

Federal Agenda



Photo Credit: The Architect of the Capitol

114th Congress of the United States (2015-2016)

Approved by the UNC Board of Governors on February 27, 2015



February 27, 2015

Dear Friends of the University of North Carolina:

A thriving state requires strong public institutions of higher education. Education and talent development are key to North Carolina's future. Federal student financial aid and research funding are fundamental to national security, economic growth and prosperity and the general health and well-being of North Carolina's people. In this context, we present to you the University's Federal Agenda for the 114th Congress.

In February 2013, the UNC Board of Governors approved the University's strategic directions for 2013-2018. We remain mindful of the many challenges facing North Carolina and the nation at large, the dynamic nature of higher education, and the University's historic commitment to serving the people of the state. We must strategically invest in areas that will most directly support progress toward degree attainment, educational quality, research excellence and heightened operational productivity and performance.

The federal investment in the University is significant and citizens rightly expect a return on this investment. Congress and the Administration impact the University's daily operations and long-term future through action or inaction. The economy, technology, and state and federal policy changes drive change in the higher education marketplace. These changes present challenges and opportunities.

As we embrace these changes, we request your assistance. We ask for stability and predictability in the federal budget and appropriations processes. We ask for balance between accountability and requirements. We ask that requirements of the University lie grounded in objective evidence, data-driven analysis and long-term strategies. We ask for Congress to provide 'bright-line boundaries' in statute for federal agencies. The Administration and federal agencies should not impose requirements or mandates without the proper statutory authority provided by Congress. We encourage Congress to be active with its agency oversight authority.

Thank you for your steadfast support of the University. Please do not hesitate to contact us for further information or to discuss any issue of mutual interest.

Sincerely,

John M. Fennebresque
Chairman
Board of Governors

James L. Holmes, Jr.
Chairman
Public Affairs Committee

Thomas W. Ross
President

UNC BOARD OF GOVERNORS • FEDERAL PRIORITIES

AN UNSUSTAINABLE PATH

The University of North Carolina Board of Governors (the Board) is concerned for **structural deficiencies in the federal budget and the current budgeting process.**

Budget deficits, increasing publicly-held debt, and future mandatory spending requirements result in **long-term damage to federal programs and activities** of value to North Carolina and public higher education.

MOVING FORWARD

The Board urges Congress and the Administration to:

- **Work together** to put the federal budget on a positive and sustainable path for economic growth and prosperity;
- **Replace sequester cuts** with permanent reforms;
- **Enable a budget process** that achieves mandatory savings through fundamental tax and entitlement reform; and
- **Restore the regular order** of rules, precedents and customs of governing that provide for a predictable, orderly and deliberative policymaking process.

THE UNIVERSITY'S TOP FEDERAL PRIORITIES

1. Federal budget reform, including tax reform and entitlement reform.
2. Higher Education Act reauthorization.
3. Funding for research and sponsored program activity at current funding levels.
4. Title III and other capacity-building funding for Historically Black Colleges and Universities (HBCUs).
5. Relief from federal rules and regulations whose benefit do not justify imposed cost.
6. Protect the "University as an employer" from federal agency and executive order mandates that increase the University's cost of doing business.
7. A favorable tax environment for students and families with modest incomes that do not qualify for need-based financial aid.
8. Enforce Facilities and Administrative (F&A) cost-reimbursement for federally-funded grants and ensure consistent reimbursement by all federal agencies.
9. Fair and adequate Medicare and Medicaid payments to physicians and other professionals and increased funding for teaching hospitals and medical resident physicians.
10. Repeal the Affordable Care Act provision mandating employer-sponsored health care for employees working 30-hours-per-week and replace with a provision that applies the threshold to employees working 40-hours-per-week.

HIGHER EDUCATION ACT • REAUTHORIZATION

GENERAL PRINCIPLES

The Higher Education Act (HEA) authorizes most federal financial aid programs to assist students and their families with financing a higher education, among other important programs. The HEA is one of the most important bills of interest to the University.

Consolidate the fourteen higher education tax benefit programs into one tax benefit program. The new tax benefit should be permanent and targeted to lower and modest income students and families.

