

**Report to the  
1999 North Carolina General Assembly  
2000 Reconvened Session  
Joint Legislative Education Oversight Committee**

**The University of North Carolina  
Special Responsibility Constituent Institutions  
Designated Under the UNC Management Flexibility Legislation  
Summary of Institutional Annual Reports  
1998-99**

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

**March 16, 2000**

## 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. This document summarizes the results of operating during the 1998-99 fiscal year under the UNC Management Flexibility Legislation, as reported by the 16 Chancellors of the Special Responsibility Constituent Institutions (SRCI). Each SRCI is required to operate within the Guidelines established by the Board of Governors.
- The UNC Incentive Funding provision (Sec. 11) of the Current Operations and Capital Budget Act, (S.L. 1998-212, SB 1355), responded to a budget request by the Board of Governors by making available one-half of the required reversions (which represents 1% in all budget codes, except the Area Health Education Centers budget of 1/2%) to each SRCI on an undesignated basis (see Exhibit I, Part B), and designating the remaining half to be used for technology infrastructure development (see Exhibit I, Part A) in accordance with the Board of Governors' Plan for Technology Development.
- \$27.2 million in appropriations remained unspent in institutional operating budgets and available for carry forward into the 1999-2000 fiscal year for one-time expenditures that will not impose additional financial obligations on the State (see Exhibit A). Planned expenditures include renovations, repairs and other current services of \$11 million, equipment and other capital outlay of \$7.8 million, and capital improvements projects of \$2 million (see Exhibit G). Operational savings and efficiencies were also reported in a number of areas.
- One-time reallocations of \$82.9 million and recurring reallocations of \$17.9 million were made to carry out management initiatives on the campuses. These respective amounts represent 4.29% (see Exhibit D) and .93% (see Exhibit E) 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, upgrading classrooms, laboratories, and administrative infrastructure and expanding computing and telecommunications capabilities (see Exhibits B and C).
- Increased efficiency and effectiveness were reported in the three principal areas covered by the management flexibility legislation: budgeting, purchasing, and personnel administration.
- During the year, 14 of the 16 institutions established and/or abolished positions under budget flexibility. One hundred sixty-three positions were established and 124 positions were abolished for a University-wide net increase of 39 positions (see Exhibit F).

### Executive Summary (continued)

- During the 1998-99 fiscal year, 5,570 purchases totaling \$180.3 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 72% (based on dollar amount) increase over the 1997-98 fiscal year. Without the special legislation, these purchases would have required processing through the central Purchase and Contract Division in Raleigh (see Exhibit H).
- In 1990, the 1989 Session of the North Carolina General Assembly, in Chapter 936 of the 1989 Session Laws (House Bill 2335, Section 2), passed legislation expressing the intention of the General Assembly to phase out the budgeting of overhead receipts reimbursements from contracts and grants as offsets to General Fund appropriations. In addition, paragraph (c) specifically stated "At such time as the intention of the General Assembly with respect to phase-out of such offsets has been implemented in the budgets of the constituent institutions of The University of North Carolina, special fund codes for overhead receipts shall be transferred to the category of institutional trust funds for budgetary and accounting purposes." The 1997 General Assembly in S. L. 1997-443 (Senate Bill 352, Section 10.18) appropriated funds to the Board of Governors to replace the 10% of overhead receipts which had heretofore supported General Fund budget operations, thereby effectively completing the phase-out of overhead receipts offsets as contemplated in the earlier legislation. On November 13, 1998, the Board took the final action to implement the change in the budgets of the constituent institutions. The effect of this legislation was to provide use to the SRCIs of \$8.6 million in new funds (see Exhibit J).
- 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.

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**The University of North Carolina  
Special Responsibility Constituent Institutions  
Designated Under the UNC Management Flexibility Legislation  
Summary of Institutional Annual Reports  
1998-99**

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 1998-99 fiscal year. The Board of Governors' operating guidelines require that each designated institution prepare an Annual Report. Since the original legislation was enacted in 1991, it is noted that 1998-99 is the eighth fiscal year report of operations under flexibility legislation. Copies of the individual campus reports, which provide more institutional details, are available upon request.

The Regular Session of the 1991 General Assembly enacted the UNC Management Flexibility legislation which granted significant additional authority in the areas of budgeting, personnel administration, and purchasing to those institutions designated as "special responsibility constituent institutions." (The legislation, as subsequently amended, is included as Appendix I.) 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 Guidelines for Special Responsibility Constituent Institutions, which were originally adopted on September 13, 1991 and subsequently revised. (The Selection Criteria and Operating Guidelines applicable to the 1998-99 fiscal year are included as Appendix II.) In

subsequent Board of Governors' actions, all 16 constituent institutions were designated as "special responsibility constituent institutions" on the following dates.

Appalachian State University	4/09/92
East Carolina University	10/11/91
Elizabeth City State University	10/11/91
Fayetteville State University	10/11/91
North Carolina A & T State University	7/01/92
North Carolina Central University	9/10/93
North Carolina School of the Arts	10/11/91
North Carolina State University	10/11/91
Pembroke State University	10/11/91
The University of North Carolina at Asheville	4/16/93
The University of North Carolina at Chapel Hill	10/11/91
The University of North Carolina at Charlotte	10/11/91
The University of North Carolina at Greensboro	10/11/91
The University of North Carolina at Wilmington	10/11/91
Western Carolina University	3/06/92
Winston-Salem State University	9/10/93

On May 20, 1999, a uniform 1998-99 reporting format (Appendix III) was sent to each Chancellor. In response, each institution described its 1998-99 operating results under management flexibility. 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. The summary observations, which follow, are based on information provided by the Chancellors.

**Special Note.** In 1990, the 1989 Session of the North Carolina General Assembly, in Chapter 936 of the 1989 Session Laws (House Bill 2335, Section 2), passed legislation expressing the intention of the General Assembly to phase out the budgeting of overhead receipts reimbursements from contracts and grants as offsets to General Fund appropriations. In addition, paragraph (c) specifically stated "At such time as the intention of the General Assembly with respect to phase-out of such offsets has been implemented in the budgets of the constituent institutions of The University of North Carolina, special fund codes for overhead receipts shall be transferred to the category of institutional trust funds for budgetary and accounting purposes." The 1997 General Assembly in S. L. 1997-443 (Senate Bill 352, Section 10.18) appropriated funds to the Board of Governors to replace the 10% of overhead

receipts which had heretofore supported General Fund budget operations, thereby effectively completing the phase-out of overhead receipts offsets as contemplated in the earlier legislation. On November 13, 1998, the Board took the final action to implement the change in the budgets of the constituent institutions. The effect of this legislation was to provide use to the SRCIs of \$8.6 million (see Exhibit J) in new funds.

**Impact on Education.** The management flexibility legislation directs the Board of Governors to develop some 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 also made to the Joint Legislative Education Oversight Committee.

**Fiscal Savings.** The 1995 General Assembly established a uniform reversion rate of 2% under the UNC Management Flexibility legislation for all operating budget codes, except the rate for the Area Health Education Centers budget was set at 1%. The 1997 General Assembly, in Section 10.19, G.S. 116-30.3, amended the reversion requirement to specify that "one-half of the reversions . . . shall be returned to the General Fund credit balance at the end of each fiscal year," and specified that for 1997-98 and subsequent years, one-half of the required reversions would be available to each constituent institution to fund the nonrecurring costs of technology, including the installation of technology infrastructure for academic facilities on the campus, the implementation by the constituent institution of its campus technology plan as approved by the Board of Governors, or for libraries. The UNC Incentive Funding provision (S.L. 1998-212, SB 1366), responded to a budget request by the Board of Governors by making available one-half of the required reversions (which represents 1% in all budget codes, except the Area Health Education Centers budget of 1/2%) to each SRCI on an undesignated basis,

and designating the remaining half to be used for technology infrastructure development in accordance with the Board of Governors' Plan for Technology Development.

In addition to the uses of reversions identified above, a total of \$27.2 million in appropriations remained unspent in these operating budgets, which represents savings available for carry-forward into the 1999-2000 fiscal year for one-time expenditures that will not impose additional financial obligations on the State. Exhibit A shows the appropriations carried forward by each constituent institution.

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 1998-99 fiscal year. While there are inherent limitations in quantifying these savings in dollar terms, specific examples reported by the institutions provide convincing evidence that budget flexibility continues to give the institutions greater ability to operate more efficiently and thereby save taxpayers' dollars.

Through budget flexibility, institutions took advantage of time-limited buying opportunities, purchased items in quantity in order to receive volume discounts, ordered on a timely basis to avoid price increases, saved time and paperwork and improved service by purchasing from local vendors, and received the benefits of purchasing rather than leasing certain equipment. The General Assembly, in its 1997 Session (S. L. 412, SB 862, section 116.31-10), authorized the Board of Governors to establish new purchasing benchmarks for the constituent institutions to a maximum of \$250,000. The benchmarks for several institutions were established by the Board at increased levels effective January 1, 1998 (see page 9). Based on these new benchmarks, savings reported in terms of both dollars and time were even greater than that reported in prior years.

The ability to provide in-range salary adjustments, and to hire at entry levels adjusted to ensure that the institutions are able to recruit and retain qualified



personnel, continues to be one of the most often-cited benefits of increased flexibility. Recent market values, particularly for technical personnel, have made this flexibility critical to the constituent institutions.

Budget flexibility allowed many institutions to pursue operating efficiencies which led to significant cost savings. UNC-Wilmington cites its experience as a pilot site for the new state procurement card as extremely positive in terms of cost savings via reduced processing requirements; UNC-Chapel Hill began implementing a centralized contracts management system during fiscal year 1998-99, which should provide the campus with the ability to achieve more cost-effective and competitive pricing in the future.

Each SRCI, in addition to spending 1% of its appropriations, as directed by the General Assembly, for technology infrastructure development in accordance with the Board's plan, dedicated significant resources to the acquisition of computing equipment and the installation of fiber optics cable between buildings and wiring within buildings. 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. Under the old "line item" budget, these investments certainly would have been delayed and most likely would have resulted in significantly increased costs.

As a result of the generous funding received from the General Assembly in support of for-credit distance education in 1998-99, the institutions were better able to serve increasing numbers of traditional and non-traditional students at off-campus sites, and to expand distance learning capabilities. Budget flexibility also allowed additional investment in this area to be made by the SRCIs to supplement State funding so that various technology-mediated modes of course development and delivery could be enabled. The costs of the technology associated with these efforts is significant, but critical as one strategy for handling the large expected enrollment increases over the next decade.

A number of examples of savings were attributed to using resources so that operating costs were avoided or staff time was made available for other duties. The acquisition and use of computing hardware and software to perform analytical and administrative functions were cited. Other examples of cost avoidance included increasing preventive maintenance on equipment to avoid costly emergency service calls and down-time and employing students and other part-time help instead of hiring permanent employees. Additional examples include using contractual services instead of hiring permanent employees; centralizing and consolidating service functions for more efficient operations; gaining a more efficient use of available facilities and reducing continuing maintenance costs by upgrading classroom, laboratory, and support space; cutting maintenance costs by replacing old, worn equipment with new equipment; and avoiding financing costs by direct purchases rather than purchasing over time or leasing.

The ability to obtain otherwise unavailable federal funds was cited as a benefit of flexibility by Western Carolina University, which obtained an NSF grant to purchase scientific equipment for their Chemistry Department when they were able to provide matching funds.

**Management Initiatives.** Management initiatives undertaken by the institutions during 1998-99 continue to emphasize most of the general areas covered in previous annual reports and resources were reallocated to carry out these initiatives. These areas can be categorized in ten broad groupings:

- strengthening undergraduate instruction and improving graduation rates;
- strengthening graduate instruction and research;
- expanding library collections and improving library services;
- upgrading classrooms and laboratories, including replacing and updating related equipment;
- enhancing physical facilities (other than classrooms and laboratories) and their operations;
- expanding computing, information resources, and telecommunications capabilities;

- strengthening support services;
- improving administrative services infrastructure;
- enhancing student financial aid programs; and
- strengthening targeted program areas.

The amounts of funds that were reallocated on a one-time basis (\$82.9 million) and permanent basis (\$17.9 million) by the institutions to carry out these initiatives are shown in Exhibits B and C. The degree of emphasis placed on each of these initiatives reflects the institutional decisions and the specific actions undertaken in support of each of these areas. University-wide, major emphases were placed on strengthening undergraduate instruction and improving graduation rates, upgrading classrooms, laboratories and administrative infrastructure, and expanding computing and telecommunications capabilities.

Also, it is evident that major initiatives on all campuses have been undertaken to improve institutional budget and personnel administration. These efforts included the further development of 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 some opportunity for multi-year budget planning.

Management initiatives were also undertaken to capitalize on the ability to carry forward unspent appropriations into the next fiscal year to meet high priority needs, especially for renovation projects and equipment purchases. As previously noted, \$27.2 million in unspent appropriations was carried forward into the

1999-2000 fiscal year. Several institutions planned expenditures so that funds would be available to finance specific, high priority renovations projects. Before budget flexibility was granted, institutions did not have the option to carry current operations appropriations forward to fund capital improvements projects and meet other needs.

**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. The conclusions are favorable and are generally applicable to the three principal areas of administration directly addressed by the management flexibility legislation: budgeting, purchasing, and personnel.

In the area of budget administration, the 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. This gives the institutions the ability to use funds budgeted for salaries of positions that are vacant for all or a part of the fiscal year (lapsed salaries) 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 make other one-time improvements in instruction and support functions. Particular emphasis is being placed on providing the infrastructure to support increased levels of instruction offered at a distance, in order to expand access to educational opportunities to a greater number of North Carolina citizens. 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, such as budget reductions. Most of the budget reallocations that

previously required the approval of the Office of State Budget and Management were accomplished on campus during 1998-99. The ability to consider program objectives in the context of the total operating budget and the opportunity to carry forward appropriations to the next fiscal year have given the institutions clear incentives and the related cost-consciousness which produces more efficient operations.

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 was increased to \$35,000, and was further increased to a maximum of \$250,000 by the 1997 General Assembly in S.L. 1997-412, SB 862 (section 116-31.10). Based on the 1997 legislation the Board of Governors established benchmarks for the constituent institutions to be effective January 1, 1998 as follows:

Appalachian State University	\$150,000
East Carolina University	250,000
Elizabeth City State University	35,000
Fayetteville State University	50,000
North Carolina A & T State University	35,000
North Carolina Central University	35,000
North Carolina School of the Arts	50,000
North Carolina State University	250,000
The University of North Carolina at Asheville	50,000
The University of North Carolina at Chapel Hill	250,000
The University of North Carolina at Charlotte	200,000
The University of North Carolina at Greensboro	150,000
The University of North Carolina at Pembroke	35,000
The University of North Carolina at Wilmington	200,000
Western Carolina University	100,000
Winston-Salem State University	100,000

During 1998-99, 5,570 purchases totaling \$180.3 million were made on campus between the old benchmark of \$10,000 and the increased benchmarks (see Exhibit H). This represents a 72% (based on dollar amount) increase over the 1997-98 fiscal year. Processing time for purchases made by the campuses has been less than the time required for similar purchase awards through the Purchase and Contract Division, and continues to improve as institutions further refine and automate their

own processes. The decrease in processing time has substantially increased the efficiency of the institutions' procurement functions by putting equipment and supplies in the hands of users in a much more timely fashion without sacrificing competitive pricing or quality. A corollary result is an increase in goodwill and cooperation between the institutions' purchasing departments and their campus customers.

Flexibility given to the institutions in the area of personnel administration has enhanced significantly their ability to manage their human resources. The institutions are still subject to the applicable rules and regulations of the Office of State Personnel under any Performance Agreement each may have 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. Within these overall guidelines, the institutions have been able to abolish and establish positions. Work assignments have been reorganized since the institutions can reallocate the funds necessary to accommodate the related changes. Efficiencies, as well as savings, have also been achieved through the increased use of students and other temporary employees.

