



The University of North Carolina

GENERAL ADMINISTRATION

POST OFFICE BOX 2688, CHAPEL HILL, NC 27515-2688

Robert O. Nelson, *Vice President-Finance*

Telephone: (919) 962-4598 Fax: (919) 962-0008 E-mail: rnelson@northcarolina.edu

Appalachian State
University

East Carolina
University

Elizabeth City
State University

Fayetteville State
University

North Carolina
Agricultural and
Technical State
University

North Carolina
Central University

North Carolina
School of
the Arts

North Carolina
State University
at Raleigh

University of
North Carolina
at Asheville

University of
North Carolina
at Chapel Hill

University of
North Carolina
at Charlotte

University of
North Carolina
at Greensboro

University of
North Carolina
at Pembroke

University of
North Carolina
at Wilmington

Western Carolina
University

Winston-Salem
State University

An Equal Opportunity/
Affirmative Action
Employer

May 31, 2007

MEMORANDUM

TO: Members of the Board of Governors

FROM: Robert O. Nelson *RN*

SUBJECT: Senate Budget

As you know, the Senate Budget is expected to be completed today. The attached spreadsheet compares House and Senate budgets to the funding priorities approved by the Board of Governors. We are pleased with the way the Senate responded to the Board's budget priorities and believe that their budget proposal is good for the future of North Carolina. It allows the University to compete for quality faculty, make substantial investments in research, have more online programs available to North Carolinians, and build facilities for enrollment growth and new programs. As in the House budget, the Senate has agreed to fully fund enrollment growth and Need-Based Financial Aid in 2007-08.

You will note also that the proposed reductions for the University in the Senate budget do not include a reduction for vacant positions. There is a proposed reduction for future efficiencies to be identified by the PACE process – \$11.3 million in 2007-08 and \$22 million in 2008-09.

As we have previously discussed, this is another part of a multi-step process that produces the final budget. We expect that the Conference Committee will be appointed and begin its work within the next week or two. At next week's Board of Governors meeting, we will have a budget discussion and provide you with any updates.

We are grateful to the members of the General Assembly for their continued support of the University and public education. We will continue to work hard and as one team to secure the funding needed to provide our students with a high quality education and prepare them to lead North Carolina in the years ahead.