Provide financial assistance to students who demonstrate financial need and are academically prepared to succeed.



The President's Room, United States Capitol Building
Photograph Credit: The Architect of the Capitol

Encourage simplicity and predictability in student financial aid programs. Increase access to higher education, including pre-college advising and outreach.

Encourage credential persistence & completion for all students.

Support college savings, financial literacy and minimize student indebtedness.

Reduce administrative requirements and support accountability.

Empower student financial aid professionals with the flexibility to respond to the specific needs of their students.

Recommend policies that accommodate the diversity of academic delivery models.

Eliminate statutory requirements that use financial aid to enforce unrelated social policies.

Validate proposed policy recommendations with research and data analysis.

SIMPLIFY

One Federal Grant Program

Consolidate federal higher education grants into one “Super Pell” program.

- Align continued grant eligibility with student progress to degree.
- Permit students to use the grant during any academic term.

One Federal Loan Program

Streamline federal student loan programs into a single, income-based repayment program.

- Implement increased borrower limits: one limit for undergraduate students and one limit for graduate students.
- Loan repayment should be tied to income.
- Limit the amount a student may borrow based upon enrollment.
- Permanently stabilize the program interest rate at 3% plus a markup equal to the interest rate on the 10-year United States Treasury note.

Simplify the Aid Determination Process

- Simplify the financial aid application (FAFSA) and reduce the required data fields.
- Require federal agencies to leverage data that resides in other federal databases.
- Allow students to submit the FAFSA form earlier.
- Use “prior-prior year” income data for financial aid determination.
- Inform students of financial aid eligibility earlier.

If Congress is unable to enact financial aid reform through program consolidation and simplification, the Board requests for current financial aid programs to be held harmless.

\$9 billion was redirected from student financial aid to health care reform.

Diversion of Funding

When federal savings are realized through financial aid reform and simplification efforts, we advocate for reinvestment of these funds into high-performing programs of significance to higher education.

Case In Point

Through the Reconciliation Act of 2012, Congress reformed the student loan program. Congress eliminated the Federal Family Education Loan Program (FFELP) and moved to a full federal Direct lending program.

As a result of this change, the savings was expected to be about \$58 billion over 10 years (Congressional Budget Office) with \$39 billion going back into student loan programs, \$10 billion toward deficit reduction and \$9 billion directed to offset costs associated with the Affordable Care Act (ACA).

TAX REFORM

The Board urges Congress and the Administration to enable an expedited budget process that achieves mandatory savings through fundamental tax and entitlement reform.

TAX BENEFITS FOR STUDENTS AND FAMILIES

Federal tax benefits designed to impact college affordability, access, and completion are well-intentioned but flawed. Tax-based student aid is

- poorly targeted;
- does not reach students when they need it most;
- is complex and difficult to use; and
- is poorly understood and limits the impact of its intent.

UNC SYSTEM POLICY PRIORITY

Consolidate the fourteen higher education tax benefit programs into one tax benefit program. The new tax benefit should be permanent and targeted to lower and modest income students and families.

TAX BENEFITS FOR THE UNIVERSITY

Institutions of higher education are exempt from income tax and other tax requirements. The teaching, research, and public service missions of institutions of higher education are recognized in federal law as critical to the well-being of American society.

UNC SYSTEM POLICY PRIORITIES

Affirm current tax treatment of universities.

Prevent inappropriate intrusions into university governance and finance.

Preserve current treatment of university endowments.

Monitor, preserve, and/or improve current treatment of tax-exempt bonds.

Ensure balance between appropriate transparency and tax compliance burden.

Monitor Unrelated Business Income Tax (UBIT) proposals that affect universities.



Corinthian Column in the United States Capitol Building
Photograph credit: The Architect of the Capitol

“One in seven taxpayers, or 1.5 million tax filers, who were eligible for either the Tuition and Fees Deduction or the Lifetime Learning Credit in 2009 failed to claim those benefits.”

2012 GAO analysis of 2009 IRS data

TAX-EXEMPT STATUS FOR HOSPITALS

UNC Health Care serves patients across the state, including underserved and rural populations. UNC Health Care provides \$300 million of uncompensated care annually. Including recently affiliated hospitals, the number is \$424 million annually.

