August 14, 2006

Chancellor John W. Bardo
Western Carolina University
Cullowhee, NC 28723

Dear Chancellor Bardo:

On August 11, 2006, the Board of Governors of The University of North Carolina approved the following:

- Allocation of Funds for Academic Salary Increases (EPA) for University Personnel and Personnel at the North Carolina School of Science and Mathematics (attached)

- Allocations of Funds for Current Operations (attached)

- Allocations of Funds for Capital Improvements (attached)

Sincerely,

Robert O. Nelson

c: Mr. George W. Wooten

Attachments
Allocation of Funds for Academic Salary Increases (EPA) for University Personnel and Personnel at the North Carolina School of Science and Mathematics

It is recommended that the General Fund appropriations for the 6% average salary increase for faculty and other employees who are exempt from the State Personnel Act (EPA) be allocated as shown in the table below.

<table>
<thead>
<tr>
<th>University Operations</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appalachian State University</td>
<td>4,998,642</td>
</tr>
<tr>
<td>East Carolina University</td>
<td></td>
</tr>
<tr>
<td>Academic Affairs</td>
<td>8,654,689</td>
</tr>
<tr>
<td>Health Affairs</td>
<td>1,844,134</td>
</tr>
<tr>
<td>Elizabeth City State University</td>
<td>1,019,360</td>
</tr>
<tr>
<td>Fayetteville State University</td>
<td>1,869,323</td>
</tr>
<tr>
<td>North Carolina A &amp; T State University</td>
<td>3,817,608</td>
</tr>
<tr>
<td>North Carolina Central University</td>
<td>2,872,740</td>
</tr>
<tr>
<td>North Carolina School of the Arts</td>
<td>892,668</td>
</tr>
<tr>
<td>North Carolina State University</td>
<td>14,164,265</td>
</tr>
<tr>
<td>UNC-Asheville</td>
<td>1,340,646</td>
</tr>
<tr>
<td>UNC-Chapel Hill</td>
<td></td>
</tr>
<tr>
<td>Academic Affairs</td>
<td>11,387,469</td>
</tr>
<tr>
<td>Health Affairs</td>
<td>6,670,454</td>
</tr>
<tr>
<td>Area Health Education Centers</td>
<td>1,826,198</td>
</tr>
<tr>
<td>UNC-Charlotte</td>
<td>7,065,256</td>
</tr>
<tr>
<td>UNC-Greensboro</td>
<td>5,910,706</td>
</tr>
<tr>
<td>UNC-Pembroke</td>
<td>1,804,162</td>
</tr>
<tr>
<td>UNC-Wilmington</td>
<td>3,908,555</td>
</tr>
<tr>
<td>Western Carolina University</td>
<td>3,097,242</td>
</tr>
<tr>
<td>Winston-Salem State University</td>
<td>2,494,243</td>
</tr>
<tr>
<td>UNC-General Administration</td>
<td>791,274</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>86,429,634</td>
</tr>
</tbody>
</table>

Agricultural Programs

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Research Service</td>
<td>1,619,904</td>
</tr>
<tr>
<td>Cooperative Extension Service</td>
<td>1,680,696</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,300,600</td>
</tr>
</tbody>
</table>

UNC Hospitals

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>352,572</td>
</tr>
</tbody>
</table>

N. C. School of Science & Mathematics *

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total (includes estimated fringe benefits)</strong></td>
<td>90,608,000</td>
</tr>
</tbody>
</table>

*Provides an annual average salary increase of 6% for non-teaching employees and an annual average salary increase (8%) comparable to that provided for public school teachers for all teaching employees of the N. C. School of Science and Mathematics.

Approved by the Board of Governors on 8/11/06
The 6% salary increase appropriation is proposed for distribution in exact proportion to the share of each institution in the General Fund salary base.

The allocations, as approved, are for expenditures in accordance with the Resolution on Faculty and Non-Faculty EPA Salary Increases 2006-07, subject to adoption of this Resolution by the Committee on Personnel and Tenure. The Board of Trustees of the North Carolina School of Science and Mathematics has the specific authority to establish policies and procedures for academic salary increases at the School.

In addition, the General Assembly appropriated $5,000,000 to establish a University Faculty Recruiting and Retention Fund [Senate Bill 1741 (S.L. 2006-66)] to be used at the discretion of the President for salary increases for the purpose of recruiting and retaining UNC faculty members as necessary at constituent institutions. It is recommended that these funds be allocated to UNC-General Administration, Institutional Programs to be held in reserves pending further action by the President.

This item includes allocations from The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets, dated June 30, 2006.

It is recommended that the Vice President for Finance be delegated the authority to adjust this recommendation to reflect technical amendments to the budget if any related amendments are approved by the General Assembly. It is further recommended that the Vice President for Finance be authorized to make refinements in the interest of accuracy and completeness.
Allocations of Funds – Current Operations

While most of the funding for the Current Operations Budget of each institution comes in the continuation budgets as approved by the General Assembly, funds for expansions and improvements are appropriated to the Board of Governors for allocation to the institutions. These appropriations are included in Senate Bill 1741 (S.L.2006-66), “2006 Appropriations Act.” By statute, the Board is directed to allocate such funds in accordance with its 2006-07 Budget Priorities and in accordance with any specifications in the appropriations act and the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets, dated June 30, 2006. In addition to the appropriations for the 2006-07 Budget Priorities, the General Assembly made a number of special appropriations for designated programs in University Operations, and also made appropriations for Agricultural Programs, Related Educational Programs, UNC Hospitals, and the North Carolina School of Science and Mathematics.

It is recommended that the Vice President for Finance be delegated the authority to adjust this recommendation to reflect technical amendments to the budget if any related amendments are approved by the General Assembly. It is further recommended that the Vice President for Finance be authorized to make refinements in the interest of accuracy and completeness.

It is recommended that the Allocation Recommendations for Current Operations appropriations for the 2006-07 fiscal year be approved.
Recommended Allocations for the Budget Priorities – Current Operations

It is recommended that the expansion Budget Priorities for Current Operations of the Board of Governors of The University of North Carolina as set out in the 2006-07 Budget Priorities, be allocated as follows for the 2006-07 fiscal year.

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Budget Priorities</th>
<th>Recommended Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enrollment Changes</strong></td>
<td>$79,233,129</td>
<td>$79,233,129</td>
</tr>
<tr>
<td><strong>Need-Based Student Financial Aid Program</strong></td>
<td>21,587,990</td>
<td>21,587,990</td>
</tr>
<tr>
<td><strong>Academic Salary Increases</strong></td>
<td>75,506,625</td>
<td>95,608,000</td>
</tr>
<tr>
<td><strong>Expanding Teaching and K-12 Education</strong></td>
<td>21,224,000</td>
<td>2,420,000</td>
</tr>
<tr>
<td>North Carolina High Need Teacher Scholarship Loan Program</td>
<td>1,975,000</td>
<td></td>
</tr>
<tr>
<td>Prospective Teacher Scholars Expansion Pilot for Math and Science</td>
<td>1,526,620</td>
<td></td>
</tr>
<tr>
<td>Lateral Entry Scholarship Program</td>
<td>1,625,000</td>
<td></td>
</tr>
<tr>
<td>UNC/NCCCS Partnership Online 2+2 Joint Initiative</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Distance Education Professional Development for Mathematics and Science Education (ECU, ECU, UNC-CH)</td>
<td>500,000 NR</td>
<td></td>
</tr>
<tr>
<td>Systemwide request to Increase Support for Student Teaching</td>
<td>1,100,000</td>
<td></td>
</tr>
<tr>
<td>Field-Based Experiences</td>
<td>1,100,000</td>
<td></td>
</tr>
<tr>
<td>New Teacher Support and Mentoring Aided at Retention</td>
<td>2,156,382</td>
<td></td>
</tr>
<tr>
<td>University-School Teacher Education Partnerships – Matching Funds</td>
<td>750,000</td>
<td></td>
</tr>
<tr>
<td>Lateral Entry Teacher Initiative for High Need Areas – UNCC</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>Pilot New Teacher Induction Model – ECU</td>
<td>1,321,000</td>
<td></td>
</tr>
<tr>
<td>Pilot New Teacher Induction Model – WCU</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>Summer Ventures in Science and Mathematics</td>
<td>1,250,000</td>
<td></td>
</tr>
<tr>
<td>DESTINY Lab – UNC-CH</td>
<td>2,000,000</td>
<td>500,000 NR</td>
</tr>
<tr>
<td>Science, Technology, Engineering &amp; Mathematics (STEM) Educ. – NCSU</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td>Pilot Initiative to Recruit, Prepare, Mentor, and Differentially Reward Select Mathematics Teachers in High Need Schools</td>
<td>2,100,000</td>
<td></td>
</tr>
<tr>
<td>Mathematics and Science Education Network</td>
<td>670,000</td>
<td>670,000 NR</td>
</tr>
<tr>
<td>Initiative to Improve the Management and Leadership Skills of Principals in High Need Schools (Principals' Executive Program)</td>
<td>250,000</td>
<td>250,000 NR</td>
</tr>
<tr>
<td><strong>Expanding Nursing and Health Care</strong></td>
<td>19,138,871</td>
<td>6,243,000</td>
</tr>
<tr>
<td>Temporary Space – Pharmacy Program – ECU</td>
<td>43,000 NR</td>
<td>43,000 NR</td>
</tr>
<tr>
<td>Indigent Care Reimbursement – ECU</td>
<td>2,500,000</td>
<td></td>
</tr>
<tr>
<td>Area Health Education Centers (AHEC) Expansion – UNC-CH</td>
<td>3,731,506</td>
<td>1,300,000 NR</td>
</tr>
<tr>
<td>AHEC Expansion to Elizabeth City – UNC-CH</td>
<td>1,000,000</td>
<td></td>
</tr>
<tr>
<td>Translational Medicine – UNC-CH</td>
<td>2,500,000</td>
<td>2,500,000 NR</td>
</tr>
<tr>
<td>CASTLE/CCCDP Program – UNC-CH</td>
<td>350,000</td>
<td>350,000 NR</td>
</tr>
<tr>
<td>Nurse Scholars Program Expansion</td>
<td>2,750,000</td>
<td></td>
</tr>
<tr>
<td>Faculty Production – Graduate Nurse Scholarship Program</td>
<td>1,200,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>AHEC – Expansion to Improve and Expand Nursing Clinical Education</td>
<td>600,000</td>
<td></td>
</tr>
<tr>
<td>Systemwide Request to Fund the Clinical Component of Nursing at a Higher Level</td>
<td>3,614,365</td>
<td></td>
</tr>
<tr>
<td>Funding for New BSN programs</td>
<td>850,000</td>
<td>850,000 NR</td>
</tr>
</tbody>
</table>