Attachment

cc: The Chancellors

**The University of North Carolina
Budget Comparison
2007-09**

	BOG Budget Priorities	House Budget	Senate Budget	BOG Budget Priorities	House Budget	Senate Budget
	2007-08	2007-08	2007-08	2008-09	2008-09	2008-09
Authorized Continuation Budget	2,433,985,463	2,440,756,241	2,440,756,241	2,433,985,463	2,440,756,241	2,440,756,241
Enrollment	48,312,908	48,312,908	48,312,908	94,084,970	88,143,484	88,143,484
Operating Reserves for New Facilities	26,918,321	18,050,558	18,050,558	40,043,792	33,631,989	33,631,989
Utilities	15,750,590	15,575,804	15,575,804	17,491,450	16,769,303	16,769,303
Other Adjustments (library books, vehicles, equipment, etc.)	49,411,770	8,357,766	8,357,766	49,686,815	5,511,298	5,511,298
Total Continuation Budget Increases	140,393,589	90,297,036	90,297,036	201,307,027	144,056,074	144,056,074
Total Continuing Operations	2,574,379,052	2,531,053,277	2,531,053,277	2,635,292,490	2,584,812,315	2,584,812,315
<u>Reductions :</u>						
Principals' Executive Prog. (budget on a NR basis until perf. measures developed)	—	(1,500,000)	(1,266,170)	—	(1,500,000)	(1,266,170)
Middle Management (House)/Future Efficiency-PACE (Senate)	—	(18,660,121)	(11,259,824)	—	(22,505,241)	(21,989,484)
N.C. Progress Board Elimination	—	(227,971)	(227,971)	—	(227,971)	(227,971)
Building Reserve Adjustments	—	(1,711,153) NR	(1,711,153) NR	—	(4,092,971) NR	(4,092,971) NR
FSU Equipment	—	(9,500)	(9,500)	—	(2,000)	(2,000)
BOG Medical Scholarships	—	(50,000)	(50,000)	—	(50,000)	(50,000)
Religious College Grants	—	(63,000) NR	(63,000) NR	—	—	—
NC Center for Nursing (funded on a NR basis in 2007-08)	—	—	(509,824)	—	—	(509,824)
Office of the President – Efficiency Reduction - 12.5 FTE (PACE)	—	(1,271,352)	(1,271,352)	—	(1,271,352)	(1,271,352)
Affiliates – Efficiency Reduction - 11 FTE (PACE)	—	(2,873,935)	(2,873,935)	—	(2,873,935)	(2,873,935)
SPA positions vacant over 6 months (est.) - 230 FTE	—	(8,062,338)	—	—	(8,062,338)	—
EPA non-faculty positions vacant over 6 months (est.) - 124 FTE	—	(7,357,517)	—	—	(7,357,517)	—
EPA faculty positions vacant over 6 months (est.) - 734 FTE	—	(53,077,238)	—	—	(53,077,238)	—
Total Reductions	—	(94,864,125)	(19,242,729)	—	(101,020,563)	(32,283,707)
<u>Expansion Items :</u>						
Need-Based Financial Aid	35,605,210	27,605,210 ¹	27,605,210 ¹	54,805,210	27,605,210 ¹	27,605,210 ¹
Academic Salary Increases	117,524,795	77,235,700	85,000,000	233,455,299	71,235,700	79,000,000
Competitive Salaries for Faculty – 80th percentile of Peers	43,879,435	—	—	87,758,870	—	—
EPA Salary Increases (estimate) – BOG - 4%; House - 4.25%	67,045,360	71,235,700	79,000,000	139,096,429	71,235,700	79,000,000
Senate recommends 5% for Faculty & 4% for EPA Non-Faculty SPA Salary - House - 4.25% (\$26M); Senate - 4% (\$24M)						
Distinguished Professorships (House uses statewide reserves)	6,600,000	6,000,000 NR	6,000,000 NR	6,600,000	—	—
Student Success & Retention & Graduation	6,380,000	313,136	5,393,000	7,060,000	313,136	3,193,000
Academic Summer Bridge & Retention Pilot Programs	2,180,000	—	1,193,000	3,060,000	—	1,193,000
University of North Carolina Online	2,000,000	313,136	2,000,000	4,000,000	313,136	2,000,000
	2,200,000 NR	—	2,200,000 NR	—	—	—

¹ Also includes another \$8 million from the Escheats Fund to fully fund the BOG's request.

NR = nonrecurring

**The University of North Carolina
Budget Comparison
2007-09**

	BOG Budget Priorities	House Budget	Senate Budget	BOG Budget Priorities	House Budget	Senate Budget
	2007-08	2007-08	2007-08	2008-09	2008-09	2008-09
Research	61,707,410	2,400,000	32,400,000	93,455,140	1,400,000	24,400,000
Competitiveness Fund	15,000,000	—	8,000,000	30,000,000	—	8,000,000
Graduate Student Recruitment & Retention	5,133,450	—	2,000,000	10,266,900	—	2,000,000
Center for Bioenergy Technologies	3,500,000	—	3,000,000	7,000,000	—	3,000,000
Computing-enabled Research Environment - RENC	5,000,000	—	—	10,000,000	—	—
Center for Design Innovation	470,000	—	500,000	470,000	—	500,000
NC Research Campus (Kannapolis)	12,581,121	—	8,500,000	20,222,562	—	8,500,000
	13,700,000 NR	1,000,000 NR	8,000,000 NR	2,100,000 NR	—	—
Joint Program in Nanosciences & Nanoengineering	2,919,500	1,400,000	1,400,000	4,339,000	1,400,000	1,400,000
	—	—	—	4,000,000 NR	—	—
Biomufacturing Research Institute and Technology Enterprise Initiative (BRITE)	2,000,000	—	1,000,000	2,000,000	—	1,000,000
Photonics Consortium	1,153,339	—	—	2,306,678	—	—
Research Vessel Hatteras	250,000	—	—	500,000	—	—
	—	—	—	250,000 NR	—	—
More and Better Teachers & Improved Schools	13,876,285	1,275,000	4,882,000	21,651,315	325,000	4,682,000
NC High Need Teacher Scholarship Loan Program	987,500	—	—	1,975,000	—	—
Lateral Entry Scholarship Program	1,625,000	—	—	3,250,000	—	—
Prospective Teacher Scholarship Loan Program	1,571,465	—	—	2,445,465	—	—
Future Teachers of North Carolina	325,000	325,000	325,000	325,000	325,000	325,000
Millennium Teacher Scholarships	130,000	—	—	390,000	—	—
Teacher Education Enrollment Planning & Recruitment Efforts	1,000,000	—	1,000,000	1,000,000	—	1,000,000
Summer Term Teacher Education Pilot Programs	750,000	—	750,000	1,500,000	—	750,000
Science, Technology, Engineering & Mathematics (STEM) Education (NCSU & UNC-CH)	1,000,000	—	1,000,000	2,000,000	—	1,000,000
UNC/NCCCS Partnership Online 2+2 Joint Initiative	1,000,000	—	1,000,000	1,000,000	—	1,000,000
UNC Charlotte Lateral Entry Prog. (House directs funding to all campuses.)	750,000	750,000 NR	—	1,500,000	—	—
Support for Lateral Entry and Teacher Assistants: NCMTEC Program Expansion	360,320	—	—	488,850	—	—
Success for All	300,000	—	—	600,000	—	—
Principals' Executive Program (PEP) and Kenan-Flagler Leadership Program for Priority Middle & High Schools	607,000	—	607,000	607,000	—	607,000

