

Changes Affecting Higher Education

By Robert P. Joyce

For the second session in a row, the General Assembly was generous in its appropriations to the University of North Carolina (UNC) and the state's Community College System. The 2006 session was a good one financially, and 2007 was even better. The extension of the relief from many lean years in a row was the chief legislative story regarding higher education.

Appropriations and Salaries

UNC CURRENT OPERATIONS

Section 2.1 of the Current Operations and Capital Improvements Appropriations Act of 2007 [S.L. 2007-323 (H 1473)] (the budget act) appropriates \$2.626 billion for 2007–2008 and \$2.656 billion for 2008–2009 to the Board of Governors (BOG) of the University of North Carolina (UNC) for the operation of all UNC campuses and hospitals. These amounts represent increases of approximately 25 percent over the comparable appropriations for 2005–2006 and 2006–2007 set at the beginning of that biennium.

COMMUNITY COLLEGES CURRENT OPERATIONS

The budget act appropriates to the Community Colleges System Office \$938,106,160 for 2007–2008 and \$899,643,003 for 2008–2009. These amounts represent increases of approximately 18 percent over the comparable appropriations for 2005–2006 and 2006–2007 set at the beginning of that biennium.

CAPITAL IMPROVEMENTS

The budget act's total statewide appropriation for capital improvements for all government—not just UNC and the community colleges—is \$230,741,100. Of that total, \$133,149,000 is for UNC. The single largest amounts are

\$25 million for dental school facilities at East Carolina University and UNC Chapel Hill, \$19 million for energy production facilities at UNC Charlotte, and \$17 million for a library on the Centennial Campus at North Carolina State University (NCSU).

None of the \$230 million appropriated for capital improvements statewide is for the community college system. Capital improvements for community colleges are primarily a county, not a state, responsibility, and it is not unusual for a budget to include no capital improvement funds for community colleges. The 2007 budget act does, however, make available \$15 million for facility and equipment needs, to be awarded to community colleges through a competitive grant award program. No individual grant may exceed \$1 million.

In addition to appropriations for UNC capital improvements, the budget act authorizes special indebtedness under the State Capital Facilities Finance Act in the following amounts for the projects indicated: \$119.608 million for a science building at UNC Chapel Hill; \$34 million for an educational building at Appalachian State University; \$22.587 million for a science building at Fayetteville State University; \$24.92 million for a library at the North Carolina School of the Arts; \$38 million for an animal hospital at NCSU; \$34 million for an engineering building at NCSU; \$34.525 million for a teaching laboratory at UNC Wilmington; \$41.605 million for a science building at Western Carolina University; \$19 million for a nursing building at UNC Pembroke; \$18.708 million for a student activities center at Winston-Salem State University; and \$53 million for a science facility to be used jointly by UNC Greensboro and N.C. Agricultural and Technical State University.

In addition, S.L. 2007-394 (S 1241) authorizes a number of capital improvement projects at UNC constituent institutions that are to be funded by receipts, self-liquidating indebtedness, or other sources other than General Assembly appropriations. The largest of these are residence hall construction and acquisition at Western Carolina University at just over \$44 million; chilled-water infrastructure

The author is a faculty member of the School of Government. He specializes in school personnel law, higher education law, and elections law.

at just under \$40 million at UNC Chapel Hill, a veterinary hospital at North Carolina State University at \$34 million; and a parking facility at UNC Chapel Hill at \$30 million.

SALARIES

All community college employees paid from state funds, other than faculty and professional staff, received salary increases of 4 percent. Faculty and professional staff received 5-percent increases under the budget act.

Similarly, for UNC employees who are subject to the State Personnel Act, the budget act provides for a salary increase of 4 percent. UNC employees who are not faculty and who are not subject to the State Personnel Act received an average increase of 4 percent, and faculty members received an average increase of 5 percent. Faculty in the School of Science and Mathematics received an average increase of 5 percent, with a minimum increase of \$1,240.

The budget act also sets a minimum 2007–2008 salary schedule for nine-month, full-time, teaching faculty at community colleges: \$33,314 for those with vocational diplomas or less; \$33,805 for those holding associate’s degrees; \$35,931 for those with bachelor’s degrees; \$37,817 for education specialists and those holding master’s degrees; and \$40,537 for faculty with doctoral degrees. The act permits community colleges to use portions of state-appropriated faculty salary funds (on a sliding scale) for purposes other than salaries that directly affect student services. The amount depends on how nearly the college’s average faculty salary matches the national average. The closer to the national average, the more salary funds the college may transfer to other purposes.