In addition, some institutions have utilized increased flexibility to bring a more business-oriented approach to contractor versus employee decisions. UNC Charlotte's study in their Physical Plant, as an example, prompted the administration to use regular employees in the HVAC and Grounds shops; however, outsourcing was found to be the most cost-effective way to address campus roof assessments. Using flexibility, the institutions have been able to redirect funds originally budgeted for permanent positions, or for non-personnel expenditures, to fund temporary employees to assist in peak work load periods. By covering peak periods with temporary employees, the institutions were able to staff at a lower level

on a regular basis. Other major benefits of flexibility in the personnel administration area have been the ability to reallocate funds in order to cover salary adjustments resulting from reclassifications and changes in duty assignments, in-range adjustments, and to fund certain support positions above the minimum hiring rate in order to recruit and employ more experienced personnel.

Use of management flexibility allowed the institutions to address the unique challenges presented by the approach of the year 2000. Funds were reallocated at several institutions to support technical upgrades necessary to ensure that mission-critical software was year-2000 compliant, resulting in interruption-free service to our students as the millennium commenced.

**Documentation of Reallocation of Resources.** Each institution was required to include in its 1998-99 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, which distinguished between one-time and permanent transfers, were made to implement the management initiatives undertaken by each campus.

*One-Time Reallocations* – For the 1998-99 fiscal year, as shown on Exhibit D, one-time reallocations totaled \$82.9 million, which represented 4.29% of the authorized budget requirements of the institutions at June 30, 1999. A total of \$67.1 million of the one-time gross transfers were made from personnel compensation accounts, which represents 80.94% of the one-time budget reallocations. The majority of the funds available for one-time reallocations resulted from unspent salary funds from positions that were vacant for a portion of the fiscal year (lapsed salaries). This factor is illustrated by Exhibit D-1, which shows one-time net transfers among the academic accounting/budget purposes and also identifies the net changes between personnel compensation and non-personnel accounts. As previously noted, Exhibit B relates the one-time budget reallocations to the management initiatives undertaken during 1998-99.

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 accounts. 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 1998-99 fiscal year, as shown on Exhibit E, permanent reallocations totaled \$17.9 million, which represented only .93% of the authorized budget requirements of the institutions at June 30, 1999. Exhibit E also shows that \$7.5 million, or 42.07%, of the gross permanent transfers were increases in personnel compensation accounts. The percentage of gross permanent transfers attributable to increases in personnel compensation accounts was significantly reduced during 1998-99, due to several institutions' flexibility transfers to support distance learning development and scientific equipment and information technology purchases. Personnel-related increases were related primarily to increases in the number of positions established under budget flexibility. Other increases in personnel accounts were the result of adjustments related to new hires at rates higher than the budgeted position levels, in-range salary adjustments, and the reclassifications of positions. Permanent net transfers among the academic accounting/budget purposes are shown on Exhibit E-1, which also identifies the net changes between personnel compensation and non-personnel accounts. As previously noted, Exhibit C relates the permanent budget reallocations to the management initiatives undertaken during 1998-99.

During the 1998-99 fiscal year, 14 of the 16 institutions established and/or abolished positions under budget flexibility. As shown on Exhibit F, 163 positions were established and 124 positions were abolished for a University-wide net increase of 39 positions.



**Availability and Use of Appropriations Carried Forward.** Appropriations available for carry-forward ranged from zero to the maximum allowable of 2.5% of the total appropriations for budget codes. Exhibit A shows the appropriations carried forward by each institution for each budget code and the percentage this represented of the authorized total appropriations at the end of the 1998-99 fiscal year. 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.” Therefore, the major portion of the funds carried forward were proposed to be spent on equipment and repairs and renovations projects.

As shown on Exhibit G, planned expenditures from the 1998-99 carry-forwards of \$27.2 million include equipment and other capital outlay of \$7.8 million, renovations, repairs and other current services of \$11 million, and capital improvements projects of \$2 million.

**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. In order to implement the legislative changes, the Board revised the Selection Criteria and Operating Guidelines for Special Responsibility Constituent Institutions and also a directive was sent to each Chancellor on February 11, 1997 (Appendix IV) outlining policies and procedures for assessing internal financial controls and management staffing.

In keeping with these policies and procedures, 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. 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. In earlier years of operating under management flexibility, it was reported in some instances that additional staff was required to carry out the additional authority granted in the areas of purchasing and budget administration.

**Other Outcomes.** Before the enactment of management flexibility, the Chancellors and their managers were carrying out their assigned budgetary responsibilities with limited regard to resource reallocation since that was largely predetermined by the line-item budget, particularly with respect to the strict division between personnel and non-personnel costs. Consequently, the constraints on budget execution did not encourage efforts to look for alternative uses of available resources. In addition, there was also a limited ownership view because unspent operating funds reverted at the end of the fiscal year.

The implementation of flexibility has changed the Chancellors' and their managers' basic outlooks regarding the State budget resources and this factor has created greater teamwork in financial decision making. They now can take ownership of their budgets to an extent not previously possible and reallocate resources and plan expenditures beyond the limits of the fiscal year. Within the policy guidelines established by the Board of Governors, management of resources can now be guided by mission priorities rather than excessively constrained by budget categories and fiscal time periods. Unforeseen opportunities can be seized and emergencies can be met. As a result, one major benefit of management flexibility has been consistently reported higher campus morale.

The University of North Carolina  
Special Responsibility Constituent Institutions  
UNC Management Flexibility  
Required Reversions and Carry-Forward of General Fund Appropriations  
From 1998-99 To 1999-2000

Budget Code	Institution	Authorized Appropriation June 30, 1999	Appropriation (Before Carry-Forward)		Required Reversion		Appropriation Carry-Forward	
			Expenditures	Reversion	Amount	%	Amount	%
16080	Appalachian State University	75,921,610	74,045,098	1,876,512	0	0.00%	1,876,510	2.47%
	East Carolina University:							
16065	Academic Affairs	109,011,987	108,224,089	787,898	0	0.00%	787,898	0.72%
16066	Health Affairs	45,161,159	44,781,752	379,407	0	0.00%	379,404	0.84%
16086	Elizabeth City State University	20,473,432	20,078,967	394,465	0	0.00%	394,465	1.93%
16088	Fayetteville State University	27,566,377	26,978,238	588,139	0	0.00%	588,137	2.13%
16070	North Carolina A & T State University	57,316,658	56,704,275	612,383	0	0.00%	612,382	1.07%
16090	North Carolina Central University	42,390,834	41,575,407	815,427	0	0.00%	815,427	1.92%
16092	North Carolina School of the Arts	14,527,815	14,171,146	356,669	0	0.00%	356,668	2.46%
	North Carolina State University:							
16030	Academic Affairs	250,347,536	244,650,006	5,697,530	0	0.00%	5,697,529	2.28%
16031	Agricultural Research	48,611,758	48,113,479	498,279	0	0.00%	498,278	1.03%
16032	Cooperative Extension	36,511,931	36,511,930	1	0	0.00%	0	0.00%
16055	UNC-Asheville	23,904,879	23,569,975	334,904	0	0.00%	334,904	1.40%
	UNC-Chapel Hill:							
16020	Academic Affairs	188,790,152	184,824,162	3,965,990	0	0.00%	3,965,989	2.10%
16021	Health Affairs	149,219,407	145,951,355	3,268,052	0	0.00%	3,268,051	2.19%
16022	AHEC	44,362,698	43,356,511	1,006,187	0	0.00%	1,006,186	2.27%
16050	UNC-Charlotte	87,321,063	85,290,167	2,030,896	0	0.00%	2,030,896	2.33%
16040	UNC-Greensboro	82,285,338	80,228,203	2,057,135	0	0.00%	2,057,133	2.50%
16082	UNC-Pembroke	22,303,837	22,046,922	256,915	0	0.00%	256,894	1.15%
16060	UNC-Wilmington	52,389,989	51,614,456	775,533	0	0.00%	775,531	1.48%
16075	Western Carolina University	50,178,360	49,341,748	836,612	0	0.00%	836,611	1.67%
16084	Winston-Salem State University	26,152,662	25,498,845	653,817	0	0.00%	653,816	2.50%
	<b>TOTAL</b>	<b>1,454,749,482</b>	<b>1,427,556,731</b>	<b>27,192,751</b>	<b>0</b>	<b>0.00%</b>	<b>27,192,709</b>	<b>1.87%</b>

For the 1998-99 fiscal year, the SRCI's were allowed to use one-half of their reversions for technology infrastructure development in accordance with the Board of Governors' Plan for Technology Development.

The University of North Carolina  
Special Responsibility Constituent Institutions  
Management Initiatives  
One-time Reallocations to Accomplish Initiatives  
1998-99

Institution	Undergrad. Instruction Grad. Rates	Graduate Instruction & Res.	Library Collection & Services	Upgrade Classrooms & Labs	Enhancing			Computing & Telecom.	Support Student Services	Admin. Infrastr.	Student Financial Aid	Other Targeted Program Areas	Total
					Physical Facilities	Other							
ASU	44,864	443,074	80,897	48,693	12,165			1,020,111	178,732	467,483	-	3,250	2,299,269
ECU, AA	1,848,728	384,009	892,781	154,000	1,004,818			1,721,000	148,134	845,871	92,663	-	7,092,004
ECU, HA	-	-	9,280	2,137,171	-			216,607	-	452,412	-	-	2,815,470
ECSU	-	-	78,329	125,846	166,878			75,000	-	25,500	-	-	471,553
FSU	-	-	-	653,393	-			-	-	1,169,405	-	-	1,822,798
NCA&T	20,349	43,631	18,661	58,804	122,000			732,849	-	530,206	-	48,130	1,574,630
NCCU	264,569	37,099	88,633	24,295	113,381			655,146	247,242	264,192	4,798	62,200	1,761,555
NCSA	24,015	-	31,092	32,650	-			-	62,114	-	-	193,496	343,367
NCSU, AA	1,389,620	791,630	2,303,834	1,029,722	972,436			7,330,477	75,370	210,479	1,050,256	93,817	15,247,641
NCSU, Ag Res.	-	-	-	241,000	800,304			400,000	-	-	-	800,000	2,241,304
NCSU, Coop. Ext.	-	-	-	-	609,070			650,000	-	-	-	875,000	2,134,070
UNC-A	75,085	-	71,181	-	-			-	129,164	248,409	16,569	12,500	552,908
UNC-CH, AA	7,613,365	504,821	752,429	1,341,164	-			779,115	903,580	2,435,266	-	-	14,329,740
UNC-CH, HA	1,438,249	1,036,964	258,284	1,865,647	1,589,038			2,501,203	128,785	1,353,286	-	716,723	10,888,179
UNC-CH, AHEC	-	69,570	-	32,032	-			275,147	-	169,651	-	-	546,400
UNC-C	2,640,727	235,185	628,694	421,292	111,902			622,957	47,397	1,078,767	-	-	5,786,921
UNC-G	286,860	81,105	362,044	1,076,373	271,488			1,173,053	741,216	795,870	147,498	-	4,935,507
UNC-P	114,039	10,854	-	369,875	-			319,233	129,415	87,464	-	90,847	1,121,727
UNC-W	638,679	579,830	404,016	386,920	128,442			1,609,182	170,300	11,626	60,000	40,982	4,029,977
WCU	2,948	65,427	54,166	287,744	204,627			721,531	158,932	125,065	-	98,430	1,718,870
WSSU	-	-	-	-	200,039			436,512	303,394	250,384	-	-	1,190,329
TOTAL	16,402,097	4,283,199	6,034,321	10,286,621	6,306,588	21,239,123	3,423,775	10,521,336	1,371,784	3,035,375	82,904,219		

The University of North Carolina  
Special Responsibility Constituent Institutions  
Management Initiatives  
Permanent Reallocations to Accomplish Initiatives  
1998-99

Institution	Undergrad. Instruction Grad. Rates	Graduate Instruction & Res.	Library Collection & Services	Upgrade Classrooms & Labs	Enhancing Other Physical Facilities	Computing & Telecom.	Support Student Services	Admin. Infrastr.	Other Targeted Program Areas	Total
ASU	84,559	-	-	-	41,543	-	81,285	28,869	58,601	294,857
ECU, AA	612,984	-	28,628	-	116,608	201,658	81,043	118,438	-	1,159,359
ECU, HA	116,756	-	34,819	-	-	-	-	-	-	151,575
ECSU	3,586	-	-	-	-	-	-	34,761	-	38,347
FSU	-	-	-	24,600	-	-	-	8,362	-	32,962
NCA&T	6,017	-	-	-	-	15,589	-	-	-	21,606
NCCU	-	-	-	-	-	-	15,208	74,921	24,151	114,280
NCSA	54,722	-	38,337	-	-	-	-	88,185	207,498	388,742
NCSU, AA	414,523	379,738	615,386	-	1,372,433	278,046	168,642	1,683,449	68,653	4,980,870
NCSU, Ag Res.	-	-	-	-	-	-	297,105	-	-	297,105
NCSU, Coop. Ext.	-	-	-	-	-	120,799	-	-	1,050,000	1,170,799
UNC-A	23,730	-	-	-	-	-	77,288	9,480	-	110,498
UNC-CH, AA	3,306,847	98,840	48,830	-	888,152	151,874	365,000	354,704	103,000	5,317,247
UNC-CH, HA	-	260,900	-	-	-	372,640	11,877	244,793	21,781	911,991
UNC-CH, AHEC	-	-	-	-	-	-	-	47,068	-	47,068
UNC-C	442,272	101,758	-	-	-	354,709	11,346	216,301	-	1,126,386
UNC-G	41,816	86,390	5,220	-	-	280,568	77,407	196,464	85,573	773,438
UNC-P	-	-	-	-	-	-	-	2,770	19,535	22,305
UNC-W	74,201	-	35,000	176,671	-	-	4,330	245,406	85,410	621,018
WCU	-	-	-	-	-	15,680	32,561	261,824	-	310,065
WSSU	-	-	-	-	-	-	-	-	-	none
<b>TOTAL</b>	<b>5,182,013</b>	<b>927,626</b>	<b>806,220</b>	<b>201,271</b>	<b>2,418,736</b>	<b>1,791,563</b>	<b>1,223,092</b>	<b>3,615,795</b>	<b>1,724,202</b>	<b>17,890,518</b>

The University of North Carolina  
Special Responsibility Constituent Institutions  
UNC Management Flexibility  
One-Time Reallocations  
1998-99

Budget Code	Institution	(1) Authorized Requirements at 6/30/99	(2) One-Time Reallocations	(3) Percent of Authorized Requirements (Col. 2 ÷ Col. 1)	(4) Gross Transfers FROM Personnel Compensation Accounts	(5) Percent of One-Time Reallocations (Col. 4 ÷ Col. 2)
16080	Appalachian State University	104,263,767	2,299,269	2.21%	693,419	30.16%
	East Carolina University					
16065	Academic Affairs	149,742,139	7,092,004	4.74%	5,952,014	83.93%
16066	Health Affairs	47,699,859	2,815,470	5.90%	2,368,327	84.12%
16086	Elizabeth City State University	24,405,405	471,553	1.93%	330,590	70.11%
16088	Fayetteville State University	34,594,300	1,822,798	5.27%	1,662,798	91.22%
16070	North Carolina A & T State University	76,483,745	1,574,630	2.06%	1,332,757	84.64%
16090	North Carolina Central University	54,314,261	1,761,555	3.24%	799,696	45.40%
16092	North Carolina School of the Arts	21,558,609	343,367	1.59%	0	0.00%
	North Carolina State University					
16030	Academic Affairs	344,970,466	15,247,641	4.42%	12,514,921	82.08%
16031	Agricultural Research	58,383,183	2,241,304	3.84%	2,013,408	89.83%
16032	Cooperative Extension	55,257,464	2,134,070	3.86%	2,134,070	100.00%
16055	UNC-Asheville	29,360,872	552,908	1.88%	380,002	68.73%
	UNC-Chapel Hill					
16020	Academic Affairs	277,524,653	14,329,740	5.16%	9,289,635	64.83%
16021	Health Affairs	175,184,055	10,888,179	6.22%	10,747,115	98.70%
16022	AHEC	45,519,941	546,400	1.20%	376,749	68.95%
16050	UNC-Charlotte	122,447,833	5,786,921	4.73%	5,262,743	90.94%
16040	UNC-Greensboro	114,015,209	4,935,507	4.33%	4,480,841	90.79%
16082	UNC-Pembroke	26,774,047	1,121,727	4.19%	1,066,047	95.04%
16060	UNC-Wilmington	74,948,985	4,029,977	5.38%	3,882,113	96.33%
16075	Western Carolina University	65,318,996	1,718,870	2.63%	1,000,192	58.19%
16084	Winston-Salem State University	30,875,310	1,190,329	3.86%	814,909	68.46%
	<b>TOTAL</b>	<b>1,933,643,099</b>	<b>82,904,219</b>	<b>4.29%</b>	<b>67,102,346</b>	<b>80.94%</b>