NR = nonrecurring

**The University of North Carolina
Budget Comparison
2007-09**

	BOG Budget Priorities	House Budget		Senate Budget		BOG Budget Priorities	House Budget		Senate Budget
	2007-08	2007-08		2007-08		2008-09	2008-09		2008-09
More and Better Teachers & Improved Schools (cont.)									
New Teacher Support and Mentoring Aimed at Retention	2,156,000	—		—		3,256,000	—		—
NCCAT Connections Program	344,000	—		—		344,000	—		—
MSEN Pre-College Program	670,000	—		—		670,000	—		—
A+ Schools	100,000	—		—		100,000	—		—
North Carolina in the World (NCCIU)	200,000	200,000 NR		200,000 NR		200,000	—		—
Healthcare	21,597,200	6,270,791		1,700,000		34,947,200	5,270,791		1,700,000
ECU Dental School	1,300,000	1,000,000		500,000		1,300,000	1,000,000		500,000
Area Health Education Centers	3,097,200	570,791		—		3,097,200	570,791		—
Graduate Nurse Scholarships for Faculty Production	1,200,000	1,200,000 ²		1,200,000 ²		1,200,000	1,200,000 ²		1,200,000 ²
Nurse Scholars Program	2,750,000	—		—		2,850,000	—		—
UNC-CH Schools of Medicine & Dentistry - Pipeline Programs	750,000	—		—		1,500,000	—		—
Indigent Care – ECU	5,000,000	2,500,000		—		10,000,000	2,500,000		—
Indigent Care – UNC Hospitals	7,500,000	1,000,000 NR		—		15,000,000	—		—
Regional & Statewide Economic Transformation and Competitiveness	12,100,000	3,100,000		6,800,000		24,600,000	600,000		5,000,000
NCSU College of Engineering	5,000,000	—		5,000,000		15,000,000	—		5,000,000
NCCU School of Law	2,500,000	2,500,000 NR		—		5,000,000	—		—
Entrepreneurship & Regional Cluster-based Econ. Devel.	2,000,000	—		1,800,000 NR		2,000,000	—		—
Support for North Carolina Communities	1,000,000	—		—		1,000,000	—		—
Management Academy for High Growth Companies	1,000,000	—		—		1,000,000	—		—
Hickory Engineering and Technology Center	600,000	600,000		—		600,000	600,000		—
Campuses Specializing in the Arts & Sciences (House & Senate-NCSA & UNCA only-does not include NCSSM)	1,250,000	500,000 NR		1,000,000 NR		2,500,000	—		—
Disaster Recovery	400,000	640,000		640,000		400,000	640,000		640,000
	2,000,000 NR	—		—		—	—		—
Affiliated Entities	1,744,607	999,857		739,857		2,269,198	1,224,051		1,124,051
NCSSM Tuition Grant	401,133	449,905		449,905		625,724	834,099		834,099
UNC-TV Statewide Public Affairs & Informational Prog. Serv.	878,485	239,952		289,952		878,485	239,952		289,952
NC Arboretum Educational Outreach & Econ. Development	300,000	150,000		—		600,000	150,000		—
UNC Press Digital Books	164,989	160,000 NR		—		164,989	—		—

² Requires that priority be given to Community College faculty needing an advanced degree to meet college accreditation standards.

