

Changes Affecting Higher Education

by Robert P. Joyce

THE BIGGEST STORY in higher education legislation in the 2000 session of the North Carolina General Assembly was the enactment of the Michael K. Hooker Higher Education Facilities Financing Act; it authorized, upon approval of the state's voters in November 2000, the issuance of \$2.5 billion of general obligation bonds for capital improvements at The University of North Carolina (UNC) and \$600 million of general obligation bonds for improvements in the North Carolina Community College System. The impetus behind the act was the recognition that in the next ten years the university is expecting tens of thousands of additional students and the community college system will be facing corresponding increases in demand.

The 1999 bill—S 912—would have, in its original form, authorized the sale of *limited obligation bonds* (meaning that the university and the community college system would pledge various kinds of assets as security for the bonds) and not *general obligation bonds* (which pledge the full faith and credit and taxing authority of the state for the repayment of the bonds). The difference was important because the state constitution requires a vote of the people in the issuance of general obligation bonds but not limited obligation bonds. In the original form of the bill, there would have been no referendum. The bonds faced stiff opposition because of the size of the proposal and the no-referendum feature.

The bill passed the Senate in 1999 at the \$3 billion level with no referendum. It eventually passed the House in a version calling for \$1 billion in university bonds and \$200 million in community college bonds, contingent on a favorable vote in a referendum. The

1999 session ended with the two houses unable to agree on a final bill.

The bill became law—SL 2000-3—as the third enactment of the young 2000 session when a compromise was reached. The funding level would remain just above \$3 billion (as in the version passed in the Senate), but the bonds would be general obligation bonds (as in the version passed in the House), requiring a referendum. The act set the referendum at the general election day in November 2000.

The \$2.5 billion in university bonds will, as approved by the voters, be issued in amounts ranging from \$202 million in 2000–2001 to \$524 million in 2005–6. The proceeds will be paid into a fund from which improvements will be funded. The amounts to be funded, per constituent institution, are presented in Table 1.

In addition, \$66 million is to be allocated for the digital conversion of UNC Public Television and related improvements; \$10 million, for improvements at the North Carolina Arboretum at Asheville; and \$5 million, for the School of Science and Mathematics in Durham. Also, another \$72 million is to be allocated for campus projects that were delayed when money formerly available for them was transferred to Hurricane Floyd disaster relief. Finally, \$25 million is to go into a reserve for renovations, repairs, and cost overruns.

The \$600 million in community college bonds will be issued in amounts ranging from \$48 million in 2000–2001 to \$126 million in 2005–6. The proceeds will be

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Table 1.
UNC Capital Improvement Funding per
Constituent Institution

Appalachian State University	\$82 million
East Carolina University	\$190 million
Elizabeth City State University	\$46 million
Fayetteville State University	\$46 million
North Carolina Agricultural & Technical State University	\$156 million
North Carolina Central University	\$119 million
North Carolina State University	\$449 million
North Carolina School of the Arts	\$43 million
UNC–Asheville	\$50 million
UNC–Chapel Hill	\$499 million
UNC–Charlotte	\$178 million
UNC–Greensboro	\$160 million
UNC–Pembroke	\$57 million
UNC–Wilmington	\$108 million
Western Carolina University	\$98 million

paid into a fund from which the improvements will be funded. The amounts to be funded per community college campus are presented in Table 2.

Of these amounts, \$499 million is for new construction and \$101 million is for repairs and renovation. The division is different for each college. For example, the allocation for Martin Community College is all for repairs and renovation, whereas the allocation for Cape Fear Community College is \$34.3 million for new construction and \$2.4 million for repairs and renovation. No matching funds are required for the renovation and repair allocations, but matching funding is required for new construction allocations, on the following basis: For counties rated lowest on the ability-to-pay scale formulated by the State Board of Community Colleges, no match is required at all; for those above a certain rating on that scale, matching is required on a sliding scale based on relative ability to pay.

SL 2000-3 has several administrative components. One, the act sets up the Higher Education Bond Oversight Committee to call for reports and to analyze the progress of construction. Two, it modifies certain state construction rules with respect to projects funded with bond proceeds. And, three, it applies regular minority-participation rules and rules for use of historically underutilized businesses.

Appropriations and Salaries

UNC Current Operations

In even-year sessions, the General Assembly makes modifications to the appropriations made in the previous odd-year session for the second year of

the biennium. The 1999 budget act appropriated a total of \$1,656,863,227 from the General Fund to UNC for fiscal year 2000–2001. The 2000 budget act, SL 2000-67 (H 1840), adjusts UNC’s 2000–2001 appropriation by increasing some items and making minor reductions in others. The largest funding increase, \$39,762,236, for university instructional programs, constitutes the bulk of the net \$41,309,503 in increased funding for 2000–2001.