UNC SYSTEM POLICY PRIORITY

Determine common definitions and reforms in such areas as community benefit, charitable care, charges to the uninsured and debt collection.



Photo Credit: NCSU Research

TAX CREDIT FOR RESEARCH & DEVELOPMENT

The R&D tax credit encourages commercial investment to enable American companies to bring new and improved products and services to the market.

UNC SYSTEM POLICY PRIORITIES

Strengthen the R&D tax credit and make it permanent. Absent action on a permanent R&D incentive, Congress should enact a multi-year extension of a strengthened credit.

TAX INCENTIVES FOR CHARITABLE INDIVIDUALS

Charitable gifts are an important source of revenue to universities. These gifts can be used to fund current operations through annual giving campaigns. However, many gifts are given specifically to an institution's endowment to support specific purposes or activities.

UNC SYSTEM POLICY PRIORITIES

Extend and expand the IRA charitable rollover.

Monitor charitable giving proposals, including deductibility, gifting rules and valuation of gifts.

RESEARCH AND INNOVATION

Every \$1 million investment in research supports 17.25 new jobs, meaning that more than 22,000 jobs were supported through UNC research funding last year.

Research also plays a critical role in the entrepreneurial infrastructure of North Carolina. The University produces knowledge, enables business creation and growth, creates new medicines, improves health care, and manages public policy challenges.

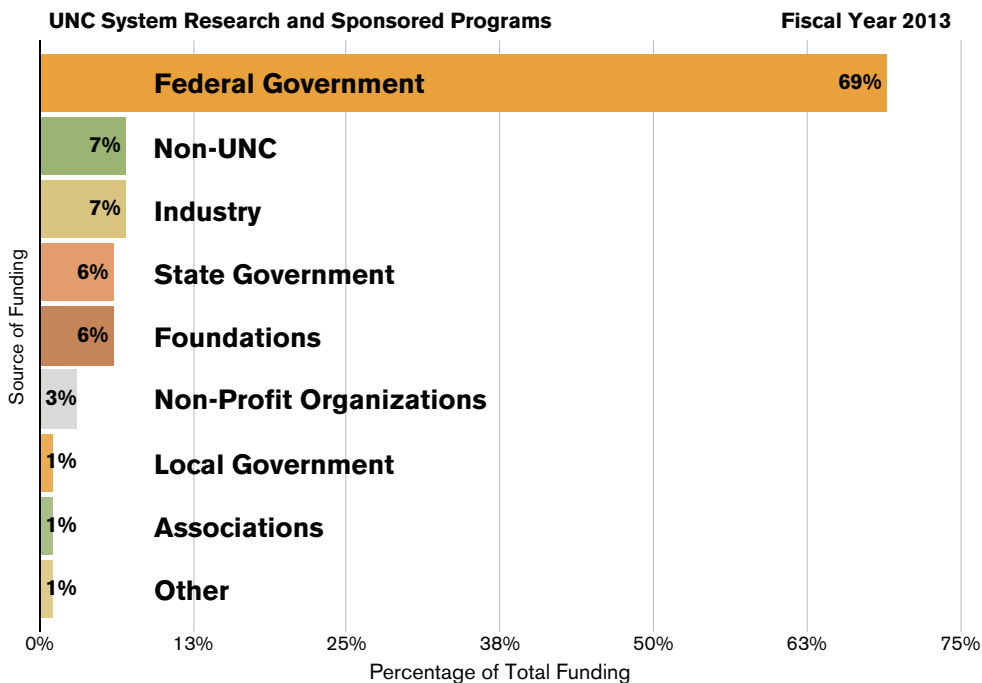


Photo Credit: North Carolina A&T State University

North Carolina ranks 5th nationally in academic R&D performed per \$1,000 of Gross State Product.

National Science Board, "Science and Engineering Indicators 2014 State Data Tool"

UNC POLICY PRIORITIES (RESEARCH & INNOVATION)

Oppose efforts to reduce funding for Social, Behavioral, and Economic research at NSF and other federal research agencies.