NR = nonrecurring

**The University of North Carolina
Budget Comparison
2007-09**

	BOG Budget Priorities	House Budget		Senate Budget		BOG Budget Priorities	House Budget		Senate Budget
	2007-08	2007-08		2007-08		2008-09	2008-09		2008-09
Other UNC Items	—	4,794,843		14,926,230		—	2,499,035		2,092,205
EARN Scholars - SEAA will administer program	—	<i>Escheats</i> ³		<i>Escheats</i> ³		—	<i>Escheats</i> ³		<i>Escheats</i> ³
ECSU Temporary Space – Pharmacy Program	—	43,000 NR		43,000 NR		—	43,000 NR		43,000 NR
UNCP Leased Space – Modular Bldg.	—	83,843		83,843		—	88,035		88,035
Principals' Executive Prog. (budget on a NR basis until perf. measures developed)	—	1,500,000 NR		1,266,170 NR		—	1,500,000 NR		1,266,170 NR
UNC-CH TEACCH program	—	368,000		368,000		—	368,000		368,000
NCSU Center for Universal Design	—	300,000 NR		300,000 NR		—	—		—
UNCP Fire Protection	—	750,000 NR		—		—	—		—
North Carolina Specialty Crops Program	—	300,000 NR		—		—	—		—
Shellfish Restoration Funds	—	300,000 NR		300,000 NR		—	—		—
UNC-CH Cochlear Implant Program	—	400,000 NR		400,000 NR		—	—		—
ECU Auditory Learning Center	—	100,000 NR		100,000 NR		—	—		—
Hunt Institute	—	500,000		100,000		—	500,000		100,000
	—	—		100,000 NR		—	—		—
Statewide Prog. For Infection Control & Epidemiology (SPICE)	—	150,000 NR		150,000 NR		—	—		—
UNC-CH Sch. of Medicine Perinatal Quality Collaborative of NC	—	—		50,000		—	—		50,000
Gateway Technology Center	—	—		177,000		—	—		177,000
UNC-CH Law School	—	—		2,000,000 NR		—	—		—
NCSU Veterinary Med. Clinical Teaching & Research Fund	—	—		200,000 NR		—	—		—
UNC Hospitals University Cancer Research Fund ⁴	—	—		—		—	—		16,000,000
WCU Inland Port Study	—	—		100,000 NR		—	—		—
Transfer Agriculture Research Stations to NCSU	—	—		9,188,217		—	—		7,000,000
NC Center for Nursing (funded on a NR basis in 2007-08)	—	—		509,824 NR		—	—		—
Aid to Private Colleges	—	8,811,950		13,601,950		—	8,721,950		9,601,950
Legis. Tuition Grant & State Contractual Schol. Fund (enrollment)	—	2,372,250		2,372,250		—	2,372,250		2,372,250
Legislative Tuition Grant (\$50 per student increase)	—	1,600,000		1,600,000		—	1,600,000		1,600,000
State Contractual Scholarship Fund	—	3,220,000		1,600,000		—	3,220,000		1,600,000
Legislative Tuition Grant for Part-Time Students	—	1,500,000		—		—	1,500,000		—
NC LIVE for Private Colleges	—	90,000 NR		—		—	—		—
Religious College Grant (\$150 per student increase)	—	29,700		29,700		—	29,700		29,700
The Soldier Institute for Regenerative Medicine (WFU)	—	—		4,000,000		—	—		4,000,000
	—	—		4,000,000 NR		—	—		—
Recurring budget amounts	256,285,507	24,813,515		149,060,501		468,793,362	21,364,281		152,538,510
Nonrecurring budget amounts	17,900,000	14,268,847		26,894,841		6,350,000	(2,549,971)		(2,783,801)
Recommended UNC Operating Budget Changes	274,185,507	39,082,362		175,955,342		475,143,362	18,814,310		149,754,709
Total Recommended UNC Operating Budget	2,848,564,559	2,570,135,639		2,707,008,619		3,110,435,852	2,603,626,625		2,734,567,024

³ It is estimated the funds would be divided between students attending UNC institutions and students attending the community colleges.

⁴ An additional \$16M would be transferred from the Tobacco Trust Fund in each year of the biennium (in addition to the \$16M in GF appropriation for 2008-09).

Some items not listed in the University section of the Budget that would impact UNC are: Learn and Earn High Schools & Learn and Earn Online.