NR: Nonrecurring funds
<table>
<thead>
<tr>
<th>Budget Item (continued)</th>
<th>2006-07</th>
<th>Recommended Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research and Jobs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biomanufacturing Research Institute &amp; Technology Enterprise (BRITE)</td>
<td>19,318,697</td>
<td>10,800,000</td>
</tr>
<tr>
<td>Operating Funds – NCCU</td>
<td>2,500,000</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Biomanufacturing Training and Education Center (BTEC) – NCSU</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Center for Rapid Prototyping – WCU</td>
<td>1,756,897</td>
<td>–</td>
</tr>
<tr>
<td>Economic Development Partnership Initiative – NCSU</td>
<td>900,000</td>
<td>–</td>
</tr>
<tr>
<td>Research Campus at Kannapolis</td>
<td>5,000,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Hickory Center for Engineering Technology</td>
<td>660,000</td>
<td>–</td>
</tr>
<tr>
<td>Research – Development Fund</td>
<td>1,100,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Expand HUB Contractor Academies</td>
<td>400,000</td>
<td>In DOA</td>
</tr>
<tr>
<td><strong>Assisting Focused Growth &amp; Special Needs Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td><strong>Expanding Summer School</strong></td>
<td>1,455,000</td>
<td>–</td>
</tr>
<tr>
<td><strong>Enhance Recruitment of Outstanding Graduate Students</strong></td>
<td>10,475,839</td>
<td>–</td>
</tr>
<tr>
<td><strong>Matching Funds/Other Programs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matching Funds – NCA&amp;T Agricultural Programs</td>
<td>8,878,869</td>
<td>1,564,847</td>
</tr>
<tr>
<td>Judicial College – UNC-CH</td>
<td>1,300,000</td>
<td>614,847</td>
</tr>
<tr>
<td>North Carolina in the World Project – NCCIU</td>
<td>750,000</td>
<td>750,000</td>
</tr>
<tr>
<td>Libraries – Joint Purchasing and Licensing of Electronic Materials</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>RESERVE – Fiscal Impact of Statutory Changes</td>
<td>500,000</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>228,869</td>
<td>–</td>
</tr>
<tr>
<td><strong>Improvements to Information Technology</strong></td>
<td>32,725,000</td>
<td>–</td>
</tr>
<tr>
<td>Campus IT Infrastructure Update ($250,000 for each campus)</td>
<td>4,000,000</td>
<td>–</td>
</tr>
<tr>
<td>Data Center Consolidation and Disaster Recovery</td>
<td>6,000,000</td>
<td>–</td>
</tr>
<tr>
<td>RESERVE – Renaissance Computing Institute (RENCI) – Operations</td>
<td>11,525,000</td>
<td>–</td>
</tr>
<tr>
<td>RESERVE – Renaissance Computing Institute (RENCI) – Infrastructure</td>
<td>11,200,000</td>
<td>–</td>
</tr>
<tr>
<td><strong>Subtotal 2006-07 Budget Priorities – recurring</strong></td>
<td>285,515,153</td>
<td>211,493,966</td>
</tr>
<tr>
<td><strong>Subtotal 2006-07 Budget Priorities – nonrecurring</strong></td>
<td>14,028,869</td>
<td>7,963,000</td>
</tr>
</tbody>
</table>

NR Nonrecurring funds
It is further recommended that the President be authorized to seek such concurrence as may be required of the Director of the Budget in the foregoing allocation of the Budget Priorities.

The proposed allocations, as applicable, meet all of the directives cited in the Appropriations Act of 2006 (SL 2006-66) and the related Joint Conference Committee Report of June 30, 2006.
Recommended Allocations for Enrollment Changes

The General Assembly fully funded the Board’s request for Enrollment Changes, which included $1,271,393 to “hold harmless” one institution (NCSU) that would otherwise have been reduced.

It is recommended that the funds for enrollment changes be allocated as follows:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Total Allocations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appalachian State University</td>
<td>$4,679,868</td>
</tr>
<tr>
<td>East Carolina University</td>
<td>10,855,226</td>
</tr>
<tr>
<td>Elizabeth City State University</td>
<td>728,263</td>
</tr>
<tr>
<td>Fayetteville State University</td>
<td>1,568,998</td>
</tr>
<tr>
<td>North Carolina A &amp; T State University</td>
<td>2,105,749</td>
</tr>
<tr>
<td>North Carolina Central University</td>
<td>6,429,976</td>
</tr>
<tr>
<td>North Carolina School of the Arts</td>
<td>260,206</td>
</tr>
<tr>
<td>North Carolina State University</td>
<td></td>
</tr>
<tr>
<td>The University of North Carolina at Asheville</td>
<td>146,061</td>
</tr>
<tr>
<td>The University of North Carolina at Chapel Hill</td>
<td>3,737,107</td>
</tr>
<tr>
<td>The University of North Carolina at Charlotte</td>
<td>10,541,427</td>
</tr>
<tr>
<td>The University of North Carolina at Greensboro</td>
<td>12,652,915</td>
</tr>
<tr>
<td>The University of North Carolina at Pembroke</td>
<td>4,042,534</td>
</tr>
<tr>
<td>The University of North Carolina at Wilmington</td>
<td>6,910,903</td>
</tr>
<tr>
<td>Western Carolina University</td>
<td>2,272,446</td>
</tr>
<tr>
<td>Winston-Salem State University</td>
<td>12,061,450</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>78,993,129</strong></td>
</tr>
<tr>
<td>North Carolina School of Science &amp; Mathematics</td>
<td>240,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>79,233,129</strong></td>
</tr>
</tbody>
</table>

It is recommended that budgeted enrollments for the constituent institutions of the University for 2006-07 be established as follows:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Budgeted Student Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appalachian State University</td>
<td>390,235</td>
</tr>
<tr>
<td>East Carolina University</td>
<td>589,369</td>
</tr>
<tr>
<td>Elizabeth City State University</td>
<td>75,190</td>
</tr>
<tr>
<td>Fayetteville State University</td>
<td>144,081</td>
</tr>
<tr>
<td>North Carolina A &amp; T State University</td>
<td>308,652</td>
</tr>
<tr>
<td>North Carolina Central University</td>
<td>182,277</td>
</tr>
<tr>
<td>North Carolina School of the Arts</td>
<td></td>
</tr>
<tr>
<td>North Carolina State University</td>
<td>706,874</td>
</tr>
<tr>
<td>The University of North Carolina at Asheville</td>
<td>94,852</td>
</tr>
<tr>
<td>The University of North Carolina at Chapel Hill</td>
<td>580,631</td>
</tr>
<tr>
<td>The University of North Carolina at Charlotte</td>
<td>486,646</td>
</tr>
<tr>
<td>The University of North Carolina at Greensboro</td>
<td>396,188</td>
</tr>
<tr>
<td>The University of North Carolina at Pembroke</td>
<td>138,968</td>
</tr>
<tr>
<td>The University of North Carolina at Wilmington</td>
<td>306,252</td>
</tr>
<tr>
<td>Western Carolina University</td>
<td>218,732</td>
</tr>
<tr>
<td>Winston-Salem State University</td>
<td>170,087</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>4,789,034</strong></td>
</tr>
</tbody>
</table>
Recommended Allocation for Need-Based Student Financial Aid Plan

The Board requested additional funding of $21,587,990 to fully fund the Need-Based Student Financial Aid Plan for all undergraduate North Carolina residents. In response, the General Assembly appropriated the full amount. These funds will allow for an increase in the number of resident students receiving aid as well as offsets to increases in tuition, fees, and other student charges.

It is recommended that these funds be allocated to UNC-General Administration, Related Educational Programs for administration by the State Educational Assistance Authority.

Recommended Allocations for Expanding Teaching and K-12 Education

In response to the Board's request of $21,224,002 for Expanding Teaching and K-12 Education, the General Assembly provided $500,000 in recurring funds and $1,920,000 in nonrecurring funds for the following programs:

**UNC/NCCCS Partnership Online 2+2 Joint Initiative**

In response to the Board's request of $1,000,000 for the UNC/NCCCS Partnership Online 2+2 Joint Initiative, the General Assembly appropriated $1,000,000 in nonrecurring funds. Funds would support joint technology development including systems to track student progress between the Community Colleges and the University of North Carolina. It is recommended that these funds be allocated to UNC-General Administration, Institutional Programs and that the President be authorized to make further allocations based on legislative intent.

The following related special provision requires a report on the implementation of the UNC/NCCCS 2+2 E-Learning Initiative.

**UNC/NCCCS 2+2 E-LEARNING INITIATIVE**

SECTION 9.1. The University of North Carolina and Community Colleges System Office shall report by September 1, 2006, to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division of the General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning Initiative. This report shall include:

1. The courses and programs within the 2+2 E-Learning Initiative;
2. The total number of prospective teachers that have taken or are taking part in this initiative to date broken down by the current academic period and each of the previous academic periods since the program's inception;
3. The total number of teachers currently in the State's classroom, by local school administrative unit, who have taken part in this initiative;
4. The change in the number of teachers available to schools since the program's inception;
5. The qualitative data from students, teachers, local school administrative unit personnel, university personnel, and community college personnel as to the impact of this initiative on our State's teaching pool; and
6. An explanation of the expenditures and collaborative programs between the North Carolina Community College System and The University of North Carolina, including recommendations for improvement.
DESTINY Traveling Science Lab
In response to the Board’s request of $2,000,000 for the DESTINY Traveling Science Lab, the General Assembly appropriated $500,000. Funds would support personnel and other costs associated with the program that will no longer be supported by grant funds. It is recommended that these funds be allocated to UNC-Chapel Hill, Academic Affairs.

Mathematics and Science Education Network Pre-College Program
In response to the Board’s request of $670,000 for the Mathematics and Science Education Network Pre-College Program, the General Assembly appropriated $670,000 in nonrecurring funds. It is recommended that nonrecurring funds of $200,000 each be allocated to ECU and WCU, to be used to offer MSEN Pre-College program activities on these campuses. It is recommended that the remaining $270,000 nonrecurring funding be allocated to a reserve account within UNC-General Administration, Institutional Programs and that the President be authorized to make further allocations following an assessment of current MSEN activities and programs.

Initiative to Improve the Management and Leadership Skills of Principals in High Need Schools (Principals’ Executive Program)
The General Assembly appropriated $250,000 in nonrecurring funds for the Initiative to Improve the Management and Leadership Skills of Principals in High Need Schools through the Principals’ Executive Program (PEP). Funds will be used to enhance the Instructional Leadership Reform Program to provide support to high need schools and districts. PEP shall provide a customized professional development program and a coaching/mentor component that provides assistance at the school level. It is recommended that these funds be allocated to UNC-General Administration, Operating.

Recommended Allocations for Expanding Nursing and Health Care
In response to the Board’s request of $19,138,871 for Expanding Nursing and Health Care, the General Assembly provided $3,700,000 in recurring funds and $2,543,000 in nonrecurring funds for the following programs:

Temporary Space – Pharmacy Program – ECSU
In response to the Board’s request of $43,000 for Temporary Space for the ECSU Pharmacy Program, the General Assembly appropriated $43,000 in nonrecurring funds. Funds will cover the lease costs for modular units to temporarily house the Pharmacy Program. It is recommended that these funds be allocated to Elizabeth City State University.

Area Health Education Centers (AHEC) Expansion – UNC-CH
In response to the Board’s request of $3,731,506 for the AHEC Expansion, the General Assembly appropriated $1,300,000 in nonrecurring funds. Funds would be used to address workforce shortages, including allied health, dentistry, nursing and pharmacy. In Allied Health, these funds will add new clinical teaching sites throughout the state with an emphasis on physical therapy, speech language pathology, and occupational therapy.
Funding will also provide clinical training for PharmD students at ECSU. It is recommended that these funds be allocated to UNC-Chapel Hill, AHEC.

