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Higher Education

For the last several sessions, austerity in the funding of public higher education has been the norm. In 2004 the North Carolina General Assembly once again ordered reductions in spending for institutions of the University of North Carolina (UNC). The reductions were offset, however, by hikes in appropriations to the university and the Community College System to accommodate continued enrollment increases as well as by approval of several large capital projects—including a \$180-million cancer center at UNC Chapel Hill.

Appropriations and Salaries

The University of North Carolina Current Operations

In even-year sessions, the General Assembly modifies the appropriations for the second year of the biennium that were made during the preceding odd-year session. The 2003 budget act appropriated a total of \$1,822,426,657 from the General Fund to UNC for fiscal year 2004–2005. The 2004 appropriations act (S.L. 2004-124, H 1414) adjusts UNC's 2004–2005 appropriations by increasing some items and making reductions in others. The largest funding increase, \$63,991,225, covers the cost of anticipated enrollment growth of more than seven thousand full-time students and offsets all the reductions. The net increase of \$56,386,840 brings the total appropriated to \$1,878,813,497.

Community Colleges Current Operations

The 2003 appropriation for the community colleges' current operations in 2004–2005 totaled \$660,199,222. The 2004 appropriations act adds a net \$31,612,319 to that total. The largest increase, \$23,432,327, is to cover the cost of an anticipated enrollment growth of almost eight thousand full-time students. In addition, S.L. 2004-88 (H 1352) appropriates \$4.1 million to the Community College System office for new and expanding industrial training.

Capital Improvements

The 2004 appropriations act provides \$10.5 million in capital improvement funds for the university system. The largest amount, \$4 million, is appropriated for the joint Millennial Campus of the University of North Carolina at Greensboro and North Carolina A&T State University.

In addition, S.L. 2004-181 (H 1699) authorizes thirty-five capital improvement projects at UNC institutions for a total of \$355,482,900, to be financed with funds other than state appropriations (chiefly revenue bonds and special obligations bonds). S.L. 2004-179 (H 1264) also authorizes the issuance of special indebtedness up to \$388 million for construction projects at UNC institutions, including: \$180 million for a cancer center at Chapel Hill; \$35 million for a bioinformatics center at Charlotte; \$35 million for a health promotion center at Asheville; \$28 million for a pharmacy school at Elizabeth City; and \$10 million each for a nursing center at Fayetteville State, the joint Millennial Campus for A&T State and UNC Greensboro, an optometry school at UNC Pembroke, an area health education center at Western Carolina University, and property acquisition for Winston-Salem State University and the School of the Arts at the Piedmont-Triad Research Park.

Section 9.4 of the 2004 appropriations act approves certain changes in UNC construction projects that are funded through the \$2.5-billion Hooker Higher Education Facilities Financing Act of 2000.

Historically, the General Assembly has only occasionally made appropriations for capital improvements in the Community College System; it has left the chief burden for community college facilities where the general law places it: on the counties. The 2004 appropriations act contains no capital improvement appropriations for community colleges.

Salaries

Sections 31.11 and 31.12 of the 2004 budget act provide for salary increases to UNC and community college employees.

For UNC employees who are exempt from the State Personnel Act, the increases average the greater of 2.5 percent or \$1,000 per employee, distributed according to rules established by the UNC Board of Governors. Teaching employees of the School of Science and Mathematics receive an average increase of 2.5 percent. UNC employees subject to the State Personnel Act and employees of the Community College System paid from state funds receive the greater of a 2.5 percent increase or \$1,000. Community college faculty members receive an additional 2 percent increase.

In addition, Section 8.3 of the appropriations act states the General Assembly's intent to establish a community college faculty salary plan with a uniform minimum salary based on level of education and equivalent applicable experience and to move North Carolina community college faculty and professional staff salaries toward the national average. It sets minimum salaries for 2004–2005 (for full-time, nine-month annual employment) ranging from \$28,512 for instructors with vocational diplomas to \$34,874 for instructors holding doctoral degrees. To encourage individual colleges to bring their salaries in line with the national average, Section 8.3 authorizes colleges whose salaries are the closest to the national the greatest flexibility in using state funds to set salaries.