Community Colleges Current Operations

The appropriation for community colleges current operations made in 1999 for 2000–2001 totaled \$591,015,693. The 2000 budget act adds \$17,806,602 to that total.

Capital Improvements

SL 2000-67 contains no new capital improvement appropriations for the university or the community college system. Potentially huge amounts of new capital money are contained in the bond act (discussed above). SL 2000-168 (H 1853) does authorize thirteen capital improvement projects at UNC, all to be financed with funds other than state appropriations (chiefly, self-liquidating indebtedness). The largest of these projects are Centennial Campus infrastructure at North Carolina State University (\$19 million) and a parking deck at UNC–Greensboro (\$11 million).

Salaries

Section 26.11 of SL 2000-67 provides sufficient funds for salary increases for UNC employees who are not subject to the State Personnel Act (primarily, faculty members) to receive an average salary increase of 4.2 percent, to be distributed to employees according to rules adopted by the board of governors. For teaching employees of the School of Science and Mathematics, the increase is 6.5 percent. UNC employees who are subject to the State Personnel Act received a combination of a cost-of-living salary increase (2.2 percent across the board) and “career growth recognition awards” (averaging 2 percent).

Section 26.10 provides sufficient funds for salary increases for community college employees (full and part time) to receive an average salary increase of 4.2 percent, to be distributed to employees in accordance with rules adopted by the State Board of Community Colleges.

Most state employees also received a one-time, \$500 bonus.

Table 2.
Community College Capital Improvement
Funding per Campus

Alamance Community College	\$7.2 million
Asheville-Buncombe Technical Community College	\$14.1 million
Beaufort County Community College	\$7.2 million
Bladen Community College	\$4.3 million
Blue Ridge Community College	\$3.4 million
Brunswick Community College	\$1.4 million
Caldwell Community College and Technical Institute	\$7.1 million
Cape Fear Community College	\$36.7 million
Carteret Community College	\$6.8 million
Center for Applied Textile Technology	\$0.8 million
Central Carolina Community College	\$13.8 million
Central Piedmont Community College	\$63.8 million
Cleveland Community College	\$5.1 million
Coastal Community College	\$19.5 million
College of the Albemarle	\$6.7 million
Craven Community College	\$7.5 million
Davidson County Community College	\$6.1 million
Durham Technical Community College	\$15.4 million
Edgecombe Community College	\$8.0 million
Fayetteville Technical Community College	\$38.5 million
Forsyth Technical Community College	\$18.4 million
Gaston College	\$9.6 million
Guilford Technical Community College	\$40.0 million
Halifax Community College	\$9.1 million
Haywood Community College	\$2.6 million
Isothermal Community College	\$3.3 million
James Sprunt Community College	\$2.7 million
Johnston Community College	\$10.2 million
Lenoir Community College	\$12.8 million
Martin Community College	\$1.6 million
Mayland Community College	\$3.3 million
McDowell Community College	\$2.9 million
Mitchell Community College	\$5.6 million
Montgomery Community College	\$0.6 million
Nash Community College	\$5.2 million
Pamlico Community College	\$2.5 million
Piedmont Community College	\$4.8 million
Pitt Community College	\$18.0 million
Randolph Community College	\$3.0 million
Richmond Community College	\$5.1 million
Roanoke-Chowan Community College	\$0.9 million
Robeson Community College	\$13.8 million
Rockingham Community College	\$4.8 million
Rowan-Cabarrus Community College	\$11.2 million
Sampson Community College	\$4.1 million
Sandhills Community College	\$13.6 million
Southeastern Community College	\$6.9 million
South Piedmont Community College	\$0.7 million
Southwestern Community College	\$10.5 million
Stanly Community College	\$5.1 million
Surry Community College	\$9.5 million
Tri-County Community College	\$1.0 million
Vance-Granville Community College	\$17.1 million
Wake Technical Community College	\$33.0 million
Wayne Community College	\$13.0 million
Western Piedmont Community College	\$5.3 million
Wilkes Community College	\$8.4 million
Wilson Technical Community College	\$6.3 million

UNC and Community College Governance

Community College Performance Budgeting

In the 1999 session, the General Assembly added a new G.S. 115C-31.3 directing the State Board of Community Colleges to establish new accountability measures. Required standards were to include (1) progress of basic skills students, (2) passing rate for licensure and certification examinations, (3) goal completion of program completers, (4) employment status of graduates, and (5) performance of students who transfer into the university system. Colleges could choose one other measure from a specified list. A college meeting the new performance standards was to be allowed to carry forward funds remaining in its budget up to 2 percent of the state funds allocated to the college for that year. The carryforward was to be used for the purchase of equipment and initial program start-up costs other than faculty salaries.