**Translational Medicine Program**
In response to the Board’s request of $2,500,000 for the Translational Medicine program at the UNC-CH School of Medicine, the General Assembly appropriated $2,500,000. Funds would provide for translational research and thereby speed the development of new drugs, therapeutic strategies, and/or diagnostics. It is recommended that these funds be allocated to UNC-Chapel Hill, Health Affairs.

**UNC-CH Cochlear Implant Program (CASTLE/CCCDP)**
In response to the Board’s request of $350,000 for the Center for the Acquisition of Spoken Language Through Listening Enrichment (CASTLE) program which is operated by the Carolina Children’s Communicative Disorders Program (CCCDP) of the UNC Health Care System, the General Assembly appropriated $350,000 in nonrecurring funds. Funds shall be used to train teachers and therapists across the state to work with deaf preschool-age children with cochlear implants and to provide oral preschool classes to these children. It is recommended that these funds be allocated to UNC-Chapel Hill, Health Affairs.

**Faculty Production – Graduate Nurse Scholarship Program**
In response to the Board’s request of $1,200,000 for the Graduate Nurse Scholarship Program for Faculty Production, the General Assembly appropriated the full amount. Funds will be used to create a graduate nurse scholarship loan program to provide $15,000 per year for up to two years for master’s candidates in nursing education and up to three years for doctoral candidates. Each recipient is required to teach in either a public or private nursing education program in North Carolina for each year a scholarship loan is received, or must repay the loan. It is recommended that these funds be allocated to UNC-General Administration, Related Educational Programs.

The related special provision follows:

**GRADUATE NURSE SCHOLARSHIP PROGRAM FOR FACULTY PRODUCTION**

**SECTION 9.6.** Chapter 90 of the General Statutes is amended by adding the following new Article to read:

> "ARTICLE 9H. \n> "Graduate Nurse Scholarship Program for Faculty Production. \n> "§ 90-171.95. Graduate Nurse Scholarship Program for Faculty Production established; administration. \n> (a) There is established the Graduate Nurse Scholarship Program for Faculty Production. The North Carolina Nursing Scholars Commission shall determine selection criteria, methods of selection, and shall select recipients of scholarship loans made under the Graduate Nurse Scholarship Program for Faculty Production. \n> (b) The Graduate Nurse Scholarship Program for Faculty Production shall be used to provide the following: \n> (1) A scholarship loan for up to two years in the amount of fifteen thousand dollars ($15,000) per year, per recipient, to students enrolled in a masters degree program in nursing education or any other area of the nursing field that would permit them to become a nursing instructor at a North Carolina community college or university."
(2) A scholarship loan for up to three years in the amount of fifteen thousand dollars ($15,000) per year, per recipient, to students enrolled in a doctoral degree program in nursing education or any other area of the nursing field that would permit them to become a nursing instructor at a North Carolina community college or university.

The State Education Assistance Authority shall adopt specific rules to regulate these scholarship loans.

(c) If a recipient is awarded a scholarship loan under this program and is enrolled, or accepted for enrollment, in an eligible program, but is unable to pursue the course of study in nursing for a semester due to limited faculty resources at the institution for that semester, then the recipient shall continue to receive the scholarship loan for that semester and shall not be required to forfeit or repay the scholarship loan for that semester, provided that the recipient remains otherwise eligible for the program. This waiver shall be valid for only one semester of study and may extend a recipient's eligibility for funding under the program by no more than one semester.

(d) The Commission shall adopt stringent standards, which may include minimum grade point average, scholastic aptitude test scores, and other standards deemed appropriate by the Commission, to ensure that only the best potential students receive loans under the Graduate Nurse Scholarship Program for Faculty Production. Standards adopted by the Commission shall include provisions for ensuring that the qualifications of applicants who are or would be nontraditional students are considered fairly in providing them with opportunities to compete for the loans. Loans under the Graduate Nurse Scholarship Program for Faculty Production shall be awarded only to applicants who meet the standards set by the Commission and who agree to teach in a North Carolina public or private nursing program upon completion of the nursing education program supported by the loan.

(e) The Commission shall develop and administer the Graduate Nurse Scholarship Program for Faculty Production in cooperation with nursing schools at institutions approved by the Commission and the North Carolina Board of Nursing. The Graduate Nurse Scholarship Program for Faculty Production shall provide for participants to be exposed to a range of extracurricular activities while in school, which activities shall be aimed at instilling in students a strong motivation to remain in the practice of nursing education and to provide leadership for the nursing profession.

(f) The Commission shall make an effort to identify and encourage minority students and students who may not otherwise consider a career in nursing to apply for the Graduate Nurse Scholarship Program for Faculty Production.

(g) Upon the naming of recipients of loans from the Graduate Nurse Scholarship Program for Faculty Production, the Commission shall inform the State Education Assistance Authority (SEAA) of its decisions. The SEAA shall perform all of the administrative functions necessary to implement this Article, which functions shall include: rulemaking, dissemination of information to the public, distribution and receipt of applications for scholarship loans, and the functions necessary for the execution, payment, and enforcement of promissory notes required under this Article.

§ 90-171.96. Terms of loans; receipt and disbursement of funds.

(a) All scholarship loans shall be evidenced by notes made payable to the State Education Assistance Authority that bear interest at the rate of ten percent (10%) per year beginning 90 days after completion of the nursing education program, or 90 days after termination of the scholarship loan, whichever is earlier. The scholarship loan may be terminated upon the recipient's withdrawal from school or by the recipient's failure to meet the standards set by the Commission.

(b) The State Education Assistance Authority shall forgive the loan if, within seven years after graduation from a nursing education program, the recipient teaches in a public or private nursing education program in a public or private educational institution in North Carolina for one year for every year a scholarship loan was provided. If the recipient repays the scholarship loan by cash payments, all indebtedness shall be repaid within 10 years. The Authority may provide for accelerated repayment and for less than full-time employment options to encourage the practice of nursing education in either geographic or nursing specialty shortage areas. The Authority shall adopt specific rules to designate these geographic areas and these nursing specialty shortage areas, upon recommendations of the North Carolina Center for Nursing. The North Carolina Center for Nursing shall base its recommendations on objective information provided by interested groups or agencies.
and upon objective information collected by the Center. The Authority may forgive the scholarship loan if it determines that it is impossible for the recipient to teach in a public or private nursing program in North Carolina for a sufficient time to repay the loan because of the death or permanent disability of the recipient within 10 years following graduation or termination of enrollment in a nursing education program.

(c) All funds appropriated to or otherwise received by the Graduate Nurse Scholarship Program for Faculty Production for scholarships, all funds received as repayment of scholarship loans, and all interest earned on these funds shall be placed in a revolving fund. This revolving fund may be used only for scholarship loans granted under the Graduate Nurse Scholarship Program for Faculty Production.

New Bachelor of Science in Nursing Programs (ASU, FSU, UNCP)

In response to the Board’s request of $850,000 for the Graduate Nurse Scholarship Program for Faculty Production, the General Assembly appropriated $850,000 in nonrecurring funds. Funds will provide startup funds for new Bachelor of Science in Nursing programs at Fayetteville State University and UNC Pembroke and a new RN to BSN program at Appalachian State University. It is recommended that $300,000 be allocated to FSU and UNCP and $250,000 to ASU as designated in the Joint Conference Committee Report.

The General Assembly also enacted the following special provision modifying the Nursing Scholars Program.

NURSING SCHOLARS PROGRAM MODIFICATION

SECTION 9.9.(a) G.S. 90-171.61 reads as rewritten:

"§ 90-171.61. Nursing Scholars Program established; administration.
(a) There is established the Nursing Scholars Program. The North Carolina Nursing Scholars Commission shall determine selection criteria, methods of selection, and shall select recipients of scholarship loans made under the Nursing Scholars Program.
(b) The Nursing Scholars Program shall be used to provide the following:

(1) A four-year scholarship loan of up to six thousand five hundred dollars ($6,500) per year, for each scholarship of no more than four years per recipient, to North Carolina high school seniors or other persons interested in preparing to become a registered nurse through an associate or baccalaureate degree program.

(2) A two-year scholarship loan of three thousand dollars ($3,000) per year, to persons interested in preparing to be a registered nurse through an associate degree nursing program or a diploma nursing program.

(3) A two-year scholarship loan of three thousand dollars ($3,000) per year, per recipient, for two years of baccalaureate study for college juniors or community college graduates interested in preparing to be a registered nurse.

(4) A two-year scholarship loan of three thousand dollars ($3,000) per year, per recipient, for two years of baccalaureate study in nursing for registered nurses who do not hold a baccalaureate degree in nursing.

(5) A two-year scholarship loan of six thousand five hundred dollars ($6,500) per year, per recipient, for two years of study leading to a master of science in nursing degree for residents already holding a baccalaureate degree in nursing.

In addition to the awarding of scholarship loans pursuant to subdivisions (1) through (5) of this subsection, the Commission may award pro rata scholarship loans to recipients enrolled
at least half-time in study to become registered nurses or to attain a master of science in nursing degree in study leading to a master of science in nursing degree who already hold a baccalaureate degree in nursing and to recipients enrolled at least half-time in study leading to a baccalaureate degree in nursing who already are licensed as registered nurses. In awarding all scholarship loans, the Commission shall give priority to full-time students over part-time students. The State Education Assistance Authority shall adopt specific rules to regulate scholarship loans to part-time master of science in nursing students and part-time baccalaureate degree students-students.

Within current funds available or with any additional funds provided by the General Assembly for this purpose, the Commission may set aside slots for scholarship loans prescribed by subdivisions (1) and (2) subdivision (1) of this subsection to enable licensed practical nurses to become registered nurses. The State Education Assistance Authority shall adopt specific rules to regulate these scholarship loans.

(b) If a recipient is awarded a scholarship loan under this program and is enrolled, or accepted for enrollment, in a baccalaureate nursing program, but is unable to pursue the course of study in nursing for a semester due to limited faculty resources at the institution for that semester, then the recipient shall continue to receive the scholarship loan for that semester and shall not be required to forfeit or repay the scholarship loan for that semester provided that the recipient remains otherwise eligible for the program. This waiver shall be valid for only one semester of study and may extend a recipient’s eligibility for funding under the program by no more than one semester.

(c) The Commission shall adopt stringent standards, which may include minimum grade point average, scholastic aptitude test scores, and other standards deemed appropriate by the Commission, to ensure that only the best potential students receive and retain loans under the Nursing Scholars Program. Standards adopted by the Commission shall include provisions for ensuring that the qualifications of applicants who are or would be nontraditional students are considered fairly in providing them with opportunities to compete for the loans. Loans under the Nursing Scholars Program shall be awarded only to applicants who meet the standards set by the Commission and who agree to practice nursing in North Carolina upon completion of the nursing education program supported by the loan.

(d) The Commission shall develop and administer the Nursing Scholars Program in cooperation with nursing schools at institutions approved by the Commission and the North Carolina Board of Nursing. The Nursing Scholars Program shall provide for participants to be exposed to a range of extracurricular activities while in school, which activities shall be aimed at instilling in students a strong motivation to remain in the practice of nursing and to provide leadership for the nursing profession.

(e) The Commission may form regional review committees within North Carolina to assist it in identifying the best high school seniors and other applicants for the program. The Commission and the review committees shall make an effort to identify and encourage minority students and students who may not otherwise consider a career in nursing to apply for the Nursing Scholars Program.

