

State	Requirements and Components of Induction Program for Beginning Teachers and LEAs	Do State dollars support the Induction Program; if so, how much money is provided?	Are Mentors Provided?	Are Mentors Paid?	Does the State have any data on the impact of its program on recruitment and retention of beginning teachers? If so, what does the data indicate?	Does the State have any plans to change the program? How? When? Why?
Maryland	Statewide program requires a program in each of the 24 districts. Monies allotted by grants to districts. Prince George's County has required induction and mentoring program for past 6 years. Serves as statewide model. Components are 5 required days of preservice, assigned full time mentors who are 11 month employees. Master teachers may be mentors.	Legislature allotted \$17 million for statewide regulation implementation. Funding provides service to approximately 25% of new teachers for mentors and training. Federal grants, (Title II) provides approximately \$2 million dollars in Prince George's County to support induction program.	Yes to all first year teachers (first year defined as first year in the Prince George's County school system.)	Yes. Mentors paid. First year teachers paid to attend 6 days of pre-service training. Varies by districts.	Some programs 14 years old. Data collected say that if a specific mentor stays with a teacher for 3 years, significant impact of retaining teacher.	Money very tight; commitment is significant to keep the induction program for this specific county in place. Some movement to push for statewide requirement but funding is doubtful.  Need almost \$34 million to fully fund complete program.
Massachusetts	No statewide program. Varies by districts.	Federal dollars from Title II grants support induction and mentoring activities.	Varies by districts.	Varies by districts.	No formal data reported.	Educator Quality Enhancement program will be beginning next year. Design still in development.
Michigan	Entry level standards are in place. Induction programs to implement standards are designed by local education agencies.	No State funding. Federal grant dollars support some programs.	Varies by districts.	No evidence of payment or range of compensation.	No formal data reported.	No evidence of change or future plans.

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Minnesota	No statewide program. Two programs operating for use by locals if chosen. Board of Teaching awards 12-15 grants of \$5,000 each for planning a mentoring effort. Second year of funding is \$15,000 from state with matching funds from locals. Second program is sponsored through the Dept of Education. Called First Year Teacher Induction through Children, Families, and Learning.	Yes. \$1 million	Yes if written in grants.	If paid, mentor receives \$1500 per year and local must match with \$1,000.	No formal data reported.	Will discuss in General Assembly session beginning in January 2002.
Mississippi	Legislatively required, but no state funds provided.	No State \$\$.	Local decision.	Local decision. Some paid supplement of about \$200.	Where mentoring programs were more structured, new teachers were retained better.	Will ask legislature for funds to support the legislation.
Missouri	Required statewide by law. Professional development for mentors and Beginning Assistance for New Teachers. Also have 9 Regional Professional Development Centers to support teachers and mentor training. Began in 1993.	Support through lottery monies. 1% required for support of professional development and mentoring of new teachers.	Yes.	Paid stipend or hourly rate. Determined by local school systems. Must have transition mentor from the university where the teacher was trained.	No formal data.	Hope is to conduct research to see if mentoring results in retaining teachers in the profession.
Montana	No formal statewide program. Local district decision.	No State \$\$.	Local decision.	Local decision. Pay varies.	No data reported.	Anticipate lobbying for funding from the General Assembly.
Nebraska	Law requires mentoring for beginning teachers. Completion of program during first 3 years leads to certification for teaching.	By law 10% of lottery monies used for mentor teacher programs. Local must write grants for the use of the monies. Local office manages funds.	Yes.	Yes. \$600 per mentor.	No data reported.	State had shortfall of \$10 million. General Assembly approved putting mentoring program on hold for 2 years to use funds for other needs.

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Nevada	No statewide program. Only Clark County involved in mentoring and induction programs.	No State \$\$.	Only Clark County School District.	Only Clark County School District.	No data reported.	No information available.
New Hampshire	No statewide program. Pilot programs in place.	"Best Schools" funds used for mentoring programs. Total amount unknown.	Applications submitted for grant funds. Local decision.	Limited number of mentors. Release time given for some mentors, others paid.	No formal data collected.	State Board of Education discussing and studying recruitment, retention, and quality teaching. Specific recommendations not final.
New Jersey	Statewide instructional regulations. All classroom teachers must serve 1 year with mentor. If determined by process, may get assigned mentor for 2 <sup>nd</sup> year.	Yes. \$8 million.	Yes.	Yes. \$550 per beginning teacher.	No data reported. September, 2001 first year of statewide regulations. Started as pilot programs.	Plan to lobby General Assembly for funding for two years of mentoring statewide. Hope to add assessment piece to regulations.
New Mexico	No statewide program. Local districts are responsible for own program. IHE system in NM works closely with districts to approve and educate lateral entry, mid-career change into teaching profession. Teacher Quality Commission studying mentoring.	50% matching state funds for \$1 million federal grant.	Some districts assign mentors.	Yes. \$1000 per teacher.	Too new to tell. No formal data collected.	Legislation to be introduced next session to request statewide induction program plus support dollars.

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New York	Volunteer mentoring until Feb. 2, 2004. The law is part of the revision of the teaching certification process. In place is NY Mentor Teacher Internship Program since 1886.	State \$\$ supplied off and on: 1986-91 \$22 Million 1997-98 \$18 Million 1999-Present \$20 Million. Used for staff development and training, travel and materials.	No. Voluntary.	Some districts do pay or compensate them.	In 1986 new teachers leaving was 50%, last year in the city down to 22% first year teachers leaving. Hard to discern if economy is playing a large part or teacher support and assistance.	Plan to lobby for continued funding, induction and required mentoring.
North Dakota	No statewide program. Varies by districts.	Funds are allotted by SBE to be used as part of district's staff development program.	Mentors are trained as part of train the trainer program.	No. Subs are paid for both mentor and new teachers.	No formal data collected.	Shortage is very real. IHE, Valley State University working with a program called "New Beginnings" to certify qualified individuals from technical and vocational backgrounds into teaching. Present economy has made this issue, a wait and see item.
Ohio	"Ohio First" is formative induction program. Local systems apply for grants. Pathwise is used as enhancement model for professional development. Also using Vanderbilt University Mentoring model. Local system can decide.	No State \$\$\$. Pilots started with federal grants.	Local decision.	Local decision. Pay varies. Depends on how contract is negotiated. \$200 to \$1500.	After working with mentors, new teachers in pilots, 90% of teachers pass Praxis III on the first try.	Conclusion that less paid mentor less level of sophistication of mentoring. General Assembly has passed legislation that all districts must have new teachers in mentoring program to be effective 2002-03.

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Oklahoma	Statewide mentoring program. Requires teacher who has never taught in Oklahoma to complete a first year residency. Assigned 76 mentor consultation hours. A committee composed of an IHE representative and school administrator. Committee meets twice a year and makes recommendation for pass or additional assistance or not recommended for continued teaching.	No State \$\$ Local systems must fund.	Yes.	Approximately \$500 per year.	No formal data reported. Survey says new teachers do better with team approach and structured hours of mentoring. Some pieces in place since 1982, almost 20 years.	No changes.
Oregon	Legislation in place for statewide Beginning Teacher Support Program since 1987; part of 21 <sup>st</sup> Century School Reform Act.	State funds appropriated for the first 6 years. No state fund support now. A new bill reinstated mentor requirement that included mentors for administrators as well as new teachers. No funding source given. Oregon faces a \$780 million shortfall.	Mentors assigned for teachers and administrators.	Some local pay from local or private funds.	Evaluation component was part of Committee on Teacher Quality from 1987-93. At that time fewer teachers leaving the field than last year. Now more lateral entry interest.	With budget shortfall, little hope of increase in budget for induction and mentoring.
Pennsylvania	Statewide program. All employees must participate in the school-level induction program.	State funds support. No total amount available.	Yes.	Compensation is in the form of release time, stipends, tuition waivers, etc.	Supporting beginning teachers boosts teacher retention rates. Participating beginning teachers more likely to use better instructional practices, use state curriculum, assign challenging work and accomplish goals of curriculum.	No change indicated.

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Rhode Island	General Assembly mandated that all school districts have a mentoring plan. Locally designed and implemented.	State \$\$ appropriated \$300,000 to match federal grant monies. Two teachers on loan to manage program statewide.	Local decision.	Local decision. Varies from none up to \$1800.	No formal data reported. Encourage Exit Interview and to document results.	Less funding available. Next year 1 teacher on loan as Mentor Fellow.
South Carolina	State law mandates all 1 <sup>st</sup> year teachers be assigned a mentoring team-a mentoring teacher and the 1 <sup>st</sup> year teacher's principal. Programs called ADEPT-Assisting Developing Evaluating Professional Teaching. Must take year long course with topics based on 10 performance domains. New teacher observed each month 2 times by principal and mentor. New teacher required to observe experienced teacher.	State dollars are committed to training mentors and evaluators through Converse College, providing course for new teachers. Renewal credit given to mentor for training and to new teacher for coursework. Total dollar amount not known.	Yes. Required by law.	\$400 stipend paid for each new teacher.	Tracking system for results of ADEPT. Teachers cannot transfer to another SC system and teach if results are not positive. Data collected so far shows teacher retained because of support.	May consider three member evaluation teams.
South Dakota	No statewide program. Local districts design and implement.	No State \$\$.	Local decision.	Local decision.	No data reported.	Proposal in legislature to request revision of mentoring and alternative routes for licensure. Funding will be critical and in short supply.
Tennessee	No statewide program	State \$800,000 match of federal \$1.9 million.	Yes. Principal selects mentors for beginning teachers.	Paid \$1200 per year. \$800 for support services and materials.	A research project conducted by the University of Memphis is designed to follow their teaching graduates for 5 years. No data yet.	No indication of change.

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Texas	State requires each district to commit to mentoring plan. Texas program is Texas Beginning Education Support System or TxBess. Mentor provided for 1 <sup>st</sup> year teachers. 20 education service centers provide training for mentors for new teachers.	No state funding. Federal funding from Title II monies for last 3 years.	Yes.	\$500 per mentor.	Evaluation component is now in DRAFT form. Not released as of this date.	Teacher shortage is real. Texas has developed a strong non-traditional program for facilitating certification of individuals from other professions. Large number of teachers on temporary status of licensure. State will try to secure more money based on recommendations of impact report.
Utah	No statewide program	No State \$\$.	Local decision.	Local decision	No data reported	In 2002 statewide regulation to have mentors. Part of funding to start initiative for Recruitment and Teacher Quality. Requesting \$2 million.
Vermont	No statewide program. However Teacher Quality Standards Commission established.	No State \$\$.	Local decision.	Local decision. Pay varies.	No data reported.	Discussed moving towards state required mentoring program but monies are limited. Momentum building to lobby legislature to support funding of mentoring programs.
Virginia	Statewide program provides mentors and materials for beginning teachers.	State funds of \$2,750,000. For programs for 2000-2002.	Yes.	No data on amount.	Data collected to date indicates that beginning teacher support boosts teacher retention rates and promotes professional success.	None indicated.
Washington	No statewide program. Varies by district. Some districts support the Teacher Assistance Program (TAP). Funds provide mentor, training for beginning teacher and mentor plus release time for observations and mentoring feedback.	No state dollars. Federal dollars and local monies used to support TAP.	Varies by districts.	Varies by districts.	No data available.	None indicated.

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West Virginia	State law requires beginning teacher (anyone who has taught less than 5 years and new to the system) to be assigned a mentor. Support team assigned, mentor and principal. Licensure tied to successful completion of the program in the first two years to continue on to the third year.	\$500,000 state funds used to pay mentors.	Yes	\$600 per teacher.	No formal data collected.	Proposal to be made to expand program into the second year of teaching.
Wisconsin	No statewide program.	No State \$\$.	Voluntary mentors. Local decision.	Local decision.	Where mentoring implemented has been very successful. This success is the basis of a new law passed to become effective 2004.	In 2004 state law requires mentoring of 1 <sup>st</sup> year teachers. \$500,000 will be provided by state funds. Will also require orientation session.
Wyoming	No statewide program.	No State \$\$.	Local decision. About 1/2 of districts have mentoring programs.	Pay varies from none to \$2000.	No data reported.	General Assembly in session in February 2002. Education Committee in midst of developing blueprint for teacher and leader quality. Mentoring, assessment, teacher education program quality, and licensure will all be reviewed. Have no idea what outcomes will be.



## **SUPPORT FOR INITIALLY CERTIFIED TEACHERS**

**SECTION 28.19.(a)** The State Board of Education shall study the mentor program and the performance-based licensure program to determine whether these programs provide adequate support for initially certified teachers and enhance their professional development. In the course of the study, the State Board shall consider:

- (1) The effectiveness of the current programs;
- (2) The need for modifications to or enhancements of the current programs;
- (3) Alternative ways to deliver services to initially certified teachers and to provide them with the resources they need to develop as professionals;
- (4) Strategies or alternatives for improving teacher retention rates through the administration of these programs; and
- (5) The adequacy of funding for programs for initially certified teachers.

The State Board shall report the results of this study to the Joint Legislative Education Oversight Committee by March 1, 2002.

**SECTION 28.19.(b)** The State Board of Education shall modify the Performance-Based Licensure Program to provide additional support for initially certified teachers. Initially certified teachers shall receive up to three days of approved paid leave during their second year of employment to work on their performance-based products or to consult with their mentors. If teachers have not successfully completed the performance-based requirements by their third year of employment, the teachers shall receive up to three days of approved paid leave to complete all requirements. Teachers participating in the program shall take paid leave only with the approval of their supervisors.



## How Does the Initial Licensure Program Affect the State Budget?

### ***The Teachers' First Year***

- ✓ 3 Days of Orientation: \$2.4 million.
- ✓ Cost of Mentors: \$7.1 million.
- ✓ Training of Mentors/Assessors/Teachers in the required product: \$30,000
- ✓ Individual Growth Plan: No cost estimate.

- ▶ Based on 5,733 teachers (273 with a Master's Degree) with zero years of experience in FY 2001-02 (includes teachers without a salary assigned as of December 2001).
- ▶ The estimated cost per day of employment is \$139.73 (\$114.77 plus matching benefits) and \$152.73 for a teacher with a Master's Degree (\$126.27 plus benefits).
- ▶ Mentors are based on one teacher assigned per new teacher at a rate of \$100 per month for 11 months (the \$100 is increased 5% for retirement and 7.65% for social security).
- ▶ Training is accomplished by using ten teachers who are assigned to DPI to conduct the training. The cost included is for the travel budget which is estimated at \$3,000 per teacher. The teacher salary is not an additional cost since these individuals would be employed even if we did not have the ILP. The salary cost is approximately \$450,900 (salary is estimated based on the average teacher salary with benefits as of December 2001 (\$45,090).

## How Does the Initial Licensure Program Affect the State Budget?

### ***The Teachers' Second Year***

- ✓ 3 Days of Authorized Paid Leave: \$1.2 million.
- ✓ Cost of Mentors: \$5.6 million.
- ✓ Evaluation of Product: No cost to State (paid from federal funds).

- ▶ Based on 4,959 teachers (310 with a Master's Degree) with one year of experience in FY 2001-02 (as of December 2001).
- ▶ Certified substitute rate is 65% of A-O salary (\$75) plus benefits (\$80.74). Each 2nd year teacher is allowed three paid leave days to work on their collection of evidence.
- ▶ Mentors are based on one teacher assigned per first-year teacher at a rate of \$100 per month for 10 months (the \$100 is increased 5% for retirement and 7.65% for social security).
- ▶ 450 teachers were employed to evaluate the teachers collection of evidence. Each evaluator worked a different period of time (from 2 days to 2 weeks). The cost is a little over \$1,000 per evaluator. A federal grant pays for the evaluation through next year (total cost approximately \$600,000 per year).



# How Does the Initial Licensure Program Affect the State Budget?

## *The Teachers' Third Year*

### Annual Cost

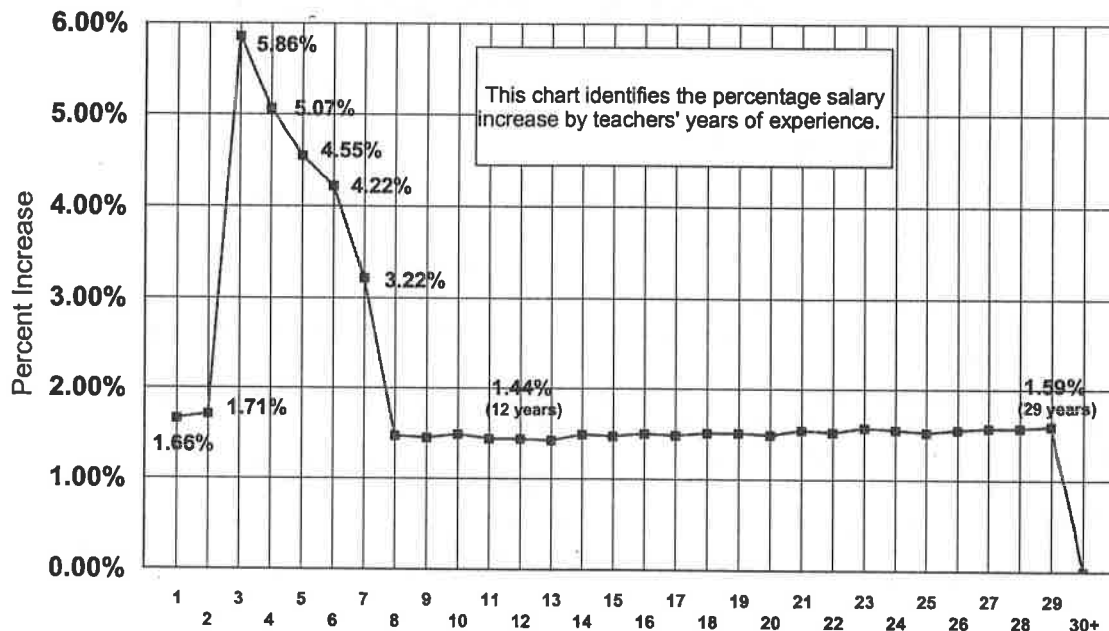
1st Year Teachers: \$9.5 million  
 2nd Year Teachers: \$6.8 million  
 3rd Year Teachers: \$53,000  
 Total Annual Cost: \$16.3 million

- ✓ Up to 3 Days of Authorized Paid Leave: \$53,000.
- ✓ Evaluation of Product: No cost to State (paid from federal funds).

- Based on 5% of the 4,347 teachers (366 with a Master's Degree) with two years of experience in FY 2001-02 (as of December 2001). Based on actual results, we estimate that 5% of teachers will not complete their collection of evidence until their third year.
- 450 teachers were employed to evaluate the teachers collection of evidence. Each evaluator worked a different period of time (from 2 days to 2 weeks). The cost is a little over \$1,000 per evaluator. A federal grant pays for the evaluation through next year (total cost approximately \$600,000 per year).

