HOUSE BILL 243:
UNC Legislative Priorities/COVID-19 Impacts.

2021-2022 General Assembly

Committee:		**Date:**	April 19, 2021
Introduced by:	Reps. Hardister, Hurley, Pickett, Terry	**Prepared by:**	Drupti Chauhan Committee Counsel
Analysis of:	Fourth Edition		

***OVERVIEW:* House Bill 243 would allow The University of North Carolina (UNC) to address budgetary and other impacts of COVID-19 by providing the following:**

- ***Temporary authority to implement salary reductions and flexible leave.***
- ***Temporary authority to implement an early retirement incentive program.***
- ***Statutory authority for the President of UNC to approve a reduction in force without approval of any other State agency.***
- ***Temporary authority for the Board of Governors of UNC to use non-State funds to provide State Health Plan premium payments for certain employees placed on emergency temporary furloughs.***

PART I. AUTHORITY FOR TEMPORARY SALARY REDUCTIONS AND FLEXIBLE LEAVE

BILL ANALYSIS: Part I would authorize the President of UNC, or the chancellor of a constituent institution if authority is delegated by the President, to implement a temporary salary reduction for employees to offset budget reductions or other reductions in revenue. A salary reduction would be required to be implemented across-the-board to an entire constituent institution or a major subdivision of the constituent institution, such as a specific department or school. Other restrictions would apply to the use of this authority, including prohibitions on:

- Reducing an employee's annual salary to less than $65,000.
- Reducing an employee's salary by greater than 10% of the employee's annual base salary.
- Using paid leave to offset all or a portion of the salary reduction.

Additionally, at the chancellor's discretion, the temporary salary reduction could be accompanied by the granting of "flexible leave" equivalent to the forfeited salary. This flexible leave would be subject to certain restrictions, including not being able to be cashed in upon separation from employment or retirement.

The President must report quarterly on information related to the use of this authority. This authority would expire December 31, 2022.

PART II. EARLY RETIREMENT INCENTIVE PROGRAM FOR UNC

BILL ANALYSIS: Part II would allow the Board of Governors of UNC to authorize an early retirement incentive program until December 31, 2022. The UNC System Office would be required to develop policies and regulations for the program, including the following, at a minimum:

- To participate, an employee must be either (i) eligible for early or full service retirement, if participating in the Teachers' and State Employees' Retirement System of North Carolina (TSERS) or (ii) at least age 55 and vested, if participating in the Optional Retirement Program (ORP).
- Severance payments must be between one month and six months of an employee's annual base salary.

- If an employee does not qualify for the full employer premium contribution for retiree health coverage, then the constituent institution may provide the employee the amount equivalent to 12 months of the full employer contribution.
- The program can apply to employees both subject to and exempt from Human Resources Act, but not to employees who receive disability or workers' compensation benefits.

If an early retirement incentive program is implemented, the UNC System Office must report on the program by October 1, 2021 and December 1, 2022.

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

CURRENT LAW: G.S. 126-4(7a) directs the State Human Resources Commission (Commission) to establish policies and rules governing the separation of employees covered by the North Carolina Human Resources Act. The Commission has adopted a reduction-in-force (RIF) policy that authorizes an agency or university to separate an employee whenever it is necessary due to:

- Shortage or loss of funds
- Shortage or loss of work
- Abolishment of a position
- Other material changes in position duties or organization

Additionally, the RIF policy requires the agency head, department head, university chancellor, or their designee to seek approval from the Office of State Human Resources (OSHR) at least one week prior to notifying employees of RIF actions.

If a RIF will accomplish economies in the State Budget, G.S. 126-8.5 requires the Office of State Budget and Management (OSBM), through the Director of the Budget, to pay either a discontinued service retirement allowance or severance wages to affected State employees, provided reemployment is not available. The Director of the Budget must consider the recommendation of the department head involved and any recommendation of the Director of the OSHR when considering whether this requirement applies.

BILL ANALYSIS: Part III would provide the President of UNC, and the chancellor of a constitution institution if authority is delegated by the President, with statutory authority to approve a RIF for positions subject to the North Carolina Human Resources Act without further approval by any other State agency. This authority would include reorganization and payment of severance with non-State funds. The President or chancellor would be required to annually submit to OSHR information to on all approved RIFs, reorganizations, and severance payments. State funds used for a severance using this authority would still be subject to any required preapproval by OSBM.

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

BILL ANALYSIS: Part IV would authorize the Board of Governors of UNC to use non-State funds to pay the employee portion of the monthly premiums for participation in the State Health Plan for Teachers and State Employees if the employee meets the following criteria: (i) currently on an emergency temporary furlough and (ii) the emergency temporary furlough puts the employee below half-time employment for a calendar month.

The Board of Governors could not provide more than 12 months of employee premium payments for employees on furlough between June 1, 2020, and December 31, 2021. Additionally, the employees could not be required to repay any of these premiums.

EFFECTIVE DATE: This bill would be effective when it becomes law.

**Brian Gwyn, Committee Counsel, substantially contributed to this summary.*