)

Request for 2020-21: \$2 million (R), \$5 million (NR)

The Data Modernization Initiative is intended to provide the Board of Governors, the UNC System, and the UNC institutions with clear, timely, and consistent financial data. This project has a four-year implementation window. The General Assembly has invested \$9 million beginning in FY17-18 with \$1.5 million recurring.

To date, these dollars have been put toward initiatives such as development of financial metrics to be used as performance indicators, the addition of student accounts to the existing data mart, and the development of a system-wide chart of accounts. Investment has also been made in deliverables for the upcoming phases of the project. These include a semi-public reporting environment within the existing analytics platform and first steps on the creation of the new financial data warehouse. Additional investment will enable the UNC System to continue to make progress on the project, which will ultimately allow for more detailed unit-cost analyses that can inform decision-making.

The requested funding will also be used to implement the primary request of the Board of Governors Committee on Historically Minority-Serving Institutions: a strategic investment in a shared Constituent Relationship Management (CRM) service and associated data mart to aid smaller institutions in their alumni engagement efforts.

Other Targeted Priorities

NCSSM Western Campus

Request for 2019-20: \$1,408,632 (R), \$25,928 (NR)

Request for 2020-21: \$3,389,820 (R), \$795,376 (NR)

The North Carolina School of Science and Mathematics was awarded \$58 million by approval of the 2016 Connect NC statewide bond referendum and an additional \$15 million in the 2018 short session to

construct a second campus in Morganton. NCSSM-Morganton will open in August 2021, with a goal of extending world-class programs to more of North Carolina's most promising students, while also serving as a catalyst for increased educational and economic development opportunities for communities in western NC.

NCSSM engaged in comprehensive advance planning under the guidance of the Friday Institute and a core planning team representing the institution, the UNC System, and the K-12, higher education, business, and local government communities throughout western North Carolina. These efforts yielded a report articulating the blueprint for development of the program in Morganton, including personnel and operating costs required to deliver a comparable experience to the NCSSM program in Durham.

In order to open in 2021 and be fully operational with 300 resident students by fall of 2022, funding is requested to support the personnel, supplies, and equipment needed to ensure a world-class academic experience in the foothills of western North Carolina for our state's most talented high school students.

N.C. A&T Doctoral Education

Request for 2019-20: \$1 million (R)

Funding to support research faculty and graduate students yields tremendous economic returns in the form of much-needed doctoral degrees in STEM fields and externally funded research grants. N.C. A&T has already been a leader in bringing additional investment to North Carolina. They have continually been ranked third in sponsored research in the UNC System, above the four other doctoral universities in the same Carnegie classification. In 2017, the General Assembly provided \$2.5 million to support established doctoral programs at North Carolina Agricultural and Technical State University. The UNC System seeks additional recurring funding for N.C. A&T's transition to doctoral research university status.

Rural Residency Program Expansion at ECU

Request for 2019-20: \$1,447,000 (R)

Request for 2020-21: \$2,592,000 (R)

In the 2017-19 biennium, the North Carolina General Assembly appropriated funds for the establishment of new rural physician residency programs in Eastern North Carolina. These residency programs will be in rural hospitals that do not currently have any physician residency programs. The successful development and implementation of these residency programs requires an expansion of the existing residency program at Vidant Medical Center and the creation of new residency programs in hospitals in Duplin, Halifax, and Hertford counties. At least seven years are required to build these new residency programs into full maturity. The UNC System requests increased budget for the third and fourth years of this initiative.

These residency programs will improve and expand the scope of medical services in rural and medically underserved communities in Eastern North Carolina. Experience in similar programs demonstrates that physicians who complete a residency program in a rural community are much more likely to practice medicine in rural communities. In addition to improving the delivery of health care in rural communities, there is an economic benefit to every community in which a physician provides care. This request will fund salaries and benefits for rural residency site directors, primary care and specialty physicians, and support staff plus provide funding for the operating budgets at each site.

NC State Biopharmaceuticals

Request for 2019-20 and 2020-21: \$2 million (NR) in each year

Provides funds for North Carolina State University's participation in a collaborative effort to accelerate the development of innovative manufacturing processes for biopharmaceutical products. Funds will support the Biomanufacturing Training and Education Center (BTEC) at NCSU and serve as matching funds for a federal grant from the National Institute of Standards and Technology. The \$4 million of funding appropriated in 2017-19 represents the first two years of a five year commitment by the state. The UNC System requests funding for years three and four of this commitment.