The University of North Carolina  
Special Responsibility Constituent Institutions  
(excluding Agricultural Programs and Area Health Education Centers budgets)  
UNC Management Flexibility  
One-Time Reallocations  
Net Transfers Among Budget Purposes  
1998-99

Budget Code	Institution	Regular Term Instruction	Summer Term Instruction	Extension Instruction	Division of Health Affairs	Institute of Gov.	Vet Med	Organized Research	Comm. Services	Libraries	Academic & Student Support	Admin. Support	Financial Aid	Other Reserves
16080	Appalachian State University													
	Personnel	(648,911)	326,838	(2,573)				71,116	(20)	79,196	178,732	387,728		
	Non-personnel	318,869	(323,338)	1,955				(26,130)	1	(44,425)	(496,108)	177,070		
	Net Change	(330,042)	3,500	(618)				44,986	(19)	34,771	(317,376)	564,798		
16065	East Carolina University, Academic													
	Personnel	(2,849,655)	(28,271)	(161,694)	(819,924)			(33,809)	(64,269)	(626,872)	(646,473)	(568,221)	0	0
	Non-personnel	1,438,167	18,683	(5,101)	276,932			53,663	59,725	864,380	491,590	2,547,932	(956)	92,663
	Net Change	(1,411,488)	(9,588)	(166,795)	(542,992)			19,854	(4,544)	237,508	(154,883)	1,979,711	(956)	92,663
16066	East Carolina University, Health													
	Personnel	(2,368,327)								9,280				
	Non-personnel	2,368,327								(9,280)				
	Net Change	0								0				
16086	Elizabeth City State University													
	Personnel	(175,155)								(155,435)	0	0		
	Non-personnel	189,842								78,329	(109,003)	171,422		
	Net Change	14,687								(77,106)	(109,003)	171,422		
16088	Fayetteville State University													
	Personnel	(1,177,740)								(29,000)	(81,574)	(374,484)		
	Non-personnel	505,095								0	362,798	794,905		
	Net Change	(672,645)								(29,000)	281,224	420,421		
16070	North Carolina A&T State University													
	Personnel	(683,964)		20,349				(169,885)	(10,604)	(18,661)	149,765	(261,626)	0	0
	Non-personnel	15,850		0				169,885	435	18,661	88,328	309,127	530,206	530,206
	Net Change	(668,114)		20,349				0	(10,169)	0	238,093	47,501		
16090	North Carolina Central University													
	Personnel	(328,994)	(28,000)	(34,638)				20,000	9,261	(29,373)	(84,292)	(294,399)		
	Non-personnel	316,174	28,000	34,638				(20,000)	(9,261)	(106,180)	(529,290)	1,056,354		
	Net Change	(12,820)	0	0				0	0	(135,553)	(613,582)	761,955		
16092	North Carolina School of the Arts													
	Personnel	24,015							0	31,092	1,500	32,650		
	Non-personnel	(58,945)							193,496	(6,400)	(30,634)	(186,774)		
	Net Change	(34,930)							193,496	24,692	(29,134)	(154,124)		

The University of North Carolina  
Special Responsibility Constituent Institutions  
(excluding Agricultural Programs and Area Health Education Centers budgets)  
UNC Management Flexibility  
One-Time Reallocations  
Net Transfers Among Budget Purposes  
1998-99

Budget Code	Institution	Regular Term Instruction	Summer Term Instruction	Extension Instruction	Division of Health Affairs	Institute of Gov.	Vet Med	Dist. Educ.	Organized Research	Comm. Services	Libraries	Academic & Student Support	Admin. Support	Financial Aid	Other Reserves
16030	North Carolina State University														
	Personnel	(6,718,434)	88,311	65,615			(1,330,695)	(56,016)	(277,607)	20,061	(1,007,048)	52,433	(1,685,367)	0	
	Non-personnel	5,265,257	(264,560)	(98,094)			790,713	14,944	149,058	(187,656)	993,035	879,103	4,173,032	(866,085)	
	Net Change	(1,453,177)	(176,249)	(32,479)			(539,982)	(41,072)	(128,549)	(167,595)	(14,013)	931,536	2,487,665	(866,085)	
16055	UNC-Asheville														
	Personnel	(49,828)						152		3,127	(3,600)	(82,008)	(244,566)	0	
	Non-personnel	49,676						0		(3,127)	3,600	128,464	182,739	15,371	
	Net Change	(152)						152		0	0	46,456	(61,827)	15,371	
16020	UNC-Chapel Hill, Academic														
	Personnel	(6,410,397)	103,242	(370,693)		(175,693)		362,531	(284,107)	(170,386)	(421,172)	572,763	(1,457,187)	0	
	Non-personnel	2,122,308	(158,510)	(322,523)		90,147		303,109	256,045	53,997	483,131	3,354,396	1,614,119	454,880	
	Net Change	(4,288,089)	(55,268)	(693,216)		(85,546)		665,640	(28,062)	(116,389)	61,959	3,927,159	156,932	454,880	
16021	UNC-Chapel Hill, Health														
	Personnel	(9,866,286)							(104,184)		(165,221)		(611,424)		
	Non-personnel	9,703,918							98,564		816,530		128,103		
	Net Change	(162,368)							(5,620)		651,309		(483,321)		
16050	UNC-Charlotte														
	Personnel	(2,431,139)	(29,910)	153,000				33,056		(24,998)	(225,164)	(747,348)	(759,854)		
	Non-personnel	2,481,247	29,910	24,241				(33,056)		19,598	673,275	182,344	654,798		
	Net Change	50,108	0	177,241				0		(5,400)	448,111	(565,004)	(105,056)		
16040	UNC-Greensboro														
	Personnel	(3,978,821)	934	18,968				(637)	3,789		(69,914)	(395,549)	(35,920)		
	Non-personnel	1,654,758	(934)	11,715				637	13,551		563,413	945,397	1,268,613		
	Net Change	(2,324,063)	0	30,683				0	17,340		493,499	549,848	1,232,693		
16082	UNC-Pembroke														
	Personnel	(731,254)	(16,249)	4,601				(425)		(2,317)	(25,000)	(195,025)	(89,478)		
	Non-personnel	481,640	(36,129)	47,777				425		1,547	(14,853)	129,415	445,325		
	Net Change	(249,614)	(52,378)	52,378				0		(770)	(39,853)	(65,610)	355,847		
16060	UNC-Wilmington														
	Personnel	(3,110,515)	(3,470)	29,203				37,974	(136,587)	(7,478)	(63,303)	121,092	(518,366)	0	
	Non-personnel	682,888	2,064	(29,597)				58,214	619,962	(1,500)	372,642	928,566	949,352	68,859	
	Net Change	(2,427,627)	(1,406)	(394)				96,188	483,375	(8,978)	309,339	1,049,658	430,986	68,859	



The University of North Carolina  
Special Responsibility Constituent Institutions  
(excluding Agricultural Programs and Area Health Education Centers budgets)  
UNC Management Flexibility  
One-Time Reallocations  
Net Transfers Among Budget Purposes  
1998-99

Budget Code	Institution	Regular Term Instruction	Summer Term Instruction	Extension Instruction	Division of Health Affairs	Institute of Gov.	Vet Med	Dist. Educ.	Organized Research	Comm. Services	Libraries	Academic & Student Support	Admin. Support	Financial Aid	Other Reserves
16075	Western Carolina University														
	Personnel	(124,793)		(66,748)				70,001	(89,297)	24,357 *	(1,287)	(228,549)	(489,414)		
	Non-personnel	95,648		(75,228)				71,975	431	(24,357)*	1,027	384,543	451,691		
	Net Change	(29,145)		(141,976)				141,976	(88,866)	0	(260)	155,994	(37,723)		
16084	Winston-Salem State University														
	Personnel	(383,925)									0	12,914	(430,984)		
	Non-personnel	88,243									(672)	135,552	578,872		
	Net Change	(295,682)									(672)	148,466	147,888		

\* Includes Purpose 143 - Advancement of Teaching

Parentheses denote net reductions.

The University of North Carolina  
Special Responsibility Constituent Institutions  
UNC Management Flexibility  
Permanent Reallocations  
1998-99

Budget Code	Institution	(1) Authorized Requirements at 6/30/99	(2) Permanent Reallocations	(3) Percent of Authorized Requirements (Col. 2 ÷ Col. 1)	(4) Gross Transfers TO Personnel Compensation Accounts	(5) Percent of Permanent Allocations (Col. 4 ÷ Col. 2)
16080	Appalachian State University	104,263,767	294,857	0.28%	294,857	100.00%
	East Carolina University					
16065	Academic Affairs	149,742,139	1,159,359	0.77%	1,141,085	98.42%
16066	Health Affairs	47,699,859	151,575	0.32%	151,575	100.00%
16086	Elizabeth City State University	24,405,405	38,347	0.16%	38,347	100.00%
16088	Fayetteville State University	34,594,300	32,962	0.10%	24,600	74.63%
16070	North Carolina A & T State University	76,483,745	21,606	0.03%	21,606	100.00%
16090	North Carolina Central University	54,314,261	114,280	0.21%	101,152	88.51%
16092	North Carolina School of the Arts	21,558,609	388,742	1.80%	295,182	75.93%
	North Carolina State University					
16030	Academic Affairs	344,970,466	4,980,870	1.44%	316,526	6.35%
16031	Agricultural Research	58,383,183	297,105	0.51%	243,591	81.99%
16032	Cooperative Extension	55,257,464	1,170,799	2.12%	184,648	15.77%
16055	UNC-Asheville	29,360,872	110,498	0.38%	110,498	100.00%
	UNC-Chapel Hill					
16020	Academic Affairs	277,524,653	5,317,247	1.92%	1,938,617	36.46%
16021	Health Affairs	175,184,055	911,991	0.52%	571,016	62.61%
16022	AHEC	45,519,941	47,068	0.10%	47,068	100.00%
16050	UNC-Charlotte	122,447,833	1,126,386	0.92%	1,027,486	91.22%
16040	UNC-Greensboro	114,015,209	773,438	0.68%	744,763	96.29%
16082	UNC-Pembroke	26,774,047	22,305	0.08%	22,305	100.00%
16060	UNC-Wilmington	74,948,985	621,018	0.83%	208,192	33.52%
16075	Western Carolina University	65,318,996	310,065	0.47%	42,684	13.77%
16084	Winston-Salem State University	30,875,310	none	—	none	—
	<b>TOTAL</b>	<b>1,933,643,099</b>	<b>17,890,518</b>	<b>0.93%</b>	<b>7,525,798</b>	<b>42.07%</b>

The University of North Carolina  
Special Responsibility Constituent Institutions  
(excluding Agricultural Programs and Area Health Education Centers budgets)  
UNC Management Flexibility  
Permanent Reallocations  
Transfers Among Budget Purposes  
1998-99

Budget Code	Institution	Regular Term Instruction	Summer Term Instruction	Extension of Instruction	Division of Health Affairs	Institute of Gov. Medicine	Vet Educ.	Distance Educ.	Organized Research	Community Services	Libraries	Academic & Student Support	Admin. Support
16080	Appalachian State University												
	Personnel	114,102	1,970					19,949		1,220	35,462	81,285	28,869
	Non-personnel	(76,639)	0					(16,390)		0	(18,451)	(95,729)	(75,648)
	Net Change	37,463	1,970					3,559		1,220	17,011	(14,444)	(46,779)
16065	East Carolina University, Academic												
	Personnel	144,514		31,182	(2,508)			540,581		25,000	28,628	(178,490)	344,780
	Non-personnel	(85,522)		4,849	10,477			(576,612)		(7)	(25,492)	(86,564)	(174,816)
	Net Change	58,992		36,031	7,969			(36,031)		24,993	3,136	(265,054)	169,964
16066	East Carolina University, Health												
	Personnel	116,756									34,819		
	Non-personnel	(116,756)									(34,819)		
	Net Change	0									0		
16086	Elizabeth City State University												
	Personnel	3,586		13,472								(11,012)	21,289
	Non-personnel	(17,058)		0								(10,277)	0
	Net Change	(13,472)		13,472								(21,289)	21,289
16088	Fayetteville State University												
	Personnel	0											(32,962)
	Non-personnel	24,600											8,362
	Net Change	24,600											(24,600)
16070	North Carolina A&T State University												
	Personnel		6,017					11,161				4,428	
	Non-personnel		(6,017)					(11,161)				(4,428)	
	Net Change		0					0				0	
16090	North Carolina Central University												
	Personnel	3,580											
	Non-personnel	(3,580)											
	Net Change	0											
16092	North Carolina School of the Arts												
	Personnel	4,722	12,676	19,841									
	Non-personnel	50,000	(12,676)	(19,841)									
	Net Change	54,722	0	0									

The University of North Carolina  
Special Responsibility Constituent Institutions  
(excluding Agricultural Programs and Area Health Education Centers budgets)  
UNC Management Flexibility  
Permanent Reallocations  
Transfers Among Budget Purposes  
1998-99

Budget Code	Institution	Regular Term Instruction	Summer Term Instruction	Extension Instruction	Division of Health Affairs	Institute of Gov. Medicine	Vet Medicine	Distance Educ.	Organized Research	Community Services	Libraries	Academic & Student Support	Admin. Support
16030	North Carolina State University												
	Personnel	(1,346,586)	8,772	(196,744)		113,892	105,702	(580,688)	(536,503)	(615,386)	88,160	(1,442,880)	
	Non-personnel	1,255,851	(8,772)	202,938		(113,892)	112,646	628,677	124,541	615,386	328,510	1,256,376	
	Net Change	(90,735)	0	6,194		0	218,348	47,989	(411,962)	0	416,670	(186,504)	
16055	UNC-Asheville												
	Personnel	23,730							2,748		84,020	(54,757)	
	Non-personnel	(23,730)							(2,748)		(19,783)	(9,480)	
	Net Change	0							0		64,237	(64,237)	
16020	UNC-Chapel Hill, Academic												
	Personnel	(3,187,056)	0	70,688		(3,806)	(41,195)	17,585	(41,195)	42,027	1,443,525	337,119	
	Non-personnel	2,386,922	(2,195)	(71,118)		0	12,095	(18,464)	(48,830)	(48,830)	(764,915)	(172,382)	
	Net Change	(800,134)	(2,195)	(430)		(3,806)	(29,100)	(879)	(6,803)	(6,803)	678,610	164,737	
16021	UNC-Chapel Hill, Health												
	Personnel	534,153							(75,503)	36,863	(196,005)	(269,236)	
	Non-personnel	(337,103)							340,975	(34,144)	(269,236)	(465,241)	
	Net Change	197,050							265,472	2,719	(465,241)	(465,241)	
16050	UNC-Charlotte												
	Personnel	435,124	146,779	9,446			56,854	(45,277)	32,534	(24,835)	80,416	266,333	
	Non-personnel	(125,929)	(129,439)	(169,503)			88,900	0	0	(17,396)	(339,948)	(264,059)	
	Net Change	309,195	17,340	(160,057)			145,754	(45,277)	32,534	(42,231)	(259,532)	2,274	
16040	UNC-Greensboro												
	Personnel	40,488	27,554	15,994			(19,802)				490,546	141,939	
	Non-personnel	(165,963)	(27,554)	(15,994)			19,802				(328,283)	(178,727)	
	Net Change	(125,475)	0	0			0				162,263	(36,788)	
16082	UNC-Pembroke												
	Personnel	19,535									1,621	(999)	1,149
	Non-personnel	(19,535)									(1,621)	0	(150)
	Net Change	0									0	(999)	999

The University of North Carolina  
Special Responsibility Constituent Institutions  
(excluding Agricultural Programs and Area Health Education Centers budgets)  
UNC Management Flexibility  
Permanent Reallocations  
Transfers Among Budget Purposes  
1998-99

Budget Code	Institution	Regular Term Instruction	Summer Term Instruction	Extension of Instruction	Division of Health Affairs	Institute of Gov. Medicine	Vet Medicine	Distance Educ.	Organized Research	Community Services	Libraries	Academic & Student Support	Admin. Support
16060	UNC-Wilmington												
	Personnel	57,482	0	(58,910)					17,366	5,210	(2,571)	(60,156)	128,134
	Non-personnel	(88,477)	(16,993)	58,910					0	(5,118)	(2,589)	(195,503)	163,215
	Net Change	(30,995)	(16,993)	0					17,366	92	(5,160)	(255,659)	291,349
16075	Western Carolina University												
	Personnel	34,747	2,451	1,533					3,953	(19,090)**	(25,540)	(43,352)	(60,784)
	Non-personnel	(93,261)	(5,355)	(1,644)					(3,625)	2,143**	(10,116)	(29,506)	247,446
	Net Change	(58,514)	(2,904)	(111)					328	(16,947)	(35,656)	(72,858)	186,662
16084	Winston-Salem State University *												

\* No permanent reallocations were made.