## Teacher Pay-Step Increases

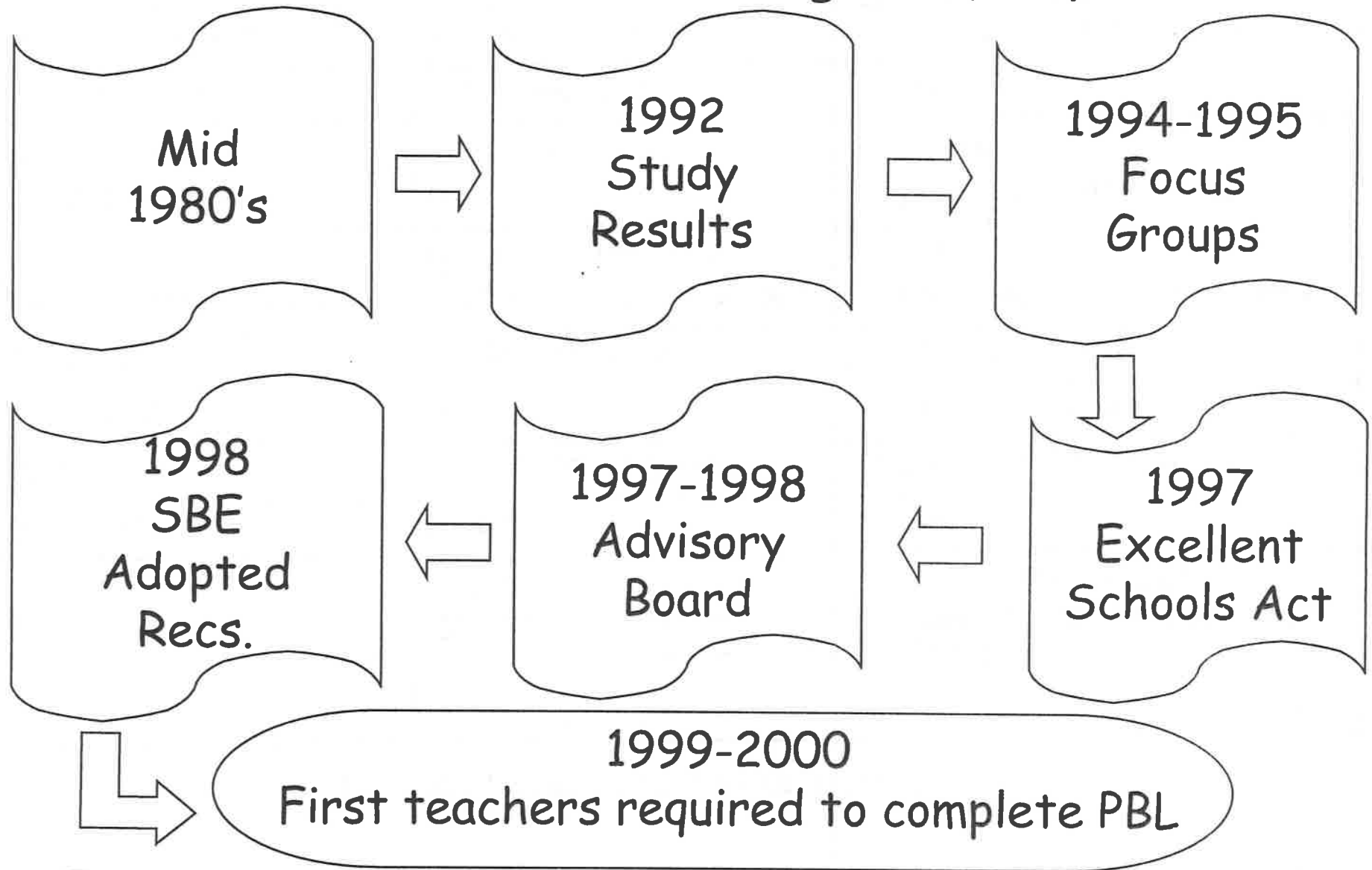
A teacher with a Bachelor or a Master's Degree  
 FY 2001-02



## Initial Licensure Program (ILP)

	Mid 1980's	1999
LEA	Develop ILP; submit plan to DPI	Develop plan; approved by local board; to DPI
Initial License	2 years	3 years
Mentor	Yes (unpaid) 2 years	Yes (paid) 2 years
Released time	No	Yes; 3 days/yr. 2 and 3
Observations	At least 3 times	At least 4 times
Professional Growth Plan	Yes, Prof. Development Plan – all teachers	Yes, Individualized Growth Plan
Performance Based Product (PBL)	No	Yes, 2 <sup>nd</sup> year; may be resubmitted twice
Test Required	Yes – PK/PLT	No
Non-Instructional Duties	No policy to limit	G.S. 115C-47(18a) limits
Evaluated	Annually by the principal	Annually by administrator
Continuing License	End of second year	End of third year
License Renewal	Yes – first year	No – fourth year

## Initial Licensure Program (ILP)



**§ 116-30.6. Reports of results.**

The Board of Governors shall report annually by March 31 of each year on its decisions and directives implementing this Part to the Joint Legislative Education Oversight Committee. In particular, the Board shall report on the impact on undergraduate student learning and development as demonstrated by the standard assessment measures established in the institutional effectiveness plans, fiscal savings, management initiatives, increased efficiency and effectiveness, and other outcomes made possible by the flexibility provided by this Part to the special responsibility constituent institutions. These reports shall include documentation of any reallocation of resources, the use of nonreverted appropriations, and any additional costs incurred. (1993 (Reg. Sess., 1994), c. 769, s. 17.6(a).)

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# *The University of North Carolina*

## *Management Flexibility Report 2000-01*

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*Joint Legislative Education  
Oversight Committee*



The University of North Carolina

March 12, 2002

## *UNC Management Flexibility Reporting Framework*

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- Management flexibility legislation was passed in 1991. By 1993, all 16 constituent institutions were approved for management flexibility.
- Each Special Responsibility Constituent Institution (SRCI) operates within the Guidelines issued by Board of Governors.
- UNC Management Flexibility legislation requires the Board of Governors to report annually by March 31 to the Joint Legislative Education Oversight Committee on the previous year's results.
- Management flexibility was extended to UNC General Administration (including the Office of the President, UNC-TV, SEAA, etc.) in 1999-2000.
- Management flexibility was extended to the North Carolina School of Science and Mathematics beginning with fiscal year 2001-02.



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## *Increased Accountability*

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- In August of 2000, the Board increased accountability by mandating new budgeting and reporting requirements.
  - Each SRCI must submit spending plans for both carryforward funds and anticipated lapsed salary funds by July 15 of each year for the President's approval
  - Board's approval of the annual flexibility report was moved from March to November
  - Chancellor may not delegate expenditure authorization over lapsed salary funds below the level of the appropriate Vice Chancellor
  - Internal auditors to play increased role in auditing flexibility transactions
- Annual report has been expanded to capture sources and uses of lapsed salary funds and positions that were vacant for nine months or more during the fiscal year



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## *Benefits of Budget Flexibility Reversions*

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- For fiscal year 1999-2000 only, UNC institutions were required to contribute \$13.7 million (1% of their state appropriations) to the Hurricane Floyd Reserve Fund.
- \$32 million was reverted to help balance the State's 2000-01 Budget.
- Permanent reductions of \$48.3 million were made in UNC's 2001-02 budget.
- \$64 million will revert to help balance the State's 2001-02 Budget.



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## ***Benefits of Budget Flexibility***

### ***Appropriations Carried Forward to 2001-02***

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- Unspent appropriations may be carried forward at year end to a maximum of 2.5%
- Available for one-time expenditures not imposing additional financial obligations on the State
- \$22 million carried forward to 2001-02 (21% decrease from 2000-01)
- Planned expenditures include:
  - \$7.5 million for academic and library needs
  - \$2.7 million for repairs & supplements to capital improvements
  - \$2.1 million to meet the shortfall in rising utility costs



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## ***2000-01 Reallocations***

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- One-Time Reallocations of \$143.8 million
  - \$106.2 million from lapsed salaries (4.9% of state budget)
  - \$37.6 million from other sources (1.7% of state budget)



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## ***2000-01 Reallocations (cont'd.)***

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- **Permanent Reallocations of \$24.8 million**  
(1.16% of authorized budget requirements)
- **Major Emphases:**
  - **Strengthening undergraduate and graduate instruction**
  - **Improving libraries and student services**
  - **Expanding computing and telecommunications capabilities**



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## ***Positions Vacant for Nine Months or More***

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### **During 2000-01:**

- **109 teaching positions were reported vacant**  
(10,600 total positions, 1% vacant)
- **248 non-teaching positions were reported vacant**  
(15,664 total positions, 1.5% vacant)

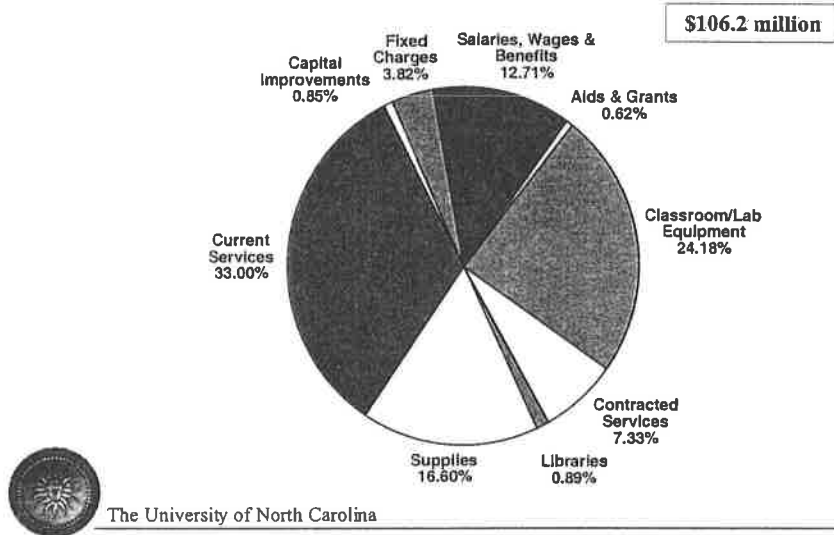


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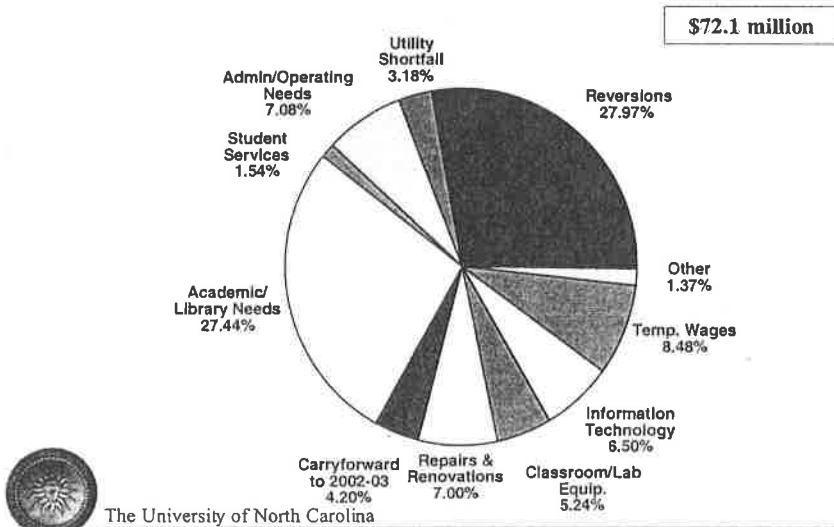


## *Reallocation of Lapsed Salary Funds for 2000-01*



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## *Planned Uses of Lapsed Salary Funds for 2001-02*



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## *Increased Efficiency and Effectiveness*

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### ■ **Budgeting**

- Reallocate resources to respond to changing institutional priorities
- Enabling response to unforeseen circumstances and opportunities

### ■ **Personnel Administration**

- In-range adjustments and position reclassifications to retain qualified personnel
- Adjusting hiring rates to remain competitive and secure quality personnel

### ■ **Purchasing**

- Volume buying
- Time-limited buying opportunities



The University of North Carolina

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## *Purchasing Authority*

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- The 1997 General Assembly further increased purchasing threshold to a maximum of \$250,000 (S.L. 1997-412, SB 862, section 116-31.10) effective January 1, 1998.
- During 2000-01, purchases between old benchmark of \$10,000 and increased benchmarks:
  - 6,230 purchases
  - \$197.8 million
  - Represents a 24% increase over fiscal year 1999-2000 based on dollar amount



The University of North Carolina

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## The University of North Carolina

GENERAL ADMINISTRATION

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University

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Agricultural and  
Technical State  
University

North Carolina  
Central University

North Carolina  
School of

North Carolina  
State University  
at Raleigh

University of  
North Carolina  
at Asheville

University of  
North Carolina  
at Chapel Hill

University of  
North Carolina  
at Charlotte

University of  
North Carolina  
at Greensboro

University of  
North Carolina  
at Pembroke

University of  
North Carolina  
at Wilmington

Western Carolina  
University

Wilmington-Salem  
State University

January 22, 2002

### MEMORANDUM

TO: Members of the Joint Legislative Education  
Oversight Committee

FROM: Jeff Davies *JRD*

SUBJECT: UNC Management Flexibility Legislation  
Report of Results, 2000-01

The UNC Management Flexibility legislation directs the Board of Governors to report annually by March 31 of each year to the Joint Legislative Education Oversight Committee on operating results. In this regard, each Chancellor has submitted an annual report of operating results and the individual campus reports have been summarized into the Summary of Institutional Annual Reports, 2000-01, which was approved by the Board of Governors on November 9, 2001. A copy of the Report is transmitted herewith. An Executive Summary in the front of the Report shows the highlights for the fiscal year.

Operating results for 2000-01 were again very positive. Management initiatives were undertaken in a number of areas through budget reallocations; and increased efficiency and effectiveness were achieved in the areas of budgeting, purchasing, and personnel administration. Unspent appropriations were carried forward into 2001-02 to meet high priority needs.

In accordance with procedures established in February, 1997, each SRCI submitted a compliance certification letter, signed by the Chancellor, certifying that their institution complied in the areas outlined by the guidelines. No incidences of non-compliance were cited for fiscal year 2000-01, demonstrating the commitment to strong institutional management, accountability over resources, and internal control structures.

MEMO TO: Joint Legislative Education Oversight Committee  
January 22, 2002  
Page Two

The implementation of management flexibility has enabled the Chancellors to manage their budgets to an extent not previously possible, thereby utilizing their taxpayers' dollars more effectively. They now have the ability to reallocate resources and plan expenditures beyond the limits of the fiscal year. Management of resources can now be guided by mission priorities rather than overly constrained by budget categories and fiscal time periods. Unforeseen opportunities can be seized and emergencies can be met. As a result, one added benefit has been consistently reported higher campus morale.

We appreciate the General Assembly's decision to grant management flexibility to the University. We will continue our effort to be fully accountable for this delegation of authority.

Enclosure

cc: Ms. Charlotte Todd  
Fiscal Research Division

**Report to the  
2001 North Carolina General Assembly  
2002 Reconvened Session  
Joint Legislative Education Oversight Committee**

**The University of North Carolina  
Special Responsibility Constituent Institutions  
Designated Under the UNC Management Flexibility Legislation  
and UNC General Administration  
Summary of Institutional Annual Reports  
2000-01**

**The Board of Governors of  
The University of North Carolina**

**November 9, 2001**





## Executive Summary

- The UNC Management Flexibility legislation directs the Board of Governors to report annually by March 31 of each year to the General Assembly's Joint Legislative Education Oversight Committee on operating results. Section I of this document summarizes the results of operating during the 2000-01 fiscal year under the UNC Management Flexibility Legislation, as reported by the 16 Chancellors of the Special Responsibility Constituent Institutions (SRCI).
- In its 1998 session, the General Assembly enacted legislation (S.L. 1998-212, section 11(b)) which stated that for fiscal years beginning with 1999-2000, no reversions to the State's General Fund are required. However, the UNC constituent institutions were required to contribute \$32 million (1.91% of their state appropriations) during 2000-01 to offset the budget shortfall.
- \$22 million in appropriations remained unspent in the SRCI's institutional operating budgets and are available for carry-forward into the 2001-02 fiscal year for one-time expenditures that will not impose additional financial obligations on the State. Operational savings and efficiencies were also reported in a number of areas.
- One-time reallocations of \$106.2 million from lapsed salary funds and \$37.6 million from other sources and recurring reallocations of \$24.8 million were made to carry out management initiatives on the campuses. These amounts represent 4.94% and 1.75% and 1.16% respectively of the authorized budget requirements of the institutions at the end of the fiscal year. University-wide, major emphases were placed on strengthening undergraduate instruction and improving graduation rates, graduate instruction and research, upgrading classrooms, laboratories, and administrative infrastructure and expanding computing and telecommunications capabilities.
- 109 teaching (of approximately 10,000 total) and 248 non-teaching positions were reported as being vacant for nine months or more during fiscal year 2000-01.
- During the 2000-01 fiscal year, 6,230 purchases totaling \$197.8 million were made on campus between the old benchmark of \$10,000 and the institution's increased benchmark, which ranged from \$35,000 to \$250,000. This represents a 24% (based on dollar amount) increase over the 1999-2000 fiscal year. Without the special legislation, these purchases would have required processing through the central Purchase and Contract Division in Raleigh.
- In response to the requirement for more stringent monitoring of internal/financial controls and management staffing, each of the institutions provided a compliance certification letter, signed by the Chancellor, certifying that their institution complied in the areas outlined by the guidelines. The results of the compliance certifications were very positive and demonstrated the commitment to strong institutional management, accountability over resources, and internal control structures.

- Management Flexibility legislation has enabled the Chancellors to take ownership of their budgets to an extent not previously possible and manage their resources more efficiently and thereby better utilize the taxpayers' dollars.
- The General Assembly, in the 1999 Regular Session, extended management flexibility to the University of North Carolina General Administration on a basis comparable to that authorized for the special responsibility constituent institutions. This report documents the General Administration's use of flexibility provisions in Section II.

**The University of North Carolina**  
**Summary of Annual Reports**  
**Section I – Special Responsibility Constituent Institutions**  
**Designated Under the UNC Management Flexibility Legislation**  
**2000-01**

The Regular Session of the 1991 General Assembly enacted the UNC Management Flexibility legislation (G.S. 116-30) which granted significant additional authority in the areas of budgeting, personnel administration, and purchasing to those institutions designated as “special responsibility constituent institutions.” The Board of Governors, acting on the recommendation made by the President after consultation with the State Auditor, was authorized to designate one or more institutions as special responsibility constituent institutions. In this regard, the Board of Governors adopted Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions on September 13, 1991; these criteria have been updated to reflect changes as needed. Between October of 1991 and September of 1993, the Board of Governors designated all 16 constituent institutions as “special responsibility constituent institutions.”

The UNC Management Flexibility Legislation directs the Board of Governors to report annually by March 31 of each year to the General Assembly's Joint Legislative Education Oversight Committee on operating results. This document summarizes the results reported by the 16 Chancellors of the Special Responsibility Constituent Institutions that operated under the UNC Fiscal Management Flexibility Legislation during the 2000-01 fiscal year. Although each report necessarily described the results that were applicable to the particular institution, observations can be made which reflect common or similar experiences for several or all institutions.

**Impact on Education.** The management flexibility legislation directs the Board of Governors to develop standard measures of student learning and development in general undergraduate education in order to assess the impact of the legislation on

these areas at the designated institutions. These measures have been developed and the impact of management flexibility is included as a part of the assessment measures reports, which are separately made to the Joint Legislative Education Oversight Committee.

**Reversions.** In accordance with legislation enacted in 1998 [S.L. 1998-212, section 11(b)], for fiscal years beginning with 1999-2000, no reversions to the State's General Fund are required. However, during 1999-2000, UNC institutions were required to contribute to offset Hurricane Floyd damages (\$13.7 million) and to reallocate \$1.3 million in previously required reversions to initiatives funded in the expansion priorities. In fiscal year 2000-01, the UNC constituent institutions were required to contribute \$32 million (1.91% of their state appropriations) to offset the budget shortfall.

**Fiscal Savings.** A total of \$22 million in appropriations remained unspent in the SRCI's operating budgets, which represents savings available for carry-forward into the 2001-02 fiscal year for one-time expenditures that will not impose additional financial obligations on the State.

At the programmatic level, the institutional reports identified a number of operating efficiencies and related effective uses of financial resources that resulted in savings during the 2000-01 fiscal year. While there are inherent limitations in quantifying these savings in dollar terms, specific examples reported by the institutions provide evidence that budget flexibility continues to give the institutions greater ability to operate more efficiently and thereby save taxpayers' dollars.

The following examples are drawn from among those presented in institutional reports. As a part of its recovery from flood damage, East Carolina University replaced a damaged Nortel Access Node with a reconditioned unit from a third party, netting savings of \$160,000; an additional \$159,300 was saved in annual maintenance costs when the financial records system was upgraded. At UNC Charlotte, a study of the best method of heating and cooling five buildings

eliminated the need for a central steam plant, saving the institution \$200,000; UNC Pembroke saved \$86,000 by reallocating funds to repair rather than replace musical equipment.

