

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2021

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HOUSE BILL 243  
Committee Substitute Favorable 3/18/21  
Committee Substitute #2 Favorable 3/23/21  
Senate Education/Higher Education Committee Substitute Adopted 4/14/21

Short Title: UNC Legislative Priorities/COVID-19 Impacts.

(Public)

Sponsors:

Referred to:

March 10, 2021

A BILL TO BE ENTITLED

AN ACT TO PROVIDE EFFICIENCY AND FLEXIBILITY TO THE UNIVERSITY OF NORTH CAROLINA TO ADDRESS BUDGETARY AND OTHER IMPACTS OF COVID-19 THROUGH TEMPORARY SALARY REDUCTIONS, EARLY RETIREMENT INCENTIVES, REDUCTION IN FORCE APPROVAL AUTHORITY, AND AUTHORITY TO PROVIDE STATE HEALTH PLAN PREMIUM PAYMENTS FOR CERTAIN EMPLOYEES PLACED ON EMERGENCY TEMPORARY FURLOUGHS.

The General Assembly of North Carolina enacts:

**PART I. AUTHORITY FOR TEMPORARY SALARY REDUCTIONS AND FLEXIBLE LEAVE**

**SECTION 1.(a)** The President of The University of North Carolina shall have the authority to implement a temporary salary reduction for employees, or delegate that authority to a chancellor of a constituent institution, to offset budget reductions or other reductions in revenue at a constituent institution. For the purposes of this section, a "salary reduction" means a temporary reduction in the annual compensation of an employee of The University of North Carolina that is ordered by the President of The University of North Carolina, or by a chancellor when delegated, and is not in connection with a reassignment, demotion, or other disciplinary action of an employee. A salary reduction shall either be implemented across-the-board to affect an entire constituent institution or major subdivision of a constituent institution, such as a specific department or school of an institution.

**SECTION 1.(b)** In implementing a salary reduction authorized by this section, the following shall apply:

- (1) A salary reduction shall not result in an annual salary for any employee of less than sixty-five thousand dollars (\$65,000).
- (2) In no event shall a salary reduction be greater than ten percent (10%) of an employee's annual base salary within any 12-month period.
- (3) Paid leave shall not be used to offset all or any portion of a salary reduction that includes a corresponding reduction to an employee's regularly scheduled hours.
- (4) A temporary reduction in an employee's salary may, at the discretion of the chancellor of a constituent institution, be accompanied by the granting of "flexible leave" to affected employees in an amount equivalent to the forfeited



1 salary consistent with the requirements of this section. Flexible leave provided  
2 to an employee shall comply with the following:

- 3 a. Flexible leave shall be accounted for separately from other leave  
4 accruals and shall remain available during the length of the employee's  
5 employment, notwithstanding any other limitation on the total number  
6 of days of annual leave that may be carried forward. Part-time  
7 permanent employees shall receive a pro rata amount of flexible leave.  
8 b. Flexible leave shall have no cash value and is not eligible for cash in.  
9 If not used prior to the time of separation or retirement, flexible leave  
10 cannot be paid out and is lost.  
11 c. Notwithstanding any provision of G.S. 126-8 to the contrary, any  
12 vacation leave remaining on December 31 of each year in excess of 30  
13 days shall be reduced by the amount of flexible leave awarded in this  
14 subdivision that was actually used by the employee during the year  
15 such that the calculation of vacation leave days that would convert to  
16 sick leave shall reflect a deduction of the amount of flexible leave  
17 awarded in this subdivision that was used by the employee during the  
18 year.  
19 d. The amount of flexible leave awarded pursuant to this subdivision that  
20 carries forward to each following year shall equal the flexible leave  
21 awarded pursuant to this subdivision remaining on December 31 of  
22 each year plus the amount of flexible leave awarded pursuant to this  
23 subdivision that was deducted from vacation leave in excess of 30 days  
24 for the calculation of sick leave.  
25 e. No employee may be required to take the flexible leave awarded by  
26 this subdivision.

27 **SECTION 1.(c)** The President shall report quarterly to the Department of the State  
28 Treasurer, the Director of the Office of State Human Resources, the Director of the Budget, and  
29 the Fiscal Research Division of the General Assembly on any reduction in salary that occurred  
30 in the prior quarter with at least the following:

- 31 (1) The specifics of the reduction in salary and the dates of the reduction in salary.  
32 (2) The positions affected, including the applicable reduction in salary.  
33 (3) Information on the offset of the budget reduction or reduction in revenue  
34 accomplished with the salary reduction.