\*\* Includes Purpose 143 - Advancement of Teaching

Parentheses denote net reductions.

The University of North Carolina  
Special Responsibility Constituent Institutions  
UNC Management Flexibility  
Positions Established, Positions Abolished, and Net Position Changes  
Full-Time Equivalent Positions  
1998-99

Budget Code	Institution	Positions Established			Positions Abolished			Net Position Changes		
		EPA	SPA	Total	EPA	SPA	Total	EPA	SPA	Total
16080	Appalachian State University	3.00	16.00	19.00	1.50	2.50	4.00	1.50	13.50	15.00
	East Carolina University:									
16065	Academic Affairs	12.00	10.00	22.00	-	6.00	6.00	12.00	4.00	16.00
16066	Health Affairs	1.00	-	1.00	-	-	-	1.00	-	1.00
16086	Elizabeth City State University	-	-	-	-	-	-	-	-	-
16088	Fayetteville State University	-	1.00	1.00	-	3.00	3.00	-	(2.00)	(2.00)
16070	North Carolina A & T State University	-	2.50	2.50	-	1.00	1.00	-	1.50	1.50
16090	North Carolina Central University	-	-	-	-	-	-	-	-	-
16092	North Carolina School of the Arts	-	2.00	2.00	-	-	-	-	2.00	2.00
	North Carolina State University:									
16030	Academic Affairs	1.00	6.00	7.00	5.00	2.00	7.00	(4.00)	4.00	0.00
16031	Agricultural Research	-	-	-	-	-	-	-	-	-
16032	Cooperative Extension	-	1.00	1.00	27.38	-	27.38	(27.38)	1.00	(26.38)
16055	UNC-Asheville	0.50	-	0.50	-	-	-	0.50	-	0.50
	UNC-Chapel Hill:									
16020	Academic Affairs	3.00	30.34	33.34	2.00	17.16	19.16	1.00	13.18	14.18
16021	Health Affairs	3.98	16.75	20.73	-	23.27	23.27	3.98	(6.52)	(2.54)
16022	AHEC	-	-	-	-	-	-	-	-	-
16050	UNC-Charlotte	6.90	6.75	13.65	2.00	5.00	7.00	4.90	1.75	6.65
16040	UNC-Greensboro	2.00	19.00	21.00	3.06	2.25	5.31	(1.06)	16.75	15.69
16082	UNC-Pembroke	-	1.00	1.00	-	-	-	-	1.00	1.00
16060	UNC-Wilmington	-	8.50	8.50	2.20	2.50	4.70	(2.20)	6.00	3.80
16075	Western Carolina University	2.00	3.50	5.50	1.00	9.00	10.00	1.00	(5.50)	(4.50)
16084	Winston-Salem State University	2.00	1.00	3.00	-	6.00	6.00	2.00	(5.00)	(3.00)
	<b>TOTAL</b>	<b>37.38</b>	<b>125.34</b>	<b>162.72</b>	<b>44.14</b>	<b>79.68</b>	<b>123.82</b>	<b>(6.76)</b>	<b>45.66</b>	<b>38.90</b>

*Parentheses denote net reductions.*

The University of North Carolina  
Special Responsibility Constituent Institutions  
UNC Management Flexibility  
1998-99 Appropriations Carried Forward - Planned Expenditures in 1999-2000

Institution	Capital Projects	Personnel Comp.	Supplies & Materials	Current Services	Fixed Charges	Capital Outlay	Aids & Grants	Total
Appalachian State University	-	275,000	195,000	540,634	-	855,535	10,341	1,876,510
East Carolina University:								
Academic Affairs	787,896	-	-	-	-	-	-	787,896
Health Affairs	-	-	-	-	-	379,404	-	379,404
Elizabeth City State University	-	91,329	42,179	126,170	62,537	72,251	-	394,466
Fayetteville State University	-	29,000	12,205	43,012	-	56,011	447,909	588,137
N. C. A & T State University	-	64,022	1,600	301,709	55,000	190,051	-	612,382
North Carolina Central University	218,318	100,452	14,000	335,706	33,377	34,948	78,626	815,427
North Carolina School of the Arts	-	105,500	25,000	80,000	1,000	145,169	-	356,669
North Carolina State University:								
Academic Affairs	-	-	843,878	3,306,764	-	1,527,293	19,595	5,697,530
Agricultural Research	-	-	-	-	191,373	306,905	-	498,278
Cooperative Extension	-	-	-	-	-	-	-	none
UNC-Asheville	-	8,935	12,946	161,868	-	151,155	-	334,904
UNC-Chapel Hill:								
Academic Affairs	-	254,530	582,882	2,910,426	218,151	-	-	3,965,989
Health Affairs	700,000	-	575,326	1,584,537	162,132	217,339	28,717	3,268,051
AHEC	-	32,000	4,000	50,000	34,000	-	886,186	1,006,186
UNC-Charlotte	250,000	109,155	38,256	476,878	-	1,156,607	-	2,030,896
UNC-Greensboro	-	10,000	96,849	238,367	319,500	1,392,417	-	2,057,133
UNC-Pembroke	-	43,439	-	77,103	8,068	128,284	-	256,894
UNC-Wilmington	-	76,695	7,500	436,530	-	254,806	-	775,531
Western Carolina University	-	21,377	14,012	259,200	800	541,222	-	836,611
Winston-Salem State University	-	15,716	25,591	24,080	165,902	422,526	-	653,815
<b>TOTAL</b>	<b>1,956,214</b>	<b>1,237,150</b>	<b>2,491,224</b>	<b>10,952,984</b>	<b>1,251,840</b>	<b>7,831,923</b>	<b>1,471,374</b>	<b>27,192,709</b>

The University of North Carolina  
 Special Responsibility Constituent Institutions  
 UNC Management Flexibility  
 Purchases Between Old Benchmark and New Benchmark  
 1998-99

	Purchases between old benchmark of \$10,000 and new benchmark (various)		New Benchmark eff. 1/1/98
	Number	Amount	
Appalachian State University	287	\$ 8,008,782	\$ 150,000
East Carolina University	599	18,400,600	250,000
Elizabeth City State University	31	1,060,556	35,000
Fayetteville State University	82	1,810,407	50,000
North Carolina A & T State University *	132	2,721,850	35,000
North Carolina Central University	150	2,541,579	35,000
North Carolina School of the Arts	56	1,016,209	50,000
North Carolina State University	1,310	57,467,382	250,000
UNC-Asheville	76	1,466,737	50,000
UNC-Chapel Hill	1,785	55,465,450	250,000
UNC-Charlotte	383	12,621,680	200,000
UNC-Greensboro	359	9,852,030	150,000
UNC-Pembroke	71	1,250,801	35,000
UNC-Wilmington	192	5,072,421	200,000
Western Carolina University	50	1,301,944	100,000
Winston-Salem State University	7	223,465	100,000
<b>TOTAL</b>	<b>5,570</b>	<b>180,281,893</b>	

\* NCA&T's benchmark will increase to \$100,000, effective 1/1/2000 (approved by Board of Governors on 11/19/99).



**The University of North Carolina  
Special Responsibility Constituent Institutions  
UNC Management Flexibility  
Actual Use of Reversions Authorized by 1998 Legislation  
Part A  
1998-99**

**1% Technology Infrastructure Development**

<u>Institution</u>	<u>Amount</u>
Appalachian State University	\$ 759,217
East Carolina University, Academic Affairs	1,090,120
East Carolina University, Health Affairs	451,612
Elizabeth City State University	204,734
Fayetteville State University	275,664
North Carolina A & T State University	573,167
North Carolina Central University	423,908
North Carolina School of the Arts	145,278
North Carolina State University, Academic	2,505,133
North Carolina State University, Ag Research	486,118
North Carolina State University, Coop. Ext.	365,119
University of North Carolina at Asheville	237,027
University of North Carolina at Chapel Hill, Academic Affairs	1,887,902
University of North Carolina at Chapel Hill, Health Affairs	1,492,239
University of North Carolina at Chapel Hill, AHEC	221,813
University of North Carolina at Charlotte	873,211
University of North Carolina at Greensboro	822,853
University of North Carolina at Pembroke	223,038
University of North Carolina at Wilmington	523,260
Western Carolina University	489,000
Winston-Salem State University	235,082
<b>Total – 1% Technology Infrastructure Development</b>	<b>14,285,495</b>

*The UNC Incentive Funding provision (Sec. 11) of the Current Operations and Capital Budget Act (S.L. 1998-212, SB 1355), responded to a budget request by the Board of Governors by making available one-half of the required reversions (which represents 1% in all budget codes, except the Area Health Education Centers budget of 1/2%) to each SRCI on an undesignated basis, and designating the remaining half to be used for technology infrastructure development in accordance with the Board of Governors' Plan for Technology Development.*

**The University of North Carolina  
Special Responsibility Constituent Institutions  
UNC Management Flexibility  
Actual Use of Reversions Authorized by 1998 Legislation  
Part B  
1998-99**

**1% Undesignated Reversions**

<u>Institution</u>	<u>Amount</u>
<b>Appalachian State University</b> Purchase computers, laptop computer & high resolution projector for presentations, increase library collection, purchase furniture, fund additional financial aid awards, renovate space & student wages in Computer Testing Center	\$ 759,216
<b>East Carolina University, Academic Affairs</b> Replace nonY2K compliant workstations, purchase backup servers and student computer workstation, student wages, interpreter for hearing impaired program, temporary housekeepers, final payment on Fiber Optic Network Bond, and Smart Classroom technology	1,090,120
<b>East Carolina University, Health Affairs</b> Purchase Y2K compliant PCs	451,612
<b>Elizabeth City State University</b> Purchased enhanced admin. computing software, used for legal assistance & campus police, contracted services, back pay for employees on call, expanded technical assistance and recruitment of faculty	204,734
<b>Fayetteville State University</b> Purchase computers for faculty members, upgrade audio/video equipment for Distance Learning Center	275,664
<b>North Carolina A &amp; T State University</b> Purchased Alpha computers for Admin. Computing and addressed Y2K personal computer upgrades initiatives for Admin. Support	573,167

**The University of North Carolina  
Special Responsibility Constituent Institutions  
UNC Management Flexibility  
Actual Use of Reversions Authorized by 1998 Legislation  
Part B  
1998-99**

**1% Undesignated Reversions (continued)**

<u>Institution</u>	<u>Amount</u>
<b>North Carolina Central University</b> Used for Law Library supplies, materials, faculty seminars, travel, maintenance on print reader & imaging equipment, purchased computers for Law Library and Admin. Support, library books, water line, physical plant emergency repairs to boiler, Southern Association of Colleges & Schools (SACS) accreditation for Self Study and Registrar's Office renovation	423,908
<b>North Carolina School of the Arts</b> Purchased software, hardware and manpower to bring new systems into Y2K compliant	145,278
<b>North Carolina State University, Academic</b> Renovation of instructional lab, purchased lab equipment (DNA sequencers), studio equipment (School of Design), computers, multimedia projection and display system, improve seating in seminar rooms, NC Biotechnology Center matching funds, NC Outreach to Public Schools Video, and National Institute of Science and Technology (NIST) matching for Manufacturing Extension Partnership	2,505,133
<b>North Carolina State University, Ag Research</b> Renovations of lab, furnishings, startup equipment for new faculty members, emergency repairs, and purchased bagger feed storage equipment	486,118
<b>North Carolina State University, Coop. Ext.</b> Purchased equipment for Natural Resources Leadership Training Program, software upgrades, digital camera package, and facility improvements	365,119
<b>University of North Carolina at Asheville</b> Purchased computers, additional library books and journals, and consultant for Chancellor search	237,027

**The University of North Carolina  
Special Responsibility Constituent Institutions  
UNC Management Flexibility  
Actual Use of Reversions Authorized by 1998 Legislation  
Part B  
1998-99**

**1% Undesignated Reversions (continued)**

<u>Institution</u>	<u>Amount</u>
<b>University of North Carolina at Chapel Hill, Academic Affairs</b> Purchase computers, software, servers, instructional and computer supplies, wages for grad assistants, support for distributed computing infrastructure, networking services and comprehensive academic computing services	1,886,788
<b>University of North Carolina at Chapel Hill, Health Affairs</b> Purchase computers, computer supplies, software, servers, library books, temp. help for Web development, support for distributed computing infrastructure, networking services and comprehensive academic computing services	1,492,239
<b>University of North Carolina at Chapel Hill, AHEC (1/2%)</b> Used for technology improvements, web development, infrastructure enhancement in the AHEC's to support the statewide database conversion, replacement of computer systems, videoconferencing, study connectivity enhancements, and development of a OSHA internet-based course at Wake AHEC	221,814
<b>University of North Carolina at Charlotte</b> Purchased computing equipment, upgrade/replace student computing labs, purchased lab equipment and furniture for classrooms and library	873,211
<b>University of North Carolina at Greensboro</b> Used for technology improvements, enhancements to the University's Student Information System, purchased SCT Banner Advancement software, enhancements to security, handicapped access walks, new A/C compressor, steam plant and irrigation wells	822,853

**The University of North Carolina**  
**Special Responsibility Constituent Institutions**  
**UNC Management Flexibility**  
**Actual Use of Reversions Authorized by 1998 Legislation**  
**Part B**  
**1998-99**

**1% Undesignated Reversions (continued)**

<u>Institution</u>	<u>Amount</u>
<b>University of North Carolina at Pembroke</b> Upgrade/purchase computers, scanners, and fax, enhancement of recruitment efforts, publications, postal increase, and housekeeping equipment	223,038
<b>University of North Carolina at Wilmington</b> Used for on-line extension courses, licensing for Focus Desktop, NCIH migration as a gateway, server, funding for micro-computer replacement, and COLLEGIS contract for 15 web-based classes	523,260
<b>Western Carolina University</b> Purchased new computers, computer teaching carts, printers, software, upgrade existing computers, purchased RISC software and equipment	501,784
<b>Winston-Salem State University</b> Used for temp. wages, SACS clerical support, Facilities Management operations supplement, implemented an assessment program, purchased new computer, and relocation of office	261,202
<b>Total 1% Undesignated Reversions</b>	<b>14,323,285</b>

**The University of North Carolina  
Special Responsibility Constituent Institutions  
UNC Management Flexibility  
Actual Use of 10% Overhead Receipts  
Authorized by 1997 Legislative Session  
1998-99**

<u>Institution</u>	<u>Amount</u>
<b>Appalachian State University</b> Used for faculty travel for research purposes	\$ 26,500
<b>East Carolina University, Academic Affairs</b> Used for technology transfer, legal fees associated with patent work, enhancement of research, and consultant	157,000
<b>Elizabeth City State University</b> Used for temporary help to strengthen facilities management	10,500
<b>Fayetteville State University</b> Provided additional support for the writing of applications for new grants, & additional administrative services to support grant activity	21,313
<b>North Carolina A &amp; T State University</b> Provided travel expenses relative to benchmarking activities, and gathering information concerning enhancements of existing research programs infrastructure	11,659
<b>North Carolina Central University</b> Payment to Dept. of Health and Human Services for reimbursement of inappropriate direct and indirect charging of costs which was cited during the 1993-94 audit.	40,618
<b>North Carolina State University, Academic</b> Purchased equipment to support research activities, upfit lab space, upfitting for move of Partners II to Centennial Campus, renovation of research labs	1,896,727
<b>University of North Carolina at Asheville</b> Used for .20 FTE Accounting Specialist	7,500
<b>University of North Carolina at Chapel Hill, Academic Affairs</b> Used to support the long-term plan for new capital construction related to the research enterprise	5,751,600