**Management Initiatives.** During 2000-01, campuses reallocated \$143.8 million on a one-time basis and \$24.8 million on a permanent basis to carry out management initiatives. The degree of emphasis placed on specific initiatives reflects individual institutional needs and decisions. University-wide, major emphases were placed on strengthening undergraduate instruction and improving graduation rates; upgrading classrooms, laboratories and other physical facilities; strengthening administrative infrastructure; and expanding computing and telecommunications capabilities. On a permanent basis, there was an increased focus on providing a more robust set of student services.

It is evident that major initiatives on all campuses have been undertaken to improve institutional budget and personnel administration. The trend continues toward developing an increased level of participation by the chancellors, vice chancellors and their managers in budget planning and execution. This involvement has permitted a number of expenditure decisions to be made at the program level in the organization, often at the department or school. Since flexibility allows the expenditure of unspent salary funds from vacant positions (lapsed salaries) to be used for non-personnel purposes, detailed expenditure plans have been more comprehensive than previously possible. Flexibility has also permitted management to focus decisions on program priorities instead of budget categories. In addition, release from the rigid time frame of the fiscal year gives the campuses an opportunity for multi-year budget planning.

Significant reallocations continue to support the acquisition of computing equipment, including initiatives dedicated to providing wireless connectivity in classrooms and common areas for students. This investment reflects the joint

commitment of the campuses, the Board of Governors and the General Assembly to provide enabling technology for higher education in North Carolina.

Expanding distance learning capabilities continued to be an important focus for the SRCIs during 2000-01. Reallocations supported the modification of classrooms for teleconferencing and broadcasting, the development of on-line courses, the purchase of software related to technology-mediated instruction, and training and mentoring of faculty to provide this instruction.

During 2000-01, a growing emphasis on improving security on campus was evident. One-half of the campuses reported reallocations to fund safety initiatives that included upgrading alarm systems, providing extra security for special events, providing electronic locks, and increasing security personnel. UNC Greensboro purchased bullet resistant vests for its police officers, and North Carolina State University provided radios for use by library staff working in isolated areas.

Diversity initiatives undertaken at many institutions demonstrated commitment to ensuring that the campus community fosters and appreciates a wide variety of cultural differences. Several campuses reported reallocations to improve disability services for students (including interpreters for the hearing-impaired and computer equipment designed for disabled students) and to provide ADA-related physical space upgrades. In response to North Carolina's rapidly-expanding Hispanic population, some of the institutions hired English/Spanish interpreters.

Recognizing the vital role of student retention on campus enrollments, institutions continue reallocations to support and strengthen the adaptation of new students to campus life. Programs such as UNC-Chapel Hill's Freshmen Experience is being modeled at UNC Charlotte (First Year Experience) and efforts such as the Integrated Student Service Project are underway at the focused growth institutions to enrich the experience of freshmen.

Finally, management flexibility has enabled the institutions to respond to unforeseen circumstances, including budget shortfalls due to extraordinary increases in the costs of utilities, and the need to meet mandatory reversion requirements related to the current financial condition of the State of North Carolina. Reallocations to cover these two items comprise more than \$38.3 million of the \$143.8 million in one-time reallocations.

**Increased Efficiency and Effectiveness Achieved.** Although closely related to the sections on fiscal savings, management initiatives, and reallocation of resources, certain summary conclusions may be drawn from the institutional reports on the achievement of increased efficiency and effectiveness.

Major efficiencies are principally attributable to the provision that all General Fund appropriations for continuing operations are made to the designated institutions in the form of a lump sum to each budget code, giving the institutions the ability to use funds budgeted for salaries of vacant positions for non-personnel expenditures. Before flexibility, unspent salary funds were not available for such uses. The institutions used lapsed salary funds to update and replace obsolete educational, scientific, and computing equipment; to repair and renovate teaching and laboratory facilities; and to make other one-time improvements in instruction and support functions. Emphasis continues to be placed on providing the infrastructure to support increased levels of instruction offered at a distance, consistent with the Board's initiative to expand access to educational opportunities to a greater number of North Carolina's citizens. In addition, campuses are investing in attracting and retaining quality employees in a tight labor market through appropriate adjustments to hiring rates, reclassifications and through providing increased training opportunities. Flexibility also has provided the opportunity for the institutions to reallocate resources in response to changing institutional priorities, as well as to respond to unforeseen opportunities or challenges. This ability proved critical to the institutions during 2000-01 as the State's financial

condition necessitated more than \$32 million from UNC budgets to be returned to the State, and will continue to be an important option if the State's economy remains weakened.

The management flexibility given to the designated institutions in purchasing administration has contributed to significant improvements. Prior to the management flexibility legislation, institutional purchases of \$10,000 or more required processing through the central Purchase and Contract Division in Raleigh. Under flexibility, the threshold amount has been increased to a maximum of \$250,000.

During 2000-01, 6,230 purchases totaling \$197.8 million were made on the campuses between the old benchmark of \$10,000 and the increased benchmarks. This represents a 24% (based on dollar amount) increase over the 1999-2000 fiscal year. In addition, the decrease in time required to process purchase orders has been significantly decreased.

Flexibility given to the institutions in the area of personnel administration has greatly enhanced their abilities to manage human resources. Institutions are still subject to the applicable rules and regulations of the Office of State Personnel under any Performance Agreement concerning employees subject to the State Personnel Act and also the rules and regulations of the Board of Governors with respect to faculty and other employees exempt from the State Personnel Act. Nevertheless, flexibility has given institutions the ability to examine their spending patterns and reallocate funds in order to use resources more effectively.

**Documentation of Reallocation of Resources.** Each institution was required to include in its 2000-01 annual report all net budget transfers that were authorized by the Chancellor and which previously required the approval of the Office of State Budget and Management. These reallocations, made to implement the management initiatives undertaken by each campus, distinguished between one-time transfers of lapsed salaries, one-time transfers from other sources, and permanent transfers.



One-Time Reallocations – For the 2000-01 fiscal year, one-time reallocations from lapsed salary funds totaled \$106.2 million, which represented 4.94% of the authorized budget requirements of the institutions at June 30, 2001. Of these funds, \$59,946,953 (56%) was generated from lapsed teaching salaries, while \$46,252,044 (44%) was from lapsed salaries from non-teaching positions. One-time reallocations from other sources totaled \$37.6 million, which represented 1.75% of the authorized budget requirements of the institutions at June 30, 2001. University-wide, 74% of the funds reallocated from one-time transfers came from unspent salary funds from vacant positions.

Permanent Reallocations – In addition to the one-time budget reallocations, a lesser number of permanent reallocations were made at the institutions during the year. Many of these involved increases in personnel budgets. Implementation of all personnel actions under budget flexibility are subject to the availability of funds within the institution's currently authorized budget to fund the full annualized costs of the actions taken.

During the 2000-01 fiscal year, permanent reallocations totaled \$24.8 million, which represented 1.16% of the authorized budget requirements of the institutions at June 30, 2001. None of the dollars permanently reallocated involved teaching positions; \$16.6 million (67% of total permanent reallocations) were transfers to non-teaching positions.

**Vacant Positions.** A total of 357 positions, University-wide, were vacant for nine months or more during fiscal year 2000-01.

Of the 109 vacant teaching positions, the majority of positions remained vacant due to recruitment issues, searches which were underway, or to support temporary positions or operating needs. A significant number of positions (57) involved a delayed search process; as of June 30, 2001 these searches were underway.

The 248 non-teaching positions vacant for nine months or more reflected both problems in recruitment and conscious decisions to hold positions vacant in anticipation of budget reductions. Additionally, decisions related to reorganizations/reclassifications, time-consuming searches (29), and the need to support temporary operating needs resulted in these vacancies.

Twenty-five of reported vacant positions had been filled by June 30, 2001; an additional 71 positions were filled between July 1, 2001 and the October, 2001 reporting date.

**Availability and Use of Appropriations Carried Forward.** Appropriations in the amount of \$22 million remained unspent as of June 30, 2001. The flexibility legislation provides that the appropriations carried forward "may be used for one-time expenditures that will not impose additional financial obligations on the State." The planned expenditures of the funds include nonrecurring academic and library needs of \$7.5 million, administrative operating needs of \$3.9 million, repairs and supplements to capital projects of \$2.7 million, and costs associated with temporary and contract employees of \$2.7 million. Almost 9% (\$2.1 million) of the funds will be needed to meet the shortfall in rising utility costs, with the remainder of the funds being earmarked for information technology, covering encumbrances outstanding at the end of fiscal year 2001, aids and grant support, and various other one-time initiatives.

**Internal Financial Controls and Management Staffing.** The Second Extra Session 1996 amended the management flexibility legislation directing the Board of Governors to establish more stringent rules for monitoring and resolving audit exceptions and for reviewing and monitoring staffing and internal control procedures. These directives focused on a continuing assessment of the competence of the institutions to carry out the additional authority granted in the areas of budgeting, personnel administration, and purchasing.

Each of the special responsibility constituent institutions provided a compliance certification letter, signed by the Chancellor, certifying that their institution complied in the areas outlined by the instructions. The results of the compliance certifications were positive and demonstrated the commitment to strong institutional management, accountability over resources, and internal control structures. No instances of non-compliance were reported.

**Additional Costs Incurred.** The institutions reported that no significant additional costs were incurred as a result of management flexibility.



**The University of North Carolina  
Summary of Annual Reports  
Section II – UNC General Administration  
Designated Under the UNC Management Flexibility Legislation  
2000-01**

The General Assembly, in its 1999 Regular Session, extended management flexibility to the University of North Carolina General Administration [G.S. 116-14, section b1-b2 and G.S. 116.30.3(e)]. The results of the UNC General Administration's use of budget flexibility for the fiscal year 2000-01 are included in this report.

The UNC General Administration reports fiscal savings through elimination of duplicated data lines discovered in a telephone audit and outsourcing of selected information technology services.

Management initiatives undertaken by UNC General Administration emphasized expanding computing, telecommunication and information resources, and strengthening such targeted program areas as the North Carolina Teacher Academy and the Pathways program. Temporary wages to cover essential functions performed by vacant positions and support for the UNC System-wide Bond Program were also significant areas of focus.

Total one-time reallocations of \$2,059,738 included \$1,005,082 of transfers from lapsed salary funds. The major source of reallocations from non-lapsed salaries sources came from reductions in current services. Permanent reallocations of \$405,765 were made during 2000-01, most of which was used to support personnel-related expenditures.

The UNC General Administration carried forward \$1.4 million to 2001-02. Planned expenditures for these funds include systemwide initiatives, including those related to the UNC bond project (\$1.1 million), minor repairs and renovations (\$160,000), UNC website enhancement (\$45,000) and encumbrances outstanding at the end of fiscal year 2001 (\$121,120).

During 2000-01, UNC General Administration established eight positions and abolished three positions, for a net increase of five positions. Eight positions, four EPA non-teaching and four SPA, were reported as being vacant for nine months or more during 2000-01. Three of these vacancies reflected recruitment difficulties; the others were held vacant in anticipation of budget reductions.

The UNC General Administration reported no instances of non-compliance with required rules, regulations and guidelines.

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**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001**

**SESSION LAW 2001-312  
HOUSE BILL 1246**

AN ACT TO DIRECT THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA, IN COOPERATION WITH THE STATE BOARD OF EDUCATION AND THE STATE BOARD OF COMMUNITY COLLEGES, TO STUDY THE MEASURES USED FOR ADMISSIONS, PLACEMENT, AND ADVANCED PLACEMENT DECISIONS BY THE CONSTITUENT INSTITUTIONS OF THE STATE'S UNIVERSITY SYSTEM, TO ALLOW INTELLECTUALLY GIFTED YOUTHS TO ATTEND COMMUNITY COLLEGES, AND TO ALLOW CERTAIN YOUTHS TO BE EMPLOYED BY INSTITUTIONS OF HIGHER EDUCATION.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** The Board of Governors of The University of North Carolina, in cooperation with the State Board of Education and the State Board of Community Colleges, shall study the measures used by the constituent institutions to make admissions, placement, and advanced placement decisions regarding incoming freshmen and shall assess the various uses made of those measures and the validity of those measures with regard to a student's academic performance and as predictors of a student's future academic performance. They shall also assess whether other alternative measures may be equally valid or more accurate as indicators of a student's academic performance. In the study, particular consideration should be given to whether or not to eliminate, continue, or change the emphasis placed on the Scholastic Aptitude Test (SAT) and ACT Assessment for North Carolina students as a mandatory university admissions measure. The study should review incorporating the State's testing program into admissions, placement, and advanced placement decisions. Based on its findings, the Board of Governors of The University of North Carolina, in cooperation with the State Board of Education and the State Board of Community Colleges, may develop recommendations to improve the measures used to assess a student's academic performance, to adopt alternative measures, or to use various combinations of both to determine more accurately a student's academic knowledge and performance.

**SECTION 1.(b)** The study required by subsection 1(a) of this act may address all of the following:

- (1) Admissions. – The Board of Governors may examine the key elements used for making admissions decisions in the State's University System. Included in the factors to be studied are grade point average, class rank, and the SAT and ACT Assessment. Each element may be studied for reliability and validity independently and as used together. The Board of Governors may also compare the State's end-of-course testing with the SAT and ACT Assessment, assess how each reflects a student's academic performance, and consider shifting the emphasis

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currently placed on the SAT and ACT Assessment as an admissions measure to the State's end-of-course tests or other available tests as an admissions measure. In its study, the Board of Governors may consider eliminating, continuing, or changing the emphasis placed on the SAT and ACT Assessment as an admissions measure for North Carolina students applying to the State's constituent institutions. The Board of Governors may also consider methods for accurately comparing the academic performance of applicants who do not have the benefit of the State's end-of-course testing program with applicants who do have the State's testing program.

Recommendations should be made to improve the consistency and fairness of each measure independently and as used together for admissions decisions. These recommendations may include the use of North Carolina end-of-course tests as an element in admissions decisions alone or in combination with a change of the weight of emphasis on the SAT and ACT Assessment. The recommendations may also include maintaining the current process.

The Board of Governors may review with the State Board of Education recommendations that incorporate end-of-course testing as part of the admissions process. The State Board of Education may develop recommendations to improve the alignment of end-of-course tests and secondary coursework with the expectations of the constituent institutions and the State Board of Community Colleges.

- (2) Placement. – The Board of Governors may consider reviewing the assessment methods currently used by constituent institutions for remediation placement decisions. Recommendations may be developed to provide greater consistency, reliability, and validity for remediation decisions. North Carolina end-of-course tests may be considered for use in these decisions.
- (3) Advanced placement testing. – The Board of Governors may review the use of test scores in granting college-level course credit by constituent institutions.
- (4) Other relevant issues. – The Board of Governors may study any other issues relevant to college and university admissions, placement, and advanced placement measures.

**SECTION 1.(c)** The Board of Governors may make an interim report regarding its studies and plans to the Joint Legislative Education Oversight Committee no later than March 1, 2002, and shall submit a final report to that Committee by December 1, 2003. It is recommended that the study continue beyond the final report date. Interim and final reports of the Committee may include recommended legislation.





## The University of North Carolina

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February 25, 2002

The Honorable Walter H. Dalton, Co-Chair  
The Honorable R. Eugene Rogers, Co-Chair  
Joint Legislative Education Oversight Committee  
North Carolina General Assembly  
16 West Jones Street  
Raleigh, North Carolina 27601-2808

RE: Session Laws 2001—312 (HB 1246)

Dear Chairmen:

The Board of Governors Interim Report is transmitted herewith in response to the 2001 General Assembly, Session Laws 2001- 312 (HB 1246) AN ACT TO DIRECT THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA, IN COOPERATION WITH THE STATE BOARD OF EDUCATION AND THE STATE BOARD OF COMMUNITY COLLEGES, TO STUDY THE MEASURES USED FOR ADMISSIONS, PLACEMENT, AND ADVANCED PLACEMENT DECISIONS BY THE CONSTITUENT INSTITUTIONS OF THE STATE'S UNIVERSITY SYSTEM, TO ALLOW INTELLECTUALLY GIFTED YOUTHS TO ATTEND COMMUNITY COLLEGES AND TO ALLOW CERTAIN YOUTHS TO BE EMPLOYED BY INSTITUTIONS OF HIGHER EDUCATION.

In accordance with Section 1(c) of HB 1246, the Board of Governors will submit a final report to the Joint Legislative Education Oversight Committee on December 1, 2003.

If we can provide any further information or answer any questions, please do not hesitate to contact us.

Sincerely,

Molly Corbett Broad

Attachment

cc: The Honorable Michael Ward, Superintendent of Public Instruction  
Mr. H. Martin Lancaster, President, N.C. Community College System  
Dr. Gretchen M. Bataille, Senior Vice President for Academic Affairs  
Mr. J. B. Milliken, Vice President for Public Affairs  
& University Advancement  
✓ Dr. Robert C. Kanoy, III, Associate Vice President for Academic Affairs  
Dr. Shirley Iorio, Research Division, N.C. General Assembly

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

North Carolina  
State University  
at Raleigh

University of  
North Carolina  
at Asheville

University of  
North Carolina  
at Chapel Hill

University of  
North Carolina  
at Charlotte

University of  
North Carolina  
at Greensboro

University of  
North Carolina  
at Pembroke

University of  
North Carolina  
at Wilmington

Western Carolina  
University

Winston-Salem  
State University





# The University of North Carolina

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## MEMORANDUM

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  
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North Carolina  
State University  
at Raleigh

University of  
North Carolina  
at Asheville

University of  
North Carolina  
at Chapel Hill

University of  
North Carolina  
at Charlotte

University of  
North Carolina  
at Greensboro

University of  
North Carolina  
at Pembroke

University of  
North Carolina  
at Wilmington

Western Carolina  
University

Winston-Salem  
State University

**TO:** H. D. Reaves, Jr., Chair  
Committee on Educational Planning, Policies, and Programs

Chairman Ruffin

Vice Chairman Cecil

**FROM:** Robert C. Kanoy 

**DATE:** January 23, 2001

**RE:** Preliminary Report for HB 1246

House Bill 1246 requires the Board of Governors in cooperation with the State Board of Education and the State Board of Community Colleges to study the measures used by the constituent institutions to make admissions, placement, and advanced placement decisions regarding incoming freshmen. The Board is asked to make an interim report to the Joint Legislative Education Oversight Committee no later than March 1, 2002.

Attached is a preliminary report by the Study Committee for your consideration to comply with the request for an interim report to the Joint Legislative Education Oversight Committee.

RCK/stg



**INTERIM REPORT  
FOR  
HOUSE BILL 1246**

**Submitted to**

**Joint Legislative Education Oversight Committee**

**By**

**Board of Governors  
The University of North Carolina**

**February 8, 2002**



GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001

HOUSE BILL 1246  
RATIFIED BILL

AN ACT TO DIRECT THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA, IN COOPERATION WITH THE STATE BOARD OF EDUCATION AND THE STATE BOARD OF COMMUNITY COLLEGES, TO STUDY THE MEASURES USED FOR ADMISSIONS, PLACEMENT, AND ADVANCED PLACEMENT DECISIONS BY THE CONSTITUENT INSTITUTIONS OF THE STATE'S UNIVERSITY SYSTEM, TO ALLOW INTELLECTUALLY GIFTED YOUTHS TO ATTEND COMMUNITY COLLEGES, AND TO ALLOW CERTAIN YOUTHS TO BE EMPLOYED BY INSTITUTIONS OF HIGHER EDUCATION.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** The Board of Governors of The University of North Carolina, in cooperation with the State Board of Education and the State Board of Community Colleges, shall study the measures used by the constituent institutions to make admissions, placement, and advanced placement decisions regarding incoming freshmen and shall assess the various uses made of those measures and the validity of those measures with regard to a student's academic performance and as predictors of a student's future academic performance. They shall also assess whether other alternative measures may be equally valid or more accurate as indicators of a student's academic performance. In the study, particular consideration should be given to whether or not to eliminate, continue, or change the emphasis placed on the Scholastic Aptitude Test (SAT) and ACT Assessment for North Carolina students as a mandatory university admissions measure. The study should review incorporating the State's testing program into admissions, placement, and advanced placement decisions. Based on its findings, the Board of Governors of The University of North Carolina, in cooperation with the State Board of Education and the State Board of Community Colleges, may develop recommendations to improve the measures used to assess a student's academic performance, to adopt alternative measures, or to use various combinations of both to determine more accurately a student's academic knowledge and performance.