(f) Upon the naming of recipients of loans from the Nursing Scholars Program, the Commission shall inform the State Education Assistance Authority (SEAA) of its decisions. The SEAA shall perform all of the administrative functions necessary to implement this Article, which functions shall include: rule-making, dissemination of information to the public, distribution and receipt of applications for scholarship loans, and the functions necessary for the execution, payment, and enforcement of promissory notes required under this Article.

SECTION 9.9.(b) This section applies to all scholarship loans awarded or renewed on or after July 1, 2006.
Recommended Allocations for Research and Jobs

In response to the Board’s request of $19,318,697 for Research and Jobs, the General Assembly appropriated $9,500,000 in recurring funds and $1,300,000 in nonrecurring funds for the following items:

Biomanufacturing Research Institute & Technology Enterprise (BRITE) Operating Funds
The General Assembly fully funded the Board’s request of $2,500,000 for the Biomanufacturing Research Institute & Technology Enterprise at NCCU. Funds will be used to enhance programmatic activities, including hiring faculty and staff, program development, and equipment purchases. It is recommended that these funds be allocated to North Carolina Central University, Academic Affairs.

Biomanufacturing Training and Education Center (BTEC)
The General Assembly fully funded the Board’s request of $2,000,000 for the Biomanufacturing Training and Education Center at NCSU. Funds will be used for operating support, the development of curriculum, and for the procurement of equipment. It is recommended that these funds be allocated to North Carolina State University.

Research Campus at Kannapolis
The General Assembly fully funded the Board’s request of $6,000,000 ($5,000,000 – recurring and $1,000,000 – nonrecurring) for the Research Campus at Kannapolis. This project is a public private partnership between the State of North Carolina, including several UNC institutions, and Mr. David Murdock and his companies (Dole Foods and Castle & Cooke, Inc.). It is recommended that consistent with the related special provision below, these funds be allocated to a reserve account within UNC-General Administration, Institutional Programs and that the President be authorized to make further allocations upon entering into a Memorandum of Understanding.

NORTH CAROLINA RESEARCH CAMPUS AT KANNAPOLIS

SECTION 9.14.(a) The Director of the Office of State Budget and Management shall not release funds appropriated in this act to the Board of Governors of The University of North Carolina for the North Carolina Research Campus (NCRC) at Kannapolis until the President of The University of North Carolina certifies to the Director that The University System and the developers of NCRC have entered into a Memorandum of Understanding concerning the participation in and use of space at the North Carolina Research Campus that is approved by the President.

SECTION 9.14.(b) The Director of the Office of State Budget and Management shall not release funds appropriated in this act to the North Carolina Community Colleges System Office for the North Carolina Research Campus (NCRC) at Kannapolis until the President of the North Carolina Community College System certifies to the Director that the Community College System and the developers of NCRC have entered into a Memorandum of Understanding concerning the participation in and use of space at the North Carolina Research Campus that is approved by the President.
North Carolina Engineering Technology Center
The General Assembly appropriated $300,000 in nonrecurring funds for the N.C. Engineering Technology Center. These funds will be used to help establish the Center and support the use of two adjoining buildings for the development of engineering technology programs. It is recommended that these funds be allocated to a reserve account within UNC-General Administration, Institutional Programs and that the President be authorized to make further allocations based on legislative intent.

Recommended Allocation for Focused Growth and Special Needs Institutions

In response to the Board's request of $10,000,000 for increased funding for the seven focused growth institutions (ECSU, FSU, NCA&T, NCCU, UNCP, WCU and WSSU) and the two special needs institutions (NCSA and UNCA), the General Assembly provided $2,000,000 in nonrecurring funds. As stated in the Joint Conference Committee Report, the focused growth funding is to be divided equally among those institutions. The remaining funds of $1,000,000 will be allocated to North Carolina School of the Arts ($453,334), UNC Asheville ($453,334), and North Carolina School of Science and Mathematics ($93,332) as was also designated in the Conference Report.

It is recommended that the funds be allocated as follows.

<table>
<thead>
<tr>
<th>Focused Growth Institutions</th>
<th>Nonrecurring Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elizabeth City State University</td>
<td>$142,857</td>
</tr>
<tr>
<td>Fayetteville State University</td>
<td>142,857</td>
</tr>
<tr>
<td>North Carolina A &amp; T State University</td>
<td>142,857</td>
</tr>
<tr>
<td>North Carolina Central University</td>
<td>142,857</td>
</tr>
<tr>
<td>UNC Pembroke</td>
<td>142,857</td>
</tr>
<tr>
<td>Western Carolina University</td>
<td>142,858</td>
</tr>
<tr>
<td>Winston-Salem State University</td>
<td>142,857</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>1,000,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Special Needs Institutions</th>
<th>Nonrecurring Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Carolina School of the Arts</td>
<td>$453,334</td>
</tr>
<tr>
<td>UNC Asheville</td>
<td>453,334</td>
</tr>
<tr>
<td>N.C. School of Science &amp; Mathematics</td>
<td>93,332</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>1,000,000</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,000,000</strong></td>
</tr>
</tbody>
</table>

There were no appropriations in response to the Board's request for Expanding Summer School or Enhancing Recruitment of Outstanding Graduate Students.
Matching Funds/Other Programs

Matching Funds – NCA&T Agricultural Programs
The General Assembly appropriated $614,847 for NCA&T Matching Funds for Agricultural Programs. These funds will achieve the current federal requirement of one-hundred percent matching money from the state. It is recommended that these funds be allocated to North Carolina A&T State University.

Judicial College
The General Assembly fully funded the Board’s request for $750,000 for the Judicial College at UNC-Chapel Hill. These funds will provide training and continuing education for judicial officials in North Carolina. It is recommended that these funds be allocated to UNC-Chapel Hill, Academic Affairs.

North Carolina in the World Project – NCCIU
In response to the Board’s request for $200,000 for the North Carolina Center for International Understanding’s project, “North Carolina in the World: A Plan to Increase Student Knowledge and Skills about the World,” the General Assembly appropriated $200,000 in nonrecurring funds. It is recommended that these funds be allocated to UNC-General Administration, Operating.

The General Assembly also enacted the following special provision requiring a report on the activities and accomplishments achieved with the $200,000 nonrecurring funds.

NORTH CAROLINA IN THE WORLD PROJECT
SECTION 9.3. In collaboration with the State Board of Education and the Department of Commerce, the NC Center for International Understanding shall develop a plan to ensure that public K-12 international education efforts such as teacher and student exchanges, curriculum development, and other initiatives for students, teachers, and administrators are focused on key countries and regions of strategic economic interest to North Carolina. The North Carolina Center for International Understanding shall report to the Office of State Budget and Management and the Joint Legislative Education Oversight Committee on the activities and accomplishments of the two hundred thousand dollar ($200,000) nonrecurring appropriation for North Carolina in the World Project no later than March 31, 2007.

There were no appropriations in response to the Board’s request of $32,725,000 for Improvements to Information Technology.

Base Budget Adjustments
The General Assembly made several base budget adjustments as shown below.

Building Reserves Adjustment – ($9,595,070)
Adjusts the building reserves for operating costs of new buildings due to a change in the completion dates. This change in reserves also grants additional one-time funds to campuses for supplies, equipment, and moving costs for buildings that opened in FY 2005-06, but were inadvertently cut in the 2005 Session.
NCA&T Inflationary Increases – $163,277
Restores inflationary increases for library book acquisition ($145,491) and utilities ($17,786) that were left out of the base budget submitted by the Governor in the 2005 Session.

NCSSM Textbook Increase – $52,250
Increases the budget for textbooks for the North Carolina School of Science and Mathematics. The school failed to request an increase in the 2005 Session that was sufficient to fund the increase in textbook prices.

No Board action is required since these legislative changes are made in the continuation budgets.

Special Appropriations for University Operations

Several special appropriations in 2006-07 to the Board of Governors totaling $14,188,474 were directed to program areas not included in the Board’s Budget Priorities. These appropriations, recommended allocations, and related special provisions follow.

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
<th>R/NR</th>
<th>Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospective Teacher Scholarship Loan</td>
<td>$1,000,000</td>
<td>R</td>
<td>UNC-GA., Related Educ. Prog.</td>
</tr>
<tr>
<td>N.C. Teacher Academy – Training of 21st Century Literacy Coaches</td>
<td>1,000,000</td>
<td>NR</td>
<td>UNC-GA, Operating</td>
</tr>
<tr>
<td>Hunt Institute</td>
<td>500,000</td>
<td>NR</td>
<td>UNC-GA, Operating</td>
</tr>
<tr>
<td>A+ Schools</td>
<td>100,000</td>
<td>NR</td>
<td>UNC Greensboro</td>
</tr>
<tr>
<td>Expand Future Teachers of N. C. Scholarship Loan Program</td>
<td>325,000</td>
<td>R</td>
<td>UNC-GA., Related Educ. Prog.</td>
</tr>
<tr>
<td>AHEC Program for Psychiatrist Recruitment</td>
<td>500,000</td>
<td>R</td>
<td>UNC-Chapel Hill, AHEC</td>
</tr>
<tr>
<td>Aid to Private Colleges (see details on p. 17)</td>
<td>7,765,125</td>
<td>R</td>
<td>UNC-GA., Related Educ. Prog.</td>
</tr>
<tr>
<td>NC LIVE for Private Colleges (see details on p. 17)</td>
<td>250,000</td>
<td>NR</td>
<td>UNC-GA, Institutional Programs</td>
</tr>
<tr>
<td>TEACCH</td>
<td>348,349</td>
<td>R</td>
<td>UNC-Chapel Hill, Health Affairs</td>
</tr>
<tr>
<td>Perinatal Care Network</td>
<td>75,000</td>
<td>NR</td>
<td>UNC-Chapel Hill, Health Affairs</td>
</tr>
<tr>
<td>Statewide Program for Infection Control and Epidemiology (SPICE)</td>
<td>450,000</td>
<td>NR</td>
<td>UNC-Chapel Hill, Health Affairs</td>
</tr>
<tr>
<td>Institute of Medicine</td>
<td>375,000</td>
<td>NR</td>
<td>UNC-Chapel Hill, Health Affairs</td>
</tr>
<tr>
<td>Family House</td>
<td>1,000,000</td>
<td>NR</td>
<td>UNC-GA, Operating</td>
</tr>
<tr>
<td>Center for Universal Design</td>
<td>300,000</td>
<td>NR</td>
<td>NCSU, Academic Affairs</td>
</tr>
<tr>
<td>N. C. Progress Board (see spec. prov. below)</td>
<td>200,000</td>
<td>NR</td>
<td>UNC-GA, Operating</td>
</tr>
</tbody>
</table>

R = recurring / NR = nonrecurring

PROGRESS BOARD FUNDS MUST BE MATCHED

SECTION 9.18. Expansion budget funds appropriated to the Board of Governors of The University of North Carolina in this act for the North Carolina Progress Board shall be matched by funds from private sources on the basis of one dollar ($1.00) of private funds for every one dollar ($1.00) of State funds. Unmatched expansion budget funds shall revert to the General Fund at the end of the 2006-2007 fiscal year.
Related Educational Programs

The General Assembly increased appropriations for Aid to Students Attending Private Colleges and Universities by $7,765,125 on a recurring basis as outlined in the Conference Report. These funds:

- provide for an increase in the Legislative Tuition Grant from $1,800 to $1,900 for each full-time North Carolina undergraduate student ($3,149,000)

- increase the need-based State Contractual Scholarship Program from $1,150 to $1,250 per full-time equivalent North Carolina undergraduate student ($3,116,125)

- expand the Legislative Tuition Grant and the State Contractual Scholarship Fund to include part-time students that are lateral entry teachers or are nurses seeking additional certification ($1,500,000)

It is recommended that these funds be allocated to UNC-General Administration, Related Educational Programs, to be administered by the State Education Assistance Authority.