Tuition and Student Aid

Need-Based Aid from Escheat Funds

For fiscal 2004–2005, Section 9.2 of the 2004 appropriations act provides from the Escheat Fund \$28,610,240 to the UNC Board of Governors and \$718,396 to the State Board of Community Colleges. These funds are to be allocated to the State Educational Assistance Authority for need-based student financial aid. An additional \$390,000 from the Escheat Fund was appropriated to the Board of Governors to provide scholarship loans for North Carolina high school seniors interested in becoming public school teachers if they enroll at any of the state's historically black colleges that presently lack Teaching Fellows. Twenty grants of \$6,500 each are allocated for each of the three qualifying colleges.

Military and National Guard Tuition

G.S. 116-143.3 sets the terms for payment of tuition at UNC institutions and community colleges by members of the armed forces and their dependents. The statute formerly contained different rules for UNC and the community colleges; S.L. 2004-130 (S 1058) removes those differences and provides that members of the armed forces living in North Carolina while on active duty will be charged the in-state tuition rate. If reassigned outside the state, members may continue to pay the in-state tuition rate as long as they remain continuously enrolled in the same program. The act amends G.S. 116-143.3 to apply the reassignment provision to dependent relatives of members as well.

The act also amends G.S. 116-143.1 to make active and reserve non-state residents who are members of the North Carolina National Guard eligible for in-state tuition.

University Governance

Educational System Study

S.L. 2004-179 [(H 1264) (as amended by Section 51 of S.L. 2004-179)] directs the UNC Board of Governors and the State Board of Community Colleges to contract with a private consulting firm to conduct a comprehensive study of the mission and educational program needs of the university and community college systems. The study is to consider demography, capital needs, current program offerings, and emerging needs. A preliminary report from the two boards and the consultant is due to the Joint Legislative Education Oversight Committee by April 15, 2005, and a final report is due by December 31 of that year. The 2004 appropriations act, in Section 9.14, provides \$2 million to fund the study.

UNC Board of Governors Study Commission

Section 22.1 of S.L. 2004-161 (S 1152), the general studies bill, creates a UNC Board of Governors Study Commission comprised of ten members—five appointed by the Speaker and five appointed by the President Pro Tempore. The commission is to study the method of election or appointment to the board, the length of members' terms, the number of terms members may serve, and the size of the board. The commission is to report to the 2005 General Assembly.

Personnel Mediations

S.L. 2004-154 (S 52) adds new G.S. 116-3.3, providing that evidence of statements made and conduct occurring during mediation of a personnel matter involving UNC or any constituent institution is not subject to discovery or admissible in any other legal action, except a proceeding to enforce a signed settlement agreement. It also provides that such evidence is not a public record under the Public Records Law. However, any evidence that was discoverable or admissible before the mediation began remains discoverable or admissible, whether or not it is presented during the mediation. No mediator or participant may be compelled to testify or produce evidence with respect to the mediation except to attest to the signing of a settlement agreement.

The act also amends G.S. 82-2.1 to provide that the writing of memorandums or understandings of agreement by mediators in UNC personnel matters does not constitute the practice of law.

Property Tax Exemption for Foundations

S.L. 2004-173 (S 277) amends G.S. 105-278.4 to expand the exemption from property taxation applied to property owned by educational institutions, including UNC institutions, to include property owned by nonprofit entities for the benefit of educational institutions. As amended, the statute provides that to be exempt property must be owned by an educational institution or by a nonprofit entity that uses it for the sole benefit of an educational institution. The statute also requires that such property be used for an educational purpose as defined by the

statute. This act amends the statute to make it clear that a student housing facility or dining facility does meet the educational-purpose requirement.

School of Science and Math as Special Responsibility Constituent Institution

G.S. 116-30.1 empowers the UNC Board of Governors to name selected institutions within the University of North Carolina system as “special responsibility constituent institutions” (SPRIs); several of the statutes that follow G.S. 116-30.1 set out the consequences of being so named. The North Carolina School of Science and Mathematics is separately named, in G.S. 116-30.2, as an SPRI for specific named statutory consequences. Section 9.6 of the 2004 appropriations act amends G.S. 116-30.2 to provide that the school will be treated as an SPRI for purposes of G.S. 116-30.3, which permits it to carry forward credit balances from its General Fund appropriation in a current fiscal year to pay for one-time, nonrecurring expenditures in the next fiscal year.