**The University of North Carolina**  
**Special Responsibility Constituent Institutions**  
**UNC Management Flexibility**  
**Actual Use of 10% Overhead Receipts**  
**Authorized by 1997 Legislative Session**  
**1998-99**

<b>University of North Carolina at Charlotte</b> Held in fund balance for Cameron Applied Research Center expansion (Code 49526-303)	114,039
<b>University of North Carolina at Greensboro</b> Renovated outdated research labs, purchased lab equipment and scientific instruments	160,000
<b>University of North Carolina at Pembroke</b> Used to partially fund a position associated with pursuit of external funding efforts	12,885
<b>University of North Carolina at Wilmington</b> Purchased equipment for the Research Vessel Cape Fear to support ocean research with adequate equipment for safe nitrox diving	78,824
<b>Western Carolina University</b> Used for professional development, faculty summer research grants and operating support, graduate research scholarships, and audit costs associated with grant & contract funds	282,669
<b>Winston-Salem State University</b> Purchased five 4-step risers with railings, printed SACS materials, funded travel and temporary wages	22,828
<b>Total</b>	<b>8,594,662</b>

## **The University of North Carolina Fiscal Accountability and Flexibility**

### **§ 116-30.1. Special responsibility constituent institutions.**

The Board of Governors of The University of North Carolina, acting on recommendation made by the President of The University of North Carolina after consultation by him with the State Auditor, may designate one or more constituent institutions of The University as special responsibility constituent institutions. That designation shall be based on an express finding by the Board of Governors that each institution to be so designated has the management staff and internal financial controls that will enable it to administer competently and responsibly all additional management authority and discretion to be delegated to it. The Board of Governors, on recommendation of the President, shall adopt rules prescribing management staffing standards and internal financial controls and safeguards, including the lack of any significant findings in the annual financial audit by the State Auditor's Office, that must be met by a constituent institution before it may be designated a special responsibility constituent institution and must be maintained in order for it to retain that designation. These rules shall not be designed to prohibit participation by a constituent institution because of its size. These rules shall establish procedures for the President and his staff to review the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office for each special responsibility constituent institution. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations. In any instance where significant findings are identified, the President shall notify the Chancellor of the particular special responsibility constituent institution that the institution must make satisfactory progress in resolving the findings, as determined by the President of The University, after consultation with the State Auditor, within a three-month period commencing with the date of receipt of the published financial audit report, any other audit report, or management letter. If satisfactory progress is not made within a three-month period, the President of The University shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of the President of The University of North Carolina, after consultation with the State Auditor. However, once the designation as a special responsibility constituent institution has been withdrawn by the Board of Governors, reinstatement may not be effective until the beginning of the following fiscal year at the earliest. Any actions taken by the Board



of Governors with respect to withdrawal or reinstatement of an institution's status as a special responsibility constituent institution shall be reported immediately to the Joint Legislative Education Oversight Committee.

The rules established under this section shall include review by the President, after consultation with the State Auditor, the Director of the Office of State Personnel, and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 143-53.1. Such review and consultation must take place no less frequently than once each biennium. (1991, c. 689, s. 206.2(a); 1993 (Reg. Sess., 1994), c. 591, s. 10(a); 1996, 2nd Ex. Sess., c. 18, s. 7.4(k); 1997-71, s. 1.)

**Editor's Note. —**

Session Laws 1996, Second Extra Session, c. 18, s. 1.1, provides: "This act shall be known as the Current Operations Appropriations Act of 1996."

Session Laws 1996, Second Extra Session, c. 18, s. 29.5, is a severability clause.

**Effect of Amendments. —** The 1997 amendment, effective May 22, 1997, in the first paragraph deleted "exceptions or audit" following "of any significant" in the third sentence, substituted "reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's" for "reports or any other special or performance reports issued by the State Auditors" following "annual financial audit" in the fifth sentence, substituted "significant findings" for "such audit exceptions" following "any instance where", substituted

"the institution must make satisfactory progress in resolving the finding, as determined by the President of The University, after consultation with the State Auditor" for "such exceptions must be resolved to the satisfaction of the State Auditor and" following "constituent institution that" in the seventh sentence, substituted "report, any other audit report, or management letter. If satisfactory progress is not made" for "report. If the exceptions are not satisfactorily resolved" following "published financial audit" in the 8th sentence, and substituted "the President of The University of North Carolina, after consultation with the State Auditor" for "the State Auditor and the President of The University of North Carolina" following "to the satisfaction of" in the 8th sentence; and in the second paragraph substituted "by the President, after" for "and" following "shall include review".

## **§ 116-30.2. Appropriations to special responsibility constituent institutions.**

All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made. Notwithstanding G.S. 143-23(a1), G.S. 143-23(a2), and G.S. 143-23(a3) and G.S. 120-76(8), each special responsibility constituent institution may expend monies from the overhead receipts special fund budget code and the General Fund monies so appropriated to it in the manner deemed by the Chancellor to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies of the Board of Governors. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions. The quarterly allotment procedure estab-

lished pursuant to G.S. 143-17 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions. (1991, c. 689, s. 206.2(a); 1993 (Reg. Sess., 1994), c. 591, s. 10(a); c. 769, s. 17.6(c); 1996, 2nd Ex. Sess., c. 18, s. 7.4(i); 1997-443, s. 10.8.)

**Editor's Note. —**

Session Laws 1996, Second Extra Session, c. 18, s. 1.1, provides: "This act shall be known as the Current Operations Appropriations Act of 1996."

Session Laws 1996, Second Extra Session, c. 18, s. 29.5, is a severability clause.

Session Laws 1997-443, s. 1.1, provides: "This act shall be known as The

Current Operations and Capital Improvements Appropriations Act of 1997."

Session Laws 1997-443, s. 35.4, is a severability clause.

**Effect of Amendments. —** The 1997 amendment, effective July 1, 1997, inserted "monies from the overhead receipts special fund budget code and" in the second sentence.

### **§ 116-30.3. (Effective until July 1, 1999) Reversions.**

(a) Of the General Fund current operations appropriations credit balance remaining at the end of each fiscal year in each budget code of a special responsibility constituent institution, except for the budget code of the Area Health Education Centers of the University of North Carolina at Chapel Hill, any amount greater than two percent (2%) of the General Fund appropriation for that fiscal year may be carried forward by the institution to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. Of the General Fund current operations appropriations credit balance remaining in the budget code of the Area Health Education Centers of the University of North Carolina at Chapel Hill, any amount greater than one percent (1%) of the General Fund appropriation for that fiscal year may be carried forward in that budget code to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this section shall not exceed two and one-half percent (2 ½%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143-25, shall establish the General Fund current operations credit balance remaining in each budget code of each institution.

(b) An institution shall cease to be a special responsibility constituent institution under the following circumstances:

- (1) An institution, other than the Area Health Education Centers of the University of North Carolina, does not revert at least two percent (2%) of its General Fund current operations credit balance remaining in each budget code of that institution, or
- (2) The Area Health Education Centers of the University of North Carolina at Chapel Hill does not revert at least one percent (1%) of its General Fund current operations credit balance remaining in its budget code.

However, if the Board of Governors finds that the low reversion rate is due to adverse and unforeseen conditions, the Board may allow

§ 116-30.3 is set out twice. See notes.

the institution to remain a special responsibility constituent institution for one year to come into conformity with this section. The Board may make this exception only one time for any special responsibility constituent institution, and shall report these exceptions to the Joint Legislative Commission on Governmental Operations.

(c) Repealed by Session Laws 1998-212, s. 11(a), effective July 1, 1998.

(d) For fiscal year 1998-99, the reversions required in subsections (a) and (b) of this section shall be available to each special responsibility constituent institution of The University of North Carolina. One-half of those funds shall be used for technology infrastructure development in accordance with the Board of Governors' Plan for Technology Development. Those funds may be used as partial funding for multicampus contracts if so directed by the Board of Governors, but the amount spent on each Special Responsibility Constituent Institution's campus shall be at least the equivalent of one percent (1%) of that institution's General Fund operating appropriation for fiscal year 1998-99. The funds shall not be used to support positions. Each special responsibility constituent institution shall report annually to the Board of Governors regarding how the institution spent the funds made available under this section. (1991, c. 689, s. 206.2(a); 1993 (Reg. Sess., 1994), c. 591, s. 10(a); 1995, c. 507, s. 15.16; 1997-443, s. 10.19; 1998-212, s. 11(a).)

**Section Set Out Twice.** — The section above is effective until July 1, 1999. For the section as amended effective July 1, 1999, see the following section, also numbered § 116-30.3.

**Editor's Note.** —

Session Laws 1995, c. 507, s. 1.1, provides that this act shall be known and cited as the Expansion and Capital Improvements Appropriations Act of 1995.

Session Laws 1995, c. 507, s. 28.12 is a severability clause.

Session Laws 1996, Second Extra Session, c. 18, s. 1.1, provides: "This act shall be known as the Current Operations Appropriations Act of 1996."

Session Laws 1996, Second Extra Session, c. 18, s. 16.2, provides that, notwithstanding G.S. 116-30.3, the five constituent institutions cited in the study of equity of funding among the constituent institutions of the University of North Carolina as receiving lower than average pupil funding shall not be required to revert two percent of their General Fund appropriations for the 1996-97 school year.

Session Laws 1996, Second Extra Session, c. 18, s. 29.2, provides: "Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 1996-97 fiscal year,

the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 1996-97 fiscal year."

Session Laws 1997-443, s. 1.1, provides: "This act shall be known as 'The Current Operations and Capital Improvements Appropriations Act of 1997'."

Session Laws 1997-443, s. 35.4, is a severability clause.

Session Laws 1998-212, s. 1.1 provides: "This act shall be known as the 'Current Operations Appropriations and Capital Improvement Appropriations Act of 1998'."

Session Laws 1998-212, s. 30.2 provides: "Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 1998-99 fiscal year, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 1998-99 fiscal year."

Session Laws 1998-212, s. 30.5 contains a severability clause.

**Effect of Amendments.** — The 1997 amendment, effective July 1, 1997, added subsections (c) and (d).

Session Laws 1998-212, s. 11(a), effective July 1, 1998, deleted subsection (c), which read "One half of the reversions required in subsection (a) and (b) of this

section shall be returned to the General Fund credit balance at the end of each fiscal year"; and rewrote subsection (d).

### § 116-30.3. (Effective July 1, 1999) Reversions.

(a) Of the General Fund current operations appropriations credit balance remaining at the end of each fiscal year in each budget code of a special responsibility constituent institution, except for the budget code of the Area Health Education Centers of the University of North Carolina at Chapel Hill, any amount of the General Fund appropriation for that fiscal year may be carried forward by the institution to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. Of the General Fund current operations appropriations credit balance remaining in the budget code of the Area Health Education Centers of the University of North Carolina at Chapel Hill, any amount of the General Fund appropriation for that fiscal year may be carried forward in that budget code to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this section shall not exceed two and one-half percent (2½%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143-25, shall establish the General Fund current operations credit balance remaining in each budget code of each institution.

(b) Repealed by Session Laws 1998-212, s. 11(b), effective July 1, 1999.

(c) Repealed by Session Laws 1998-212, s. 11(a), effective July 1, 1998.

(d) Repealed by Session Laws 1998-212, s. 11(b), effective July 1, 1999. (1991, c. 689, s. 206.2(a); 1993 (Reg. Sess., 1994), c. 591, s. 10(a); 1995, c. 507, s. 15.16; 1997-443, s. 10.19; 1998-212, s. 11(a), (b).)

**Section Set Out Twice.** — The section above is effective July 1, 1999. For the section as in effect until July 1, 1999, see the preceding section, also numbered § 116-30.3.

**Effect of Amendments.** — Session Laws 1998, s. 11(b), effective July 1, 1999, in subsection (a), deleted "greater

than two percent (2%)" and "greater than one percent (1%)" preceding "of the General Fund"; deleted subsection (b), providing the circumstances by which an institution may cease to be a special responsibility constituent institution"; and deleted subsection (d), regarding the use of reversions for fiscal year 1998-99.

#### § 116-30.4. Position management.

The Chancellor of a special responsibility constituent institution, when he finds that to do so would help to maintain and advance the programs and services of the institution, may establish and abolish positions, acting in accordance with:

- (1) State Personnel policies and procedures if these positions are subject to the State Personnel Act and if the institution is operating under the terms of a Performance Agreement or a Decentralization Agreement authorized under Chapter 126 of the General Statutes; or
- (2) Policies and procedures of the Board of Governors if these positions are exempt from the State Personnel Act.

The results achieved by establishing and abolishing positions pursuant to the conditions set forth in subdivision (1) of this section shall be subject to postauditing by the Office of State Personnel. Implementation of personnel actions shall be subject to the availability of funds within the institution's current budget to fund the full annualized costs of these actions. (1991, c. 689, s. 206.2(a); 1993 (Reg. Sess., 1994), c. 591, s. 10(a).)

Editor's Note. — Session Laws 1991, Laws 1993 (Reg. Sess., 1994), c. 591, s. c. 689, s. 206.2(f) provided that this section would expire June 30, 1994. Session 10 deleted the expiration date.

#### § 116-30.5. Impact on education.

The Board of Governors shall require each special responsibility constituent institution to include in its institutional effectiveness plan those assessment measures that are determined by the Board to be measures that will assure some standard measure of student learning and development in general undergraduate education at the special responsibility constituent institutions. The intent of this requirement is to measure the impact of G.S. 116-30.1 through G.S. 116-30.5, establishing and administering special responsibility constituent institutions, and their implementation on undergraduate student learning and development. (1991, c. 689, s. 206.2(a); 1993 (Reg. Sess., 1994), c. 591, s. 10(a).)

Editor's Note. — Session Laws 1991, c. 689, s. 206.2(f) provided that this section would expire June 30, 1994. Session Laws 1993 (Reg. Sess., 1994), c. 591, s. 10 deleted the expiration date.

A reference to sections 116-30.1 through 116-30.5 was substituted for a reference to sections 116-44.6 through

116-44.11, which appeared in this section in the enacting Act. Sections 116-44.6 through 116-44.10 were recodified as Part 2A of this article, sections 116-30.1 through 116-30.5, at the direction of the Revisor of Statutes. There was no section 116-44.11 in the enacting act.

#### § 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 ef-

fectiveness, 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).)

Editor's Note. — Session Laws 1993 (Reg. Sess., 1994), c. 769, s. 17.6(e), made this section effective July 1, 1994.

Session Laws 1993 (Reg. Sess., 1994), c. 769, s. 2 provides: "This act shall be

known as "The Current Operations and Capital Improvements Appropriations Act of 1994."

Session Laws 1993 (Reg. Sess., 1994), c. 769, s. 43.5 is a severability clause.

### § 116-31.10. Powers of Board regarding certain purchasing contracts.

Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for a special responsibility constituent institution with regard to competitive bid procedures and the bid value benchmark shall be an amount not greater than two hundred fifty thousand dollars (\$250,000). The Board shall set the benchmark for each institution from time to time. In setting an institution's benchmark in accordance with this section, the Board shall consider the institution's overall capabilities including staff resources, purchasing compliance reviews, and audit reports. The Board shall also consult with the Director of the Division of Purchase and Contract and the Director of the Budget prior to setting the benchmark. (1997-412, s. 1.)

Editor's Note. — Session Laws 1997-412, s. 13, provides that the Office of State Budget and Management shall evaluate the effectiveness and efficiency of the increase of the purchasing benchmark and its delegation to the special responsibility constituent institutions

under G.S. 116-31.10 and other agencies under G.S. 143-53.1 and G.S. 143-53(a)(2), and shall report its findings and recommendations to the General Assembly by April 15, 2001.

Session Laws 1997-412, s. 14, made this section effective January 1, 1998.