As previously noted in the Special Appropriations section on page 16, the General Assembly appropriated $250,000 in nonrecurring funds to NC LIVE for Private Colleges to fund a portion of the costs charged to private colleges for their participation in the North Carolina Libraries for Virtual Education (NC LIVE). Through agreement with North Carolina Independent Colleges and Universities, it is recommended that these funds be allocated to UNC-GA, Institutional Programs to be administered by North Carolina State University.

MANAGEMENT FLEXIBILITY TO REORGANIZE BUDGET CODE 16012 UNC BOARD OF GOVERNORS RELATED EDUCATIONAL PROGRAMS

SECTION 9.7. Notwithstanding G.S. 143-23, for the 2006-2007 fiscal year, the General Administration of The University of North Carolina and the State Educational Assistance Authority shall, with the approval of the Office of State Budget and Management, reorganize budget code 16012, UNC Board of Governors Related Educational Programs, so that the budget reflects and segregates each specific program individually. The Office of State Budget and Management shall work with The University of North Carolina General Administration and the State Educational Assistance Authority to ensure that each program represented in code 16012 is identified and budgeted separately.

UNC BOARD OF GOVERNORS MEDICAL AND DENTAL SCHOLARSHIPS

SECTION 9.10. (a) Section 9.9(a) of S.L. 2005-276 reads as rewritten:

"SECTION 9.9.(a) The current Board of Governors' Dental Scholarship Program, under the purview of the Board of Governors of The University of North Carolina, shall make any awards to students admitted after July 1, 2005, as scholarship loan awards. The Board of Governors' Dental Scholarship Program is administered by the Board of Governors of The University of North Carolina. The Board of Governors' Dental Scholarship Program shall be used to provide a four-year scholarship loan of relevant tuition and fees, mandatory medical insurance, required laptop computers for first-year students, required dental equipment, and an annual payment of five thousand dollars ($5,000) per year to students who have been accepted for admission to the School of Dentistry at the University of North Carolina at Chapel Hill. The Board may adopt standards, including minimum grade point average and DAT scores, for awarding these scholarship loans to ensure that only the most qualified students receive them. The Board shall make an effort to identify and encourage minority and economically disadvantaged youth to enter the program. All scholarship
loans shall be evidenced by notes made payable to the Board that shall bear interest at the rate of ten percent (10%) per year beginning September 1 after completion of the program, or immediately after termination of the scholarship loan, whichever is earlier. The scholarship loan may be terminated by the recipient withdrawing from school or by the recipient not meeting the standards set by the Board. The Board shall forgive the loan if, within seven years after graduation, the recipient practices dentistry in North Carolina for four years. An extension of the seven-year period for satisfaction of the service requirements for the scholarship loan may be granted subject to the approval of the State Education Assistance Authority. Such extenuating circumstances may include, but not be limited to, participation in a dental residency program. The Board shall also forgive the loan if it finds that it is impossible for the recipient to practice dentistry in North Carolina for four years, within seven years after graduation, because of the death or permanent disability of the recipient. All unused funds appropriated to or otherwise received by the Board for scholarships, all funds received as repayment of scholarship loans, and all interest earned on these funds shall revert to the General Fund at the end of each fiscal year."

SECTION 9.10.(b) Section 9.10(a) of S.L. 2005-276 reads as rewritten:

"SECTION 9.10.(a) The current Board of Governors' Medical Scholarship Program, under the purview of the Board of Governors of The University of North Carolina, shall make any awards to students admitted after July 1, 2005, as scholarship loan awards. The Board of Governors' Medical Scholarship Program is administered by the Board of Governors of The University of North Carolina. The Board of Governors' Medical Scholarship Program shall be used to provide a four-year scholarship loan of relevant tuition and fees, mandatory medical insurance, required laptop computers, and an annual payment of five thousand dollars ($5,000) per year to students who have been accepted for admission to either Duke University School of Medicine, Brody School of Medicine at East Carolina University, the University of North Carolina at Chapel Hill School of Medicine, or the Wake Forest University School of Medicine. The Board may adopt standards, including minimum grade point average and MCAT scores, for awarding these scholarship loans to ensure that only the most qualified students receive them. The Board shall make an effort to identify and encourage minority and economically disadvantaged youth to enter the program. All scholarship loans shall be evidenced by notes made payable to the Board that shall bear interest at the rate of ten percent (10%) per year beginning September 1 after completion of the program, or immediately after termination of the scholarship loan, whichever is earlier. The scholarship loan may be terminated by the recipient withdrawing from school or by the recipient not meeting the standards set by the Board. The Board shall forgive the loan if, within seven years after graduation, the recipient practices medicine in North Carolina for four years. An extension of the seven-year period for satisfaction of the service requirements of the scholarship loan may be granted subject to the approval of the State Education Assistance Authority. Such extenuating circumstances may include, but not be limited to, participation in a medical residency program. The Board shall also forgive the loan if it finds that it is impossible for the recipient to practice medicine in North Carolina for four years, within seven years after graduation, because of the death or permanent disability of the recipient. All unused funds appropriated to or otherwise received by the Board for scholarships, all funds received as repayment of scholarship loans, and all interest earned on these funds shall revert to the General Fund at the end of each fiscal year."

SECTION 9.10.(c) This section is effective when it becomes law and applies to all scholarship loans issued after July 1, 2005.
Appropriations Made to Other State Agencies for the Benefit of The University of North Carolina

The Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets identifies appropriations to other State agencies for The University and its programs as follows:

Department of Administration

Expand HUB Contractor Academies
The Board of Governors requested $400,000 to continue to expand the HUB Contractor Academy program. The General Assembly appropriated $400,000 ($72,536 – recurring and $277,464 – nonrecurring) to the Department of Administration to provide funding for an Engineer and the costs associated with the training expenses for the HUB Contractor Academy program. HUB Academies provide opportunities for minority contractors to learn strategies for successful participation in public construction projects. Senate Bill 1741 also contained the related special provision below.

HUB CONTRACTOR ACADEMY PROGRAM SPACE
SECTION 17.3. For the 2006-2007 fiscal year the Department of Administration shall work in conjunction with The University of North Carolina System for the continued provision of space for the HUB Contractor Academy Program to conduct training sessions. The Department of Administration shall determine whether the HUB academies should continue to hold training sessions in facilities provided by The University of North Carolina System or seek other sites for this purpose for the 2007-2008 fiscal year and future years.

Department of Public Instruction

Learn & Earn
The General Assembly appropriated $1,433,360 in nonrecurring funds to the Department of Public Instruction to expand the Learn and Earn initiative into an additional 19 high schools and provide planning grants to 20 additional high schools. The related special provision in Senate Bill 1741 follows:

LEARN AND EARN HIGH SCHOOLS
SECTION 7.11. Section 7.32 of S.L. 2005-276 is amended by adding the following new subsections:

"SECTION 7.32.(e) Enrollment fees and tuition for The University of North Carolina courses in which Learn and Earn students are enrolled are allowable uses of these funds. Tuition costs may include laboratory fees assessed to all students enrolled in the course or a similar course.
SECTION 7.32.(f) Textbooks required for college courses in which Learn and Earn students are enrolled may be purchased with these funds.
SECTION 7.32.(g) Payment of fees from these funds by local school administrative units to partnering community colleges and universities are restricted to technology or course fees. Funds appropriated in this act shall not be used to support the cost of athletic or other student activity or campus fees not required by enrollment in a specific course.
SECTION 7.32.(h) The State Board of Education shall allot funds for university enrollment, tuition and fees, and textbooks on the basis of and after verification of the credit hour enrollment of Learn and Earn students in university courses. The State Board of Education shall allot funds for community college fees and textbooks on the basis of and after verification of the credit hour enrollment of Learn and Earn students in community college courses."

Transfers in Continuation Budgets by the 2006 Session

The Appropriations Act of 2006 enacted the following special provisions related to transfers between UNC and other state agencies.

A+ SCHOOLS – BUDGET TECHNICAL CORRECTION

SECTION 9.3A. Recurring funds in the amount of one hundred thousand dollars ($100,000) appropriated to the Department of Public Instruction for the 2006-2007 fiscal year in S.L. 2005-276 as pass-through funds for A+ Schools shall be transferred to the Board of Governors of The University of North Carolina to provide pass-through funds for A+ Schools for the same purpose of providing support for the program that assists schools in implementing comprehensive school reform by integrating arts into the curriculum.

TEACHER ACADEMY TRANSFER

SECTION 9.17.(a) G.S. 116-11(12b) reads as rewritten:
"(12b) The Board of Governors of The University of North Carolina shall create a Board of Directors for designate the UNC programs that will comprise the UNC Center for School Leadership Development. The Board of Governors shall determine the powers and duties of the Board of Directors. The Board of Governors shall submit to the Governor and the General Assembly a single, unified recommended budget for the continued operation and expansion of the programs in the Center for School Leadership Development."

SECTION 9.17.(b) For fiscal year 2006-2007, all funds appropriated to The University of North Carolina for the operations of the Principal's Executive Program, the Principal Fellows Program, NC TEACH, the Model Teacher Education Consortium, and the Math Science Education Network shall be combined into a single appropriation for the Center for School Leadership Development; provided that no funds which have been designated for scholarships, scholarship loans, or stipends for teachers or school administrators may be used for an administrative purpose.

SECTION 9.17.(c) G.S. 116-30.01 is recodified as G.S. 115C-296.4 and reads as rewritten:
"§ 115C-296.4. North Carolina Teacher Academy Board of Trustees.

(a) The North Carolina Teacher Academy Board of Trustees shall establish a statewide network of high quality, integrated, comprehensive, collaborative, and substantial professional development for teachers, which shall be provided through summer programs. This network shall include professional development programs that focus on teaching strategies for teachers assigned to at-risk schools.

(b) The Board of Governors of The University of North Carolina shall delegate to the Board of Trustees all the powers and duties the Board of Governors considers necessary or appropriate for the effective discharge of the functions of the North Carolina Teacher Academy.

(c) The Board of Trustees shall consist of 20 members appointed as follows:

(1) The Superintendent of Public Instruction or the Superintendent's designee;
(2) One member of the State Board of Education appointed by the Chair of the State Board;
(3) One member of the Board of Governors of The University of North Carolina appointed by the Chair of the Board of Governors;
(4) The Director of the North Carolina Center for the Advancement of Teaching;
(5) Two deans of Schools of One dean of a School of Education from one of the constituent institutions, appointed by the President of The University of North Carolina, Governor;
(6) Four public school teachers appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, one of whom teaches in preschool through grade 2, one of whom
teaches in grades 3 through 5, one of whom teaches in grades 6 through 8, and one of whom teaches on grades 9 through 12;

(7) Four public school teachers appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, one of whom teaches in preschool through grade 2, one of whom teaches in grades 3 through 5, one of whom teaches in grades 6 through 8, and one of whom teaches on grades 9 through 12;

(8) Two public school teachers appointed by the Governor;

(9) One superintendent of a local school administrative unit appointed by the Governor;

(10) Two public school principals appointed by the Governor; and

(11) The President of the North Carolina Association of Independent Colleges and Universities, or a designee.