University and Community College Governance

UNC FACULTY WORKLOAD

Section 9.2 of the budget act directs the BOG to study the workload of UNC faculty members, comparing actual workloads to the figure used in the UNC enrollment model to calculate student credit hours per instructional position and to faculty workloads at regional and peer institutions.

UNIVERSITY CONTRACTING

S.L. 2007-322 (H 749) amends a number of statutes to relax regulations regarding certain kinds of contracts entered into by UNC. First, G.S. 133-1.1(a) requires that contracts in excess of \$300,000 for repair of public buildings that do not involve structural changes must be planned by a registered architect. This act raises that threshold for UNC to \$500,000. Second, the act makes the same change to the threshold under G.S. 143-64.34(b) regarding UNC contracts for procurement of architectural, engineering, and surveying services. Third, the act makes the same

threshold change under G.S. 143-128(g) regarding bidding of UNC construction contracts. Fourth, the same change in G.S. 143-129(a) applies to the threshold for bidding UNC contracts for the purchase of apparatus, supplies, materials, or equipment. Fifth, an exception from the general bidding requirements found in G.S. 143-135 applies when work under the contract is to be performed by employees of the governmental unit itself and the total cost of the project does not exceed \$125,000 and the total cost of labor does not exceed \$50,000. The act raises those limits for UNC to \$200,000 and \$100,000, respectively. Sixth, the act adds new G.S. 116-31.12, empowering the BOG to develop policies under which the boards of trustees of the constituent institutions and the General Administration may acquire interests in real property by leases of up to ten years without acting through the state Department of Administration.

PROGRESS BOARD REPEALED

Section 9.11 of the budget act repeals the statutes that created the North Carolina Progress Board.

PRINCIPALS’ EXECUTIVE PROGRAM REVIEW

The budget act, in Section 9.10, provides that the operating budget of the Principals’ Executive Program is appropriated on a nonrecurring basis until data is available showing a positive, measurable impact on conditions for teaching and learning in schools. It directs the program to give priority in admissions to administrators from high-need schools and to take geographic diversity into account in admission decisions. It directs the State Board of Education and BOG to create a plan to provide input on the program’s priorities and feedback on its performance.

ACCESS TO PERSONNEL RECORDS

S.L. 2007-508 (S 1546) amends G.S. 115D-28, which specifies what information in a community college employee’s personnel file is public, and G.S. 126-23, which does the same thing for UNC employees. The statutes provide that employee salaries are public information. The new language makes it clear that the term *salary* includes benefits, incentives, bonuses, and deferred and other forms of compensation paid by the college or university—not just straight pay. The amendment also specifies that the terms of any employment contract, “whether written or oral, past or current,” are a matter of public record.

UNC HEALTH CARE SYSTEM DEBT COLLECTION

G.S. 147-86.11(e) requires that all unpaid billings of \$500 or more due to a state agency are to be turned over to the Attorney General for collection. S.L. 2007-306 (H 646) amends the statute to provide that the UNC Health

Care System may, but is not required, to turn late patient accounts over to the attorney general for collection. G.S. 147-86.23 provides that past-due billings owed to state agencies are to be accompanied by a late-payment fee. The act exempts UNC Health Care billings from this requirement. G.S. 116-37(f) permits the health system to spend public funds on behalf of a patient who is financially unable to afford the costs of ambulance or other transportation for discharge or placement in an after-care facility or certain other health-related needs. The statute formerly limited the expenditure to \$7,500 per patient per admission. The act removes that ceiling. G.S. 143-553(a) provides that all employees of the state, of cities or counties, of school systems, or of community colleges who owe money to the state and whose salaries are paid in whole or in part by state funds must make full restitution to the state as a condition of continuing employment. The act adds a provision that no one may be dismissed from employment for failure to make restitution of money owed to the health care system for health services.

INSTRUCTION IN AMERICAN SIGN LANGUAGE

S.L. 2007-154 (H 915) enacts new G.S. 115D-5(r) and G.S. 116-11(4b) to direct the State Board of Community Colleges and the BOG, respectively, to encourage their constituent institutions to offer courses in American Sign Language as a modern foreign language.