Horace Williams Airport in Chapel Hill

The University of North Carolina at Chapel Hill is in the process of planning a satellite campus north of the current campus. The new campus will include property currently occupied by the Horace Williams Airport, which is used by planes of the statewide Area Health Education Center (AHEC). Plans for the new campus have called for closing the airport. Section 9.7 of the 2004 appropriations act directs the university to continue operating the airport until a replacement facility accessible to the university becomes available for AHEC flights.

North Carolina Central Mold Remediation

In 2003, the General Assembly authorized North Carolina Central University, with the approval of the Board of Governors, to transfer funds from one project under the Hooker Higher Education Facilities Financing Act to another to make infrastructure improvements and building repairs to remediate the campus mold problem. Section 9.9 of the 2004 appropriations act allocates \$8,906,642 to the campus to replace the funds transferred. That amount is to be repaid from the proceeds of any recovery in a lawsuit or insurance settlement related to mold remediation.

School of the Arts Umstead Act Exemption

G.S. 66-58, the Umstead Act, generally prohibits units of government from competing with private businesses in the sale of goods, wares, or merchandise. A number of exceptions, however—such as the sale of meals and the operation of hotel facilities—apply to UNC institutions. Section 9.13 of the 2004 appropriations act adds to G.S. 66-58(b)(8) a further exception, allowing the School of the Arts to use that school’s facilities, equipment, and students, faculty, and staff to create commercial materials and productions as long as the proceeds are used to benefit the educational mission of the school.

Beverage Contracts

See discussion below under “Community College Governance.”

Friday Institute for Higher Education Leadership

Section 6.28 of the 2004 appropriations act directs the UNC Board of Governors to create the William Friday Institute for Higher Education Leadership to provide programs for developing future leaders in higher education administration.

Community College Governance

Educational System Study

S.L. 2004-179 (H 1264) requires a study of the entire higher education system of the state. See the discussion above under “University Governance.”

Property Tax Exemption for Foundations

S.L. 2004-173 (S 277) expands the exemption from property taxes applied to property owned by educational institutions, including community colleges, to include property owned by nonprofit entities for the benefit of educational institutions. See the discussion above under “University Governance.”

Special Funds Considerations

The General Assembly enacted several special provisions regarding the use of funds by the Community College System in the 2004 budget act. In a couple of instances, it permitted funds that otherwise would have reverted to the General Fund at the end of the 2003–2004 fiscal year to carry forward to 2004–2005. They include up to \$10 million in operating funds to be reallocated to the Equipment Reserve Fund; funds available to the New and Expanding Industries Program; funds available to the Worker Training Trust Fund; funds dedicated to the study of the Comprehensive Articulation Agreement; and funds available to the Middle College Program.

Section 8.14 of the 2004 appropriations act includes a special provision allowing additional funds to be made available to (1) colleges whose enrollment growth in the fall semester of 2004–2005 exceeds 10 percent and (2) colleges in areas with high unemployment caused by manufacturing job losses.

Section 8.17 of the act authorizes the development of a military–business center at Fayetteville Technical Community College to coordinate and facilitate interactions between the U.S. armed forces, military personnel and their families, and private businesses.

Center for Applied Textile Technology

Section 8.6A of the 2004 appropriations act directs the State Board of Community Colleges to study the North Carolina Center for Applied Textile Technology to determine whether the center should remain an independent part of the Community College System, be administered by a community college, be dissolved and have its property transferred to county ownership, or be otherwise administered.

Multicampus and Off-Campus Centers

Section 8.9 of the 2004 appropriations act directs all multicampus colleges and colleges with off-campus centers to begin reporting annually to the Community College System office all funds spent to support their multicampuses and centers.

Beverage Contracts

Section 38 of the 2004 Technical Corrections Act, S.L. 2004-199 (S 1225), amends G.S. 143-64, which requires school administrative units, community colleges, and UNC institutions to competitively bid contracts that involve the sale of juice or bottled water. The act directs that contracts for the sale of juice be bid separately from contracts for the sale of bottled water and that contracts for both types of beverages shall be bid separately from all other contracts.

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