(12) Two at-large members appointed by the Governor.

(d) Members appointed prior to September 1, 1995, shall serve until June 30, 1997, except that the terms of members appointed pursuant to subdivisions (6) and (7) of subsection (d) of this section shall expire June 30, 1995. Subsequent appointments shall be for four-year terms, except that two of the members appointed by the 1995 General Assembly pursuant to subdivision (6) of subsection (d) of this section and two of the members appointed by the 1995 General Assembly pursuant to subdivision (7) of subsection (d) of this section shall serve for two-year terms. The two new members under subdivision (c)(12) of this section shall serve initial terms beginning January 1, 2007, and ending June 30, 2010. The additional member appointed under subdivision (c)(8) of this section shall serve a term beginning January 1, 2007, and ending June 30, 2010. The designation of two deans serving under subdivision (c)(5) of this section shall expire December 31, 2006, and the Governor shall make a new appointment under that subdivision for a term beginning January 1, 2007, and ending June 30, 2010.

Members may serve two consecutive four-year terms.

Legislative appointments shall be made in accordance with G.S. 120-121. A vacancy in a legislative appointment shall be filled in accordance with G.S. 120-122.

The Board of Trustees shall elect a new chair every two years from its membership. The chair may serve two consecutive two-year terms as chair.

(e) The chief administrative officer of the Teacher Academy shall be an executive director appointed by the Board of Trustees.

(f) The Board of trustees shall collaborate and coordinate its programming with NCCAT [North Carolina Center for the Advancement of Teaching].

SECTION 9.17.(d) The North Carolina Teacher Academy and all resources, assets, liabilities, operations, and personnel are transferred and shall be located administratively under the State Board of Education but shall exercise its powers and duties independently of the State Board of Education through its own board of trustees. This transfer shall have all of the elements of a Type II transfer, as that term is defined in G.S. 143A-6(b). Where a conflict arises regarding the transfer, the conflict shall be resolved by the Governor, and the decision of the Governor shall be final.

SECTION 9.17.(e) G.S. 126-5 (c1) is amended by adding a new subdivision to read:

"(26) The Executive Director, associate and assistant directors, and instructional staff of the North Carolina Teacher Academy."
Other Budget-Related Special Provisions

The following special provision from Senate Bill 1741 (S.L. 2006-66) allows NCSSM to become a constituent institution of the University of North Carolina, effective July 1, 2007.

NC SCHOOL OF SCIENCE AND MATH/HIGH SCHOOL CONSTITUENT INSTITUTION

SECTION 9.11.(a) G.S. 116-2 reads as rewritten:
As used in this Article, unless the context clearly indicates a contrary intent:
(1) "Board" means the Board of Governors of the University of North Carolina.
(2) "Board of trustees" means the board of trustees of a constituent institution.
(3) "Chancellor" means the chancellor of a constituent institution.
(4) "Constituent institution" or "institution" means one of the 16 public senior institutions, institutions of higher education, to wit, the University of North Carolina at Chapel Hill, North Carolina State University at Raleigh, the University of North Carolina at Greensboro, the University of North Carolina at Charlotte, the University of North Carolina at Asheville, the University of North Carolina at Wilmington, Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina School of the Arts, Pembroke State University, redesignated effective July 1, 1996, as the "University of North Carolina at Pembroke", Western Carolina University, and Winston-Salem State University. University, and the constituent high school, the North Carolina School of Science and Mathematics.
(5) "President" means the President of the University of North Carolina.
(6) "Vending facilities" has the same meaning as it does in G.S. 143-12.1."

SECTION 9.11.(b) G.S. 116-4 reads as rewritten:
"§ 116-4. Constituent institutions of the University of North Carolina.
On July 1, 1972, the University of North Carolina shall be composed of the following institutions: institutions of higher education. to wit, the University of North Carolina at Chapel Hill, North Carolina State University at Raleigh, the University of North Carolina at Greensboro, the University of North Carolina at Charlotte, the University of North Carolina at Asheville, the University of North Carolina at Wilmington, Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina School of the Arts, Pembroke State University, redesignated effective July 1, 1996, as the "University of North Carolina at Pembroke", Western Carolina University, and Winston-Salem State University. University, and the constituent high school, the North Carolina School of Science and Mathematics."

SECTION 9.11.(c) G.S. 116-12 reads as rewritten:
"§ 116-12. Property and obligations.
All property of whatsoever kind and all rights and privileges held by the Board of Higher Education and by the Boards of Trustees of Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina School of the Arts, Pembroke State University, redesignated effective July 1, 1996, as the "University of North Carolina at Pembroke", Western Carolina University and Winston-Salem State University, as said property, rights and privileges may exist immediately prior to July 1, 1972, shall be, and hereby are, effective July 1, 1972, transferred to and vested in the Board of Governors of the University of North Carolina. All obligations of whatsoever kind of the Board of Higher Education and of the Boards of Trustees of Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina School of the Arts, Pembroke State University, redesignated effective July 1, 1996, as the "University of North Carolina at Pembroke", Western Carolina University and
Winston-Salem State University, as said obligations may exist immediately prior to July 1, 1972, shall be, and the same hereby are, effective July 1, 1972, transferred to and assumed by the Board of Governors of the University of North Carolina. Any property, real or personal, held immediately prior to July 1, 1972, by a board of trustees of a constituent institution for the benefit of that institution or by the University of North Carolina for the benefit of any one or more of its six institutions, shall from and after July 1, 1972, be kept separate and distinct from other property held by the Board of Governors, shall continue to be held for the benefit of the institution or institutions that were previously the beneficiaries and shall continue to be held subject to the provisions of the respective instruments, grants or other means or process by which any property right was acquired. All property of whatsoever kind and all rights and privileges held by the Board of Trustees of the North Carolina School of Science and Mathematics, as said property, rights and privileges may exist immediately prior to July 1, 2007, shall be and hereby are, effective July 1, 2007, transferred to and vested in the Board of Governors of The University of North Carolina. All obligations of whatsoever kind of the Board of Trustees of the North Carolina School of Science and Mathematics as said obligations may exist immediately prior to July 1, 2007, shall be, and the same hereby are, effective July 1, 2007, transferred to and assumed by the Board of Governors of The University of North Carolina. In case a conflict arises as to which property, rights or privileges were held for the beneficial interest of a particular institution, or as to the extent to which such property, rights or privileges were so held, the Board of Governors shall determine the issue, and the determination of the Board shall constitute final administrative action. Nothing in this Article shall be deemed to increase or diminish the income, other revenue or specific property which is pledged, or otherwise hypothecated, for the security or liquidation of any obligations, it being the intent that the Board of Governors shall assume said obligations without thereby either enlarging or diminishing the rights of the holders thereof.

SECTION 9.11.(d) G.S. 116-17 reads as rewritten:
"§ 116-17. Purchase of annuity or retirement income contracts for faculty members, officers and employees.

Notwithstanding any provision of law relating to salaries and/or salary schedules for the pay of faculty members, administrative officers, or any other employees of universities, colleges, constituent institutions, and other institutions of higher learning as named and set forth in this Article, and other State agencies qualified as educational institutions under section 501(c)(3) of the United States Internal Revenue Code, the governing boards of any such universities, colleges, constituent institutions, and other institutions of higher learning may authorize the business officer or agent of same to enter into annual contracts with any of the faculty members, administrative officers and employees of said institutions of higher learning which provide for a reduction in salary below the total established compensation or salary schedule for a term of one year. The financial officer or agent shall use the funds derived from the reduction in the salary of the faculty member, administrative officer or employee to purchase a nonforfeitable annuity or retirement income contract for the benefit of said faculty member, administrative officer or employee of said universities, colleges and institutions of higher learning, A faculty member, administrative officer or employee who has agreed to a salary reduction for this purpose shall not have the right to receive the amount of the salary reduction in cash or in any other way except the annuity or retirement income contract. Funds used for the purchase of an annuity or retirement income contract shall not be in lieu of any amount earned by the faculty member, administrative officer or employee before his election for a salary reduction has become effective. The agreement for salary reductions referred to herein shall be effected under any necessary regulations and procedures adopted by the various governing boards of the various institutions of higher learning and on forms prepared by said governing boards. Notwithstanding any other provision of this section or law, the amount by which the salary of any faculty member, administrative officer or employee is reduced pursuant to this section shall not be excluded, but shall be included, in computing and making payroll deductions for social security and retirement system purposes, and in computing and providing matching funds for retirement system purposes.

In lieu of the annuity and related contracts provided for under this section, interests in custodial accounts pursuant to Section 401(f), Section 403(b)(7), and related sections of the Internal Revenue Code of 1986 as amended may be purchased for the benefit of qualified employees under this section with the funds derived from the reduction in the salaries of such employees."
SECTION 9.11.(e) The catch line of G.S. 116-30.2 reads as rewritten:

"§ 116-30.2. Appropriations to special responsibility constituent institutions and to the North Carolina School of Science and Mathematics.

SECTION 9.11.(f) G.S. 116-30.2(b) is repealed.

SECTION 9.11.(g) G.S. 116-31(d) reads as rewritten:

"(d) Effective—Except as provided in G.S. 116-65, effective July 1, 1973, each of the 16 constituent institutions of higher education set out in G.S. 116-2(d) shall have board of trustees composed of 13 persons chosen as follows:

1. Eight elected by the Board of Governors,
2. Four appointed by the Governor, and
3. The president of the student government ex officio.

The Board of Trustees of the North Carolina School of Science and Mathematics shall be established in accordance with G.S. 116-233."

SECTION 9.11.(h) G.S. 116-40.22(c) reads as rewritten:

"(c) Tuition and Fees. — Notwithstanding any provision in Chapter 116 of the General Statutes to the contrary, in addition to any tuition and fees set by the Board of Governors pursuant to G.S. 116-11(7), the Board of Trustees of the institution may recommend to the Board of Governors tuition and fees for program-specific and institution-specific needs at that institution without regard to whether an emergency situation exists and not inconsistent with the actions of the General Assembly. The institution shall retain any tuition and fees set pursuant to this subsection for use by the institution. Notwithstanding this subsection, neither the Board of Governors of The University of North Carolina nor its Board of Trustees shall impose any tuition or mandatory fee at the North Carolina School of Science and Mathematics without the approval of the General Assembly."

SECTION 9.11.(i) G.S. 116-143 reads as rewritten:

"§ 116-143. State-supported institutions of higher education required to charge tuition and fees.

The Board of Governors of the The University of North Carolina shall fix the tuition and fees, not inconsistent with actions of the General Assembly, at the institutions of higher education enumerated in G.S. 116-4 in such amount or amounts as it may deem best, taking into consideration the nature of each institution and program of study and the cost of equipment and maintenance; and each institution shall charge and collect from each student, at the beginning of each semester or quarter, tuition, fees, and an amount sufficient to pay other expenses for the term.