UNCP College of Health Sciences

Request for 2019-20: 1,100,000 (R)

Request for 2020-21: 2,100,000 (R)

In 2017, the North Carolina General Assembly appropriated \$100,000 to the UNC Board of Governors for a study on the workforce needs in healthcare in Southeastern NC in the coming decade, and how UNC Pembroke could address these needs and improve regional health outcomes. The study was performed by the Sheps Center and unanimously approved by the UNC Board of Governors, and returned to the NC Legislature for their action.

In response to the study, UNCP formed a College of Health Sciences on August 1, 2018. The College was created from the existing departments of Nursing, Counseling, Kinesiology, and Social Work. The vision of the College of Health Sciences is to:

- Enroll an increasing number of students from underrepresented populations;
- Train the next generation of healthcare professionals for the region;
- Create new programs and expand training options and clinical partnerships; and
- Develop community-oriented interventions for the education of and provision of services to the public.

Per the study timeline and budget, the College of Health Sciences will follow a ten year, three-phase plan. Funding would support program development and operating budgets for expanded and additional programs. In the first phase, goals include doubling the size of the current nursing program, adding a Doctor of Nursing Practice degree program, establishing an Occupational Therapy program, and initial steps to establish a Physical Therapy program. The College will require necessary faculty, staff, and equipment.

Lab School Operations

Request for 2019-20: 500,000 (R)

In 2016, the General Assembly called on schools of education at UNC System institutions to create and operate Laboratory Schools. Five institutions have opened lab schools to date (Western Carolina University, East Carolina University, UNC Wilmington, UNC Greensboro, and Appalachian State University), with a sixth opening this fall at UNC Charlotte. In light of their unique mission to serve students and districts that face academic challenges, the Lab Schools must offer services above and beyond those of a traditional public school. The requested increase in funding will enable Lab Schools to enhance academic staff, provide augmented counseling and support services, and ensure that students have access to a school nurse.

Enrollment Funding

Enrollment Growth - Regular

Request for 2019-20: \$0

Request for 2020-21: \$45 million (R)

Based on feedback from members of the Board of Governors, the General Assembly, leadership at the UNC System Institutions, and members of the Funding Model Task Force, the UNC System is planning to transition the existing enrollment funding model from projected credit hours to a model that funds actual credit hours completed in arrears (including summer). Since the current model is forward funded, a move to a model that funds hours in arrears necessitates a transition year. In the transition year, the UNC System is not requesting any funding for fall and spring enrollment (see summer funding request on page 2).

In the second year of the biennium, a high level estimate of the enrollment needs, based on a three-year average of prior enrollment growth, is requested. Once a revised funding model based on actual credit hours completed has been adopted by the Board of Governors, a more detailed funding request will be included in the UNC System's short session budget priorities.

NC Promise

Request for 2019-20: \$7.5 million (R)

Request for 2020-21: \$15 million (R)

The newly implemented NC Promise program has been incredibly successful, far exceeding enrollment expectations in the first year and demonstrating North Carolina's unparalleled commitment to affordability. Elizabeth City State University experienced an increase in total undergraduate enrollment of 21% this fall, while undergraduate enrollment increased by 11% at UNC Pembroke, and 7.4% at Western Carolina University. Estimates based on fall enrollment suggest that the program exceeded the available buy down funding by over \$2.5 million.

The participating institutions are planning for continued growth in the coming biennium. In order to support this successful program, increased state support to fund the tuition buy down is requested.

As the UNC System transitions from a forward-funded enrollment model to a model that funds actual enrollments completed, NC Promise institutions have expressed a need for transition funding. The demand for additional faculty to support the dramatic growth exceeds the existing funds at these relatively small institutions. The UNC System is requesting one-time carry forward authority of the FY 2018-19 enrollment funding reserve in order to provide nonrecurring support for these three universities. Any funds remaining in the reserve after 2019-20 would revert.

Building Reserves

The Connect NC bond significantly increased the number of new appropriated capital projects in the UNC System. As these buildings begin to reach completion, there are substantial needs for maintenance and operation funding to support these facilities. Operating costs for authorized capital projects that will be completed during the 2019-21 biennium are included below.