**SECTION 1.(b)** The study required by subsection 1(a) of this act may address all of the following:

- (1) Admissions. – The Board of Governors may examine the key elements used for making admissions decisions in the State's University System. Included in the factors to be studied are grade point average, class rank, and the SAT and ACT Assessment. Each element may be studied for reliability and validity independently and as used together. The Board of Governors may also compare the State's end-of-course testing with the SAT and ACT Assessment, assess how each reflects a student's academic performance, and consider shifting the emphasis currently placed on the SAT and ACT Assessment as an admissions measure to the State's end-of-course tests or other available tests as an admissions measure. In its study, the Board of Governors may consider eliminating, continuing, or changing the emphasis placed on the SAT and ACT Assessment as an admissions measure for North Carolina students applying to the State's constituent institutions. The





Board of Governors may also consider methods for accurately comparing the academic performance of applicants who do not have the benefit of the State's end-of-course testing program with applicants who do have the State's testing program.

Recommendations should be made to improve the consistency and fairness of each measure independently and as used together for admissions decisions. These recommendations may include the use of North Carolina end-of-course tests as an element in admissions decisions alone or in combination with a change of the weight of emphasis on the SAT and ACT Assessment. The recommendations may also include maintaining the current process.

The Board of Governors may review with the State Board of Education recommendations that incorporate end-of-course testing as part of the admissions process. The State Board of Education may develop recommendations to improve the alignment of end-of-course tests and secondary coursework with the expectations of the constituent institutions and the State Board of Community Colleges.

- (2) Placement. – The Board of Governors may consider reviewing the assessment methods currently used by constituent institutions for remediation placement decisions. Recommendations may be developed to provide greater consistency, reliability, and validity for remediation decisions. North Carolina end-of-course tests may be considered for use in these decisions.
- (3) Advanced placement testing. – The Board of Governors may review the use of test scores in granting college-level course credit by constituent institutions.
- (4) Other relevant issues. – The Board of Governors may study any other issues relevant to college and university admissions, placement, and advanced placement measures.

**SECTION 1.(c)** The Board of Governors may make an interim report regarding its studies and plans to the Joint Legislative Education Oversight Committee no later than March 1, 2002, and shall submit a final report to that Committee by December 1, 2003. It is recommended that the study continue beyond the final report date. Interim and final reports of the Committee may include recommended legislation.

**SECTION 2.** Article 1 of Chapter 115D of the General Statutes is amended by adding a new section to read:

**"§ 115D-1.1. Discretion in admissions.**

(a) Notwithstanding G.S. 115D-1, a student under the age of 16 may enroll in a community college if the following conditions are met:

- (1) The president of the community college or the president's designee finds, based on criteria established by the State Board of Community Colleges, that the student is intellectually gifted and that the student has the maturity to justify admission to the community college; and
- (2) One of the following persons approves the student's enrollment in a community college:
  - a. The local board of education, or the board's designee, for the public school administrative unit in which the student is enrolled.
  - b. The administrator, or the administrator's designee, of the nonpublic school in which the student is enrolled.
  - c. The person who provides the academic instruction in the home school in which the student is enrolled.
  - d. The designee of the board of directors of the charter school in which the student is enrolled.



(b) The State Board of Community Colleges, in consultation with the Department of Public Instruction, shall adopt rules to implement this section."

**SECTION 3.** G.S. 95-25.5 is amended by adding a new subsection to read:

"(m) Notwithstanding any other provision of this section, youths who are enrolled at an institution of higher education may be employed by the institution provided the employment is not hazardous. As used in this subsection, "institution of higher education" means any constituent institution of The University of North Carolina, any North Carolina community college, or any college or university that awards postsecondary degrees."

**SECTION 4.** Section 2 of this act is effective when it becomes law, and shall apply to the 2001-2002 academic year. Section 2 of this act expires September 1, 2004. The remainder of this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 18<sup>th</sup> day of July, 2001.

\_\_\_\_\_  
Beverly E. Perdue  
President of the Senate

\_\_\_\_\_  
James B. Black  
Speaker of the House of Representatives

\_\_\_\_\_  
Michael F. Easley  
Governor

Approved \_\_\_\_\_ m. this \_\_\_\_\_ day of \_\_\_\_\_, 2001



## **Interim Report For House Bill 1246**

### **Initial Steps**

An initial meeting was held with representatives from UNC, the North Carolina Community College System, and the Department of Public Instruction on October 10, 2001. There was a general discussion about the bill and the study to be conducted. Possible data that could be used to address the issues was shared by each participating agency. The university and DPI officials agreed to share data sets that might be used for the study by the next meeting. Also, participants were asked to check with their respective president or state superintendent on representatives that should serve on the Study Committee.

A second meeting was held with the same representatives on December 18, 2001. The Group discussed the following items:

- Status report on sharing data between UNC and DPI;
- Data that will be needed from individual UNC campuses;
- Research studies in the field to be reviewed;
- Recommendations for representatives to serve on the Study Committee; and
- Tentative timeline for next steps and report dates.

The Study Committee has now been established by President Broad, President Lancaster, and Superintendent Ward. The committee membership is provided in Attachment 1. The Committee is scheduled to meet March 14, 2002 from 9:00 a.m. to 12:00 noon at the UNC General Administration Building in Chapel Hill.

### **Next Steps**

The next series of steps will be to collect the available data that is currently used in making decisions for admissions, placement, and advanced placement. Each campus has been asked to provide an initial set of information in these areas (see Attachment 2).

In addition, the Study Committee has asked DPI to provide a summary of available data sets, such as end-of-course or end-of-grade data that could be examined as potential predictors for decision-making.

Once the complete set of data that is available for analyses is known, the Study Committee will review the current research in the field and determine a set of studies to be conducted with the available data. Results of these preliminary analyses will be used to guide future steps in the study.

In addition, input will be sought from Directors of Admissions, school counselors, and other groups, as needed. Periodic updates will be provided to the three governing boards.



### Timeline

The study will continue over the next several months with regular meetings of the Study Committee. Reports will be presented at least twice each year to the Directors of Admissions and the Chief Academic Officers to ask for their feedback and insights on each of the three areas under study.

A final report and any related recommendations will be made to the Board of Governors in the Fall of 2003 so that a final report can be given to the Joint Legislative Education Oversight Committee by December 1, 2003.

RCK 1/28/02





## HB 1246 Study Committee Roster

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[whitehurstk@ncccs.cc.nc.us](mailto:whitehurstk@ncccs.cc.nc.us)

### **Harry Williams**

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Greensboro, North Carolina 27411  
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[willhl@ncat.edu](mailto:willhl@ncat.edu)





# The University of North Carolina

OFFICE OF THE PRESIDENT


POST OFFICE BOX 2688, CHAPEL HILL, NC 27515-2688

ROBERT C. KANOY, Associate Vice President for Academic Affairs

Telephone: (919) 962-1000 • Fax: (919) 962-7139 • E-mail: [kanoy@northcarolina.edu](mailto:kanoy@northcarolina.edu)

## MEMORANDUM

To: Directors of Admissions

From: Robert C. Kanoy 

Date: January 14, 2002

Re: Data needed for HB 1246 Study

As you know, HB 1246 requires the Board of Governors, in cooperation with the State Board of Education and the State Board of Community Colleges, to conduct a study on the measures used for admissions, placement, and advanced placement decisions.

In preparation of the study, George Dixon and Harry Williams have been meeting with a study group. The official Study Committee will be appointed in the coming weeks (and I expect George and Harry will both serve on the committee).

At this time, I need to ask your help with two pieces of data. Attached are two forms to insert information on how admissions and placement decisions are made. Please feel free to include any additional information you feel the committee should review.

Please return both forms and any additional materials to me by **Friday, February 1, 2002**. Thank you for your help and as soon as the committee has been officially appointed, I will send along a copy of the roster.

Please let me know if you have any questions.

RCK/jam

cc: Senior Vice President Bataille

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

North Carolina  
State University  
at Raleigh

University of  
North Carolina  
at Asheville

University of  
North Carolina  
at Chapel Hill

University of  
North Carolina  
at Charlotte

University of  
North Carolina  
at Greensboro

University of  
North Carolina  
at Pembroke

University of  
North Carolina  
at Wilmington

Western Carolina  
University

Wilmington-Salem  
University

York-Dale  
University



## Part I – Admissions

Please briefly describe your campus' process for making admissions decisions. If a formula is used, please describe the variables used and weights given to these factors. Feel free to attach any additional materials you think the Study Committee should review.



## Part II – Placement

Please indicate for each subject area if a freshman placement test/instrument is used (specify the test) and briefly describe how it is used in making the freshman placement decision.

<u>Subject</u>	<u>Instrument used For Placement</u>	<u>Comments/Explanations</u>
----------------	--------------------------------------	------------------------------

1) English

2) Math

3) Second Language

4) Science

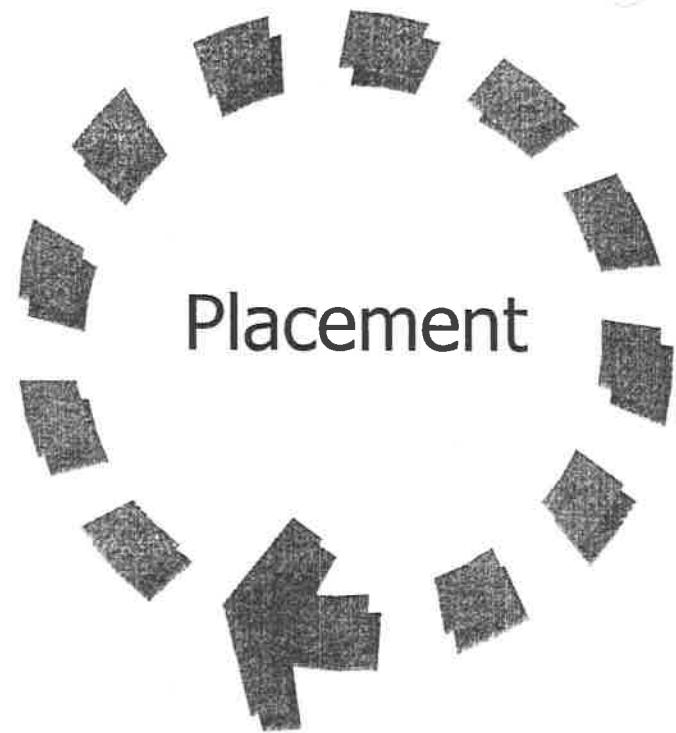
5) Other: \_\_\_\_\_





- What are the best measures that a college admissions office can use to determine a student's academic performance and predict that student's future academic performance?
- How much weight should SAT scores carry in the college admissions process?







**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001  
SESSION LAW 2001-424 SENATE BILL 1005**

AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.

**UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS**

**SECTION 31.14.** The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee by March 1, 2002, and annually thereafter, on the amount of overhead receipts for The University System and the use of those receipts.



**Report to the  
2001 North Carolina General Assembly  
Joint Legislative Education Oversight Committee**

**The University of North Carolina  
Report on Overhead Receipts  
[Facilities and Administrative (F&A) Receipts]  
2000-01**

**The Board of Governors of  
The University of North Carolina**

**March 6, 2002**





**The University of North Carolina  
Report on Overhead Receipts  
[Facilities and Administrative (F&A) Receipts]  
2000-01**

Legislation enacted by the 2001 General Assembly (S.L. 2001-424) includes the following special provision directing the Board of Governors to report on the amount and uses of facilities and administrative receipts:

**UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS**

**SECTION 31.14** The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee by March 1, 2002, and annually thereafter, on the amount of overhead receipts for The University System and the use of those receipts.

In response to this legislation, this report covers the fiscal year ending June 30, 2001.

Background

The University of North Carolina serves the state's interests through a three-part mission of teaching, research, and public service. UNC's reputation as one of the nation's top public university systems has been built, in part, on the volume and quality of research and sponsored programs conducted by its faculty. With limited direct appropriations for research, UNC has depended heavily on obtaining competitive grants and contracts to support its research efforts.

In recent decades, the federal government has stepped up efforts to promote scientific research at U.S. universities, as well as research conducted by federal, nonprofit, and commercial laboratories. Recognizing that research carries necessary administrative, facilities, and other expenses above and beyond the direct costs of the project, federal agencies have included in their research grants and contracts a portion of funds to help offset these related costs – commonly called "indirect costs," "overhead receipts," or "facilities and administrative (F&A) receipts." For the remainder of this report, the preferable term "facilities and administrative receipts" is used.



Under federal OMB Circular A-21, facilities and administrative receipts generally reimburse for costs associated with supporting grants and contracts activities of the institution in a manner consistent with the formulae under which the funds were recovered. Internal university controls pertaining to the compliance requirements for sponsored project expenditures under OMB Circular A-133 are designed to provide reasonable assurance regarding the achievement of the following objectives:

1. Transactions are properly recorded and accounted for in order to permit preparation of reliable financial statements and reports and maintain accountability over assets.
2. Transactions are executed in compliance with laws, regulations and provisions of federal and state laws and in accordance with sponsored agreement terms.
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Research and other sponsored program awards to the 16 UNC campuses totaled \$767.8 million for FY 2000-01 with about two-thirds of these dollars coming from federal sources. State and local governments provided less than 15%. Among public university systems, in the latest national survey, UNC ranks third in science and technology research expenditures, behind only the University of California and the University of Texas systems. Grants and contracts support thousands of individual projects that improve human health, our understanding of the natural world, education, national defense, and other areas critical to the nation and our state. Not only do grants and contracts support leading-edge science and public service, but their funds are also used to support our state's workforce. Grants and contracts support salaries for faculty, post-doctoral fellows, graduate assistantships, and undergraduates, all who keep our universities in the forefront of regional economic development and training.

In 2000-2001, the constituent UNC institutions in total received \$110.4 million in facilities and administration receipts. These receipts were expended by each campus



to support costs associated with maintaining an environment conducive for conducting research and scholarly advancement and ensuring competitiveness for attracting new research funds. However, facilities and administration receipts are also significantly under-reimbursed by the federal government. In a recent report (Rand Corp., 2000) the federal government was criticized for not providing up to 25% of the facilities and administrative costs earned by US campuses.

In order to provide the information regarding the amount and uses of facilities and administrative receipts, each campus was asked to provide a report for the 2000-01 fiscal year. The institutional responses are summarized in the following sections of this report. (Copies of the institutional responses are available upon request.)

#### Amount of Facilities and Administrative Receipts – 2000-01 Fiscal Year

University-wide, a total of \$110.4 million was recovered in facilities and administrative receipts (see Attachment A) for the 2000-01 fiscal year. Consistent with their research missions, the two major research universities, North Carolina State University (20.5%) and UNC-Chapel Hill (68%), accounted for almost 90% of the University-wide total. As noted on Attachment A, five institutions –East Carolina University, North Carolina A & T State University, UNC Charlotte, UNC Greensboro, and UNC Wilmington – accounted for most of the remaining 10% of these total receipts.

#### Uses of Facilities and Administrative Receipts – 2000-01 Fiscal Year

Each institution provided a programmatic summary of priorities and an object of expenditure summary of facilities and administrative receipts disbursements during the 2000-01 fiscal year, which totaled \$96.1 million. The principal priorities for programmatic expenditures were designed to:

- encourage new research activity in a competitive research environment;



- provide faculty "start-up" packages (support staff, laboratory facilities, and operating expenses), especially for newly-recruited faculty;
- support research-related administrative functions;
- maintain and expand research infrastructure, including capital improvements and debt service;
- support academic programs, including the libraries;
- provide general administrative support; and
- support strategic initiatives

Each of the campuses reported on its expenditure priorities for the year. Since the expenditures by the two major research universities account for most of the total, the illustrative examples are drawn from their reports. Similar kinds of expenditures were made by the other campuses, but in relatively smaller amounts.

UNC-Chapel Hill is planning to obligate \$147.6 million of the facilities and administrative receipts toward the construction of several major building projects or renovation projects over the next five years including the following: Medical Biomolecular Building, Public Health Building, Nursing Building, Science Complex, Neurosciences Building, Bioinformatics Building, and Community Health Building. UNC-Chapel Hill committed to match the 2000 bond funds with an equal amount of campus receipts in the capital improvements plan that was approved by the Board of Governors and the General Assembly and became the basis for the bond program. Facilities and administrative receipts comprise a significant portion of the campus "match", either through direct expenditure or through the issuance of special obligation bonds to be retired from future F&A receipts. During 2001, the University issued its first series of these special obligation bonds committing these receipts as one of the sources of debt repayment.

At UNC Chapel Hill, facilities and administrative receipts contributed significantly to new computer systems implementation initiatives such as the Carolina Computing Initiative which requires undergraduates to have laptop





computers and supports their integration into the curriculum. F&A receipts were used to purchase laptops for use by faculty as a part of the Computing Initiative allowing for the enhancement of instruction through technology improvements. Funds were also used to continue "within building" campus network wiring and to provide additional campus core academic computing services.

In addition, during 2000-01, funds were used at UNC Chapel Hill for new faculty start-ups, i.e., the facilities and administrative receipts were used to pay for equipment, supplies, furniture, computers, travel, space renovation, relocation, and recruitment expenses for 79 faculty members campus-wide. Another major use of facilities and administrative receipts was to provide funding for the Office of Research and Graduate Studies which provides support for research activities of faculty, staff, and students. The specific goals of this office include: (1) enhancing research funding on campus; (2) providing matching funds for external research applications; (3) expanding technology development and economic development activities; (4) providing expanded coordinated training programs; (5) providing support and coordination of multidisciplinary research proposals; and (6) disseminating benefits of research.

UNC-Chapel Hill also allocated a part of the facilities and administration receipts to the divisions generating these costs. For example, during 2000-01 fiscal year, the College of Arts and Sciences performed facilities upgrades to renovate rooms and laboratories, provided new technology and equipment to refurbish laboratories and staff offices; equipped faculty research laboratories, supported salaries for research assistants and post-doctoral students, provided "seed" money for new faculty research starts to help them compete for grants; and provided faculty office set-up and research start-up funds for new and replacement faculty.

One important part of UNC-Chapel Hill's use of facilities and administrative receipts is to establish a reserve to meet its budget obligations. Contract and grant revenues including both direct and facilities and administrative costs are collected throughout the year as the research project progresses. Research grants and



agreements overlap fiscal years, often causing fluctuation in the amounts collected and expended in a given year. The reserve protects against these fluctuations and is used when a shortfall occurs. In years where there is no shortfall, it may be used as one-time start-up funding for new operations in support of the research programs.

It is further important to note that the facilities and administrative expenses provided the resources to fund the Contracts and Grants Division on the UNC-Chapel Hill campus, the division that performs accounting relative to contracts and grants and assures compliance with requirements of grantor agencies.

At North Carolina State University, approximately half of the facilities and administration revenues were used to provide salary support for those offices supporting the research infrastructure of the campus, such as purchasing, payroll, accounting, budget, administrative computing, facilities operations, legal and personnel. Approximately one-third of the receipts was allocated to the colleges based on their contribution to the earning of these receipts. The colleges invest this funding in facilities, equipment repairs and maintenance, equipment, facility refurbishment and renovations, and for administration of their research endeavors.

About 15% of the receipts were administered as allocations for the Vice Chancellor for Research and Graduate Studies to provide start-up packages and equipment for new faculty, matching costs for special research initiatives, interinstitutional programs, and faculty upfits and renovations. The library also receives an allocation based on its contribution of the library to the reimbursement rate in order to maintain research-related collections and services and provide archival storage.