In the event that said students are unable to pay the cost of tuition and required academic fees as the same may become due, in cash, the said several boards of trustees are hereby authorized and empowered, in their discretion, to accept the obligation of the student or students together with such collateral or security as they may deem necessary and proper, it being the purpose of this Article that all students in State institutions of higher learning shall be required to pay tuition, and that free tuition is hereby abolished. Notwithstanding this section, neither the Board of Governors of The University of North Carolina nor its Board of Trustees shall impose any tuition or mandatory fee at the North Carolina School of Science and Mathematics without the approval of the General Assembly.

Inasmuch as the giving of tuition and fee waivers, or especially reduced rates, represent in effect a variety of scholarship awards, the said practice is hereby prohibited except when expressly authorized by statute or by the Board of Governors of the The University of North Carolina; and, furthermore, it is hereby directed and required that all budgeted funds expended for scholarships of any type must be clearly identified in budget reports.

Notwithstanding the above provision relating to the abolition of free tuition, the Board of Governors of the The University of North Carolina may, in its discretion, provide regulations under which a full-time faculty member of the rank of full-time instructor or above, and any full-time staff member of the The University of North Carolina may during the period of normal employment enroll for not more than one course per semester in the The University of North Carolina free of charge for tuition, provided such enrollment does not interfere with normal employment obligations and further provided that such enrollments are not counted for the purpose of receiving general fund appropriations."

SECTION 9.11.(j) G.S. 116-230.1 reads as rewritten:

"§ 116-230.1. Policy.
It is hereby declared to be the policy of the State to foster, encourage, promote, and provide assistance in the development of skills and careers in science and mathematics among the people of the State.

SECTION 9.11.(k) G.S. 116-231 reads as rewritten:

"§ 116-231. Reestablishment of the North Carolina School of Science and Mathematics as an Affiliated School Constituent High School of The University of North Carolina.

The North Carolina School of Science and Mathematics is hereby reestablished, as an affiliated constituent high school of The University of North Carolina, and shall be governed by the Board of Governors as prescribed in this Chapter and a Board of Trustees as prescribed in this Article."

SECTION 9.11.(l) G.S. 116-232 reads as rewritten:


The purposes of the School shall be to foster the educational development of North Carolina high school students who are academically talented in the areas of science and mathematics and show promise of exceptional development and global leadership through participation in a residential educational setting emphasizing instruction in the areas of science and mathematics; to develop, evaluate, and disseminate experimental instructional programs; and to serve all schools of the State through research and outreach activities and to provide instruction, methods, and curricula designed to improve teaching and learning in North Carolina and the nation with an emphasis on distance education and programs that expand pathways for students into careers in science and mathematics."

SECTION 9.11.(m) The introductory language of G.S. 116-233(a) reads as rewritten:

"(a) Notwithstanding the provisions of G.S. 116-31(d), there shall be a Board of Trustees of the School, which shall consist of 27 members as follows:"

..."
campus other than for the purpose of purchasing merchandise from campus stores. It is the intent of this subdivision that campus stores be established and operated for the purpose of assuring the availability of merchandise described in this Article for sale to persons enumerated herein and not for the purpose of competing with stores operated in the communities surrounding the campuses of the University of North Carolina.

SECTION 9.11.(x) G.S. 66-58(g) is repealed.

SECTION 9.11.(y) G.S. 126-5(c1)(8) reads as rewritten:
"(c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions of this Chapter shall not apply to:

... (8) Instructional and research staff, physicians, and dentists of The University of North Carolina, including the faculty of the North Carolina School of Science and Mathematics.
...

SECTION 9.11.(z) G.S. 126-5(c1)(11) is repealed.

SECTION 9.11.(aa) RESERVED

SECTION 9.11.(bb) RESERVED

SECTION 9.11.(cc) G.S. 143-597(a) is amended by adding a new subdivision to read:
"(7) The North Carolina School of Science and Mathematics."

SECTION 9.11.(dd) This section becomes effective July 1, 2007.

In addition to the special provisions in the Budget Appropriations Act (Senate Bill 1741) which were previously cited, the following are noted for information. No Board actions are required.

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Allocations of Funds – Capital Improvements

A Capital Improvements Appropriations and Authorizations

The General Assembly appropriated $139,980,000 from the General Fund for the following projects, in addition to authorizing the issuance of certificates of participation totaling $45,827,400 for the Construction of the UNC Charlotte Center City Classroom Building.

- Appalachian State University College of Education Building – Planning
- Fayetteville State University Science and Technology Complex – Planning
- NC Agricultural and Technical State University General Classroom Facility – Planning
- NC School of the Arts Library – Planning
- NC State Engineering Complex III – Construction
- UNC-Chapel Hill Genomics Science Building – Planning and Site Development
- UNC Charlotte Center City Classroom Building
- UNC-Greensboro Academic Classroom and Office Building – Planning
- UNC Hospitals at Chapel Hill – Master Facilities Plan
- UNC-Pembroke Residence Hall – Planning
- UNC-Wilmington School of Nursing – Construction
- Western Carolina University School of Health/Gerontology Building – Planning
- Winston Salem State University Student Activities Center – Planning
- Dental Schools – Planning
- Reserve for Capital Cost Overruns

B. Reserve for Repairs and Renovations

The 2006 General Assembly appropriated $222,229,189 to the Statewide Reserve for Repairs and Renovations, of which $102,225,427 (46%) was allocated by special provision to the Board of Governors. The University’s 2006 allocation for repairs and renovations has been supplemented from two sources. A settlement of legal claims against the designer and contractors involved in the mold infestation of residence halls at North Carolina Central University totaling $1,500,000 has been added to funds appropriated by the legislature. A total of $2,300,000 has been added as a transfer to ECSU, NCCU, and UNCA from a legislatively-created reserve for cost overruns as a partial offset to the designated items made in the 2006 appropriations bill.

Of the funds allocated to the Board of Governors, the General Assembly designated by special provision the following allocations:

1. Parking and road repairs and improvements at Elizabeth City State University - $1,900,000
2. Replacement and repair of steam lines and steam tunnels at North Carolina Central University - $6,400,000
3. Planning for eligible repair and renovation projects at Rhodes Hall at the University of North Carolina at Asheville - $416,000

Approved by the Board of Governors on 8/11/06
In 1994, the Board of Governors adopted a formula for the allocation of repair and renovation appropriations to the campuses. The formula takes into account the institutional mission, size, and condition of campus facilities in determining institutional allocations, with the principal responsibility for the selection of specific projects resting with the Chancellors. High priority projects that would not otherwise be funded through institutional allocations are deducted from the available funds prior to applying the formula to determine campus allocations. The Board's formula has been updated to reflect the recommendations resulting from the 2004 review of the model and uses the most recent data available.

It is recommended that the following allocations be made from the Reserve for Repairs and Renovations. It is recommended that Chancellors identify specific projects to be financed from the institutional allocations and present those projects to the President to be transmitted to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division of the Legislative Services Office for their joint review, as required by legislation.

It is further recommended that allocations to an institution may be transferred as needed among projects within that institution upon the request of the Chancellor and the approval of the President.

**Allocations Prior to Applying the Formula:**

**The University of North Carolina Center for Public Television**
- Roof replacement - Bryan Center: $600,000
- Roof Repairs - Network-wide: 75,000
- Heating, Ventilating and Air-conditioning System Replacement - Concord, Farmville: 40,000
- Elevator Repairs: 40,000
- Electrical Distribution Improvements - Bryan Center: 75,000

**The University of North Carolina-General Administration**
- Electrical Infrastructure Improvements – Connection to UNC-CH Electrical Distribution System: 244,727

**The North Carolina Arboretum**
- Improvements to Smoke Detectors/Fire Alarms: 35,000
- Replace Chiller, Install New Controls System, and Electrical Repairs – Visitor Education Center: 270,000
- Energy Conservation Measures: 55,000
- Repairs/Renovations – Visitor Education Center, Support Facilities, and Outdoor Classrooms: 110,000

**Highlands Biological Station**
- Fire Alarm System Improvements - Valentine Residence Hall, Coker Building, Biodiversity Lab, Howell Cottage, Nature Center, Weyman Dining Hall, Wright-Deacon Cottage: 81,000
- Sewer Infrastructure Replacement: 350,000

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Approved by the Board of Governors on 8/11/06
North Carolina School for the Advancement of Teaching
Boiler Replacement  $100,000

Elizabeth City State University
Parking and Road Repairs and Improvements - Supplement  720,000

North Carolina Central University
Replacement and Repair of Steam Lines and Steam Tunnels  3,484,900
Replacement and Repair of Steam Lines and Steam Tunnels - Supplement  1,300,000

The University of North Carolina at Asheville
Repair and Renovation Projects at Rhodes Hall - Supplement  280,000

North Carolina School of Science and Mathematics
Sprinklers – Residential Areas  925,000
Electronic Access System Upgrades for Student Safety  350,000
Infrastructure Repairs and Upgrades  483,500
Chilled Water System (Phase II)  455,800
Exterior and Interior Repairs – Watts Hall and Hill House  150,000
Science Lab Repairs and Upgrades  30,000

Sub-Total – Allocations Prior to Applying the Formula  10,254,927

Allocations Applying the Formula:
Appalachian State University  4,907,000
East Carolina University  10,031,200
Elizabeth City State University  2,394,300
Fayetteville State University  2,394,300
North Carolina A&T State University  4,880,700
North Carolina Central University  2,915,100
North Carolina School of the Arts  2,394,300
North Carolina State University  20,353,100
The University of North Carolina at Asheville  2,394,300
The University of North Carolina at Chapel Hill  21,496,000
The University of North Carolina at Charlotte  5,060,700
The University of North Carolina at Greensboro  5,496,600
The University of North Carolina at Pembroke  2,394,300
The University of North Carolina at Wilmington  2,971,400
Western Carolina University  3,292,900
Winston-Salem State University  2,394,300

Sub-Total – Campus Allocations  95,770,500

TOTAL ALLOCATIONS  106,025,427
C. **Nonappropriated Capital Improvements Project Authorizations**

In response to the Board’s request, the 2006 General Assembly authorized nonappropriated capital projects totaling $529,046,000. The projects are listed below.