2019-21 Maintenance and Operating Budget Request

Institution	Building	FY 2019-20	FY 2020-21
ECSU**	GR Little Library/Moore Hall*	\$(134,082)	\$365,432
FSU	Lyons Science Renovation*	337,730	455,472
N.C. A&T	Agricultural Pavilion		258,926
NC State	Utility Infrastructure (Fitts-Woolard and Plant Sciences)*	434,085	585,615
NC State	Fitts-Woolard Hall*		4,802,945
UNCA	Carmichael Hall Renovation*		325,718
UNCA	Owen Hall Renovation*		464,267
UNCC	Science Building*		1,758,799
UNCG	Nursing & Instructional Building*	1,061,499	981,693
UNCG	South Chiller Plant*	692,789	725,973
UNCP	School of Business*		616,479
UNCP	West Hall Renovation	279,633	306,995
UNCW	Allied Health (Veteran's Hall)*	1,457,674	2,883,488
UNCSA	Performance Place Renovation*	99,993	171,603
UNCSA	Old Library Renovation*	339,313	377,078
WCU	STEM Building*		3,490,619
WSSU	Science and General Office Building*	1,148,094	1,195,247
WSSU	1602 Lowery Street Renovations		2,178,333
NCSSM	NCSSM Morganton*		1,836,707
TOTAL		\$5,716,728	\$23,781,389

*Connect NC Bond Projects

**Operating funding was provided beginning in 2018-19, based on the 2017-19 M&O submission. However, the project was not completed on the schedule included in that submission. For ECSU, a budget adjustment will be necessary to reconcile the current operating request with the recurring funding of \$288,615 granted in the 2017-19 cycle. For WSSU, a budget adjustment will be necessary to reconcile the current operating request with the recurring funding of \$429,191 granted in the 2017-19 cycle. The amounts listed above reflect that subtraction. For both campuses, one further adjustment will be needed for fiscal year 2018-19 to return the budgeted amount for the year.

Deregulation

In order to continue our efforts to promote good governance and maintain our commitment to the highest and best use of state resources, the UNC System needs flexibility to pursue innovative solutions to the growing backlog of repair and renovation needs and the authority to focus efforts on strategic decision making rather than transactional work. Amendments to key pieces of legislation would allow the Board of Governors and the institutions more authority to focus resources on the highest priorities.

Allow additional flexibility for more efficient use of state funds for repairs and renovations.

The University currently has over \$3.8 billion in repair and renovation (R&R) needs in appropriated areas alone, as identified by the Facilities Condition and Assessment Program (FCAP). While the UNC System has benefited from an average R&R appropriation of about \$30 million per year over the last 10 years, the University needs more flexibility to ensure regular maintenance. Timely investment in facilities can reduce long-term costs for the University and the State while addressing issues that need immediate attention.

Instituting temporary carryforward authority of 5% for the next two years, an increase from 2.5%, would allow chancellors and the Board of Governors more flexibility to use operating funds for repair projects to facilitate strategic investment in institutional facilities. The General Assembly previously authorized a temporary one-time increase of 2.5% in carryforward authority in 2015. This increase allowed ten campuses to invest \$31.4 million in 35 different repair and renovation projects across the UNC System.

Increasing the carryforward authority for the coming biennium would empower chancellors to find cost savings and reinvest those savings in state assets. Greater flexibility would provide campuses more control over repair and renovation funding, allowing for a more robust capital planning process.

Remove Barriers to Certain Classification/Compensation Actions

The statutory requirement in G.S. 116-17.3, implemented in July 2017, required that the Board of Governors review raises of greater than 5% for employees earning \$100,000 or more and the creation of new positions with salaries of \$70,000 or more. This statutory change created significant delays in the hiring and promotion process.

Depending on the schedule of the Board, this requirement can delay salary and position actions between two and four weeks. Processing these actions involves the efforts of multiple HR professionals from the constituent institution, senior leadership at each campus, multiple UNC System Office HR professionals, and finally the leadership of the Board of Governors Personnel and Tenure Committee. Retention offers and promotional job offers, which constitute 50% of the actions reviewed in this process, are often time sensitive, and the mandated Board consultation has created additional hurdles for promoting internal hires.

This delay restricts the authority of the president and chancellors, who routinely and independently make decisions with far greater financial and operational consequences. If the statute were repealed, the Board would retain its authority and flexibility to determine the level of human resources authority it delegates to the president, to the boards of trustees, and to the chancellors. The Committee on Personnel and Tenure believes that the value received from this legislatively-mandated process is negligible in contrast to the time and effort that it causes. Repealing the statute would alleviate these delays without compromising the Board's oversight role.

