

**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**

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 forty-five thousand dollars (\$45,000).
- (2) In no event shall a salary reduction be greater than twenty percent (20%) 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



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

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

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

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

SECTION 1.(d) The authority granted to the President of The University of North Carolina pursuant to subsection (a) of this section expires December 31, 2022.

PART II. EARLY RETIREMENT INCENTIVE PROGRAM FOR UNC

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 4. The Board of Governors of The University of North Carolina may allocate non-State funds to pay the employee portion of the monthly premiums for participation in the State Health Plan for Teachers and State Employees that would have been paid if (i) the participating employee is currently on an emergency temporary furlough and (ii) the emergency temporary furlough places the employee below half-time employment for a calendar month. The Board of Governors shall not provide for more than 12 months of employee premiums for 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.