## **Selection Criteria and Operating Guidelines for Special Responsibility Constituent Institutions**

### **A. Achieving and Retaining Status as a Special Responsibility Constituent Institution**

#### **1. Management Staffing Standards and Internal Controls and Safeguards**

##### **A. Responsibilities of Special Responsibility Constituent Institutions**

The following standards and safeguards must be met and maintained in order to receive and retain the designation as a special responsibility constituent institution.

- a. The Chancellor must assume personal responsibility and also establish the appropriate administrative and internal control procedures for carrying out the special delegations of authority. In this regard, the Chancellor must certify that the administrative capability on campus in the areas of budgeting and accounting, personnel, and purchasing, as noted in b., c., and d. below, are sufficient to carry out the increased flexibility being granted.
- b. The capability of the staff and the system of budgeting, accounting and internal controls must be sufficient to administer the increased budget flexibility given to the designated institutions.
- c. The personnel capacity, which must be exercised under the direction of appropriate administrative officials, must be available on campus to evaluate jobs, classify positions appropriately, set compensation properly, and carry out the related functions of position management at the level of authority provided by the delegation.
- d. The on-campus expertise must be available to purchase properly the equipment, supplies, and other goods and services for the institution up to the benchmark level established by the Board of Governors for the institution pursuant to G.S. 116-31.10.
- e. The institution must maintain its financial records in such a manner that there are no significant findings in the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office.

##### **B. Responsibilities of the President and the Board of Governors**

The President is directed to establish the administrative procedures necessary to carry out the following rules:

- a. The President and the General Administration staff shall review the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office for each special responsibility constituent institution.

- b. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations. In any instance where significant findings are identified, the President shall notify the Chancellor of the particular special responsibility constituent institution that the institution must make satisfactory progress in resolving the findings, as determined by the President of The University, after consultation with the State Auditor, within a three-month period commencing with the date of receipt of the published financial audit report, any other audit report, or management letter.
- c. If satisfactory progress is not made within a three-month period, the President shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of the President of The University of North Carolina, after consultation with the State Auditor. However, once the designation as a special responsibility constituent institution has been withdrawn by the Board of Governors, reinstatement may not be effective until the beginning of the following fiscal year at the earliest.
- d. Any actions taken by the Board of Governors with respect to withdrawal or reinstatement of an institution's status as a special responsibility constituent institution shall be reported immediately to the Joint Legislative Education Oversight Committee.
- e. The President and the General Administration staff, after consultation with the State Auditor, shall review and consult with the Director of the Office of State Personnel and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 116-31.10. Such review and consultation must take place no less frequently than once each biennium.

## 2. Required Reversion Rate

Any special responsibility constituent institution, other than the Area Health Education Centers of the University of North Carolina at Chapel Hill, that does not revert at least two percent (2%) of its General Fund current operations appropriation for the fiscal year shall cease to be a special responsibility constituent institution unless the Board of Governors finds that the low reversion rate is due to adverse and unforeseen conditions. In this instance, the Board may allow the institution to remain a special responsibility constituent institution for one year to come into conformity with this requirement. The Board may make this exception only one time for any special responsibility constituent institution, and shall report these exceptions to the Joint Legislative Commission on Governmental Operations. The Area Health Education Centers of the University of North Carolina at Chapel Hill must revert at least one percent (1%) of its General Fund current operations appropriation for the fiscal year in order to maintain its status as a special responsibility constituent institution.



## B. Budget Administration

## 1. Appropriations to Special Responsibility Constituent Institutions

- a. All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made.
- b. Notwithstanding G.S. 143-23(al), G.S. 143-23 (a2), G.S. 143-23(a3), and G.S. 120-76(8), each special responsibility constituent institution may expend monies from the overhead receipts special fund budget code and the General Fund monies so appropriated to it in the manner deemed by the Chancellor to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies of the Board of Governors including but not limited to the following:
  1. A current institutional expenditure plan for each budget code must be established and maintained under the direction of the Chancellor.
  2. No action shall be taken that would materially change the capability of the institution to carry out its educational mission as defined by the Board of Governors. The Board of Governors will retain program responsibility. No actions taken should have the effect of either establishing a new academic, research, or public service program or closing such a program without the specific approval by the Board. Reallocation of academic program resources should not be made to the extent that a particular existing program is seriously weakened or effectively discontinued, or a new activity not expressly authorized by the Board of Governors is initiated.
  3. Reallocations of inter-institutional program resources should not be made to the extent that campus participation in a particular program is materially weakened without specific approval by the Board.
  4. No action should be taken which would have the effect of establishing a new community service or student financial aid program without specific approval by the Board of Governors.
  5. For the 1998-99 and 1999-2000 fiscal years, appropriations providing support for Distance Education/Extension degree credit instruction at off-campus locations can not be reallocated for other purposes without specific approval by the Board of Governors.
- c. The quarterly allotment procedure established pursuant to G.S. 143-17 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution.
- d. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions.

- e. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions.

## 2. Reversions and Carry-Forwards of Appropriations

Of the General Fund current operations appropriations credit balance remaining in each budget code of a special responsibility constituent institution, other than the Area Health Education Centers of the University of North Carolina at Chapel Hill, at the close of a fiscal year, any amount greater than two percent (2%) multiplied by the General Fund appropriations for that budget code, may be carried forward by the institution to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. Of the General Fund current operations appropriations credit balance remaining in the budget code of the Area Health Education Centers of the University of North Carolina at Chapel Hill, any amount greater than one percent (1%) of the General Fund appropriation for that fiscal year may be carried forward in that budget code to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this section shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143-25, shall establish the General Fund current operations credit balance remaining in each budget code of each institution.

## 3. Designated Uses of Required Reversions for 1998-99

The following uses are designated for the required reversions, as identified in Sections A.2. and B.2. above, at any special responsibility constituent institution, other than the Area Health Education Centers of the University of North Carolina at Chapel Hill, of at least two percent (2%) of its General Fund current operations appropriation for the fiscal year. The required reversion rate for the Area Health Education Centers budget is at least one percent (1%).

- a. The reversions required in Sections A.2. and B.2. of these guidelines shall be available to each special responsibility constituent institution.
- b. For fiscal year 1998-99, one-half of the reversions required in Sections A.2. and B.2. of these guidelines shall be used for technology infrastructure development in accordance with the Board of Governors' Plan for Technology Development. Those funds shall be used as partial funding for multi-campus contracts, but the amount spent on each special responsibility constituent institution's campus shall be at least the equivalent of one percent (1%) of that institution's General Fund operating appropriation for fiscal year 1998-99.

The funds shall not be used to support positions.

C. Personnel Administration

The Chancellor of a special responsibility constituent institution, when he finds that to do so would help to maintain and advance the programs and services of the institution, may establish and abolish positions, acting in accordance with:

- (1) State Personnel policies and procedures if these positions are subject to the State Personnel Act and if the institution is operating under the terms of a Performance Agreement or a Decentralization Agreement authorized under Chapter 126 of the General Statutes; or
- (2) Policies and procedures of the Board of Governors if these positions are exempt from the State Personnel Act.

The results achieved by establishing and abolishing positions pursuant to the conditions set forth in subdivision (1) of this section shall be subject to postauditing by the Office of State Personnel.

With respect to personnel actions taken under subdivision (2) of this section, no action should have the effect of either establishing a new academic program or administrative unit or closing an existing academic or inter-institutional program or administrative unit. No action should be taken which permanently reduces the number or amount of budgeted teaching positions supported by General Fund appropriations thereby changing the student-faculty ratio or the budgeted average teaching salary established by the Board of Governors.

Implementation of all personnel actions shall be subject to the availability of funds within the institution's current budget to fund the full annualized costs of these actions.

D. Purchasing

Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for a special responsibility constituent institution with regard to competitive bid procedures and the bid value benchmark shall be an amount not greater than \$250,000. The Board shall set the benchmark for each institution from time to time. In setting an institution's benchmark, the Board shall consider the institution's overall capabilities including staff resources, purchasing compliance reviews, and audit reports. The Board shall also consult with the Director of the Division of Purchase and Contract and the Director of the Budget prior to setting the benchmark.

E. Impact on Education

Each special responsibility constituent institution shall include in its institutional effectiveness plan those assessment measures that are determined by the Board to be measures that will assure some standard measure of student learning and development in general undergraduate education. The intent of this requirement is to measure the impact of G.S. 116-30.1 through G.S. 116-30.5, establishing and administering special responsibility constituent institutions, and their implementation on undergraduate student learning and development.

## F. Reporting Requirements

## 1. Monthly Report

Each designated institution must prepare a monthly operating report for each budget code in the format of the current BD-701 report. The "Authorized Budget" included in this report, which may be changed under the direction of the Chancellor, will show the institution's current expenditure plan. The current Chart of Accounts will be used for reporting purposes.

## 2. Annual Report

An annual report, and other reports as may be directed by the President, are required from each special responsibility constituent institution. The annual report shall include the following information:

- a. an annual operating report in the same format as the monthly report described above
- b. the impact on undergraduate student learning and development as demonstrated by the standard assessment measures established in the institutional effectiveness plans
- c. fiscal savings
- d. management initiatives undertaken
- e. increased efficiency and effectiveness achieved
- f. other outcomes made possible by the flexibility provided
- g. documentation of any reallocation of resources which distinguishes between one-time and permanent transfers
- h. the availability and use of non-reverted appropriations
- i. any additional costs incurred
- j. a schedule of positions established and positions abolished.
- k. the use of the required reversions that may be spent on technology infrastructure and other uses as provided in Section B.3. of these guidelines
- l. institutional purchases under the expenditure benchmark established by the Board of Governors for the institution

Each institution must establish the administrative procedures necessary to accumulate this information for reporting purposes.

*Effective July 1, 1998*

*Revision approved by  
the Board of Governors  
November 13, 1998*



# The University of North Carolina

Appendix III

GENERAL ADMINISTRATION

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

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Central University

North Carolina  
School of  
the Arts

Carolina  
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

on-Salem  
University

An Equal Opportunity/  
Affirmative Action  
Employer

May 20, 1999

## MEMORANDUM

**TO:** Chancellors of Special Responsibility Constituent Institutions

John W. Bardo  
Francis T. Borkowski  
Mickey L. Burnim  
Julius Chambers  
Richard R. Eakin  
Alexander Ewing  
Edward B. Fort  
Marye Anne Fox  
James R. Leutze  
Willis B. McLeod  
William O. McCoy  
Joseph B. Oxendine  
Patsy B. Reed  
Alvin J. Schexnider  
Patricia A. Sullivan  
James H. Woodward, Jr.

**FROM:** Laura Young *Laura Young*

**SUBJECT:** 1998-99 UNC Management Flexibility Report

The Operating Guidelines for Special Responsibility Constituent Institutions (SRCIs), which were originally adopted by the Board of Governors on September 13, 1991 and most recently revised on November 13, 1998, require an Annual Report by each designated institution. The purpose of this memorandum is to provide a uniform reporting format and identify specific information that is requested. Please see the attachment and examples.

As we seek additional management flexibility, it is imperative that institutional reports of results under current delegations be prepared thoroughly and completely. The 1998-99 reporting procedures on management flexibility will essentially follow the same general format that was utilized for fiscal year 1997-98. Please present all required information, with any necessary explanations, to minimize follow-up questions.

The UNC Incentive Funding provision (Sec. 11) of the Current Operations and Capital Budget Act, (S.L. 1998-212, SB 1366), responded to a budget request by the Board of Governors by making available one-half of the required reversions (which represents 1% in all budget codes, except the Area Health Education Centers budget of 1/2%) to each SRCI on an undesignated basis, and designating the remaining half to be used for technology infrastructure development in accordance with the Board of

MEMO TO: Chancellors of Special Responsibility Constituent Institutions  
Page Two  
May 20, 1999

Governors' Plan for Technology Development. Section 11 further states that "Each special responsibility constituent institution shall report annually to the Board of Governors regarding how the institution spent the funds made available under this section".

The memorandum to the Chancellors of November 20, 1998, which revised the Selection Criteria and Operating Guidelines for Special Responsibility Constituent Institutions indicates the need for SRCI reporting on the use of reversions. We will use a format similar to the 1997-98 report to collect this information, but will need an earlier submission of this section due to anticipated legislative interest. ***Please submit section k. of this report to this office by July 23, 1999.***

The 1997 Regular Session authorized, in response to the Board's budget request, the constituent institutions to retain the last 10% of overhead receipts effective with the 1998-99 fiscal year. In April of 1998, you forwarded a plan to this office regarding planned expenditures of these funds. As part of this report for fiscal year 1998-99, we are including a new schedule (see attachment l. and example l., attached) which will collect actual expenditures of these retained overhead receipts.

The compliance certification process by chancellors, begun with the 1996-97 Management Flexibility Reports, continues in 1998-99. The steps taken by UNC-General Administration to comply with the SRCI requirements remain unchanged:

- We will notify the schools as soon as we are aware of any audit findings that will appear in an audit report. In addition, we will work with the schools to ensure satisfactory progress toward resolution of these findings within the statutory three-month period.
- The compliance certification letter (see attachment m. and example m., attached) should be signed by the chancellors. Great care should be taken to verify that your institution is in full compliance with the items included within this certification.

In addition, each SRCI is required to report on the state funds received for distance education, which was funded for the first time this year. Allocations were made to the newly-created 107 purpose code (For Degree Credit Distance Education). Financial activity may have occurred within the 107, or in other codes; this report will pull together all related activity, regardless of the purpose code. Although this is not strictly part of the management flexibility report, we have attached instructions and a sample format herein, and will need the information returned to us at the same time.

Both reports are due in this office no later than October 22, 1999. Please contact me if there are questions or if clarifications are needed.

Attachments

cc: Chief Finance Officers of Special Responsibility Constituent Institutions  
Mr. Jim Newlin, Fiscal Research Division  
Ms. Susan S. Adams, Office of State Budget and Management

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Institution

**1998-99 Annual Report of Results  
UNC Management Flexibility  
covering the period of July 1, 1998 through June 30, 1999**

Please follow the format outlined in preparing the formal response and respond fully to each of the following sections in the order indicated. Those campuses with more than one General Fund budget code are asked to prepare a separate report for each code.

**a. Annual Operating Report**

The year-end 1998-99 expenditure report (BD-701) will serve this purpose; no separate submission is required.

**b. Impact on Education**

The reports on institutional assessment and the specific measures which have been developed to assure a standard measure of student learning and development in general undergraduate education will meet this reporting requirement. The Impact on Education will be a part of the 1998-99 assessment report. No submission is required at this time.

**c. Fiscal Savings**

Please report all fiscal savings that have resulted from flexibility during 1998-99.

- Please distinguish between one-time and permanent savings. For example, if funds were spent on energy savings devices that result in annual utilities cost savings, these would be reported as permanent savings since the annual benefit would continue to be realized. If, for example, the opportune purchase of a microscope resulted in a one-time savings of "x" dollars, this would be reported accordingly.
- It is recognized that one-time savings, as well as certain permanent savings, will be reallocated to high priorities of the institution during the fiscal year and not available after the end of the fiscal year for other expenditures or budget reductions.
- Please provide separate totals of one-time and permanent savings in the format indicated below.
- In addition to the tabular presentation suggested, a listing may also be used to identify savings that cannot be readily quantified.
- Do not report lapsed salaries as fiscal savings.

Please use the following format for reporting fiscal savings.

**Fiscal Savings**  
(Prepare a **separate** listing for one-time and permanent savings)

**Brief Description  
of Savings**

**Amount of  
Savings**

**d. Management Initiatives**

Identify major management initiatives undertaken in 1998-99 and the amounts reallocated to accomplish these initiatives.

It is noted from a review of previous institutional reports that most management initiatives can be grouped into major categories as follows:

1. Strengthening undergraduate instruction and improving graduation rates.
2. Strengthening graduate instruction and research.
3. Expanding library collections and improving library services.
4. Upgrading classrooms and laboratories, including replacing and updating related equipment.
5. Enhancing physical facilities (other than classrooms and laboratories) and their operations.
6. Expanding computing, information resources, and telecommunications capabilities (include developing a distance learning capability)
7. Strengthening student support services.
8. Improving administrative services infrastructure.
9. Enhancing student financial aid programs.
10. Strengthening targeted program areas (identify).
11. Other (identify)

To the extent that major management initiatives undertaken on your campus during 1998-99 clearly fall within these categories, please use them. Identify and use additional categories to the extent they are needed. It is noted that the suggested categories are not mutually exclusive since the same reallocation could be associated with more than one category of initiatives. However, each campus is asked to relate reallocations to the **principal objective of the initiatives undertaken** (rather than to the budget coding purpose).