Allocations were made to research administration to cover the costs of personnel and other operating costs of the Office of Sponsored Programs and the Contracts and Grants accounting office. Funds were also allocated to support the continuing development of the Centennial Campus through retro-fitting and constructing new



research buildings, and providing support for the Centennial Campus Development Office.

In addition to the programmatic summary provided by each institution, an accounting by object of expenditure was also provided (see Attachment B). In summary, the categories of expenditures follow:

<b>Object of Expenditure</b>	<b>Amount</b>	<b>% of Total</b>
Personnel Services	\$ 38,498,224	40.1%
Supplies, Utilities, Fixed Charges & Other Current Services	37,191,456	38.7%
Educational, computing and other equipment	10,062,572	10.5%
Debt Service	4,843,052	5.0%
Renovation and capital improvements projects	4,228,466	4.4%
Educational awards	839,991	0.9%
Other expenditures	391,745	0.4%
<b>TOTAL</b>	<b>96,055,506</b>	<b>100.0%</b>

#### University Research Facilities and Administrative Receipts Reporting Policy

Recognizing the need for uniform policies and procedures for reporting University research facilities and administrative receipts, the Board of Governors at its meeting on March 6, 2002 adopted a new policy statement. A copy of the draft policy is attached (Attachment C).

The requirements of the policy are:

1. UNC institutions determine expenditure of F&A receipts. The chancellor of each constituent institution shall expend F&A funds only to support scholarly development of its faculty, staff and students or to ensure that the campus infrastructure is supported to enhance such scholarly activities.
2. In a format to be provided by the Office of the President, each campus will report by December 1, the amount of F&A funds received, amount expended by purpose, and uncommitted balance. A report will be made to the Board of Governors at the February Board meeting.
3. Chancellors shall formulate and submit a copy of an administrative procedure for the use and reporting of F&A funds to the President, consistent with Board of Governors' guidelines for the expenditure of F&A funds.



**THE UNIVERSITY OF NORTH CAROLINA**  
**Facilities and Administrative Receipts**  
**2000-01 Fiscal Year**

<b>Institution</b>	<b>Total Amount</b>	<b>% of Total</b>
Appalachian State University	\$ 392,512	0.4%
East Carolina University	2,477,843	2.2%
Elizabeth City State University	345,276	0.3%
Fayetteville State University	332,221	0.3%
North Carolina A & T State University	2,396,717	2.2%
North Carolina Central University	496,834	0.5%
North Carolina State University	22,679,538	20.5%
UNC Asheville	84,413	0.1%
UNC-Chapel Hill	75,139,845	68.0%
UNC Charlotte	1,198,585	1.1%
UNC Greensboro	2,922,063	2.6%
UNC Pembroke	169,680	0.2%
UNC Wilmington	1,151,955	1.0%
Western Carolina University	282,788	0.3%
Winston-Salem State University	333,513	0.3%
UNC General Administration	35,612	0.0%
<b>TOTAL</b>	<b>110,439,395</b>	<b>100.0%</b>





**The University of North Carolina**  
**Summary of Facilities and Administrative Receipts**  
**Expenditures by Campus**  
**For the Fiscal Year 2001-02**

	Personnel Compensation	Contracted Services	Supplies	Utilities	Other Current Services	Fixed Charges	Equipment					Total Equipment	Educational Awards	Renovation and Capital Projects	Debt Service	Other	Explain Other	Total
							Office	EDP	Educational	Motor Vehicles	Other							
ASU	54,000		99,000		150,900	15,000					31,100	31,100						350,000
ECU	995,632	168,066	84,042		142,759	28,908	43,134	14,588	1,030,022		616	1,088,360	20,703	150,325		41,545	Grant Match	2,720,340
ECSU	154,886	19,710	12,514		56,085	3,100	1,108				25,483	26,591	10,000					282,886
FSU	26,975	12,853	14,486		29,661	686	17,339	20,718	978		235	39,270	1,100					125,031
NCA&T	1,541,108	79,964	28,837		415,708	37,510	12,359	4,395	12,549		33,785	63,088	209,721			66,013	Grant Match	2,441,949
NCCU	137,228	750	18,970		85,653	7,342	16,226	17,062	857		2,751	36,896	500					287,339
NCSU	7,469,810	2,423,396	1,874,788	226,651	2,234,163	2,254,832	23,939	328,669	1,286,489	119,697	25,229	1,784,023	70,311	855,893	3,121,402			22,315,269
UNCA	78,675	9,268	383		(1,113)	1,708	108	2,665	35,572			38,345				27	Transfer	127,293
UNCCH	22,452,004	1,033,637	10,740,270	72,995	11,108,580	6,398,218		1,603,842	4,428,121	(1,089)	631,589	6,662,463	341,309	2,090,823	1,721,650			62,621,949
UNCC	10,571	150	5,052		9,330	854	6,358	1,680	1,598		205	9,841		1,101,845				1,137,643
UNCG	1,009,458	87,614	247,617	2,355	332,501	93,571	4,001	77,029	46,413	30,335	7,945	165,723	60,500			106,929 35,000	Inst Health Science, other Faculty Research Awards	2,141,268
UNCP	112,875	10,649	5,606		10,996	2,225	1,208	540				1,748	3,000	29,580				176,679
UNCW	176,412	9,380	7,968		64,900	78,312		19,639	455	20,000	15,875	55,969	104,508			18,147 48,188	Fincl Aid Loan, other Faculty Research Awards	563,784
WCU	19,876	29,562	15,739		95,890	16,943	534	47,104	7,275		244	55,157	12,000					245,167
WSSU	190,266	176,449	12,644		42,623	3,000		3,998				3,998	6,339			75,896	Chancellor Search	511,215
UNC GA		7,000			694													7,694
UNC	34,429,776	4,068,448	13,167,916	302,001	14,779,330	8,942,209	126,314	2,141,929	6,850,329	168,943	775,057	10,062,572	839,991	4,228,466	4,843,052	391,745		96,055,506





# POLICIES

## The University of North Carolina *Board of Governors*

**Number 500.5**  
**Adopted: 3/6/02**

### **University Research Facilities and Administration Receipts Reporting Policy**

#### **Purpose**

The University of North Carolina receives reimbursement of Facilities and Administration (F&A) costs related to grants and contracts and is expected to allocate these funds within the appropriate state and federal guidelines. Pursuant to the provisions of Senate Bill 1005, Section 31.14 (2001), the UNC Board of Governors is required to report to the Joint Legislative Education Oversight Committee by March 1, each year, the amount of overhead receipts for the University System and the use of those receipts.

#### **Background**

F&A costs (sometimes called indirect or overhead receipts) are calculated for such items as facilities maintenance and renewal, libraries, salaries of technical, compliance and administrative personnel, equipment, scholarly development, and facilities support. F&A rates are set by negotiation between the federal government and each university. Lower rates are often established statutorily or by policy by certain programs and sponsors.

Under federal OMB Circular A-21 indirect costs generally reimburse for costs of the grants and contracts operations of the institution and other overhead expenses of the university in a manner consistent with the formulae under which the funds were recovered. Internal university controls pertaining to the compliance requirements for sponsored project expenditures under OMB Circular A-133 are designed to provide reasonable assurance regarding the achievement of the following objectives:

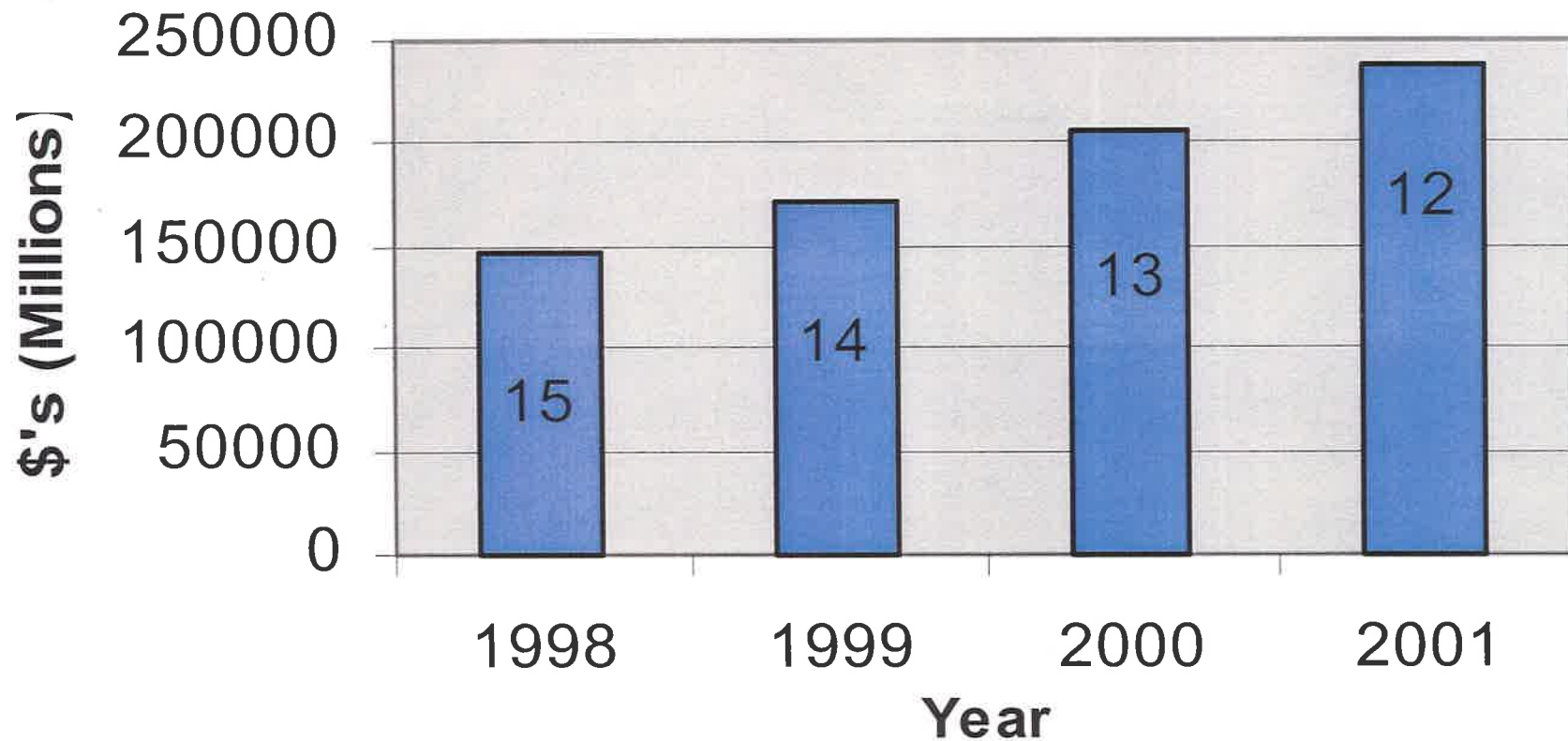
1. Transactions are properly recorded and accounted for in order to permit preparation of reliable financial statements and reports and maintain accountability over assets.
2. Transactions are executed in compliance with laws, regulations and provisions of federal and state laws and in accordance with sponsored agreement terms.
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

#### **Requirements**

1. UNC institutions determine expenditure of F&A receipts. The chancellor of each constituent institution shall expend F&A funds only to support scholarly development of its faculty, staff and students or to ensure that the campus infrastructure is supported to enhance such scholarly activities.
2. In a format to be provided by the Office of the President, each campus will report by December 1, the amount of F & A funds received, amount expended by purpose, and uncommitted balance. A report will be made to the Board of Governors at the February board meeting.
3. Chancellors shall formulate and submit a copy of an administrative procedure for the use and reporting of F&A funds to the President, consistent with Board of Governors' guidelines for the expenditure of F&A funds.



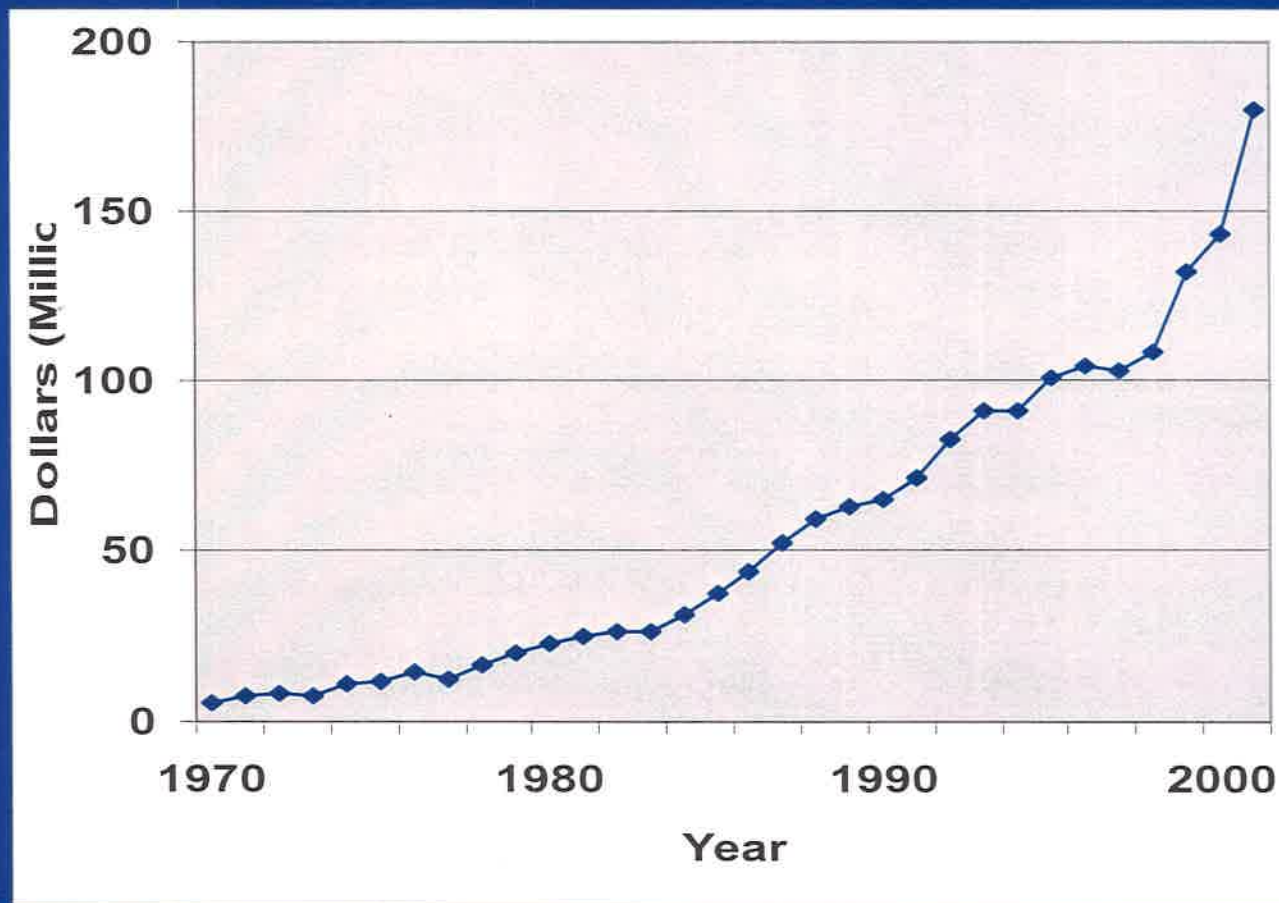
# NIH Support UNC at Chapel Hill



# = *Ranking among all Universities*



# NIH Support UNC School of Medicine







# *The University of North Carolina*

## *Facilities and Administrative Receipts 2000-01*

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*Joint Legislative Education  
Oversight Committee*



The University of North Carolina

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*March 12, 2002*



# *Background*

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- Research represents an important one-third (along with teaching and public service) of the University's mission and service to the State and the nation.
- UNC's reputation as one of the nation's top public university systems has been built, in part, on the volume and quality of research and sponsored programs conducted by its faculty.
- UNC ranks third (among public university systems) in science and technology research expenditures, based on the latest national survey.
- UNC receives the majority of its financial support for research from competitive grants and contracts, with limited research dollars coming from direct appropriations.





# *Facilities & Administrative Receipts – defined*

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- Administrative, facilities, and other expenses above and beyond the direct costs of research projects.
- Facilities & Administrative receipts are also frequently referred to as indirect costs and/or overhead receipts.





## *FY 2000-01 Research \$\$ and Amount for Facilities and Administrative Receipts*

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- For FY 2000-01, research and other sponsored program awards to the 16 UNC campuses totaled \$767.8 million.
- For FY 2000-01, the constituent UNC institutions received \$110.4 million in facilities and administrative receipts.







# *Uses of Facilities and Administrative Receipts*

## *2000-01 Fiscal Year*

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- For 2000-01, each institution provided a programmatic summary of priorities and a summary of facilities and administrative receipts disbursements. The priorities for programmatic expenditures were designed to:
  - Encourage new research activity in a competitive research environment;
  - Provide faculty “start-up” packages (support staff, laboratory facilities, and operating expenses), especially for newly recruited faculty;
  - Support research-related administrative functions;





## *Uses of Facilities and Administrative Receipts (continued)*

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- Maintain and expand research infrastructure, including capital improvements and debt service;
- Support academic programs, including the libraries;
- Provide general administrative support; and
- Support strategic initiatives





## *Expenditure Summary*

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<b>Object of Expenditure</b>	<b>Amount</b>	<b>% of Total</b>
Personnel Services	\$ 38,498,224	40.1%
Supplies, Utilities, Fixed Charges & Other Current Services	37,191,456	38.7%
Educational, computing and other equipment	10,062,572	10.5%
Debt Service	4,843,052	5.0%
Renovation and capital improvements projects	4,228,466	4.4%
Educational awards	839,991	0.9%
Other expenditures	391,745	0.4%
<b>TOTAL</b>	<b>96,055,506</b>	<b>100.0%</b>



The University of North Carolina

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# Carolina Depends on F&A Funds

*Why facilities-and-administrative funds are indispensable to the University of North Carolina at Chapel Hill.*

## Financial soundness depends on F&A funds.

Facilities-and-administrative funds, also known as the “over-head” from contracts and grants, reimburse the costs of supporting research. In almost every sector of the University, we rely on F&A funds to meet our financial obligations and to fulfill our mission of teaching, service, and research. A reliable stream of F&A revenues helps us achieve a highly favorable bond rating, which enables the University to lower construction budgets by reducing the cost of borrowing money. A substantial threat to our F&A revenue stream could jeopardize our bond rating and escalate our costs.

## Employees depend on F&A funds.

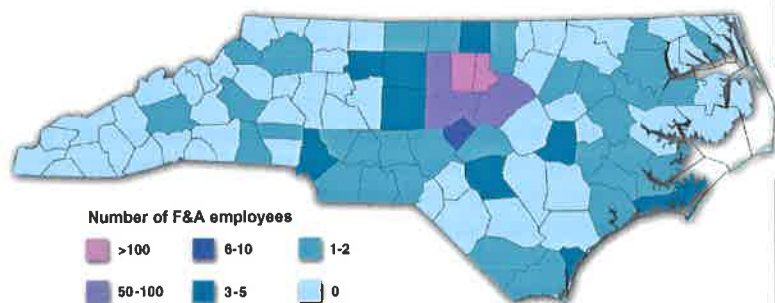


Figure 1. North Carolina counties with UNC-Chapel Hill employees paid from facilities-and-administrative funds.

On average at any one time at Carolina, some 846 employees are paid at least in part from the \$17.5 million in F&A funds devoted to salaries campus-wide (Table 1). These salaries represent a \$17.5-million impact on the state’s economy. But more importantly, they support a great many tax-paying employees and their families. These employees, who live in 47 North Carolina counties (Figure 1), are vital to our programs in research and education.

Table 1. Employees paid from F&A funds (February 2002).