**Appalachian State University**  
Central Dining Facility - Phase II  
$ 4,850,000

**East Carolina University**  
Mendenhall Student Center and Ledonia Wright Cultural Center - Expansion and Renovation  
39,000,000  
Todd Dining Hall - Renovation  
2,100,000  
Brody School of Medicine - Renovations  
1,200,000  
Brody School of Medicine-Health Science Campus-Renovations  
6,000,000

**Elizabeth City State University**  
Residence Hall - Heating, Ventilating and Air Conditioning Improvements  
1,500,000

**North Carolina State University**  
Derr Track - Renovation and Expansion - Phase II  
2,500,000  
Partners VI Building and Parking Deck  
40,000,000  
Centennial Campus Infrastructure  
10,000,000  
Residence Halls - Renovation - Supplement  
11,500,000  
Thompson Theater - Renovation and Expansion - Supplement  
4,500,000

**The University of North Carolina at Chapel Hill**  
Food Service Facilities - Renovation and Expansion  
3,500,000  
Science Complex - Phase II  
92,200,000  
Carmichael Auditorium - Renovation and Expansion  
15,000,000  
Research Resource Facility - Phase II  
12,400,000  
Residence Halls - Improvements  
2,000,000  
Woollen Gymnasium - Renovation  
4,500,000  
Boshamer Baseball Stadium - Improvements  
14,000,000  
Cogeneration Warehouse  
500,000  
Steam Infrastructure Improvements  
55,700,000  
Electrical Infrastructure Improvements  
29,530,000  
Bell Tower Development - Phase I  
10,000,000  
Global Education & International Studies Center - Improvements  
2,500,000  
Residence Halls - Improvements - Supplement  
2,500,000  
Botanical Garden Visitor Education Center - Supplement  
5,000,000  
Educational Foundation Office Building - Supplement  
12,000,000  
Cobb Residence Hall - Renovation - Supplement  
5,116,000  
Residence College - Phase II - Supplement  
8,000,000  
Rizzo Center - Expansion - Supplement  
5,300,000

**The University of North Carolina at Charlotte**  
Prospector Hall - Renovation - Phase II  
4,000,000  
Residence Halls - Phase IX  
38,800,000  
Student Union - Supplement  
10,000,000
The University of North Carolina at Greensboro
Residence Hall - Acquisition $ 29,500,000
Parking Deck Addition - Supplement 1,000,000

The University of North Carolina at Pembroke
University Center Expansion - Supplement 2,000,000

The University of North Carolina at Wilmington
Residence Halls - Improvements 4,900,000
University Union Building - Expansion and Renovation - Supplement 12,000,000

Western Carolina University
Residence Hall - Renovation and Expansion 1,000,000
Dodson Cafeteria Replacement - Supplement 12,250,000
New Student Recreation Center - Supplement 6,200,000

Winston-Salem State University
Residence Hall - Renovation 4,500,000

D. Other Actions by the 2006 General Assembly

REVISIONS TO UNC BOND PROGRAM PROJECTS

In response to the Board’s request, the General Assembly authorized scope changes for projects in the UNC Higher Education Bond Program on the campuses of North Carolina State University, The University of North Carolina at Chapel Hill, and Western Carolina University.

<table>
<thead>
<tr>
<th>North Carolina State University</th>
<th>Decrease</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Williams Hall Laboratory Building Comprehensive Renovation</td>
<td>$ 6,445,000</td>
<td></td>
</tr>
<tr>
<td>Polk Hall Laboratory Building Comprehensive Renovation</td>
<td></td>
<td>$ 101,362</td>
</tr>
<tr>
<td>1911 Classroom Building Comprehensive Renovation</td>
<td></td>
<td>2,663,757</td>
</tr>
<tr>
<td>Park Shops – Comprehensive Renovation and Use Conversion for General Academic Use</td>
<td></td>
<td>3,679,881</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UNC – Chapel Hill</th>
<th>Decrease</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caldwell and Howell Halls-Comprehensive Renovation of Classrooms and Lecture Halls</td>
<td>845,246</td>
<td></td>
</tr>
<tr>
<td>Hill and Davie Hall-Comprehensive Renovation of Classrooms and Lecture Halls</td>
<td>1,324,729</td>
<td></td>
</tr>
<tr>
<td>Hamilton Hall-Comprehensive Renovation of Classrooms and Lecture Halls</td>
<td></td>
<td>845,246</td>
</tr>
<tr>
<td>Greenlaw Hall-Comprehensive Renovation of Classrooms and Lecture Halls</td>
<td></td>
<td>1,324,729</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Western Carolina University</th>
<th>Decrease</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forsyth Classroom and Computer Labs Renovation</td>
<td>3,200,000</td>
<td></td>
</tr>
<tr>
<td>Stillwell Lab Building Comprehensive Renovation</td>
<td></td>
<td>3,200,000</td>
</tr>
</tbody>
</table>
REVISIONS TO PROJECTS APPROVED IN 2004

During the 2004 Session, the General Assembly authorized, in House Bill 1264 (Session Law 2004-179), the construction of UNC capital projects to be funded from certificates of participation. At the request of the Board, the 2006 General Assembly amended previous law to properly define the scope of four UNC projects. It is recommended that the constituent institutions be authorized to proceed with the projects as directed by the General Assembly. The changes are shown below.

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land acquisition, site preparation, and engineering, architectural, and other consulting services for facilities for development of services, and the construction of a research building on the joint Millennial Campus of North Carolina Agricultural and Technical State University and the University of North Carolina at Greensboro.</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Land acquisition, site preparation, and engineering, architectural, and other consulting services for an Optometry School facility services, and construction of a Nursing and Allied Health Building at the University of North Carolina at Pembroke.</td>
<td>10,000,000</td>
</tr>
<tr>
<td>To Western Carolina University for land acquisition, site preparation, and engineering, architectural, and other consulting services, and construction of a building for Western Carolina University and the Mountain Area Health Education Consortium for the North Carolina Center for Health and Aging to be operated as a consortium among Western Carolina University, the University of North Carolina at Asheville, and the Mountain Area Health Education Consortium.</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Property acquisition in Piedmont Triad Research Park for Winston-Salem State University programming related to biotechnology education and research, and land acquisition, site preparation, and engineering, architectural, and other consulting services, and construction of a Center for Design Innovation in the Piedmont Triad Research Park to be operated jointly by Winston-Salem State University and the North Carolina School of the Arts.</td>
<td>10,000,000</td>
</tr>
</tbody>
</table>

E. Delegation to Reflect Technical Amendments

It is recommended that the Vice President for Finance be delegated the authority to adjust these recommendations to reflect technical amendments to the budget if any related amendments are approved by the General Assembly. It is further recommended that the Committee on Budget and Finance be authorized to act on behalf of the Board between the August and September Board meetings should further actions by the General Assembly require Board action prior to the September meeting.

F. Additional Information

The table on the following page, General Assembly Funding - Ten Year History, a summary by institution of capital improvements appropriations from 1997 through 2006, is provided as supplementary information.

Approved by the Board of Governors on 8/11/06
August 21, 2006

Secretary Britt Cobb  
N.C. Department of Administration  
116 West Jones Street  
Raleigh, NC  26699

Dear Secretary Cobb:

On January 26, February 17, September 14, and November 9, 2005, pursuant to G.S. 142-84(a), Jeff Davies, Vice President for Finance of The University of North Carolina, certified to the Secretary of the Department of Administration the University of North Carolina’s determination that it was in the best interest of the State of North Carolina and the students of the University that special indebtedness, through the use of certificates of participation, was appropriate to finance certain capital facilities. In the correspondence, a list of approved projects was provided.

On March 8, 2005, the Council of State adopted a resolution authorizing the financing by the State of certain capital projects. We are pleased that five University projects were included in that authorization. On October 4, 2005, the Council of State added Fayetteville State University’s Southeastern North Carolina Nursing Education and Research Center to the list of authorized projects.

Additional information is now available concerning four University projects not included in previous authorizations. Please see the attached special provision included in Session Law 2006-146.

At this time, I reaffirm our certification to you of the University’s determination that it is in the best interest of the State of North Carolina and the students of the University that special indebtedness is appropriate to finance capital facilities as approved by the Board of Governors. Furthermore, I request that funds be made available as follows:

North Carolina A&T State University and the University of North Carolina at Greensboro, Research Building, $10,000,000

The University of North Carolina at Pembroke, Nursing and Allied Health Building, $10,000,000

Western Carolina University, the University of North Carolina at Asheville, and the Mountain Area Health Education Consortium, North Carolina Center for Health and Aging, $10,000,000
Winston-Salem State University and North Carolina School of the Arts, Center for Design Innovation, $10,000,000

Please call me if I can provide any additional information or answer any questions.

Sincerely,

Robert O. Nelson

Attachment

c:  Mr. Richard Moore
   Mr. Vance Holloman
   Mr. David McCoy
   Mr. Jim Lora
   President Erskine Bowles
   Chancellor Hackley, Mr. Ellis
   Chancellor Sullivan, Mr. Taylor
   Chancellor Meadors, Mr. Hawk
   Chancellor Bardo, Mr. Wooten
   Chancellor Ponder, Ms. Hunt
   Chancellor Mauceri, Mr. Burnette
   Chancellor Howard-Vital, Mr. Botley
PART II. REVISE UNIVERSITY SPECIAL INDEBTEDNESS

SECTION 2.1. Section 1.1 of S.L. 2004-179, as amended by Section 30.3A of S.L. 2005-276, reads as rewritten:

"SECTION 1.1. In accordance with G.S. 142-83, this section authorizes the issuance or incurrence of special indebtedness in the following maximum aggregate principal amounts to finance the costs of the following projects. The table below provides the maximum principal amounts. The first column is the aggregate maximum principal amount. The second column is the maximum portion of this amount that can be issued or incurred before July 1, 2005. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the cost of these projects.

<table>
<thead>
<tr>
<th>Aggregate Maximum</th>
<th>Maximum before 7/1/05</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>$180,000,000</td>
<td>$110,000,000</td>
<td>Acquiring, constructing, and equipping a new cancer rehabilitation and treatment center, a nearby physicians' office building, and a walkway between the two, all to be located at the University of North Carolina Hospitals at Chapel Hill.</td>
</tr>
<tr>
<td>60,000,000</td>
<td>30,000,000</td>
<td>Acquiring, constructing, and equipping the North Carolina Cardiovascular Diseases Institute at East Carolina University.</td>
</tr>
<tr>
<td>35,000,000</td>
<td>25,000,000</td>
<td>Acquiring, constructing, and equipping a Bioinformatics Center at the University of North Carolina at Charlotte.</td>
</tr>
<tr>
<td>28,000,000</td>
<td>25,000,000</td>
<td>Acquiring, constructing, and equipping a stand-alone facility to house the new Pharmacy School program to be located at Elizabeth City State University, and interim temporary facilities to house the program during construction of the facility.</td>
</tr>
<tr>
<td>35,000,000</td>
<td>25,000,000</td>
<td>Acquiring, constructing, and equipping a Center for Health Promotion and Partnerships at the University of North Carolina at Asheville.</td>
</tr>
<tr>
<td>10,000,000</td>
<td>10,000,000</td>
<td>Land acquisition, site preparation, engineering, architectural, and other consulting services, and construction for the Southeastern North Carolina Nursing Education and Research Center at Fayetteville State University.</td>
</tr>
</tbody>
</table>
10,000,000  10,000,000

Land acquisition, site preparation, engineering, architectural, and other consulting services for facilities for development of the services, and the construction of a research building on the joint Millennial Campus of North Carolina Agricultural and Technical State University and the University of North Carolina at Greensboro.

Land acquisition, site preparation, and engineering, architectural, and other consulting services for an Optometry School facility, and construction of a Nursing and Allied Health Building at the University of North Carolina at Pembroke.

To Western Carolina University for land acquisition, site preparation, and engineering, architectural, and other consulting services, and construction of a building for Western Carolina University and the Mountain Area Health Education Consortium for the North Carolina Center for Health and Aging to be operated as a consortium among Western Carolina University, the University of North Carolina at Asheville, and the Mountain Area Health Education Consortium.

Property acquisition in Piedmont Triad Research Park for Winston-Salem State University programming related to biotechnology education and research; and land acquisition, site preparation, and engineering, architectural, and other consulting services, and construction of a Center for Design Innovation in the Piedmont Triad Research Park to be operated jointly by Winston-Salem State University and the North Carolina School of the Arts.

TOTAL:
$388,000,000  $265,000,000"