Oppose efforts to arbitrarily cap cost reimbursement associated with federally-funded research at institutions of higher education.

Minimize the number of federal research grants at NSF and other agencies that require cost-sharing.

Advocate for a long-term vision for space programs, a balanced NASA portfolio across programs and missions, and a commitment to build the next-generation workforce.

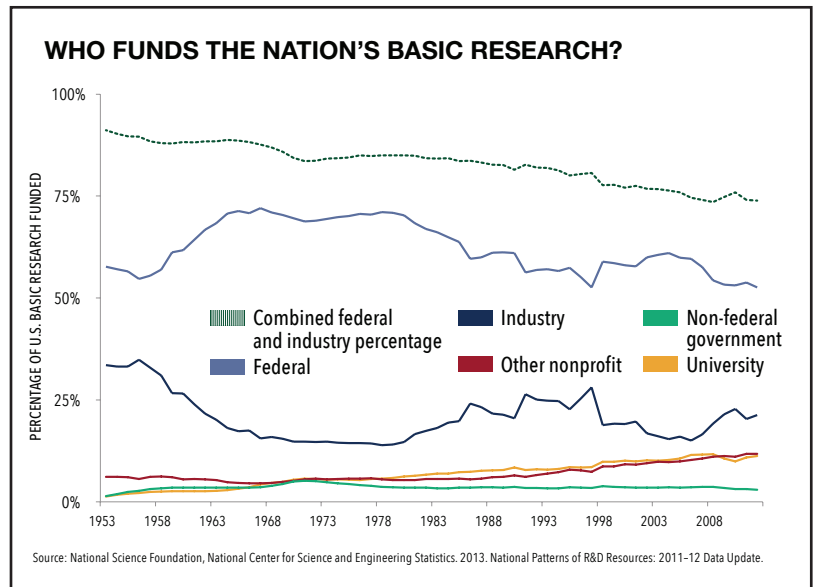
Monitor dual use research policy proposals.

Support reauthorization of the America COMPETES Act ensuring an increase in the productivity of the national science and technology enterprise.

Support legislation or regulatory action to mandate public access to taxpayer-funded research at the NIH and other federal agencies without diminishing copyright protection currently accorded scholarly work.

Support legislation that combats abusive practices in the patent system without weakening the strength of patents.

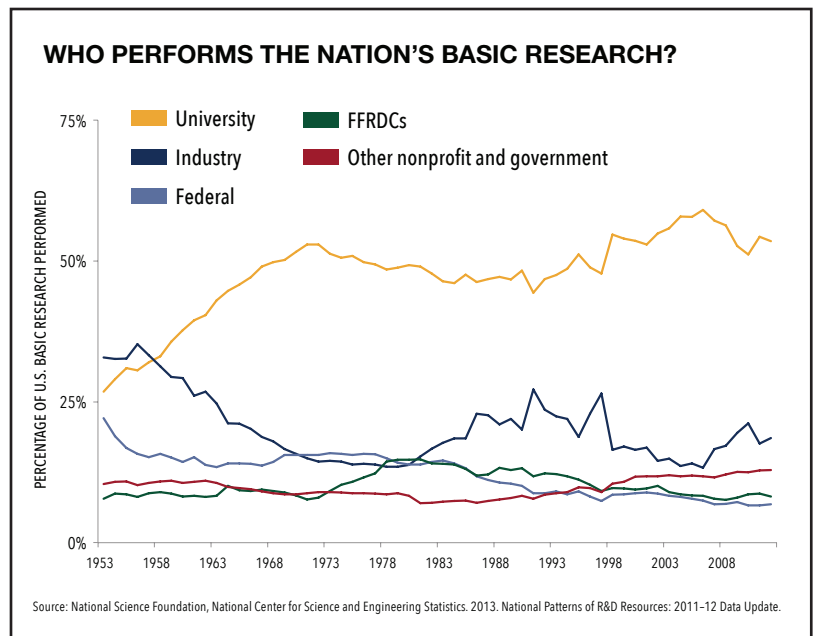
Monitor efforts to reform copyright law in the digital age.



AAU Data and Policy Brief, February 2015

69% of the University's \$1.23 billion in Research and Sponsored Program activity is awarded by the Federal Government.