NR = nonrecurring

**The University of North Carolina
Budget Comparison
2007-09**

	BOG Budget Priorities	House Budget	Senate Budget	BOG Budget Priorities	House Budget	Senate Budget
	2007-08	2007-08	2007-08	2008-09	2008-09	2008-09
Capital Budget (all items are nonrecurring)	437,314,103	310,224,440	1,086,529,225 ⁵	459,745,704	75,608,225	—
Fire Safety Improvements - Student Residence Halls	24,130,904	—	9,000,000 GF	24,130,903	—	—
ASU College of Education Building	17,000,500	9,000,000	34,000,000	17,000,500	—	—
ECU School of Dentistry	43,500,000	2,500,000	87,000,000	43,500,000	—	—
ECSU School of Education Building – Planning	2,000,000	994,000	20,000,000	3,000,000	—	—
FSU Science and Technology Complex	11,293,500	22,587,000 ⁵	22,587,000	11,293,500	—	—
NCA&T General Classroom Instructional Facility	12,893,500	25,787,000 ⁵	25,787,000	12,893,500	—	—
NCA&T/UNCG Nanoscience & Nanoengineering Bldg. – Planning	2,509,450	1,242,500	29,000,000	3,764,175	—	—
NCCU School of Nursing Building – Planning	2,500,000	1,136,000	24,000,000	3,750,000	—	—
NCSA Library	12,460,000	24,920,000 ⁵	24,920,000	12,460,000	—	—
NCSU Centennial Campus Library – Planning	11,400,000	—	114,000,000	17,100,000	—	—
NCSU Companion Animal Hospital	19,000,000	38,000,000 ⁵	—	19,000,000	—	—
NCSU College of Engineering Facilities, Phase 1	17,000,000	—	34,000,000	17,000,000	—	—
UNCA Rhoades Hall and Rhoades Tower Renovation	4,343,500	8,687,000	8,687,000	4,343,500	—	—
UNCA Carmichael Hall Renovations	9,305,000	—	9,305,000	—	—	—
UNC-CH Genomic Sciences Building	56,744,112	44,000,000	119,608,225	62,864,113	75,608,225	—
UNC-CH School of Dentistry Oral Sciences Building	44,940,000	2,500,000	96,000,000	51,060,000	—	—
UNC-CH Carolina North Development, Phase 1 – Planning	6,120,000	—	—	6,120,000	—	—
UNCC Research Facilities, Phase 2 – Planning	7,621,800	3,340,000	76,218,000	11,432,700	—	—
UNCG/NCA&T Nanoscience & Nanoengineering Bldg. – Planning	2,509,450	1,242,500	29,000,000	3,764,175	—	—
UNCG Academic Classroom & Office Building	22,583,500	45,167,000 ⁵	45,167,000	22,583,500	—	—
UNCP Residence Hall (West Hall Replacement)	9,500,000	19,000,000 ⁵	—	9,500,000	—	—
UNCP Nursing Building (supplement)	—	—	19,000,000	—	—	—
UNCP School of Business Building	—	—	—	—	—	—
UNCW Teaching Laboratory Building – Planning	3,452,500	34,525,440 ⁵	34,525,000	5,178,750	—	—
WCU School of Health and Gerontological Science Building	21,902,500	2,200,000	43,805,000	21,902,500	—	—
WSSU Student Activities Center	9,353,887	18,708,000 ⁵	18,708,000	9,353,888	—	—
WSSU Science and General Office Building	—	1,351,000	28,212,000	—	—	—
NCSSM Discovery Science Labs/Classrooms/Res. Hall – Planning	7,000,000	3,337,000	—	10,500,000	—	—
NCSSM Infrastructure Improvements	—	—	17,500,000	—	—	—
Information Technology Infrastructure – University-wide	15,000,000	—	—	15,000,000	—	—
Coastal Studies Institute (ECU, ECSU, NCSU, UNC-CH, UNCW)	16,250,000	—	32,500,000	16,250,000	—	—
Land Acquisition	25,000,000	—	25,000,000	25,000,000	—	—
Improvements to 4H Camps	—	—	34,000,000	—	—	—
BOG Reserve for Advance Capital Planning	—	—	25,000,000	—	—	—
Repair and Renovation Reserve - 46% UNC share		66,700,000	66,700,000			

⁵ Projects to be funded with the issuance of certificates of participation (COPS). The Senate recommends COPS funding for all projects listed except for the Fire Safety Improvements.

In addition to the capital projects shown above, the House recommends that the UNCC Motorsports capital account be closed and the funds (\$3,506,143) reverted to the General Fund.