STATE EMPLOYEES' SPOUSES ON GOVERNING BOARDS

Members of the General Assembly, officers and employees of the state, and officers and employees of the constituent institutions are prohibited from serving on UNC governing boards by the following statutes: G.S. 116-7(b) (UNC BOG); G.S. 116-31(h) (UNC constituent institution boards of trustees); and G.S. 116-233(c) (School of Science and Mathematics). In addition, G.S. 115D-2.1(d) makes ineligible for service on the State Board of Community Colleges members of the General Assembly, officers and employees of the state, and officers and employees of the institutions under the board's jurisdiction.

All of the statutes have extended the prohibition to spouses of those disqualified. S.L. 2007-278 (S 884) retains the prohibition for spouses of those serving in the General Assembly and of officers and employees of the institutions, but it removes the prohibition for spouses of state employees and officers.

EXTENSION SERVICE EMPLOYEES

S.L. 2007-195 (H 847) amends G.S. 116-33.2, G.S. 126-5(c1), and G.S. 153A-439 to specify that employees of the North Carolina Cooperative Extension Service of NCSU who are

employed in county operations are exempt from the State Personnel Act and to provide that their employment is to be governed by policies to be adopted by the NCSU trustees.

ARBORETUM POLICE

G.S. 116-40.5 authorizes UNC constituent institutions to establish campus law enforcement agencies and employ campus police officers. S.L. 2007-285 (S 630) extends that authority to the Board of Directors of the North Carolina Arboretum.

RECORDS OF APPLICANTS

S.L. 2007-372 (S 1023) adds a new exception [G.S. 132-1.1(f)] to the state Public Records Law to provide that records relating to an individual applicant for admission to a UNC institution or a community college are not public records, except for letters written on behalf of applicants by elected officials. (Records of enrolled students are confidential under federal law.)

AUDIT RECORDS

G.S. 116-40.7 provides that audit reports by internal auditors within UNC are public records to the extent they do not contain information otherwise made confidential by law. S.L. 2007-372 amends the statute to provide that the working papers on which audits are based are similarly public records, once the audit report is completed. The custodian of the working papers may redact the name and personal identification information of the person who initiated an allegation of wrongdoing that triggered the audit.

CALLING MEETINGS OF COMMUNITY COLLEGE BOARDS

G.S. 115D-18 provides that meetings of the boards of trustees of community colleges may be called by the chair of the board or by the college's president. S.L. 2007-197 (H 581) amends the statute to provide that meetings may also be called by a majority of the trustees.

COMMUNITY COLLEGE ENERGY IMPROVEMENT LOANS

S.L. 2007-476 (H 177) enacts new G.S. 115D-20(10a), adding to the specified powers of community college boards of trustees the authority to enter into loan agreements under the Energy Improvement Loan Program established in Part 3 of Article 36 of Chapter 143 of the General Statutes.

COMMUNITY COLLEGE PERFORMANCE STANDARDS

G.S. 115D-31.3 has mandated twelve performance measures to be used to evaluate community colleges' performance budgeting. S.L. 2007-230 (H 642) reduces the number of measures to eight and directs that they be used in "recognition of successful institutional performance" rather

than performance budgeting. The four measures dropped are employment status of graduates, employer satisfaction with graduates, program enrollment, and proportion of those who complete their goals. As before, performance as measured by the remaining standards affects the ability of the college to carry forward funds from one fiscal year to the next without reversion. In addition, the act adds two new measures as a basis for determining “exceptional institutional performance” and distributing additional funds. They are (1) the passing rate on all reported licensure and certification examinations and (2) the percentage of college transfer students with a grade point average at least 2.0 after two semesters at a four-year college. The act also provides that the State Board of Community Colleges may withhold any funds a college qualifies for if the college is under investigation by a state or federal agency or does not meet the standards of the Southern Association of Colleges and Schools, the State Auditor’s Office, or the State Board of Community Colleges.

Student Relationships and Financial Aid

ESCHEAT FUND FINANCIAL AID APPROPRIATIONS

Section 9.3 of the budget act appropriates from the Escheat Fund approximately \$103 million for 2007–2008 and \$124 million for 2008–2009 to the UNC Board of Governors and just under \$14 million each fiscal year to the State Board of Community Colleges, to be allocated by the State Education Assistance Authority (SEAA) for need-based student financial aid.