UNC General Administration data



AAU Data and Policy Brief, February 2015

FEDERAL REGULATIONS, REQUIREMENTS, AND MANDATES

GENERAL PRINCIPLES

The Administration and Congress should harmonize, streamline, and, when possible, eliminate unnecessary and duplicative regulations and reporting requirements.

The Administration and federal agencies should not impose requirements or mandates without the proper statutory authority provided by Congress. When regulations, requirements or mandates are necessary, the Administration and federal agencies should follow an open and public rule-making process in accordance with the Administrative Procedure Act (APA).

Federal regulations should be targeted to the core mission and responsibilities of institutions of higher education: educating students, protecting student welfare and safety on campus, and ensuring proper stewardship of federal funds.

On average, UNC campuses spend 7-8% of their overall operating budgets on Federal compliance.



Some regulations are useful and effective.

Other regulations are unrelated to the mission of higher education.

All regulations impose cost.

UNC POLICY PRIORITIES (FEDERAL REGULATIONS)

Advance recommendations of the Alexander-Mikulski-Burr-Bennet Task Force on regulations and requirements under Department of Education (ED) jurisdiction.

Engage the House and Senate committees of jurisdiction

on regulatory reform, unfunded mandates reform, and the Congressional Review Act (CRA).

- **Pursue legislation that reinforces the Government Accountability Office (GAO) ruling** that federal agencies must submit sub-regulatory guidance for review as “rules” under the CRA. Clarify the definition of “rule.” Congress should make it clear that the term is intended to be expansive and specifically include documents that implement or interpret law or policy.
- **Advocate for amendment of the Administrative Procedure Act (APA)** to clarify that sub-regulatory guidance is subject to the act.
- **Narrow the definition of “good cause exception”** and require agencies to provide justification to the House and Senate committees of jurisdiction when using the exception.
- **Require federal agencies to perform a cost analysis** of sub-regulatory guidance compliance. The sub-regulatory guidance and cost analysis should be published in the Federal Register for public comment.

Institutions of higher education are regulated by every Cabinet-level agency, as well as many sub-Cabinet level agencies.

Advocate for proper rule-making process within the bounds of ED’s statutory authority for new requirements. Rule-making should be inclusive with reasonable timelines.

ED should avoid issuing interpretive rules, policy statements or other guidance that set new legal standards or requirements of the public. If such rules, statements or guidance are necessary then ED should seek public comment.

Coordinate rather than duplicate efforts to support student veterans. Five separate federal agencies have efforts to protect student veterans.

Repeal the Affordable Care Act provision mandating employer-sponsored health care for employees working 30-hours-per-week and replace with a provision that applies the threshold to employees working 40-hours-per-week.

Reconcile the differences between immigration reform proposals offered by the Administration and Congress.

Support EEO initiatives that are narrowly tailored to remedy documented discrimination in the workplace and carefully drafted to minimize burdens, confusion and unintended consequences.

Monitor implementation of the new omni-circular, OMB Circular A-81.

Health Care

UNC POLICY PRIORITIES

Monitor implementation of the Patient Protection and Affordable Care Act (ACA) and minimize negative impact on student health insurance plans.

Support legislation to address workforce shortages in key health professions.

Direct HHS to adopt state reciprocity agreements for practitioner licensure. Such action should be in coordination with physicians, health care practitioners and patient advocates.

Medicare and Medicaid

Support fair and adequate payment rates for physicians, and support efforts to tie reimbursement rates to reasonable measures of quality over the entire health care sector.

Increase federal funding and raise the statutory cap to enable training of additional resident physicians (Increase GME/IME Caps for Residents).

Increase Federal Medical Assistance Percentage (FMAP) to help offset dramatic cuts states may implement due to the weakened economy.

Preserve the Medicare Bad Debt Moratorium and maintain the current funding level for bad debts.

Ensure that the severity case mix reimbursement is adequate for teaching hospitals (Diagnosis Related Groups (DRG) Refinements).

Monitor prospective allocation changes for Medicaid Disproportionate Share Hospital (DSH) payments.



Photograph Credit: NC State University



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