

2010-11 Budget Priorities & Legislative Session Update

One of the principal responsibilities of the Board of Governors is to “develop, prepare, and present to the Governor and the General Assembly a single, unified recommended budget for all of public senior higher education (G.S. 116–11(9)a).” The Board of Governors has an existing biennial budget priority list before the Governor and General Assembly for 2009-11. As is customary, the President and Chancellors have revisited those items in preparation for the second year of the biennium. Attached for information is a copy of the University’s Legislative Priorities for the 2010 Session.

The attached recommendation for the 2010-11 Budget Priorities identifies the operating and capital funding needed to carry out the highest priorities of the Chancellors, the President, and the Board of Governors. There are no new items presented in this request. The priorities did require some modification and changes are noted for informational purposes. The proposed amendment to the Operating Budget Priorities is an increase of \$5.6 million in the University’s enrollment funding request to reflect additional enrollment that was not projected at the time of the initial funding request. The only changes that have been made in the Capital Budget Priorities are revisions to amounts requested due to updated information and some reordering of capital priorities based on Chancellors’ input.

Each state agency is required (G.S. 143.34.44) to prepare a six-year capital improvement needs estimate, which is used as the beginning point for future budget requests for capital projects. The Chancellors have updated their 2007-13 Capital Plans and the necessary adjustments have been noted on page 5. Resulting changes to the University’s Capital Budget Priorities for the 2010 Session are shown on page 6.

It is recommended that the Board of Governors adopt the adjusted 2010-11 Budget Priorities for presentation to the Governor and General Assembly for consideration during the 2010 legislative session. It is also recommended that the Vice President for Finance be authorized to make refinements to the request in the interest of accuracy and completeness.

The University of North Carolina Budget Update 2010-11

	2010-11		
	BOG request	Final Budget	Unfunded
<u>Expansion Items :</u>			
Enrollment	59,069,039	53,432,226	5,636,813
<i>The 2009 General Assembly funded the University's original request of \$53,432,226 for enrollment growth in the second year of the biennium. The campuses and General Administration have reevaluated those projections, showing that there is enrollment growth beyond what was originally expected, requiring an additional appropriation of \$5,636,813.</i>			
Campus Safety	5,700,000 R	0	5,700,000 R
	8,500,000 NR	0	8,500,000 NR
Our Citizens & Their Future: Access to Higher Education			
Need-Based Financial Aid	45,856,563	11,000,000	34,856,563
Regional Partnerships (Hickory, Onslow Co., Rocky Mount)	1,306,054	0	1,306,054
NCCU University College	300,000	0	300,000
Increase Access for Underrepresented Populations & Non-traditional Students – FSU, UNCA, UNC-CH, WSSU (\$475,700 for WSSU only)	2,492,400	475,700	2,016,700
Increase Efforts to Recruit & Retain High Quality Faculty			
80th Percentile of Peers	15,010,000	0	15,010,000
EPA Salary Increase – 2% per year	39,168,000	0	39,168,000
Distinguished Professorships – Match Spangler Challenge Grants	6,831,000	0	6,831,000
Distinguished Professorships – Reduce Backlog	5,000,000 NR	0	5,000,000 NR
Faculty Recruiting & Retention Fund	4,000,000	2,000,000	2,000,000
Efficient Use of Available Resources and Continue Efforts to Establish Accountability & Performance Measures	5,000,000	0	5,000,000
Our Global Readiness			
21st Century Job Skills for UNC and High School Students (FSU, NCCU, WSSU)	516,300	0	516,300
Improve Academic & Student Support Services – UNC-CH, UNCG, UNCP (2009 action–\$300K to UNCP only)	2,130,400	300,000	1,830,400
Our University's Outreach & Engagement			
FSU Military One-stop Center & BRAC Outreach	606,250	251,500	354,750
UNCC Summer Bridge Prog. & 49er Leadership Academy	600,000	0	600,000
UNC-TV Statewide Public Affairs & Informational Program Services	650,000	0	650,000
UNC Press Online & Multi-format Content	200,000	0	200,000
Create Center for Applied Policy Research	250,000	0	250,000