	Permanent	Temp.	Total	Salary Costs
Faculty	15	—	15	\$520,000
EPA Non Faculty	67	100	167	\$4,866,264
SPA	475	189	664	\$12,164,522
<b>Total</b>	<b>557</b>	<b>289</b>	<b>846</b>	<b>\$17,551,712</b>

## Service depends on F&A funds.

In addition to supporting research, F&A funds help support a number of public-service projects of demonstrated value to the state. These include, for example:

- The Center for Sustainable Enterprise (Kenan-Flagler Business School) promotes business opportunities through service and education. This year, the Center will use approximately \$60,000 in F&A funds to “seed” new initiatives.
- The Oral Conditions and Pregnancy project (Dentistry) finds ways to improve dental care in order to safeguard the health and nutrition of pregnant women.

- The Oral Health Works in the Community Project (School of Dentistry) improves oral health in North Carolina workplaces.
- The Breast Cancer Screening Program (Lineberger Comprehensive Cancer Center) provides mammography in Eastern North Carolina to improve early diagnosis.
- The AIDS Clinical Trials Network (Medicine) treats 1500 people, including patients from every county in North Carolina and an additional 500 patients from the state’s prison system. AIDS clinics are now in all regions of the state, making North Carolina a national leader in AIDS treatment.

## Projects under construction depend on F&A funds.

Several building projects now under way depend heavily on F&A funds. Here are several examples:

- The Bioinformatics Building: \$2 million from state bonds, \$27 million from F&A funds.
- The Medical Biomolecular Research Building: \$7 million in state funds, \$30 million from F&A funds.
- School of Public Health addition: \$13.3 million from state bonds, \$10 million from private fund raising, \$15 million from F&A funds.

These projects successfully leverage public-private partnerships that attract private donations and increase the impact of public funds. And each of these buildings will house research programs designed to improve human health and quality of life.

## Future capital projects depend on F&A funds.

In the bond referendum of 2000, UNC-Chapel Hill received \$500 million for capital improvements, including badly needed future buildings whose total projected cost will be \$985 million. These projects include, for example, the University’s new science complex and a genetic-medicine building. A large share of the construction costs for these projects—as well as the equipment needed to make them functional—will be covered by F&A funds (Figure 2). Our plan for paying for these projects assumes a stream of F&A revenues increasing at an average rate of 5 percent per year. In other words, our construction commitments are based on the assumption that our current F&A revenues will *increase*, not decrease.

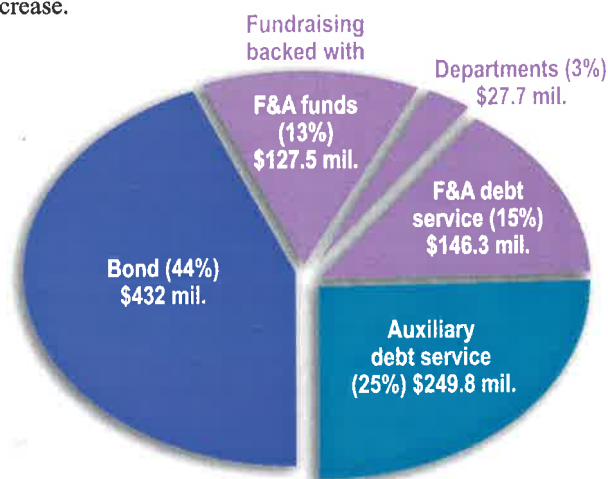


Figure 2. F&A share of projected costs for future bond-funded capital projects. The departments’ share also includes F&A funds.

### **Equipping new buildings depends on F&A funds.**

Campus buildings, especially science buildings with high-tech laboratories and instruments, are expensive to furnish and equip. New buildings totaling \$985 million would require an estimated 5-10 percent of the construction cost in additional funds to outfit them in ways that would maximize their potential. At Carolina, most of that investment will come from departmental sources comprised primarily of F&A funds.

### **Teaching depends on F&A funds.**

Without F&A funds, it would be almost impossible to train students—especially graduate students—in the technical disciplines. Training graduate students is a primary reason for university research. Undergraduates also learn by doing research, experiencing first-hand the process of discovering new knowledge. Today, over 20 percent of Carolina undergraduates receive credit hours for conducting research, with a total of about 3,000 credit hours per year campus-wide. In the last year, applications for undergraduate summer research fellowships on the campus have doubled. Despite more than \$40,000 per year in private support, the Office of Undergraduate Research can only fund about 20 percent of those students who apply. This year, F&A funds will pay about \$10,000 for undergraduate fellowships. More funds are needed.

### **Start-ups for new faculty depend upon F&A funds.**

New faculty members require start-up funds to relocate, set up their laboratories, buy computers and software, obtain research animals and supplies, and conduct preliminary studies that lead to major grants. Without sufficient start-up packages, it is virtually impossible to attract top faculty to Carolina.

In fiscal year 2000-2001, the University administration spent about \$4.5 million in F&A funds campus-wide on start-up packages for 79 new faculty members. Allocations for start-ups in the School of Medicine totaled \$2.2 million for 24 start-ups averaging \$93,000 each. Allocations for start-ups in the College of Arts and Sciences totaled \$1.2 million for 24 start-ups averaging about \$52,000 each. In addition, schools contribute, drawing on their own allocations of F&A funds. In the sciences, where instruments and facilities are expensive, the total cost of a start-up package can reach \$500,000.

Start-up packages support researchers who will have a real impact on the University and the state. For example:

- Robert W. Ryder, an expert in bioterrorism, will help the School of Public Health work with state and local officials to protect North Carolinians.
- Terry Magnuson, chair of the new Department of Genetics, will lead a core group of faculty who have been assembled *in one year*, creating a top-flight department in an area of strategic importance to the University and the state. Without F&A funds, this department might have taken 20 years or more to establish.

### **Grants depend on F&A funds.**

Many funding agencies require the University to commit its own resources to match some portion of the money received for a research grant. In the past fiscal year, the Office of the Vice Chancellor for Research and Graduate Studies provided \$662,714 in proposal matches, all from F&A funds. In addition, academic units also provide matching monies using F&A funds. Without these matching funds, the University would miss out on many of the big grants that support our research programs and enhance the education of our students.

### **Research compliance depends on F&A funds.**

In many cases, F&A-funded employees provide services required by state or federal law. We estimate that the total campus F&A expenditure for the administrative activities necessary for research compliance is at least \$3.7 million a year. For example, staff paid from F&A funds review and monitor the use of human subjects or laboratory animals in research, satisfying federal mandates. F&A-funded employees also administer research contracts and grants, fulfill reporting requirements, report and license inventions, create start-up companies, and help manage offices and labs. Without these employees, the University could not meet its legal obligations, and the research enterprise would grind to a halt.

### **Innovation depends on F&A funds.**

While big grants keep our big labs in business, small grants—sometimes called “seed grants”—often deliver the most dramatic results. A small investment in seed funding can help a faculty member land a big grant or launch a productive new line of research. With few exceptions, these seed grants are provided through F&A funds. Here are just a few examples:

- With a Carolina seed grant in 1990, Al Baldwin, associate professor of biology began studies on the regulation of the transcription factor NF- $\kappa$ B, which he and other researchers have found to shield cancer cells from chemotherapy. Building on his initial findings, Baldwin secured grants from the National Institutes of Health to continue his research, which has produced several significant breakthroughs in understanding the role of NF- $\kappa$ B in cancer formation and chemotherapy.
- Sharon Milgram, associate professor of cell and molecular physiology, used a Carolina seed grant to develop a genetics-based technique to study the interactions of proteins involved in a range of processes that affect human health. Her technique inspired at least four federal grants and one private grant, representing over \$400,000 of direct funding to Milgram's lab.
- Peter Ornstein, professor and chair of psychology, relied on a modest Carolina seed grant for a pilot study that tracked preschoolers' emerging memory skills. His pilot study led to a five-year, \$3 million grant from the National Institute of Child Health and Human Development.

### **Economic progress depends on F&A funds.**

F&A funds supply the necessary investment we need to keep the research enterprise growing in ways that yield value to North Carolina. At UNC-Chapel Hill, this enterprise attracts more than a third of the University's budget in outside funding—\$438 million in total external funding awarded during 2001. Outside funding has a substantial impact on the state's economy. It also attracts talented faculty and students who create the new technologies and innovations North Carolina will need to recover its economic momentum.

During 2001, Carolina inventions helped to launch 12 new companies based on Carolina technologies. These companies will create jobs and economic development for North Carolina. MiCell, Inc., a company based on inventions by Joe DeSimone, professor of chemistry, markets technologies for cleaning fabric and industrial parts using carbon dioxide instead of toxic solvents. Recently, DuPont licensed DeSimone's process for using carbon dioxide to improve the manufacture of Teflon. The company is spending \$40 million to build a plant based on the technology in Bladen County. The plant will employ about 100 workers.

Visit Research at Carolina online: <http://research.unc.edu/>

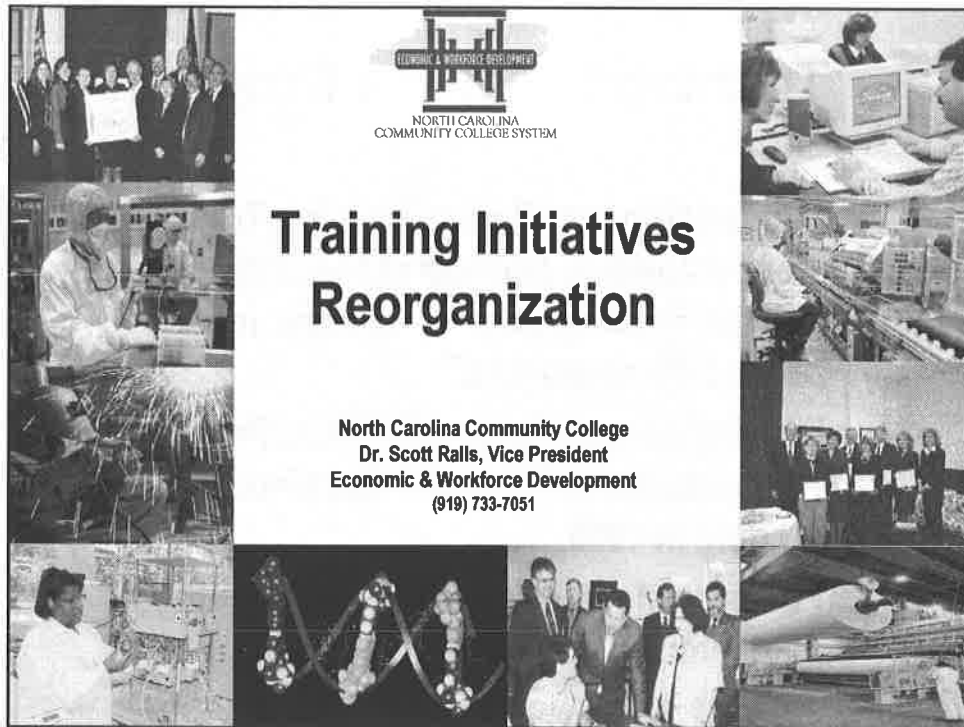


**S.L. 2001-424, Sec. 30.10: Bureau of Training Initiatives**

**SECTION 30.10.(a)** The Bureau of Training Initiatives funded by the Worker Training Trust Fund is transferred from the North Carolina Department of Labor to the North Carolina Community Colleges System, as if by a Type I transfer as defined in G.S. 143A-6, with all the elements of such a transfer. The Bureau of Training Initiatives is designed to provide training services and develop new training innovations similar to the North Carolina Community Colleges System's Workforce Development programs. Consolidating these efforts at the North Carolina Community Colleges System will result in greater efficiencies and coordination.

No changes in the organizational structure of the programs transferred under this subsection, other than those provided by this subsection, shall take place prior to January 1, 2002. The State Board of Community Colleges shall present a plan for such changes to the Joint Legislative Education Oversight Committee no less than 30 days before they are proposed to become effective.





## Section 30.10(a) of Session Law 2001-2004

- Transferred Training Initiatives Program from NC Dept. of Labor to NCCCS as a Type I transfer (G.S. 143A-6)
- Legislation recognized similarities between Training Initiatives programs and community college workforce development programs. Transfer "will result in greater efficiencies and coordination."
- No changes prior to 1/1/2001. State Board of Community Colleges required to present plan to Joint Legislative Education Oversight Committee no less than 30 days prior to becoming effective.

## Training Initiatives Program

- **Funded through Worker Training Trust Fund**  
“for customized training of the unemployed and the working poor for specific jobs needed by employers.”
- **Initiated as outgrowth of NCDOL Pre-Apprenticeship Program. Received WTTTF funding in 1992.**
- **Focus on developing workforce training pilots, models and demonstrations.**

## Benefits of Transfer

- **Community colleges are primary deliverers of workforce training but have had few resources (people or funding) to support program development and innovation.**
- **Training Initiatives funded to support pilots, models, and demos but not connected to a dedicated deployment system.**
- **Complementary strategic focus areas: (i.e. competency-based training, work profiling, entrepreneurship programs, programs to enhance manufacturing competitiveness).**

## Structure at Transfer

- 2001 WTTF allocation - \$941,760
- 8.5 staff positions
  - Director
  - Administrative Assistant
  - 6 regional staff positions
  - Joint position with DPI to support youth apprenticeship

## Mission Under NCCCS

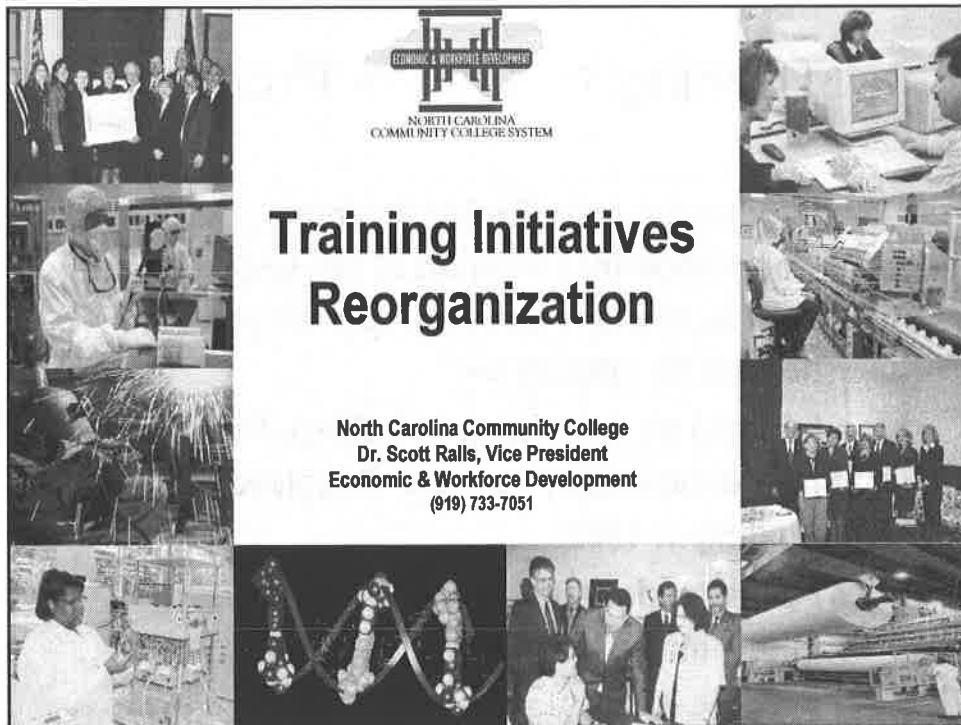
- Develop short-term training programs for dissemination through colleges (occupational profiling, curriculum development, train-the-trainer).
- Sponsor pilots, models and demonstration training programs through college workforce development programs.
- Provide training infrastructure support and technical assistance to local colleges.

## Mission Under NCCCS

- Coordinate training research and development efforts including participation in national efforts such as skill standards and industry certification programs.
- Sponsor field tests of training programs and tools developed by third parties.

## Staff Restructuring

- Vacant regional position will be eliminated.
- Funding for position shared with DPI will be assumed by DPI.
- Field Staff will have dual *program development* and *program deployment* responsibilities. Will assume leadership of Strategic Project areas and program affinities with 5 Workforce Development Program Areas.



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# **Training Initiatives Draft Reorganization Plan**

**As required by Section 30.10(a) of Session Law 2001-2004**

**Submitted to the State Board of Community Colleges for  
presentation to the Joint Legislative Education Oversight  
Committee**

**February 14, 2002**

## **Reorganization of the Training Initiatives Program**

Section 30.10(a) of Session Law 2001-2004 transferred the Training Initiatives program from the North Carolina Department of Labor, to the North Carolina Community College System, as a Type I transfer as defined under G. S 143A-6. As indicated in the legislation, "the Bureau of Training Initiatives is designed to provide training services and develop new training innovations similar to the North Carolina Community Colleges System's Workforce Development Programs. Consolidating these efforts at the North Carolina Community College System will result in greater efficiencies and coordination."

As required by the legislation, no changes in the organizational structure of the program could take place prior to January 1, 2001. Further, the State Board of Community Colleges is required to present a plan for changes to the Joint Legislative Education Oversight Committee no less than 30 days before they are proposed to become effective.

This report represents the plan proposed by the State Board for reorganization of the Training Initiatives program, with a proposed effective date of April 1<sup>st</sup>, 2002

### **Program Funding**

The Training Initiatives program is currently funded entirely through the Worker Training Trust Fund. For 2001-2002, the program received \$941,760 from WTTF "for customized training of the unemployed and the working poor for specific jobs needed by employers."

### **History of the Training Initiatives Program**

Training Initiatives is a program outgrowth from the PreApprenticeship Division at the NC Department of Labor. Begun as an "in house" unit within PreApprenticeship, Training Initiatives used "performance based contracts" from the JTPA (Job Training Partnership Act) system to create novel occupationally specific pre employment training for targeted populations. Operated within this context the small team working on this basis came to appreciate the lack of "human resource management" expertise in the public sector as an inhibiting factor in making quality placements of individuals. Seeking additional funding outside of the JTPA stream allowed the unit to develop a focus and staff capacity in the areas of job analysis, human resources management, field testing and human performance improvement methods and research.

Based on its success, the unit was awarded special appropriations from the Worker Training Trust Fund in 1992 to serve economically disadvantaged individuals and/or those who were unemployed or "underemployed". The unit was formally created by administrative re-organization within the Department of Labor as a new stand alone specialized operation under the same administration

that included Wage and Hour, Private Personnel Services, Employment Discrimination, The Apprenticeship Division and The Pre-Apprenticeship Division (renamed Workforce Development Division). Within four years the unit had won several grants and additional special appropriations from the state and participated in joint ventures with private and public sector project partners. Reflecting a strategic decision, the staff was contracted to become a smaller core group of full time permanent career employees who would have project and budget responsibilities within designated multi-county regions.

The projects and programs of the unit evolved over time to become more comprehensive. The first projects of the unit were straightforward pre-employment training programs linking individual members of a target population to specific job vacancies with pre-determined employers or occupational areas showing promise for stable and progressive employment. Other projects included the development of entirely new classroom based courses. A significant number of recent projects have focused on the identification or development of pathways to industry through recognized third party certifications as alternative qualifying routes to employment or career advancement.

Building on a history of involvement with pre-employment training programs, Training Initiatives has become nationally recognized for their early advocacy and use of a variety of objective assessments used in personnel selection and placement. All regional staff are now credentialed job analysts and most now also possess credentials in Human Resource Management (awarded by SHRM and HRCI-Society for Human Resource Management and Human Resources Certification Institute). In fact, most of the staff have Professional in Human Resources certification from the Society of Human Resource Management, as well as multiple job profiling credentials, making them well qualified to address workforce/human resources needs. The staff has participated in technical team constructions of national skill standards and in the validation of skill or occupational standards for the National Skill Standards Board and a variety of industry groups.

The program has also been innovative and cutting edge in developing, field testing and/or identifying new tools and approaches in the human resources arena. They have developed resident staff expertise in training, job analysis, and the six disciplines recognized as component parts of human resource practice\*. In addition the unit is on track to develop collateral skills in the emerging study of "human performance improvement".