EDUCATION ACCESS REWARDS NORTH CAROLINA SCHOLARS FUND

Section 9.7 of the budget act creates the Education Access Rewards North Carolina Scholars Fund to provide grants of up to \$4,000 per year for the first two years of undergraduate study at a UNC institution or North Carolina community college. Students who qualify for the grants are wards of the court or dependents under Title IV of the Higher Education Act of 1964 whose total family income does not exceed 200 percent of the federal poverty guideline.

To fund the grants, the act appropriates \$27.605 million for 2007–2008 and \$60 million for 2008–2009 from the General Fund to the SEAA, along with an additional \$40 million for 2008–2009 from the Escheat Fund to the SEAA. A provision directs the governor to include in the 2009–2011 budget the amount necessary to fully fund grants under this program.

MEDICAL AND DENTAL SCHOLARSHIP PROGRAM

Sections 9.4 and 9.5 of the budget act enact new G.S. 116-40.9 and G.S. 116-40.10 governing the previously

created Board of Governors Medical Scholarship Loan Program and parallel Dental Scholarship Loan Program. The new statutes provide for scholarship loans that cover all tuition and fees and related expenses plus a \$5,000 annual stipend, to be used at any public or private North Carolina medical school and the one dental school. The loan is forgiven if the recipient practices medicine or dentistry in North Carolina for four years within seven years after graduation.

NURSING SCHOLARSHIP PROGRAM

G.S. 90-171.100 establishes the Graduate Nursing Program for Faculty Production, which provides scholarship loans of \$15,000 per year for students enrolled in master’s degree or doctoral programs that qualify them as nursing instructors at community colleges or universities. Section 9.5 of the budget act makes the scholarship loans available to North Carolina community college nursing faculty who are currently pursuing master’s degrees in nursing education. These faculty members are to be given preference in the awarding of the scholarship loans. The act also provides that scholarship loan recipients who teach in a North Carolina community college nursing program within seven years after graduation will receive one year of loan forgiveness for each year they teach.

FUTURE TEACHERS SCHOLARSHIP PROGRAM EXPANDED

Section 9.9 of the budget act amends G.S. 116-209.38(a), which establishes the Future Teachers of North Carolina Scholarship Loan Fund to expand the number of scholarship loans granted annually from 100 to 150.

STATE AID TO PART-TIME AND LICENSURE STUDENTS AT PRIVATE COLLEGES

For a number of years, the General Assembly has provided a grant for each North Carolina undergraduate enrolled at a qualifying North Carolina private college, to be credited directly against that student’s obligation to the college. Only full-time students could qualify. The budget act, in section 9.13, amends G.S. 116-21.2 and G.S. 116-43.5 to extend the grants on a pro rata basis to part-time undergraduate students taking at least nine hours of academic credit per semester and to extend the grants to students enrolled in programs leading to licensure in teaching or nursing.

SCHOLARSHIP PROGRAM FOR ATHLETES AT HISTORICALLY BLACK COLLEGES

Section 9.18 of the budget act enacts new G.S. 116-209.40, creating the John B. McLendon Scholarship Fund to award two leadership scholarships of \$1,250 per year to one male and one female member of a varsity athletic team at a historically black college or university in North Carolina. The colleges are to designate student recipients, who must demonstrate outstanding leadership qualities, be involved in the

college community, and maintain high academic standards. The act allocates \$500,000 to the SEAA for 2007–2008 to fund the scholarships. The first scholarships will be awarded for the 2008–2009 academic year.

COMMUNITY COLLEGE TUITION SURCHARGE

S.L. 2007-367 (S 1065) enacts new G.S. 115D-39.1, providing that a community college may, with the approval of the State Board of Community Colleges, implement a tuition surcharge of one-third to fund a new instructional program needed to attract industry to the area. The college may use the proceeds of an endowed scholarship to offset the

increase in tuition as long as the scholarship's endowment is in excess of \$5 million.

TEACHER ASSISTANT SCHOLARSHIP FUND

G.S. 116-290.35(b) sets the criteria for eligibility for scholarships under the Teacher Assistant Scholarship Fund, one of which is that the teacher assistant must be enrolled in a North Carolina college. S.L. 2007-457 (H 851) specifies that the person so enrolled must be pursuing licensure as a teacher. ■