		2010-11		
		BOG request	Final Budget	Unfunded
Our Communities & Their Economic Transformation				
NC Research Campus (Kannapolis)		10,000,000	3,000,000	7,000,000
NC Research Competitiveness & Commercialization Gap Funding		6,000,000	0	6,000,000
Graduate Student Recruitment & Retention		4,000,000	0	4,000,000
UNCC Energy Production Infrastructure Center (EPIC)		5,000,000	2,000,000	3,000,000
NCA&T College of Engineering, including ERC match		2,000,000	2,000,000	0
NCSU College of Engineering		10,000,000	5,000,000	5,000,000
NCA&T & UNCG Joint School of Nanoscience and Nanoengineering		4,392,000	1,000,000	3,392,000
UNCSA School of Filmmaking		1,000,000	500,000	500,000
		500,000	0	500,000
WCU Forensic Science Program		750,000	0	750,000
		250,000	0	250,000
ECSU School of Aviation		600,000	300,000	300,000
		150,000	0	150,000
WCU Rapid Product Realization		200,000	0	200,000
NC Arboretum - Bent Creek Inst. – Natural Products		300,000	0	300,000
Our Children & Their Future: Improving Public Education				
New Teacher Support and Mentoring Aimed at Retention – UNC Schools of Education		2,700,000	0	2,700,000
MSEN Pre-College Programs (ECU & WCU) and add ASU, UNCP & UNCW in 2nd Year		1,125,000	0	1,125,000
University-School Programs Network		500,000	0	500,000
System-wide STEM Initiative, focused on Mathematics		500,000	0	500,000
UNC-CH – Increase Production of Science Teachers		1,207,600	0	1,207,600
NCSU STEM Teachers Initiative		500,000	0	500,000
NCSSM Online & Diversity Initiative		500,000	0	500,000
NC Ctr. for International Understanding (NCCIU) – K12 Global Education		300,000	0	300,000
Our Health				
ECU Indigent Care		5,000,000	2,000,000	3,000,000
UNC Hospitals Indigent Care		4,000,000	0	4,000,000
ECU School of Dentistry and Clinics		14,000,000	3,000,000	11,000,000
UNC-CH AHEC in Elizabeth City		750,000		750,000
Nursing Program Expansion (NCCU & UNC-CH)		1,242,300	835,000	407,300
Health & Wellness/Allied Professions (ASU, UNCA, UNCW)		1,500,000	0	1,500,000
		400,000	0	400,000
Medical School Expansions – ECU & UNC-CH		4,000,000	0	4,000,000
UNCW Memory Science Research		193,900	0	193,900
UNCP Native American Health		331,900	0	331,900
ECU Heart Institute		300,000	0	300,000

	2010-11		
	BOG request	Final Budget	Unfunded
Our Environment			
ASU Energy Initiatives	500,000 R	0	500,000 R
	250,000 NR	0	250,000 NR
NCSU Bioenergy Technologies	500,000	0	500,000
UNC-CH Energy and Environmental Programs	900,000	0	900,000
Coastal Studies Institute	325,000	0	325,000
TOTAL	289,853,706	87,094,426	202,759,280

THE UNIVERSITY OF NORTH CAROLINA
2009-11 Capital Needs
Revised April 2010

Introduction

Every biennium, the University carefully reviews its capital needs and prepares a six-year capital improvements plan for new construction and major renovation projects to be funded from the State's General Fund. Comprehensive six-year plans are also developed for projects to be funded from the State's Reserve for Repairs and Renovations and from non-appropriated sources, including housing, dining, parking, athletic, and other receipts. The Board of Governors approved these six-year capital plans on November 14, 2008.