Regardless of program area, all activities of the program are based on the potential of human capital in the workforce arena and applying scientific principles and advances in human resources science to the operation of training, development or workforce operations. The program has routinely been active in the development or demonstration of new programs, and field tests new tools or processes in training and development area. The program has provided

leadership in the development or adoption of skill standards and the requisite assessments and certifications necessary to make those standards relevant to the worlds of employment and training. Training Initiatives has also been among the leaders in developing or using human resources metrics which identify the economic impact of training or performance interventions.

When administratively transferred to the North Carolina Community College System in November 2001, the Training Initiatives staff consisted of a Program Director and Administrative Assistant, six field-based Regional Managers (one vacant), and a position jointly funded with the North Carolina Department of Public Instruction to support youth apprenticeship.

### **Benefits of New Organizational Structure**

Within the North Carolina Community College System, Training Initiatives will function as a program unit under the Economic and Workforce Development Division. It will support innovations and infrastructure for existing workforce development programs that include: Workforce Continuing Education, Human Resources Development, New and Expanding Industry Training, Focused Industrial Training, and the Small Business Center Network.

The addition of the Training Initiatives unit, with its focus on training innovations, provides a significant complement to the Community College Workforce Development programs. Training Initiatives has been the only state agency specifically funded to foster innovations in workforce development through program development, models, pilots, and demonstrations. By aligning the unit within the Community College System, the designated primary deliverer of workforce training, the program will be able to directly support innovations in training delivery through the community colleges. While North Carolina community colleges have traditionally been recognized as one of the leading workforce training programs in the nation (ranked #2 in 2001 by *Expansion Management* magazine), there have been very few Statewide resources available for continuously improving specific workforce development offerings.

While differing in function to the existing Community College programs, Training Initiatives has had a similar strategic focus in its program emphases that significantly enhances ease of integration within the Community College System. For example, Training Initiatives has developed model short-term training programs similar to those offered through Workforce Continuing Education, and played a significant role in the development and monitoring of national industry skill standards and certifications which is a current focus of Community College Workforce Continuing Education programs. Training Initiatives has focused efforts on support for unemployed and underemployed workers, the focus clientele of the Employability Skills Training now provided through the reorganized Human Resources Development Program, and supported entrepreneurial training innovations through development of programs like those

offered through the Small Business Center Network. The Training Initiatives program has played a very active role in supporting innovations in pre-employment training and services such as job analyses/work profiling, as commonly provided through the New and Expanding Industry Training Program. Finally, the Training Initiatives program has sponsored training pilots to enhance the productivity and competitiveness of traditional North Carolina manufacturers, similar in focus to programs delivered through the Focused Industrial Training program.

The integration of the Training Initiatives program within the Community College System offers a significant opportunity to enhance the program offerings of the Training Initiatives and Community College Workforce Development programs, and in turn enhance the workforce training provided to North Carolinians through all 58 community colleges and the Center for Applied Textile Technology. From a community college perspective, Training Initiatives provides a unique resource for continuously enhancing its workforce development programs through new program development and models, pilots and demonstrations, and the provision of hands-on technical assistance directly to community colleges to support local workforce development efforts. From a Training Initiatives perspective, the integration will allow sustainability of innovations by directly connecting the State-sponsored training innovations unit with the system designated the primary deliverer of workforce training in the state.

#### **Training Initiatives Mission within Community College System**

The mission of the Training Initiatives program within the North Carolina Community College System will be to enhance the delivery of workforce training through the 59 community college institutions by:

- 1) Developing short-term training programs in collaboration with local colleges and industry that will be disseminated freely to all North Carolina community colleges for delivery through continuing education, customized training, and Small Business Center programs. Efforts will focus on occupational profiling analysis, curriculum development, and train-the-trainer programs.
- 2) Sponsoring models, pilots, and demonstration training programs through local college workforce development programs, and disseminating successful models to other community colleges throughout the state.
- 3) Providing infrastructure support and technical assistance at the request of local colleges to enhance delivery of training services. These may include training related services such as job/task analysis, seminar type training programs not normally offered through current college programs, and/or strategic workforce development planning.
- 4) Conducting training research and development, monitoring and coordinating Community College System participation in national training initiatives such as national skill standards and certification programs, and benchmarking best practice training programs throughout the United States for the purpose of

continuously improving training delivery by North Carolina Community Colleges.

- 5) Sponsoring field tests of training programs and tools developed by third-party vendors, and negotiating opportunities for rights to these programs for delivery through the North Carolina Community College System.

### Strategic Directions

The addition of Training Initiatives provides all Economic and Workforce Development Programs and every geographic region or occupational arena in the state an important new way to begin or continue important and strategic operations. Reflecting this important role, Training Initiatives strategic emphases will be reviewed with the Program Committees of both the State Board of Community Colleges and the NC Community Colleges Presidents' Association, and the Peer Review Team of Senior Continuing Education Administrators. They also will be incorporated into the Annual Strategic Initiatives of the Economic and Workforce Development Division.

Because Training Initiatives is dedicated to "beginnings or initiatives" it is perfectly attuned to the continuous development of new approaches, strategic "starts" and the addition of new training programs, resources and projects. In this regard Training Initiatives can be seen as an "innovation" function where new processes, tools or programs can be researched, explored and tested before a large scale ramping up of resources is directed to these untested approaches.

In its previous location the annual strategic plan for Training Initiatives was based largely upon an analysis of regional occupational needs for each of the multi-county TI regions. Based loosely upon the NC cluster analysis these programs sought to develop strong regionally based programs that would address a specific sector or target population through a local network of interested parties within a given geographic region. Likewise the delivery of programs, services and projects was focused regionally, within a particular staff member's assigned region.

By joining the Community College System, TI now has both the option and ability to develop strategic plans that encompass both regional and statewide needs and objectives. Staff will maintain a regional presence and activity base but their focus can now be directed to assignments for specific occupational and/or training areas and target populations that are statewide in scope. Because the community college system provides 59 institutions and multiple locations these "initiatives" can be designed from the start to complement or enhance the existing delivery system of the colleges and can build on resources already present. Likewise by focusing on a particular project or target group *as it relates to the community colleges* Training Initiatives staff can conduct needs assessments with these projects that will identify the areas needing additional resources throughout the system. Charging staff with this statewide



responsibility will bring new resources to compare, contrast and inventory existing resources, locate additional resources and identify needs in a more consistent and connected manner.

### Staffing Reorganization

The current 8.5 staff positions now supported by Training Initiatives will be reduced to seven. The vacant position will be eliminated and the funding of the apprenticeship related position shared with the Department of Public Instruction will be supported through DPI. Per agreement with the Department of Public Instruction, NCCCS support for the position through the Apprenticeship program may be reexamined, should the transfer of the Apprenticeship program be approved by the U.S. Secretary of Labor.

The reorganized Training Initiatives program will be directed by a **Program Director**, who in addition to staff management and leadership responsibilities, will play a lead role in training research and development efforts including national skill standards and industry certification programs, and development of North Carolina specific skill standards and occupational profiles. She will also aggressively pursue resource development, including Federal and other grant opportunities that may enhance workforce development through North Carolina Community Colleges, and work closely with Senior Continuing Education leadership at Community Colleges to support program development for workforce continuing education programs, and coordinate program development activities with State and regional training resources including the Media Development Office and Regional Safety Training Specialists.

An **administrative assistant**, who in addition to her staff administrative duties, will assist in providing Service Center administration for sponsored job/task analysis and work profile/skill standards databases.

Each of the five current "regional staff" will convert to "**field staff**." Instead of focusing their efforts on each commonly supporting a specific region of the state, they will coordinate key initiatives that have statewide impact and develop key specialties and program affinities. They will however continue to be regionally deployed, located at community college sites, so they may form close partnerships and efficiently support local college efforts around the state. Each Field Manager will split their time between **program development** efforts that enhance college training offerings through curriculum development, and coordination of pilots, models, and demonstrations, and **program deployment support**, where at the request of local colleges, and dependent upon resource allocation priorities, they will provide training support services such as job/task analysis, or specialty seminars that enhance college offerings.

Field Staff will be assigned a **Program Affinity** area to support development of tools and programs relating to the five Economic & Workforce Development

program areas (Workforce Continuing Education, Human Resources Development, New and Expanding Industry Training, Focused Industrial Training, and the Small Business Center Network). Within the Economic and Workforce Development Division, they will also be lead staff for a specific **Strategic Project** area, to coordinate and foster development of resources and programming in priority training areas. Initial key project areas will include:

- **Manufacturing Programs** including coordination of further development of the North Carolina Manufacturing Certification Program..
- **Employability Skills Training** development, with a focus on curriculum development to enhance the core course offerings of the Human Resources Development program
- **Economic Literacy**, including broadening of the System's current Economic Literacy Initiative to include personal financial literacy.
- **Customer Service and Industrial Maintenance** program development; and
- **Strategic Human Resources Management** including coordination of job/task analysis services provided in coordination with customized training programs.

In addition to existing State positions, Training Initiatives project funds will on a limited basis support staffing at local colleges involved in statewide delivery of strategic training services. For the 2002-2003 program year, these will include staffing support (1/2 position) for the Task Analysis Service Center at Central Piedmont Community College (now funded through New and Expanding Industry Training), and support for an Economic Literacy Specialist (1/2 position now funded out of Focused Industrial Training). In both of these cases, coordination of these programs with local colleges will be placed under the Training Initiatives Program.

### Participant Registration

Instruction provided by colleges that are supported with Training Initiatives funding allocations will not generate budget FTE. Training Initiatives supported training will be registered by colleges under a common prefix on the Continuing Education Master Course List. This will allow participants to be captured through the Common Follow-up System. When Training Initiatives supports instruction for pilot/demonstration programs or specialty seminars, it is recommended that these courses be fee waived.

### Conclusion

The addition of the Training Initiatives program to the Economic and Workforce Development Division provides a significant complement to the workforce development programs offered by North Carolina community colleges. Increasingly, workforce development programs are seen as increasingly strategic

to economic development as evidenced by a recent study that indicated that access to a skilled workforce is the number one factor in global high-tech business location decisions. As a result, states across the nation are increasing resources in strategic workforce development programs. A report by the National Governors' Association indicated that state funding of customized training programs approximately doubled during the 1990s.

North Carolina maintains a reputation as one of the leading states in the nation for its workforce development programs, but continuing this position will require us to be more strategic with our limited resources. The integration of the Training Initiatives program into the Community College System is a sound move, coupling a proven innovation function with one of the nation's most extensive deployment systems. It provides the Community College System with a focused and flexible resource to enhance and continuously improve its workforce training programs.



## **New and Expanding Industries Report**

**§ 115D-5. Administration of institutions by State Board of Community Colleges; personnel exempt from State Personnel Act; extension courses; tuition waiver; in-plant training; contracting, etc., for establishment and operation of extension units of the community college system; use of existing public school facilities.**

(i) The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee on March 1 and October 1 of each year on expenditures for the New and Expanding Industry Program each fiscal year. The report shall include, for each company or individual that receives funds for New and Expanding Industry:

- (1) The total amount of funds received by the company or individual;
- (2) The amount of funds per trainee received by the company or individual;
- (3) The amount of funds received per trainee by the community college training the trainee;
- (4) The number of trainees trained by company and by community college;  
and
- (5) The number of years the companies or individuals have been funded.



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*A Goal For North Carolina's Schools*



## *2001 Reports*

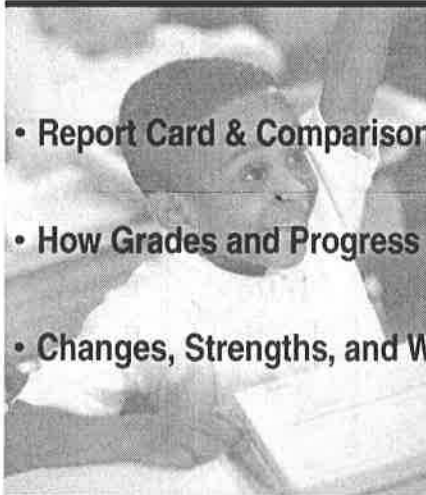
North Carolina Education Research Council

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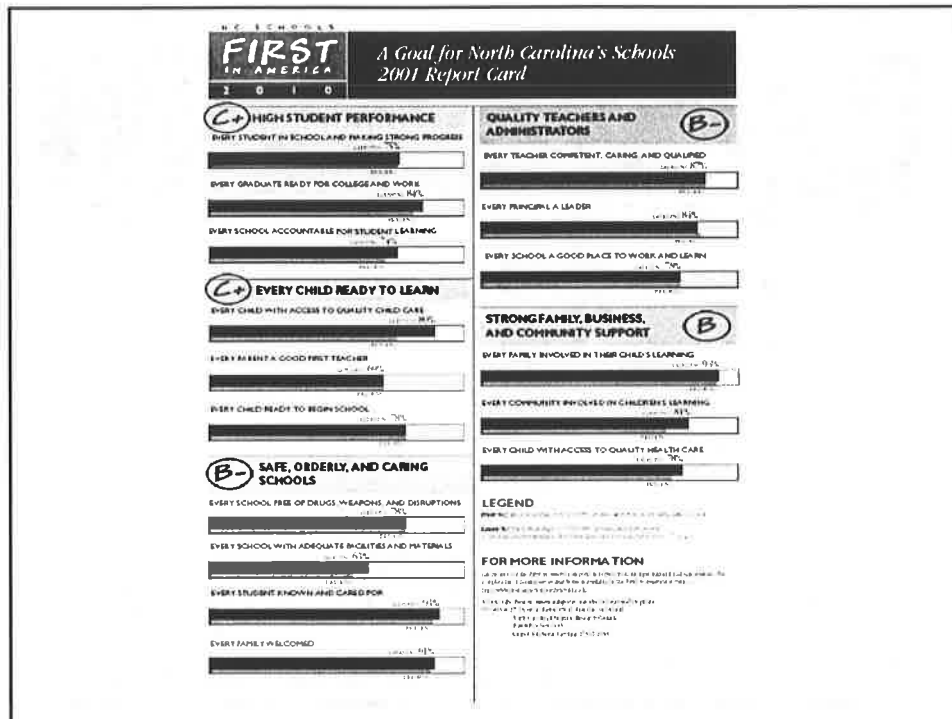
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## *Presentation Preview*



- Report Card & Comparison to Last Year
- How Grades and Progress Bars Were Derived
- Changes, Strengths, and Weaknesses



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*Grade Comparison*

First in America Goals	Grades	
	2000	2001
High Student Performance	C (74%)	C+ (78%)
Every Child Ready to Learn	C+ (79%)	C+ (78%)
Safe, Orderly, & Caring Schools	C+ (78%)	B- (81%)
Quality Teachers & Administrators	B- (83%)	B- (83%)
Strong Family, Business, & Community Support	B- (80%)	B (84%)



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## *Grades & Progress Bars*


- All grades computed from data, not subjective
  - National, state, and survey data ▶
- 2 factors used to compute grades:
  - Latest NC Score/Target Score =  
Performance Index (% of progress toward target)
- Grading scale used to award grades ▶
- Some targets raised, indicators replaced ▶  
(Adjusted last year's grades)

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## *High Student Performance*

- Modest improvement, C to C+ 
- Notable improvement in NAEP Mathematics (1996 to 2000)
  - 4<sup>th</sup> Graders: 21% to 28% proficient (8<sup>th</sup>)
  - 8<sup>th</sup> Graders: 20% to 30% proficient (13<sup>th</sup>)
- Rise in % proficient on EOG & EOC Examinations
- AP Examination performance up
  - 135 to 150/1000, 11<sup>th</sup> in nation

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## High Student Performance

- **Advanced coursetaking in math & science:**
  - High ranking
  - Bad trend on 8<sup>th</sup> grade Algebra (30% to 27% to 25%)
- **% Schools of Excellence or Distinction up** (28% to 38%)
  - But still low relative to target (90%)
- **Rank low on high school or GED completion** (86%, 33<sup>rd</sup>),  
**high dropout rate** (11% of 16-19 year olds, 36<sup>th</sup>)
- **Minority achievement gap still high** ▶

C+

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## Every Child Ready to Learn

- **No change, "still" a C+**
- **Generally good job on access to quality child care**
  - Many centers earning 3 to 5-star rating (94%)
  - But compensation low (30<sup>th</sup>, well below average)
- **But high rates of TV watching**
  - About 1/4 of 4<sup>th</sup> & 8<sup>th</sup> graders watching over 5 hours
- **Low rates of adult enrollment in postsecondary education**
  - 35<sup>th</sup> in nation
- **Higher targets but no new data on Children's Readiness**

C+

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## *Safe, Orderly, & Caring Schools*

- Improvements in 3 of 4 Priorities, C+ to B-
- No new data on *Free of Drugs, Weapons, and Disruption*
- But schools are safe places for students (low weapons, threats, fights)
- Good climate for students, parents
  - Students Known, 85%; Families Welcomed, 82%
- Improved teacher ratings for facilities, equipment, & materials, but still dismally low (now about 50%)

(B-)

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## *Quality Teachers and Administrators*

- Remains B-
- Quality of teachers high
  - Praxis exam scores up, at national average
  - Lead nation in National Board Certified Teachers (3,660)
  - High % fully licensed (93%)
- Data on principals mixed
  - National exam scores just above national average
  - Parents' ratings positive (72%)
  - But teachers more critical (51%, tough standard)

(B-)

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## *Quality Teachers and Administrators*

- **But professional development & work environment rated low**

(B-)

- Too few teachers rate PD positively (59%)
- Only 30% of teachers give work environment good rating
- More principals give work environment good rating (57%), but still low

- **Losing too many teachers (14%) in time of teacher shortage**

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## *Strong Family, Business, and Community Support*

- **Broad improvement, from B- to B**

(B)

- Teacher communication with parents up (79%)
- Parents' involvement in children's learning at home impressive (89%), not as good in school (62%)
- % of employers offering special opportunities for parents to support learning up sharply (40% to 55%)
  - But still well short of goal (90%)
- Slight improvement in children's access to good health care
  - Immunization, health insurance up

*Who Is First In America?***On the cross-state *First in America* indicators:**

- Massachusetts makes the most top ten appearances – 29.
- The top ten states: Massachusetts, North Dakota, Connecticut, Minnesota, Maine, Utah, Vermont, Iowa, Maryland, & Montana.
- 10<sup>th</sup> ranked state appears in the top ten 15 times.
- North Carolina makes 13 appearances in the top ten – placing the state at 13<sup>th</sup> in the nation.