Prepare a schedule (example enclosed) that relates the management initiatives and reallocations of resources described in **g. Documentation of Reallocation of Resources**. Also include a listing of the major actions (indicating whether one-time or permanent) taken to accomplish management initiatives during 1998-99; these actions should be listed under each initiative as shown on the example enclosed.



**e. Increased Efficiency and Effectiveness Achieved**

Please identify increased efficiency and effectiveness achieved as a result of flexibility during 1998-99. **Each campus is expected to identify a minimum of six areas, followed by specific actions taken and results achieved for each one identified.**

- First, identify each specific area that was addressed and then list the actions taken and the results achieved. For example, "Improvements in Budget Administration," "Improvements in Purchasing Administration," and "Enhancement of Personnel Administration" would be the level of identification desired.
- Each area would be followed by a list of actions taken and efficiencies achieved.
- Quantify and report any related fiscal savings under Section **c.** above.

Since the flexibility legislation gives specific additional authority in the areas of Purchasing, please provide the number and total amount of purchase orders issued on campus from all funding sources that would have been processed through the Division of Purchase and Contract before flexibility was granted.

	Number	Total Amount
Number of purchase orders issued on campus between the old benchmark of \$10,000 and the revised benchmark of \$_____ * during the period July 1, 1998 and June 30, 1999 (All sources — appropriated and non-appropriated funds)	_____	_____
<b>Total 1998-99 Purchases Under SRCI Delegation</b>	_____	_____

\* Insert the authorized benchmark for your institution.

**f. Other Outcomes**

Please list any other outcomes made possible by management flexibility during 1998-99.

**g. Documentation of Reallocation of Resources**

Report on a **net** basis all budget transfers which were authorized by the institution during the 1998-99 fiscal year and which previously required the approval of the Office of State Budget and Management. Show net changes by budget purposes and distinguish between personnel compensation (1000 accounts) and non-personnel accounts (all accounts other than 1000 accounts). Individual budget transfers should not be reported.

**Do not include** the following transactions as reallocations of resources:

- "Repeat" budget revisions originally made in 1997-98 and continued in 1998-99 that were previously reported in 1997-98 operating results.
- Distribution of the "Reserve - Budget Flexibility" representing appropriations carried forward from 1997-98 and distributed and/or spent in 1998-99.
- Transfers of funds from salary line-items to the salary-related line-items of Longevity, Social Security, State Retirement, Medical Insurance, Worker's Compensation Benefits, Unemployment Compensation, Overtime, Shift Premium, Employee Awards, and Tort Claims since such transfers could be authorized at the institutional level before the granting of flexibility.
- Transfers among 2000 - 5000 accounts within the same budget purpose since all institutions previously had the authority to make such transfers (Type 14).
- Distributions of operating reserves for new facilities.

- Transfers between EPA Academic Salaries (1310) and Academic Services (1970).

Please report at the object class (X000) with the addition of 1310 EPA Academic Salaries, 3300 Utilities, and 5600 Library Books and Journals:

- 1000 Personnel Compensation (all except 1310)
- 1310 EPA Academic Salaries
- 2000 Supplies and Materials
- 3000 Current Services (all except 3300)
- 3300 Utilities
- 4000 Fixed Charges
- 5000 Capital Outlay (all except 5600)
- 5600 Library Books and Journals
- 6000 Aids and Grants
- 8000 Reserves and Transfers

In itemizing reallocations of resources, please distinguish between one-time (non-continuing) and permanent reallocations. First, identify one-time reallocations and then report permanent reallocations in a separate schedule.

#### **h. Availability and Use of Nonreverted Appropriations**

(1) 1997-98 Appropriations Carried Forward – Each institution has previously reported the amount of appropriations carried forward from the 1997-98 fiscal year and the **planned** 1998-99 expenditures. At this time, a final schedule of **actual** expenditures at the object class with the addition of 1310 EPA Academic Salaries, 3300 Utilities, and 5600 Library Books and Journals, as identified in **g.** above, should be prepared. The schedule should begin with Purpose 101 Regular Term Instruction and continue through the other budget purposes as applicable, showing a subtotal at the end of each budget purpose. **At the end of the schedule, please prepare a summary by expenditure objects at the same level of detail.** In cases where funds have been transferred to a Capital Improvements code, indicate the project, the code, and the item number. *Note: The 8000 account should only be used for capital improvements, except in extraordinary circumstances. For any non-capital improvements-related 8000 account, please provide a detailed explanation of the item.*

(2) 1998-99 Appropriations Carried Forward – Identify the amount of appropriations carried forward from the 1998-99 fiscal year and the **planned** expenditures of these funds during 1999-2000. The same level of details and summaries described in **h.** (1) above should be provided.

#### **i. Additional Costs Incurred**

List any additional costs that have been incurred during 1998-99 as a result of flexibility and indicate how these costs were met.

#### **j. Positions Established and Positions Abolished**

Please summarize permanent position changes made under flexibility during the 1998-99 fiscal year and provide the following information in the suggested format (see example **j.**):

- Position classification (if SPA) or title (if EPA)
- Identification of the program area where the position change was made
- FTE
- Budget purpose/object
- Position number
- Annual salary

**Please include only budget transfers that involve permanent FTE changes of .5 or greater.** This will eliminate the reporting of minor position changes related to providing funds for increasing the level of existing positions as a result of reclassifications, new hires at salary levels above the currently budgeted levels, minor changes in the time periods covered by part-time positions, and similar minor adjustments.

Do not include positions set up as a part of activating operating reserves to new facilities or other special purpose reserves.

- k. Use of Reversions Authorized by the 1997 Legislation Session.** A general narrative should describe the use of the 1997-98 reversions for technology infrastructure development; a separate narrative should describe the use of the undesignated 1% reversions. In addition, report on the use of the 1997-98 reversions specifying purpose code, object code, general description of use, and amount. Report the expenditures related to technology infrastructure development in Part I (specify code and item numbers for capital improvements transfer); report expenditures related to undesignated 1% reversions in Part II. See example **k**.

Please report at the object class (X000) with the addition of 1310 EPA Academic Salaries, 3300 Utilities, and 5600 Library Books and Journals:

- 1000 Personnel Compensation (all except 1310)
- 1310 EPA Academic Salaries
- 2000 Supplies and Materials
- 3000 Current Services (all except 3300)
- 3300 Utilities
- 4000 Fixed Charges
- 5000 Capital Outlay (all except 5600)
- 5600 Library Books and Journals
- 6000 Aids and Grants
- 8000 Reserves and Transfers

- l. Use of 10% Overhead Receipts Authorized by the 1997 Legislation Session.** A general narrative should describe the use of the 10% overhead receipts funds retained on campus, specifying purpose code, object code, general description of use, and amount. Report the expenditures in Part II. Generally, the format used is the same as used for Forms A and B for expansion budget requests. See example **l**.

Please report at the object class (X000) with the addition of 1310 EPA Academic Salaries, 3300 Utilities, and 5600 Library Books and Journals:

- 1000 Personnel Compensation (all except 1310)
- 1310 EPA Academic Salaries
- 2000 Supplies and Materials
- 3000 Current Services (all except 3300)
- 3300 Utilities
- 4000 Fixed Charges
- 5000 Capital Outlay (all except 5600)

- 5600 Library Books and Journals
- 6000 Aids and Grants
- 8000 Reserves and Transfers

**m. Adequate Internal Financial Controls and Management Staff.**

Complete the attached example of the "Compliance Certification Letter." This certification has been designed to demonstrate that each institution has adequate internal financial controls and management staff as required by the Special Responsibility Constituent Institution legislation (G.S. 116-30.1). A detailed explanation should be attached to this certification to explain any items with which the university was not able to comply. Please do not list audit findings as exceptions.

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Chancellor

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Date Submitted

*Special Note: If you wish, this memorandum and/or attachments can be sent via E-Mail or a diskette can be mailed to you so that the forms are available electronically for your reporting purposes. Please contact Mrs. Karen Russell at 919-962-4606 if you want one of these.*

**EXAMPLE**

XYZ University  
Institution

**d. Management Initiatives**  
1998-99 Annual Report

	<b>One-Time Reallocations</b>	<b>Permanent Reallocations</b>
1. Strengthening undergraduate instruction and improving graduation rates	\$ 75,000	\$ 71,000
• Faculty development – additional workshops (one-time)		
• Renovation of an undergraduate chemistry laboratory (one-time)		
• Additional graduate assistants (permanent)		
• Additional undergraduate laboratory supplies (permanent)		
2. Expanding library collections and improving library services	200,000	
• Acquisition of library books and journals (one-time)		
• Install additional computer terminals in circulation area (one-time)		
3. Upgrading classrooms and laboratories including replacing and updating related equipment	100,000	
• Acquisition of laboratory equipment (one-time)		
4. Improving administrative services infrastructure		43,000
• Additional secretarial positions for College of Arts and Sciences (permanent)		
5. Strengthening student support services		50,000
• Additional interpreters for hearing and visually impaired (permanent)		
• Expand operating hours of the Counseling office (permanent)		
<b>Total Reallocations</b>	<b>375,000</b>	<b>164,000</b>

EXAMPLE

XYZ University  
Institution

**g. Documentation of Reallocation of Resources**  
1998-99 Annual Report

1. One-time Reallocations (net)

		Increase	Decrease	Net Change Personnel/ Non-Personnel and Purpose*
<u>Regular Term Instruction</u>				
101-1000	Personnel Compensation		\$ 50,000	
101-1310	EPA Academic Salaries		250,000	
	Net - Personnel Compensation			\$(300,000)
101-3000	Current Services	\$ 25,000		
	Net - Non-Personnel			25,000
	Net Change - 101			(275,000)
<u>Libraries</u>				
151-5000	Capital Outlay	50,000		
151-5600	Library Books and Journals	150,000		
	Net - Non-Personnel			200,000
	Net Change - 151			200,000
<u>General Institutional Support</u>				
189-2000	Supplies and Materials		75,000	
189-3000	Current Services	50,000		
189-5000	Capital Outlay	100,000		
	Net - Non-Personnel			75,000
	Net Change - 189			75,000
<b>Total Reallocations **</b>		<b>375,000</b>	<b>375,000</b>	<b>-0-</b>

\* Parentheses denote net decrease.

\*\* Totals should agree to corresponding Management Initiatives amount reported in section d.

**EXAMPLE**

XYZ University  
Institution

**g. Documentation of Reallocation of Resources**  
1998-99 Annual Report

2. Permanent Reallocations (net)

		<b>Increase</b>	<b>Decrease</b>	<b>Net Change Personnel/ Non- Personnel and Purpose*</b>
<u>Regular Term Instruction</u>				
101-1000	Personnel Compensation	\$ 89,000		
	Net – Personnel Compensation			\$ 89,000
101-2000	Supplies and Materials	25,000		
101-5000	Capital Outlay		\$ 89,000	
	Net – Non-Personnel			(64,000)
	Net Change – 101			25,000
<u>General Institutional Support</u>				
189-1000	Personnel Compensation	50,000		
	Net – Personnel Compensation			50,000
189-5000	Capital Outlay		75,000	
	Net – Non-Personnel			(75,000)
	Net Change – 189			(25,000)
	<b>Total Reallocations **</b>	<b>164,000</b>	<b>164,000</b>	<b>-0-</b>

\* Parentheses denote net decrease.

\*\* Totals should agree to corresponding Management Initiatives amount reported in section d.

**EXAMPLE**

XYZ University  
Institution

**k. Use of Reversions Authorized by 1997 Legislation Session**  
**Part I. 1% Designated for Technology Infrastructure Development\***  
1998-99 Annual Report

**Use of Reversions**

Technology Infrastructure Development

<b>Purpose</b>	<b>Object</b>	<b>Description</b>	<b>Amount</b>
187	5300	Transfer to CI code XXXXX-xxx	\$ 325,000
<b>Total Reversions Spent on Technology Infrastructure Development</b>			<b>325,000</b>

**Part II. 1% Undesignated\***  
1998-99 Annual Report

**Use of Reversions**

Technology

<b>Purpose</b>	<b>Object</b>	<b>Description</b>	<b>Amount</b>
101	5200	Purchase computers for faculty offices	\$ 250,000
187	5300	Expand closed circuit TV system	75,000
<b>Total Undesignated Reversions</b>			<b>325,000</b>

*Note: A general narrative should also be prepared to describe the use of 1997-98 reversions.*

*\*For AHEC, .5%.*



**EXAMPLE**

XYZ University  
Institution

**1. Part I: Narrative Justification**

UNC-X used the 10% overhead receipts retained to strengthen research and development programs and to promote technology transfer. Specifically, funds were used to pay legal fees associated with patenting intellectual property; three provisional patents (\$24,500), twelve domestic patents (\$64,600), and \$3,500 in legal consultation fees. Dollars spent on technology further aided the university in its recent establishment of an Office of Technology Transfer.

In addition, we took the opportunity to retain a national consulting firm to assist us in the improvement of curriculum services.

**Part II: Use of 10% Overhead Receipts Authorized by 1997 Legislation Session**  
1998-99 Annual Report

**Use of 10% Overhead Receipts**

<b>Purpose</b>	<b>Object</b>	<b>Description</b>	<b>Amount</b>
101	1910	Legal Fees	\$ 39,000
	2000	Supplies & Materials	5,000
	5000	Capital Outlay	40,000
187	3000	Current Services	10,000
<b>Total Use of 10% Overhead Receipts</b>			<b>\$ 93,000</b>

**EXAMPLE**

*Sample Compliance Certification Letter  
From Each Chancellor of a SRCI to the President*  
**PREPARE ON UNIVERSITY LETTERHEAD**  
(Date)

President Molly Corbett Broad  
UNC-General Administration  
P. O. Box 2688  
Chapel Hill, North Carolina 27515-2688

Dear President Broad:

In accordance with the "Special Responsibility Constituent Institution" internal financial control and management staff requirements outlined in G. S. 116-30.1, as amended by the General Assembly in 1996, and the February 11, 1997 memorandum from Vice President of Finance McCoy, I confirm to the best of my knowledge and belief that "*University Name*" is in compliance with the following (any exceptions must be identified and explained in an accompanying statement):

1. All statewide policies and procedures promulgated by the North Carolina Office of the State Controller (i.e. financial reporting guidance, accounting guidance, tax compliance and cash management).
2. All policies and procedures promulgated by the University Board of Governors and the memorandums from UNC-General Administration.
3. All applicable sections of official state policy and procedure manuals (i.e., State Budget Manual, State Personnel Manual, State Purchasing Manual, State Construction Manual, etc.).
4. All guidelines established for financial aid and various contracts and grants (i.e., state and federal).
5. "*University Name*" has at least one position that is designated 50% internal auditor and that position reports to the Chancellor or the Chancellor's designee.
6. The June 30 Internal Control Questionnaire, issued by the North Carolina Office of the State Controller, has been completed by the institution's internal auditor and any identified weaknesses have been satisfactorily resolved.
7. The Board of Trustees has an audit committee comprised only of trustees.
8. The Chancellor attended all exit conferences conducted by the North Carolina Office of the State Auditor.
9. All areas of concern identified by the Office of State Personnel have been satisfactorily resolved.
10. All areas of concern identified by the Division of Purchase and Contract have been satisfactorily resolved.
11. The audit plan of the institution's internal auditor included on-going monitoring of any previous year audit findings identified by the North Carolina Office of the State Auditor and some level of testing of institutional compliance with applicable policies and procedures.
12. All weaknesses outlined in reports issued by the institution's internal auditor have been or are in the process of being resolved to the satisfaction of the internal auditor and management.

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(Chancellor's Name)

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Institution

**1998-99 Annual Report of Results  
Funded Distance Education Activity  
covering the period of July 1, 1998 through June 30, 1999**

This report is a summary of all fiscal year activity related to funded distance education activities. Allocations were made from this office directly into the new 107 purpose code For Degree Credit Distance Education. Campuses were instructed to identify these accounts to facilitate reporting of these funded activities, and this report should NOT include non-funded activities which are classified under the 107 purpose code. It should include funded distance education activity which have been accounted for by the institution in other purpose codes.