Adjusted for the authorizations and appropriations received in the 2009 Session of the General Assembly and reviewed by each campus for alignment with current priorities, the projects requested to be funded by the state in the 2010 Session are listed under each campus, in priority order as designated by each Chancellor.

Recognizing the fiscal uncertainties created by recent worldwide credit and financial markets crises and the decline in state revenues, the University has carefully reviewed and strategically balanced the needs of campus growth and the State's current debt capacity. The University realizes that the General Assembly faces many difficult financial decisions and it is unlikely that needed capital facilities will be authorized during the 2010 Session. Capital improvements must be considered with the long-term in mind. State facilities, on average, take 4 years to plan and build. These projects represent the top priorities of each campus's Six-Year Capital Improvements Plan. Projects in this package reflect each campus's most pressing needs.

Substantive changes from the capital plan approved in November 2008 are:

At ECSU, planning activities have indicated that splitting the project into two buildings, a classroom/lab building and an operational hangar; will best serve their School of Aviation project.

At FSU, a cost estimate, certified by the State Construction Office, indicates that the project cost for their Teacher Education and General Classroom Building project should be increased from \$43,300,000 to \$49,261,000.

At NCA&T, they have exchanged their #1 and #2 priorities. NCA&T's current highest priority project is a new College of Engineering building and the associated renovation of McNair Hall, the current COE building. The combined project is estimated to cost \$121,189,900.

At NCCU, a New School of Business project has been added to their six-year capital plan in 2014.

At UNC-CH, their revised highest priority project is a new Law School at Carolina North building and the required site infrastructure improvements such as landfill remediation, demolition of existing buildings, new roads, parking spaces, water, sewer, electrical and natural gas services, and storm water drainage that are needed to serve the Law School building as sited within the approved development agreement with the Town of Chapel Hill. The cost of the revised project is estimated to have decreased from \$169,000,000 in requested state funding to \$153,167,245.

At UNCG, they have exchanged their #1 and #2 priorities. UNCG's current highest priority project is a Nursing/Classroom/Office Building project with an estimated project cost of \$121,680,000.

At UNCSA, Film School Master Planning activities have identified three remaining phases for the development of the School of Filmmaking. Their current highest priority and one of the three remaining phases is the Film School Post Production/Graduate Facility and Renovations project with an estimated project cost of \$35,749,000. The three remaining phases have been added to their six-year capital plan in 2010, 2011 and 2012, respectively.

At WSSU, planning activities have indicated that their revised Sciences Building project is right-sized at 81,500 square-feet, up from 69,000 square-feet, and that zoning requirements and the selected site require a 266-space parking deck be part of the project. WSSU received \$3,312,000 for advance planning in 2007, and an additional \$33,630,547 is needed for construction. The cost of the revised project is estimated to have increased from \$32,169,000 to \$36,950,547.

THE UNIVERSITY OF NORTH CAROLINA
Summary – 2010-11 Capital Needs

Institution	2010-11 Capital Needs	2008 Session	2010 Session
		Appropriated in 2008 but later reverted by the Governor to help balance the 2008-09 State Budget	2010-11 Capital (Cash Basis)
University-wide	Fire Safety Improvements – Student Residence Halls	-	27,180,000
ASU	College of Nursing & Health Sciences Building	4,200,000	58,200,000
ECU	Life Sciences and Biotechnology Building	-	151,600,000
ECSU	School of Aviation Complex*	1,500,000	17,000,000
FSU	Teacher Education and General Classroom Building	4,272,110	49,261,000
NCA&T	College of Engineering	-	121,189,900
NCCU	Student Services, Classrooms & Assembly Building	-	81,100,000
NCSSM	Discovery Ctr- Science Labs/Classrooms/Residence Hall*	7,250,000	78,563,000
NCSU	Engineering Complex and Renovations	14,400,000	465,855,400
UNCA	Replace Carmichael Hall & University Lecture Hall	1,100,000	26,801,000
UNC-CH	Law School at Carolina North	11,500,000	153,167,245
UNC-CH	Morehead Planetarium Renovation and Expansion	1,800,000	58,000,000
UNCC	Science Building	2,400,000	120,000,000
UNCG	Nursing/Classroom/Office Building	-	121,680,000
UNCP	Information Commons Building	2,000,000	59,450,000
UNCW	Allied Health and Human Sciences Building	4,320,000	46,313,000
UNCSA	Film School Post Production/Graduate Facility and Renovations	-	35,749,000
WCU	Education and Allied Professions Building	4,018,700	47,652,700
WSSU	Sciences Building*	3,000,000	33,638,547
University-wide	Land Acquisition	-	25,000,000
University-wide	Allocation from Repairs and Renovations Reserve	-	218,000,000
Educ. Center	Upper Coastal Plain Higher Education Center	1,000,000	14,480,000
Total – 2010-11 Capital Needs		62,760,810	2,009,880,792

