UNC System Highlights from the 2011 Legislative Session

Impact on UNC Charlotte

The final budget assigns net cuts of $407 million to the UNC System. It is important to recognize that with these latest reductions the UNC System will have received more than $1 billion in budget cuts and reversions over a five-year period. (UNC Charlotte: $104 million and 350 positions)

Reductions: The UNC System received a net cut of $407 million that includes a $414 million management flexibility reduction, $26 million cut to UNC Hospitals, an increase in enrollment dollars to account for growth, and operating dollars for UNC buildings completed in FY 2011-12. This equates to an average 15.6% cut to the campuses. The adopted budget provides direction on the allocation of cuts, including a prohibition on allocating the cuts using an across-the-board method. The management flexibility reduction ranges from 8.4% to 17.9% in cuts to campuses. (UNC Charlotte: 16.2% or $33.5 million)

Funding Priorities: The following Board of Governors’ priorities received funding:

- Full funding for enrollment growth ($46.8 million) (UNC Charlotte: Budgeted to receive $7 million, but the available funds will be significantly less as a result of the cuts.)
- Operating Reserves for new or renovated UNC buildings ($18.5 million) (UNC Charlotte: $2.3 million – fully funded opening of Center City Building and $2 of $3 million requested for the Energy Production and Infrastructure Center.)
- Partial funding of UNC Need-Based Financial Aid. Funds for the UNC Need-Based Aid Program were cut from $162 million to $127 million, a 22% ($35 million) reduction. This loss of funding will reduce the number of students eligible to receive need-based aid by 5,500 (an 8.3% decline) and reduces the average award per student by $333 (a 13.5% reduction) (UNC Charlotte: $3.5 million reduction resulting in approximately 31% of undergraduate students seeing a decrease in their state grant award, and 12% of undergraduate students receiving no state grant award.)
- ECU School of Dentistry ($3.5 million) in operating dollars to prepare for its first class of students
- NC A&T/UNC-Greensboro Joint School of Nanoscience and Nanoengineering ($1 million)

Salaries: The General Assembly provided no funding for salary increases for state employees for FY 2011-12. The UNC System received flexibility to use state funds for reallocations/promotions, in-range adjustments for job change, career progression, or any other increase in duties. Salary increases for faculty are allowed from the Distinguished Professors Endowment Fund, University Cancer Research Fund, and faculty recruiting and retention fund. Salary increases are allowed for all employees for any purpose, including retention, if non-state funds are used. (UNC Charlotte challenges: Limited non-state funds available; difficulty competing for talent in an urban region in areas including business affairs, human resources, information technology, and administrative positions, and national competition for academic affairs positions. Key factors: No salary increases for four years and moving from 5-year to 10-year vesting for new employees.)

UNC Revenue Supported Projects:
- Includes 19 new or supplemental capital improvement projects at 11 institutions totaling $544,060,566 (UNC Charlotte: $133 million = 25% of total. Funding for construction of two new residence halls, a new parking deck, replacement of a dining hall, and planning money for a new residence hall and renovation of three smaller residence halls.)

Capital: The General Assembly did not authorize any new state funded capital projects but did fund $62.5 million in repairs and renovations. (UNC Charlotte: $3.6 million)

Policy Agenda: The UNC System proposed legislative changes that would increase efficiencies on the campuses. These are some of the more important policy changes that were enacted.
- Chancellors may approve repair projects (under $1 million) from available operating funds, and funds can be carried forward. (Previously $300,000: This led to inefficiencies, and funds had to be expended within the fiscal year.)
- Eliminate the required review by the Department of Administration for purchases between $250,000 and the campus purchasing threshold set by the Board of Governors. (Gives the Board of Governors authority and saves time, which will result in savings.)
- UNC assumes responsibility for quality acceptance inspection process. (Inspectors had been coming from Raleigh and final action and occupancy could not be taken until
their scheduled visit.)

- Constituent institutions may purchase motor vehicles independent of Motor Fleet Management. (Savings of time and money.)
- NCSU may self-perform energy related projects financed with indebtedness. (Pilot program that we might try to get authority for in the future.)
- Board of Governors may approve capital projects funded from non-General Fund sources. (Removes Legislature and Council of State from process. Eliminates duplicate review resulting in time and money savings.)
- Board of Governors may allocate and reallocate funds in Repairs and Renovations Reserve. (Removes OSBM/Council of State from process. Eliminates duplicate review resulting in time and money savings.)
- A budget certification document shall be prepared only after advanced planning for a project has been completed. (Previously, proposals and projected costs would become outdated during the multi-year process and then the process would have to begin again.)
- Investment flexibility for campuses and UNC Healthcare.
- Permanently extend phased retirement.
- Vesting reciprocity between the state employees’ retirement system and the UNC System.

Other issues:

- Facilities and Administrative Funds, which are received by institutions for research grants, will be retained by the campuses.
- Graduate tuition remissions (a key financial component to recruiting researchers) were reinstated after having previously been targeted.
- The highly successful Teaching Fellows program, aimed at recruiting underrepresented student populations into the teaching profession, was eliminated.

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