Please follow the format outlined in preparing the formal response.

**Section I**

Section I should be a general narrative describing funded activities. Format for this response is narrative in nature (no example is attached); however, at a minimum, the following should be included:

- A general description of funded activities, categorized by subject area.
- An estimate of the number of students served.
- An estimate of the Semester Credit Hours delivered.
- A statement as to how the state funding has impacted the distance education activities at the campus.

**Section II**

Section II reports financial activity. The format, attached, is a summary in matrix form by purpose code and by expenditure/revenue object. The format does not attempt to be exhaustive in object classifications listed. Please use the same level of detail required for monthly BD701 reporting, and include only those objects where activity actually occurred (i.e., do not include lines where there is no activity). The "XXX" column headings refer to purpose codes other than 107 where activity may have taken place. You need not include these columns if all your campus' activity for funded distance education occurred within the 107 purpose code.

Please note that the appropriation amount in the Total column on the final page "Summary" should agree with the total of original base allocations from the Board of Governors for Distance Education, and any other appropriations allocations you may have received for this purpose.

On the reconciliation required on the final page of the report, the "Total Spent During FY 1998-99" should equal the "Appropriation" amount in the "Summary" section, which represents the total allocations received from the Board of Governors during the fiscal year for distance education activities.

**Institution Name**  
**Annual Report of Funded Distance Education Activities**  
**For Fiscal Year Ending June 30, 1999**

Object/Description	Purpose Code			Totals
	107	XXX	XXX	
Personnel Compensation				
1110 EPA Regular Salaries	100,000			100,000
1140 EPA Employee On Loan				0
1210 SPA Regular Salaries		54,000	100,000	154,000
1220 SPA Overtime Payment				0
1230 SPA Premium Payment				0
1240 SPA Employee on Loan				0
1250 SPA Severance Wages				0
1270 SPA Longevity Pay				0
1310 EPA Academic Salary	450,000			450,000
1340 EPA Teachers On Loan				0
1410 Nonstudent Regular Wages				0
1420 Nonstudent Overtime Pay				0
1430 Nonstudent Premium Pay				0
1450 Student Regular Wage	52,000			52,000
1470 Student Premium Pay				0
1550 Unemployment Compensation	1,874			1,874
1560 Workers Compensation Benefit				0
1570 Retirement Supplement				0
1580 Disability Benefit				0
1590 Other Personnel Payments				0
1700 Board Member Compensation				0
1810 Social Security	42,075	4,131	7,650	53,856
1820 State Retirement	55,550	5,454	1,010	62,014
1830 Medical Insurance	479,136	1,736	4,340	485,212
1870 TIAA Optional Retirement				0
1880 Law Officer Retirement				0
1910 Legal and Accounting Fees				0
1930 Medical Fees				0
1950 Honorariums				0
1970 Academic Services				0
1990 Other Contracted Services				0
			58,000	58,000
Total Personnel Compensation	1,180,635	65,321	113,000	1,416,956

***Institution Name***  
**Report of Activity Related to Funded Distance Education Activities**  
**For Fiscal Year Ending June 30, 1999**

Object/Description	Purpose Code			Totals
	107	XXX	XXX	
<u>2000 Supplies and Materials</u>				
2100 Household Supplies				0
2300 Educational Supplies			700	700
2400 Repair Supplies			500	500
2500 Motor Vehicle Supplies		300		300
2600 Office Supplies				0
2900 Other Supplies		200		200
Total Supplies and Materials	0	500	500	1,700
<u>3000 Current Services</u>				
<u>3110 Travel</u>				
3111 In-State Trans-Air				0
3112 In-State Trans-Ground	235			235
3113 In State Trans-Other				0
3114 In State Subsistence-Lodging	300			300
3115 In State Subsistence--Meals	79			79
3116 In State Other Travel				0
3119 In State Registration Fee	75			75
3121 Out of State Trans-Air				0
3122 Out of State Trans-Ground		200		200
3123 Out of State Trans-Other				0
3124 Out of State Subsistence-Lodging		710		710
3125 Out of State Subsistence-Meals		257		257
3126 Out of State Other Travel				0
3129 Out of State Registration Fee		200		200
3131 Out of Country Trans-Air				0
3132 Out of Country Trans-Ground				0
3133 Out of Country Trans-Other				0
3134 Out of Country Subsistence-Lodging				0
3135 Out of Country Subsistence-Meals				0
3136 Out of Country Other Travel				0
3139 Out of Country Registration Fees				0
3141 Board/Nonemployee Travel-Trans				0
3144 Board/Nonemployee Travel-Subsistence				0
Total Travel	689	1,367	0	2,056

***Institution Name***  
**Report of Activity Related to Funded Distance Education Activities**  
**For Fiscal Year Ending June 30, 1999**

<u>Object/Description</u>	<u>Purpose Code</u>				<u>Totals</u>
	<u>107</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	
3200 Communications					0
3300 Utilities					0
3400 Printing and Binding		120		410	530
3500 Repairs and Maintenance					785
3600 Freight and Express Charges	350				350
3700 Advertising					0
3800 Data Processing					0
3900 Other Current Services					0
Total Current Services	1,146	1,487	410	785	3,828
<u>4000 Fixed Charges</u>					
4100 Rental of Real Property					250
4200 Rental of EDP Equipment	250				0
4300 Rental of Other Equipment		475			475
4400 Maintenance Contracts				25	25
4500 Insurance and Bonding					0
4900 Other Fixed Charges					0
Total Fixed Charges	250	475	0	25	750
<u>5000 Capital Outlay</u>					
5100 Office Equipment				95	95
5200 EDP Equipment		52			52
5300 Educational Equipment	987				987
5400 Motor Vehicles			25		25
5500 Other Equipment		12			12
5600 Library Books		1,285			1,285
Total Capital Outlay	987	1,349	25	95	2,456
<u>Aids and Grants</u>					
6510 Appropriated Grants					7,864
6520 Minority Presence Grants	7,864	900			900
6580 Incentive Scholarships	500				500
6590 Educational Awards -Other					0
6990 Other Aids and Grants					0
Total Aid and Grants	8,364	900	0	0	9,264

**Institution Name**  
**Report of Activity Related to Funded Distance Education Activities**  
**For Fiscal Year Ending June 30, 1999**

<u>Object/Description</u>	<u>Purpose Code</u>			<u>Totals</u>
	<u>107</u>	<u>XXX</u>	<u>XXX</u>	
<u>Transfers and Reserves</u>				
<i>NOTE: Use specific descriptions</i>				
0100 Intraentity Transfer Out		786		0
8200 Interentity Transfer Out	39			786
8300 Reserves			1,543	39
8400 Transfer to Next Fiscal Year				1,543
8500 Petty Cash Funds			354	354
				0
Total Transfers and Reserves	39	786	1,543	2,722
Total Non-Personnel	10,786	5,497	2,478	20,720
Total Expenditures	1,191,421	70,818	115,478	1,437,676
<u>Receipts by Source</u>				
<u>0100 Tuition and Fee Revenue</u>				
0111 Resident Tuition	37,896			37,896
0121 Nonresident Tuition	4,985			4,985
0185 Educational Technology Fee	3,422			3,422
Total Tuition and Fee Revenue	46,303	0	0	46,303
0790 Miscellaneous Income	12,315		78,615	90,930
0840 Other Intratransfers				0
Total Receipts	58,618	0	78,615	137,233

**Institution Name**  
**Report of Activity Related to Funded Distance Education Activities**  
**For Fiscal Year Ending June 30, 1999**

<u>Object/Description</u>	<u>Purpose Code</u>		<u>Totals</u>
	<u>107</u>	<u>XXX</u>	
<u>Summary</u>			
Total Expenditures	1,191,421	70,818	1,437,676
Total Receipts	58,618	0	137,233
Appropriation <sup>1</sup>	1,132,803	70,818	1,300,443 <sup>1</sup>

<sup>1</sup> Total should agree with total of original base allocations from the Board of Governors for Distance Education, and other appropriations allocations. Please provide a reconciliation as identified below:

Original Base*	\$ xxx,xxx
Distance Education Allocation	xx,xxx
Other Appropriation (Net)	xx,xxx
Amount of Distance Education Appropriation Carried Forward <sup>2</sup>	<u>xx,xxx</u>
Total Spent During FY 1998-99	\$ xxx,xxx

<sup>2</sup> Must be within 2.5% allowable carryforward.

\* Original base refers to the allocation, if any, received by the institution into purpose code 103 at the beginning of the 1998-99 FY.





# The University of North Carolina

GENERAL ADMINISTRATION

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

WILLIAM O. McCOY, *Vice President - Finance*

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North Carolina  
Central University

North Carolina  
State University  
at Raleigh

North Carolina  
State University  
at Raleigh

Pembroke State  
University

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 Wilmington

Western Carolina  
University

University of  
North Carolina  
at Salem

An Equal Opportunity/  
Affirmative Action  
Employer

## MEMORANDUM

To: Chancellors

From: William O. McCoy

Date: February 11, 1997

Subject: Compliance with Amended General Statute 116-30.1

General Statute 116-30.1 "Special Responsibility Constituent Institutions" (SRCI's) was amended during the 1996 legislative short session. A major thrust of the amended legislation is aimed at rescinding budget flexibility if certain levels of financial integrity are not maintained (see attached legislation). The amended General Statute contains two parts.

The first part involves significant exceptions and audit findings that are discovered during the State Auditor's audit process. The amendment states that an audit can be the regular financial audit, a special audit or a performance audit. The President is addressing his statutory budget flexibility evaluation requirements for these reports as the audits occur and are published by the State Auditor.

The second part of the amendment, which is the focus of this memorandum, reads as follows:

"The rules established under this section shall include review and consultation with the State Auditor, the Director of the Office of State Personnel, and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4 and 143-53.1. Such review and consultation must take place no less frequently than once each biennium."

This memorandum outlines our policies and procedures with regard to assessing institutional internal financial controls and management staff. These policies and procedures are designed to provide the President with sufficient information with which to comply with the amended general statute and to be the basis for our consultations with the State Auditor, the Director of the Division of State Purchasing and Contracts and the State Personnel Director.

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Internal control is a process designed to provide reasonable assurance regarding the achievement of various objectives. These objectives include (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations. In order for the SRCI's to comply with these internal control objectives, we are asking that you verify that your institution is in compliance with all applicable policies and procedures. Examples of these policies and procedures include, but are not limited to, the following:

- (1) All applicable statewide policies and procedures issued by the Office of the State Controller. Most of these policies and procedures are contained within the "North Carolina Accounting System Information Guide". These policies and procedures cover such topics as financial reporting guidance, accounting guidance, tax compliance and cash management.
- (2) All policies and procedures issued by the University Board of Governors and contained within "The Administrative Manual of the University of North Carolina". This would also include all policies and procedures issued through Memorandum.
- (3) Annual completion or updating, by June 30, of the Internal Control Questionnaire issued by the Office of the State Controller. The questionnaire should be completed by the institution's internal auditor. This questionnaire is the starting point for the State Auditor's evaluation of internal controls.
- (4) All applicable sections of official state policy and procedure manuals (i.e. State Budget Manual, State Personnel Manual, State Purchasing Manual, State Construction Manual etc.).
- (5) All guidelines established for financial aid and various contracts and grants (i.e. state or federal).

In addition to complying with the above published policies and procedures, I am requesting that your institution comply with the following policies:

- (1) Each institution is required to have a least one position that is designated 50% internal auditor. The internal auditor should report either to the Chancellor or to the Chancellor's designee. This policy has already been communicated to you by a July 16, 1996 memorandum from me.
- (2) The Board of Trustees should form an audit committee comprised only of trustees.

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- (3) It is expected that the Chancellor will be present at each exit conference conducted by the Office of the State Auditor. It is recommended that a member of the audit committee be invited to attend the exit conference.
- (4) The audit plan for your internal auditor shall include an on going monitoring of any previous year audit findings identified by the state auditor's staff. In addition, the internal auditor should perform some level of testing of institutional compliance with the above outlined policies and procedures during each fiscal year.

To help in ensuring we maintain the needed internal controls, processes and management staff, we plan the following:

- (1) We will ask each Chancellor to certify that they are satisfied that their institution is in compliance with the above outlined policies and procedures. The certification will be due to me in October of each year and should cover the preceding fiscal year.
- (2) My staff will make regular campus visits to assist in the resolution of any identified internal control weaknesses and to review the compliance test work being performed by the institution's internal auditor.
- (3) Representatives from General Administration and the Office of State Personnel will meet on an annual basis, beginning in October 1997, to discuss the status of SPA personnel administration at each constituent institution. The primary focus of these meetings will be to identify and resolve outstanding issues to ensure the effective operations of personnel functions within the University.

Using the Chancellor's certification outlined above, the results of the internal auditor's reviews and the results of any reports issued by the Office of the State Auditor and the Office of State Personnel, The President, in consultation with the State Auditor, the Director of the Division of State Purchasing and Contracts, and the State Personnel Director, will ascertain whether or not a constituent institution has the management staff and internal financial controls to administer as authorized under G.S. 116-30.2, 116-30.4 and 143-53.1.

If for any reason your institution can not comply with any aspect of the above outlined policies and procedures, please write to me outlining the reason. By following these policies and procedures, the president will be able to satisfactorily complete his assessment of internal financial controls and management staff.

Thank you for your cooperation and assistance in this matter.



Chapter 18 of the 1995 Session Laws  
(House Bill 53)

Requested by: Representatives Holmes, Creech, Esposito, Senators Plyler, Perdue,  
Odom

**CHANGES IN THE EXECUTION OF THE BUDGET**

Sec. 7.4.

(i) G.S. 116-30.2 reads as rewritten:

"§ 116-30.2. Appropriations to special responsibility constituent institutions.

All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made. Notwithstanding G.S. 143-23(a1), G.S. 143-23(a2), and ~~G.S. 143-23(a3)~~, G.S. 143-23(a3) and G.S. 120-76(8), each special responsibility constituent institution may expend the General Fund monies so appropriated to it in the manner deemed by the Chancellor to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies of the Board of Governors. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions. The quarterly allotment procedure established pursuant to G.S. 143-17 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions."

(k) G.S. 116-30.1 reads as rewritten:

"§ 116-30.1. Special responsibility constituent institutions.

The Board of Governors of The University of North Carolina, acting on recommendation made by the President of The University of North Carolina after consultation by him with the State Auditor, may designate one or more constituent institutions of The University as special responsibility constituent institutions. That designation shall be based on an express finding by the Board of Governors that each institution to be so designated has the management staff and internal financial controls that will enable it to administer competently and responsibly all additional management authority and discretion to be delegated to it. The Board of Governors, on recommendation of the President, shall adopt rules prescribing management staffing standards and internal financial controls and safeguards, including the lack of any significant exceptions or audit findings in the annual financial audit by the State Auditor's Office, that must be met by a constituent institution before it may be designated a special responsibility constituent institution and must be maintained in order for it to retain that designation. These rules shall not be designed to prohibit participation by a constituent institution because of its size. These rules shall establish procedures for the President and his staff to review the annual financial audit reports or any other special or performance audit reports issued by the State Auditors Office for each special responsibility constituent institution. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and

**Chapter 18 of the 1995 Session Laws  
(House Bill 53)**

regulations. In any instance where such audit exceptions are identified, the President shall notify the Chancellor of the particular special responsibility constituent institution that such exceptions must be resolved to the satisfaction of the State Auditor and the President of The University within a three-month period commencing with the date of receipt of the published financial audit report. If the exceptions are not satisfactorily resolved within a three-month period, the President of The University shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of the State Auditor and the President of The University of North Carolina. However, once the designation as a special responsibility constituent institution has been withdrawn by the Board of Governors, reinstatement may not be effective until the beginning of the following fiscal year at the earliest. Any actions taken by the Board of Governors with respect to withdrawal or reinstatement of an institution's status as a special responsibility constituent institution shall be reported immediately to the Joint Legislative Education Oversight Committee.

The rules established under this section shall include review and consultation with the State Auditor, the Director of the Office of State Personnel, and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 143-53.1. Such review and consultation must take place no less frequently than once each biennium."