2019-21 Capital Budget Priorities

Request for 2019-20: 50% of capital funding available

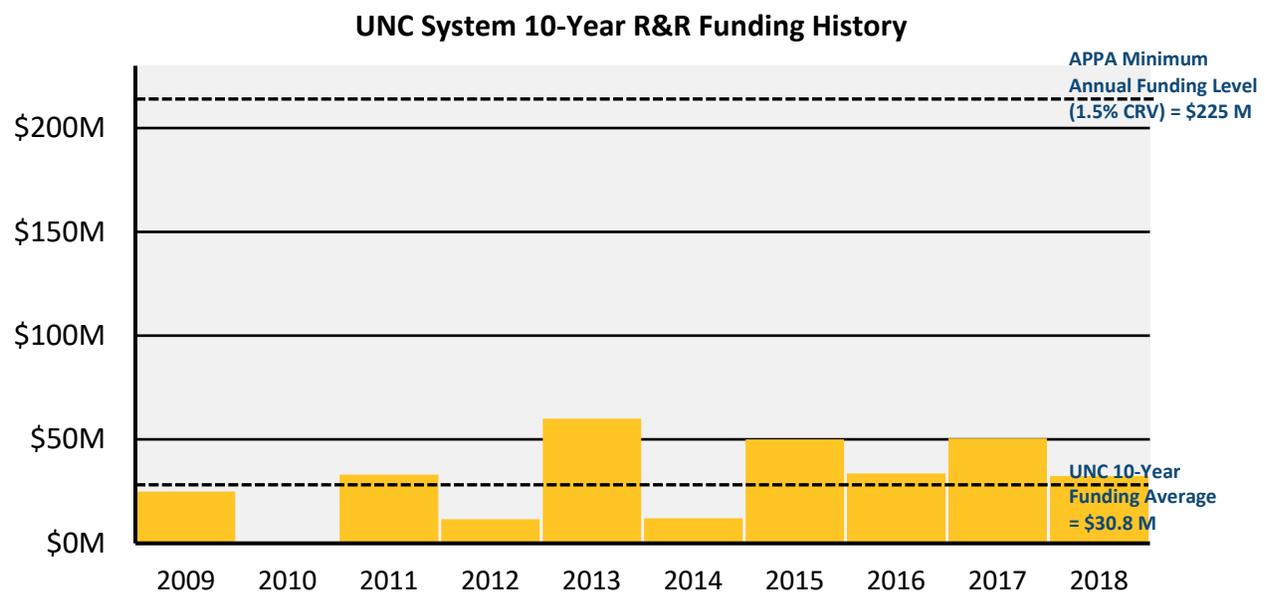
Request for 2020-21: 50% of capital funding available

In recognition of the significant investment in new facilities represented by the Connect NC bond program's \$1 billion allocation to UNC System institutions, the University's capital budget priorities will continue to focus on maintaining our existing facilities with funding priority on repairs and renovations.

The quantity and scope of repair and renovation needs is regularly assessed and documented by the Facility Condition Assessment Program (FCAP) under the direction of the State Construction Office. In addition, information on these needs was solicited directly from the institutions in the biennial budget development process, as part of the effort of the R&R working group under the Budget and Finance Committee. For appropriated facilities, which are the areas eligible for state repairs and renovations funding, the needs currently total on-the-order of \$4 billion over 46 million gross square feet of space. Funding levels to address these needs have averaged \$30.8 million annually, over the last 10 years (2009 through 2018).

The Association of Physical Plant Administrators (APPA) has historically recommended a minimum of 1.5% of the total plant replacement value as an appropriate annual budget guideline to support "routine maintenance and capital renewal" in order to "extend the life and retain usable condition of facilities and systems." At the current estimated replacement value of about \$15 billion for the 46 million in appropriated gross square feet (GSF), funding should be approximately \$225 million annually to keep campus facilities in good working order. This funding level assumes facilities begin in good operating condition and are simply maintained in that condition, while addressing a backlog of deferred needs requires greater funding levels. With annual needs of \$225 million and average annual funding at \$30.8 million, UNC System facilities have been losing ground.

Annual need and historical funding levels are shown in the following graph.



Two types of repairs and renovations (R&R) projects need to be addressed in the UNC System's current budget priorities: traditional R&R projects directed toward single-component building systems and targeted R&R renewal projects to address comprehensive building renovations, which combine multiple single-component priorities into one larger renovation project. Targeted R&R projects provide opportunities for more efficient and cost-effective repairs, with administrative efficiencies in design, bidding, and construction oversight, cost advantages through economies of scale, and improved experience for campus faculty, staff, and students by reducing the number of disruptions to building users and occupants. Predictable funding supports more effective strategic planning regarding the sequence and timing of projects and the most efficient execution strategies.

Traditional R&R will be allocated to institutions by the Board, based on a distribution methodology including variables for campus size, condition, and availability of additional resources that could be directed to R&R needs. Specific projects will be identified by each institution in response to identification of the final annual allocations. Targeted R&R will be allocated based on identified, prioritized projects submitted by institutions through the biennial budget planning process and further prioritized in response to available funding levels.