35 **SECTION 1.(d)** The authority granted to the President of The University of North  
36 Carolina pursuant to subsection (a) of this section expires December 31, 2022.  
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## 38 **PART II. EARLY RETIREMENT INCENTIVE PROGRAM FOR UNC**

39 **SECTION 2.(a)** The Board of Governors of The University of North Carolina may  
40 authorize the adoption of an early retirement incentive program to provide long-term cost-savings  
41 to The University of North Carolina and improved operational efficiencies for The University of  
42 North Carolina to remain in effect until December 31, 2022. The University of North Carolina  
43 System Office shall develop policies and regulations for the early retirement incentive program  
44 that shall provide, at a minimum, the following:

- 45 (1) To participate in the program, an employee must be eligible for early or full  
46 service retirement if participating in the Teachers' and State Employees'  
47 Retirement System of North Carolina (TSERS) or must be at least age 55 and  
48 vested in the Optional Retirement Program (ORP).  
49 (2) Employees approved for the early retirement incentive program may receive  
50 a severance payment of not less than one month of an employee's annual base  
51 salary and not greater than six months of the annual base salary, based on

1 criteria to be established by the President and on availability of funds. This  
2 severance payment shall be exempt from payroll deductions for retirement  
3 contributions and shall not be considered compensation for the purposes of  
4 the supplemental plans administered by the Supplemental Retirement Board  
5 of Trustees established in G.S. 135-96.

6 (3) If an employee who is approved for the early retirement incentive does not  
7 qualify for the full employer premium contribution for retiree health coverage  
8 provided under TSERS or ORP, then the constituent institution may, at its  
9 option, provide the employee an amount equivalent to 12 months of the full  
10 employer contribution to the employee health insurance premium.

11 (4) The program may be provided to employees both subject to and exempt from  
12 the North Carolina Human Resources Act. The program shall not be made  
13 available to employees receiving disability or workers' compensation benefits.

14 **SECTION 2.(b)** By October 1, 2021, and December 1, 2022, if an early retirement  
15 incentive program is implemented under this section at The University of North Carolina, The  
16 University of North Carolina System Office shall report to the Department of the State Treasurer  
17 and the Fiscal Research Division of the General Assembly on implementation of the early  
18 retirement incentive program, including the number of employees participating by each  
19 constituent institution and total amount paid out by the program.

20 **SECTION 2.(c)** This section expires December 31, 2022.

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22 **PART III. HUMAN RESOURCES POLICY FLEXIBILITY/REORGANIZATIONS FOR**  
23 **UNC SYSTEM EMPLOYEES SUBJECT TO THE NORTH CAROLINA HUMAN**  
24 **RESOURCES ACT**

25 **SECTION 3.** G.S. 116-14 is amended by adding a new subsection to read:

26 "(b3) The President shall have the authority to approve a reduction in force for positions  
27 subject to the North Carolina Human Resources Act in accordance with the reduction in force  
28 policies of the Office of State Human Resources without further approval by any other State  
29 agency. The President may delegate this authority to approve a reduction in force to a chancellor  
30 of a constituent institution. The authority to approve a reduction in force may include  
31 reorganization and payment of severance with non-State funds. The President and any chancellor  
32 of a constituent institution who approves a reduction in force pursuant to this section shall comply  
33 with the following:

34 (1) Submit an annual informational report to the Office of State Human Resources  
35 on all approved reductions in force, reorganizations, and severance payments  
36 for employees who are subject to the North Carolina Human Resources Act  
37 under this section.

38 (2) If State funds are used for payment of severance in connection with a  
39 reduction in force under this section, the payment of the severance shall be  
40 subject to any required preapproval by the Office of State Budget and  
41 Management."

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43 **PART IV. PROVIDE STATE HEALTH PLAN PREMIUM PAYMENTS FOR CERTAIN**  
44 **EMPLOYEES PLACED ON EMERGENCY TEMPORARY FURLOUGHS**

45 **SECTION 4.** The Board of Governors of The University of North Carolina may  
46 allocate non-State funds to pay the employee portion of the monthly premiums for participation  
47 in the State Health Plan for Teachers and State Employees that would have been paid if (i) the  
48 participating employee is currently on an emergency temporary furlough and (ii) the emergency  
49 temporary furlough places the employee below half-time employment for a calendar month. The  
50 Board of Governors shall not provide for more than 12 months of employee premiums for  
51 employees on furlough between June 1, 2020, and December 31, 2021. The employee shall not

1 be required to repay The University of North Carolina for any monthly premiums paid in  
2 accordance with this section.

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4 **PART V. EFFECTIVE DATE**

5 **SECTION 5.** This act is effective when it becomes law.