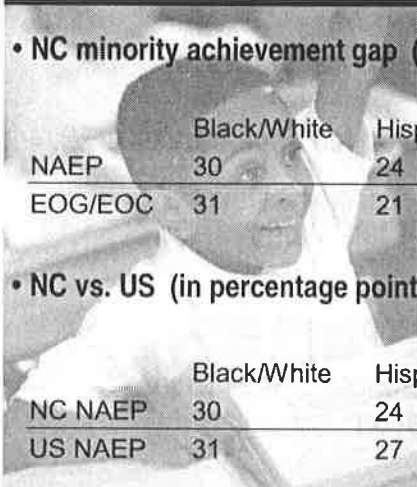
*First In America Grade Scale*

100 =	A+
94-99 =	A
90-93 =	A-
88-89 =	B+
84-87 =	B
80-83 =	B-
78-79 =	C+
74-77 =	C
70-73 =	C-
68-69 =	D+
64-67 =	D
60-63 =	D-
Below 60 =	F



*Minority Achievement Gap*

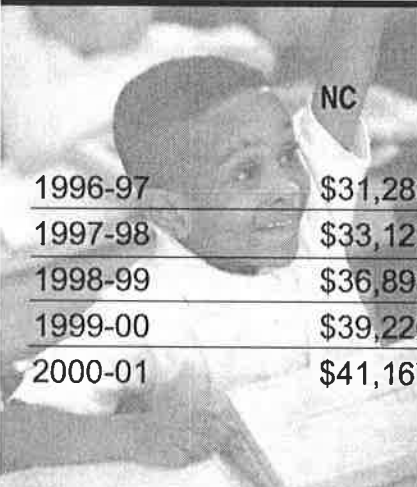
## • NC minority achievement gap (in percentage points)



	Black/White	Hispanic/White	American Indian/White
NAEP	30	24	19
EOG/EOC	31	21	23

## • NC vs. US (in percentage points)

	Black/White	Hispanic/White	American Indian/White
NC NAEP	30	24	19
US NAEP	31	27	26

*Teacher Salaries*


	NC	US	NC Rank
1996-97	\$31,286	\$38,611	43 <sup>rd</sup>
1997-98	\$33,129	\$39,454	38 <sup>th</sup>
1998-99	\$36,898	\$40,582	29 <sup>th</sup>
1999-00	\$39,220	\$41,179	23 <sup>rd</sup>
2000-01	\$41,167	\$42,917	20 <sup>th</sup>



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## *2001 Survey Information*

### • **Written surveys**

- Representative statewide sample
- More than 1,162 teachers & 600 principals
- Conducted in spring of 2001
- Margin of error:  $\pm 2.9\%$  to  $\pm 4\%$

### • **Telephone surveys**

- Representative statewide sample
- More than 700 parents
- Conducted in spring of 2001
- Margin of error: about  $\pm 4\%$



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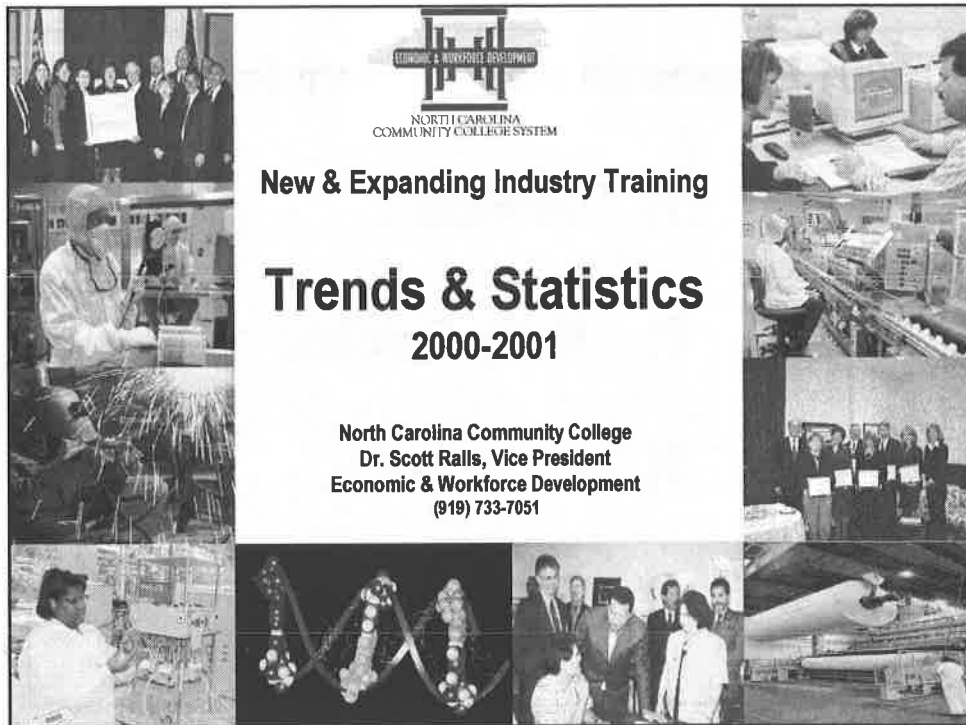
## *New First in America Indicators for 2001*

- **NAEP Grade 4 Science**
- **Student Promotion Rate – 5<sup>th</sup> grade**
- **Lifelong Learning – 25-44 year olds enrolled in continuing education**
- **K-3<sup>rd</sup> Class Size**
- **Infant Mortality Rate**









## Factors Driving High-Tech Industry Global Location Decisions

### Essential Criteria

- 1 Access to a skilled and educated work force
- 2 Proximity to world-class research institutions
- 3 An attractive quality of life
- 4 Access to venture capital

### Important Criteria

- 5 Reasonable costs of doing business
- 6 An established technology presence
- 7 Available bandwidth and adequate infrastructure
- 8 Favorable business climate and regulatory climate

### Desirable Criteria

- 9 Presence of suppliers and partners
- 10 Availability of community incentives

*Source: Deloitte & Touche Fantus, Wall Street Journal, 9/00*

## 2001 Expansion Management Rankings

- 1) Georgia
- 2) North Carolina
- 3) Michigan
- 4) South Carolina

### Thumbnail Comparison to Previous Program Year

Performance Ratings		All Categories
Number of Projects	↑	3%
Percent of Expanding Companies		1%
Number of Trainees		19%
Percent of Rural Trainees		11%
Total Expenditures	↓	3%
Expenditure per Trainee		18%
Percent Trained by College	↑	7%
Percent as Company Reimbursement	↓	12%

The Up arrow indicates an increase in percentages relative to program year 1999-2000.  
The Down arrow indicates a decrease in percentages relative to program year 1999-2000.

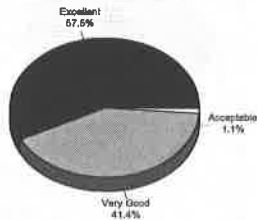
## Continuous Improvement Summary Evaluation 2000-2001 Program Year

### The Rating Scale:

- 5 = Excellent, no improvement necessary, exceeded highest expectations
- 4 = Very Good, company needs were met at a highly acceptable level
- 3 = Acceptable, needs met but some improvement indicated
- 2 = Marginal, some needs unsatisfied, item needs substantial improvement
- 1 = Unacceptable, needs generally not satisfied
- NA = Not Applicable

**Chart 1  
Expectations**

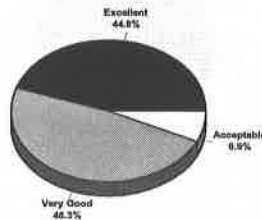
Extent to which the New and Expanding Industry Training Program met the company's expectations



Average = 4.56 N= 87

**Chart 2  
Impact**

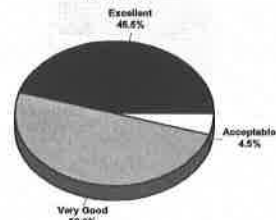
Overall impact of the New and Expanding Industry Training Program on the company's operations



Average = 4.38 N= 87

**Chart 3  
Effectiveness**

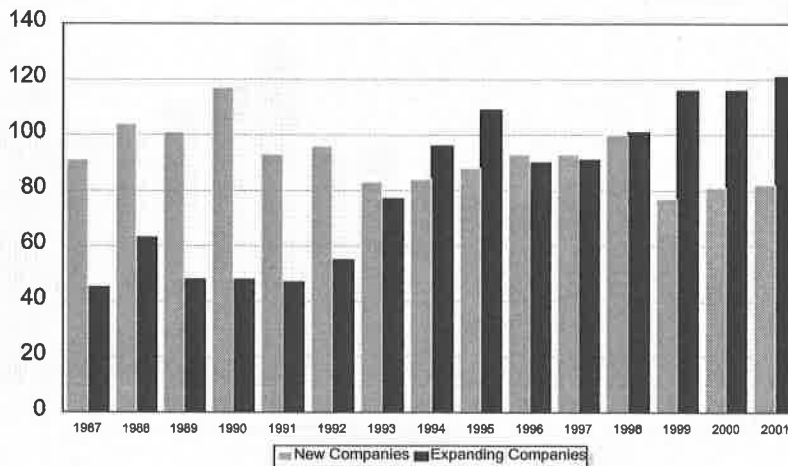
Overall effectiveness of the New and Expanding Industry Training Program in preparing the company's employees for productivity



Average = 4.42 N= 87

1999-2000	Average = 4.50	N= 83	Average = 4.30	N= 83	Average = 4.40	N= 83
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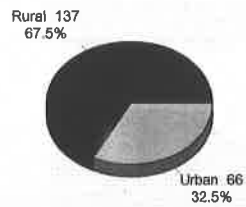
## Number of New and Expanding Companies 1987 through 2001



## Rural/Urban Counties 2000-2001

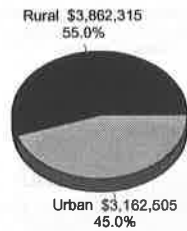
**Chart 1**

**Number of Projects**



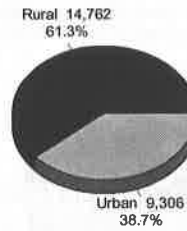
**Chart 2**

**Expenditures**

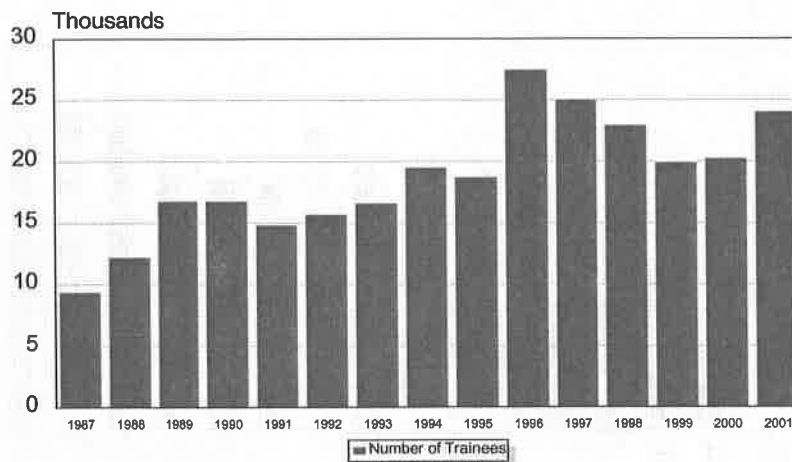


**Chart 3**

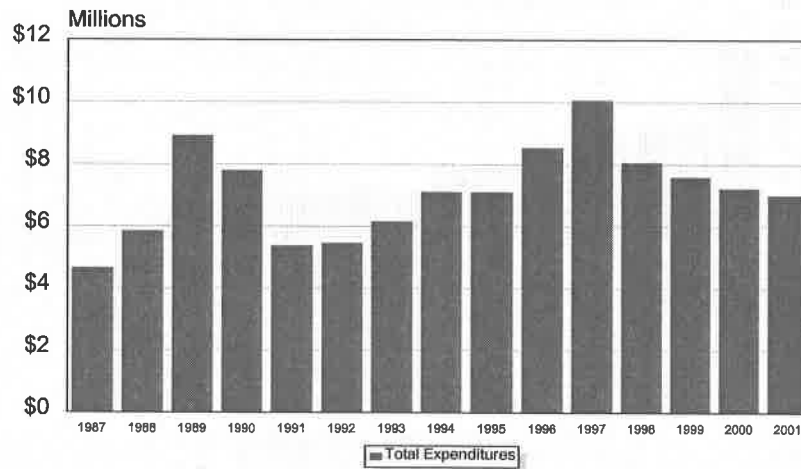
**Number of Trainees**



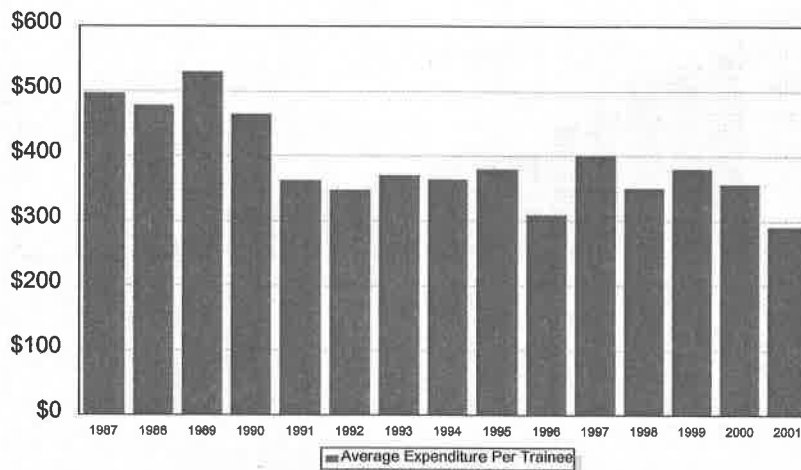
## Total Number of Trainees 1987 through 2001



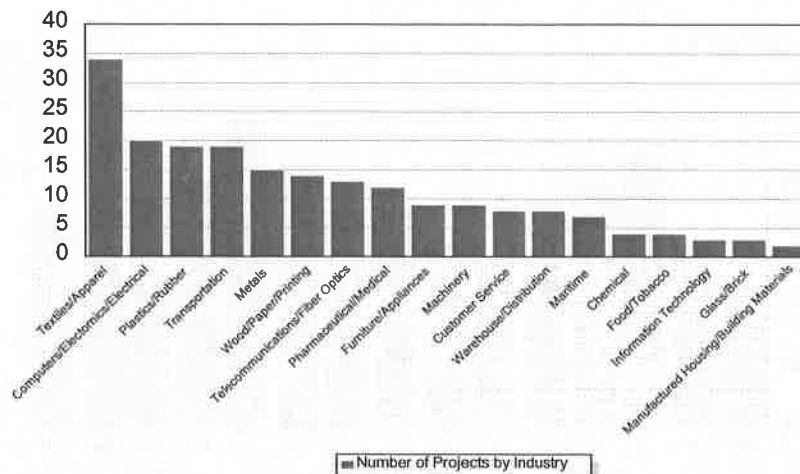
## Total Expenditures 1987 through 2001



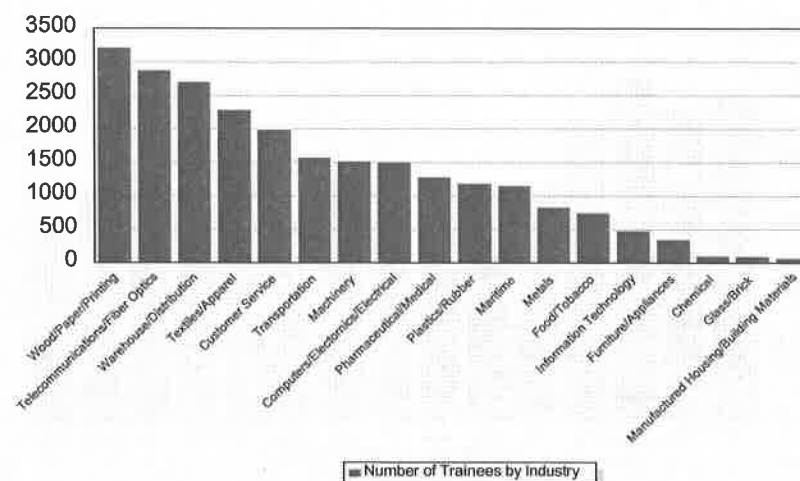
## Average Expenditure Per Trainee 1987 through 2001



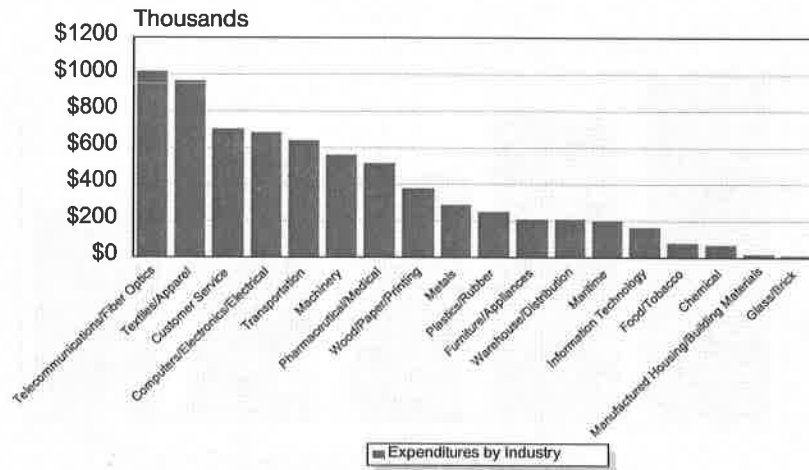
## Number of Projects by Industry 2000-2001



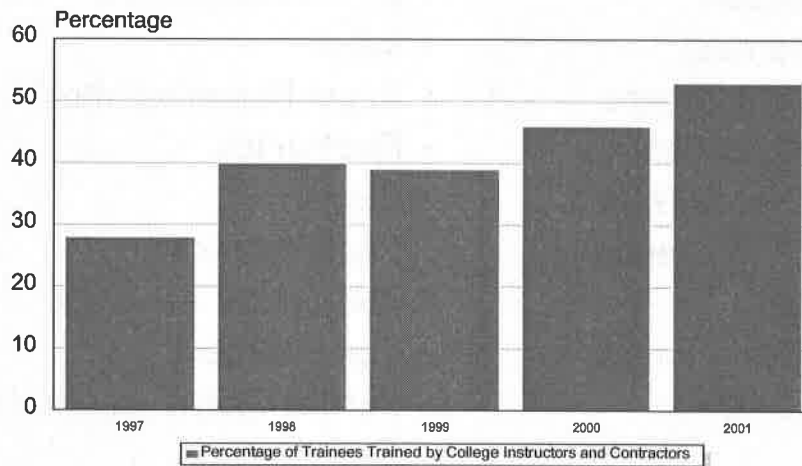
## Number of Trainees by Industry 2000-2001



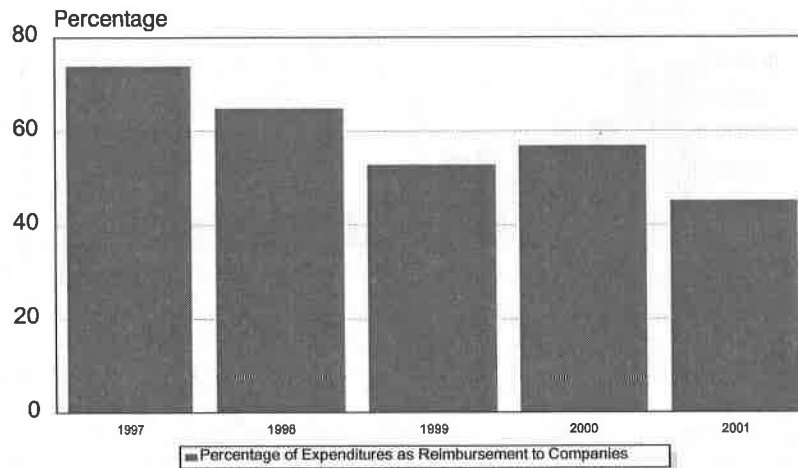
## Expenditures by Industry 2000-2001



## Percentage of Trainees Trained by College Instructors and Contractors 1997 through 2001




**Percentage of Expenditures as Reimbursement to Companies  
1997 through 2001**



- Alcatel
- Corning
- CommScope
- Static Control
- *Digital Optics*
- Wyeth-Lederle
- *Cree*
- Eisai Pharma
- Solectron
- *RF Microdevices*
- *3Tex*
- Bayer Pharmaceuticals
- Flextronics
- Biogen
- Cisco Systems
- IBM-Global Services
- Eon Pharma
- Purdue Pharmaceuticals



- 
- Bladen CC  
Bladen Industries
  - Brunswick CC  
Rampage
  - Coastal Carolina CC  
Tiara Yachts
  - Craven CC  
BSH Home Appliances
  - Edgecombe CC  
QVC, CST, ASC
  - Gaston College  
Buckeye, Cataler
  - Isothermal CC  
3Tex
  - Lenoir CC  
Masterbrand Cabinets
  - Martin CC  
Penco Products
  - Montgomery CC  
Homanit
  - Richmond CC  
FCC, KordSA
  - Southeastern CC  
Conflandey, InterKordSA
  - Tri-County  
Sioux, Western Forge



**Total Trainees Down 16%**

**Total Expenditures Down 10%**

[REDACTED]

- **NEIT General Fund Allocation has traditionally been \$6.1 million. Supplemented in past by HB 275, 1996 Emergency Appropriation and Budget Transfer Special Provision.**

- **Only 4 out of the past 15 years have NEIT expenditures been lower than \$6.1 million (1986, 1987, 1990, 1991).**

- **Comparisons to current funding of neighboring states:**

**South Carolina - \$15 million**

**Virginia - \$13 million**

**Tennessee - \$11 - \$14 million**

**Georgia - \$10 million**