During the 2000 session, in Section 9.7 of the budget act, the General Assembly retained those five performance standards as required standards for achieving the carryforward and specified a list of six additional standards from which the college must choose and meet one. A college may carry forward one-third of 1 percent of the state funds allocated to the college for that year for each of those six measures that it meets. The newly defined additional standards are (6) passing rates in developmental courses, (7) success rates of developmental students in subsequent college-level courses, (8) levels of satisfaction of students who do and do not complete programs, (9) curriculum student retention and graduation, (10) employer satisfaction with graduates, and (11) client satisfaction with customized training. The funds carried forward may be used for equipment purchase; initial program start-up costs, including faculty salaries in the first year of the program; and one-time faculty and staff bonuses. In addition, the statute adds a twelfth standard, program enrollment.

Each community college is to publish its performance on the twelve measures annually in its electronic catalog or on the Internet and in its printed catalog each time the catalog is printed.

Millennial Campuses

In 1985 the General Assembly, through G.S. 116-36.5, created a special continuing and nonreverting trust fund composed of proceeds from the lease or rental of property in the Centennial Campus of North

Carolina State University to be used for the development of that campus. In 1999 the General Assembly amended that statute to add directly corresponding provisions for the Horace Williams Campus of The University of North Carolina at Chapel Hill.

In SL 2000-177 (S 586) the General Assembly in 2000 in effect expanded the opportunity for establishment of such funds for special campuses at each of the constituent institutions. By new G.S. 116-198.34(8b), the UNC Board of Governors, upon the recommendation of the president, may designate real property held by, or acquired by, a constituent institution as a "millennial campus." From that point on, all moneys received through development of such a campus, including net rents, would be placed in a special nonreverting trust fund to be used exclusively for further development of that campus and its operation.

UNC School Programs Moved

In Section 10 of the budget act, the General Assembly moved the Principals UNC–Chapel Hill to UNC General Administration, to be coordinated within the UNC Center for School Leadership Development.

Tuition and Student Aid

New need-based aid program. In Section 10.1 of the budget act, the General Assembly allocated to the UNC Board of Governors \$5 million in recurring funds to be used to establish and begin the implementation of a new need-based student financial aid program for in-state students attending UNC institutions for undergraduate and master's degrees. The program is to be administered by the North Carolina State Education Assistance Authority.

Community college tuition status for aliens. In Section 9.8 of the budget act, the General Assembly amended G.S. 115D-39 to add a provision specifying that a nonresident of the United States who has resided in North Carolina for a twelve-month qualifying period and has filed an immigration petition with the U.S. Immigration and Naturalization Service is to be considered a state resident for community college tuition purposes.

Aid for students attending private colleges. Section 10 of the budget act raises from \$1,050 to \$1,100 the amount per full-time equivalent student paid by the state to North Carolina private colleges that enroll North Carolina undergraduate students. These funds are used by the private colleges to provide financial assistance to needy North Carolina students. The act also raises from \$1,750 to \$1,800 the amount that is granted

to each full-time North Carolina undergraduate student attending a private college in this state.

Parental Savings Trust Fund. SL 2000-177 (S 586) amends G.S. 116-209.25 to provide that the investment strategy for money in the Parental Savings Trust Fund (a savings trust fund for parents planning for college expenses, administered by the State Education Assistance Authority) may include combining fixed-income assets and preferred or common stocks or other appropriate investment instruments to achieve long-term returns through a combination of capital appreciation and current income. Contributions to the fund can be invested in the individual, common, or collective trust funds of an investment manager, provided that the investment manager has assets under management of at least \$100 million and is subject to the jurisdiction and regulation of the U.S. Securities and Exchange Commission.

Studies and Reviews

Proprietary schools. In Section 9.8 of the budget act, the General Assembly directs the Legislative Research Commission to study current state programs governing the licensure and regulation of proprietary schools.

Higher education compensation. In Section 10.5, the budget act directs the Joint Legislative Education Oversight Committee to study the need for an "excellent universities and community colleges act" that would address the need and ability of the university and the community college system to attract and retain excellent faculty, including compensation issues.

Global education programs. In Section 10.6, the budget act directs the Joint Legislative Education Oversight Committee to study the various international studies and global education programs offered within the university system.

UNC School Leadership Program. In Section 10.11, the budget act directs the board of governors to review the programs under the UNC Center for School Leadership Development, focusing on accountability and performance measures.

Principal Fellows Program. In Section 10.11, the budget act directs the board of governors, in collaboration with the State Board of Education, to convene a representative committee to study the policies and legislation creating the Principal Fellows Program and to make recommendations that would increase the flexibility necessary for the program to attract a broader age, racial, and ethnic makeup of the applicant pool. ■