Notes: * These projects received planning funds in 2007

2010 Legislative Priorities of the University of North Carolina

The University of North Carolina's top priority this session is **students**; providing access to North Carolinians, meeting the increased demand for financial aid, and maintaining quality by protecting the Academic Core.

Tuition

The Board of Governors and President Bowles offer an alternative proposal to the legislatively mandated tuition increases for 2010-2011 adopted in the 2009 budget.

Proposed Alternative Board of Governors' Tuition Increase:

- Provides predictability and affordability for students and families consistent with the 4-year tuition plan.
- Average increase of \$130 (**5.2%**) for in-state undergraduate students
- Average increase of \$461 (**3.4%**) for out-of-state undergraduate students
- Board requires revenues to remain on the campuses, with **51%** (\$17.4 million) of revenues dedicated to need-based financial aid, 25% (\$8.6 million) to retention and graduation efforts, and 24% (\$8.4 million) to other critical needs.
- Tuition-generated need-based financial aid is critical to campus efforts to meet increased student need that cannot be covered with existing resources.

Current 2010-2011 Budget Tuition Increase Set by Legislature:

- Places a larger burden on in-state students, with **86%** of revenue generated by North Carolina residents, compared to only **66%** under the Board's proposal
- Average increase for in-state undergraduates would be \$180 (**7.2%**)
- Average increase for out-of-state undergraduates would be \$200 (**1.4%**)
- Revenue generated by the tuition increase would flow to the state's General Fund.

Need-Based Financial Aid

Financial aid need is up across the campuses. **71%** of UNC students are applying for financial aid, compared to only 66% last year. Increased need, coupled with the loss of the EARN program (\$4,000 per student), has put additional strain on families and students. Financial aid offices are unable to meet the need.

We are requesting **\$34.8 million** (recurring) for Need-Based Financial Aid. This is in addition to need-based aid generated from the BOG's tuition proposal. In order to meet this need, we ask the General Assembly to:

- Restore \$12 million (recurring) to cover the non-recurring appropriation from FY 2009-10; and
- Fund \$22.8 million to cover the increased need for financial aid.

Minimize Cuts

In 2009, UNC permanently cut administrative costs by **18%**, while keeping permanent academic cuts to **0.3%**, protecting our Academic Core.

- **\$294.3** million in recurring and non-recurring reductions in FY 2009-10
- **96.5%** (\$162.5 million) of the permanent cuts were made in administration
- The University has done its part during the budget crisis, absorbing an additional **5%** (**\$134.4 million** non-recurring) holdback for FY 2009-10. This is **29%** of the total holdback, while we only make up **13%** of state appropriations.
- Additional permanent cuts would damage the Academic Core, forcing the campuses to further:
 - Increase class size and reduce section offerings;
 - Eliminate faculty;
 - Reduce lab and library hours;
 - Eliminate student programs;
 - Reduce tutoring & advising services; and
 - Eliminate additional administrative positions tied to academic and financial integrity.