

**ANNUAL REPORT
OF THE COMMITTEE ON BUDGET AND FINANCE TO THE
BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA
July 1, 2009 through June 30, 2010**

EXECUTIVE SUMMARY

The Committee on Budget and Finance met eight times between July 1, 2009 and June 30, 2010. The Committee was composed of the following Board members: Mr. John M. Blackburn, Mr. Bill Daughtridge, Jr., Mr. John W. Davis III, Mr. T. Greg Doucette, Governor James E. Holshouser, Jr., Dr. Cheryl Marvileane Locklear, Mr. Charles H. Mercer, Jr., Mr. Fred G. Mills, and Dr. Irvin A. Roseman. Mr. Davis served as Chair, Mr. Mercer served as Vice-Chair, and Mr. Daughtridge served as Secretary. Chancellor Steven Ballard (ECU), Chancellor Charlie Nelms (NCCU), Chancellor Linda Brady (UNCG), and Interim Chancellor Charles Jenkins (UNCP) also served on the Committee.

BUDGETS AND ALLOCATIONS, TUITION AND FEES

The Committee recommended:

- Allocations of Funds for Current Operations for 2009-10 -- Due to the economic crisis and resulting decreases in state revenues, the 2009 General Assembly made a number of reductions to the University's base (continuation) budget. Funds that had been provided by the Governor to cover continuation increases (to adjust for increases in the cost of providing ongoing services) were reduced by \$127,671,825. The federal government's 2009 American Recovery and Reinvestment Act (stimulus) made funds available to the State of North Carolina to assist in stabilizing education budgets. The General Assembly used \$137,815,944 of federal ARRA funds to offset the University's regular state appropriations in the 2009-10 budget. The General Assembly fully funded the Board's request for enrollment funds of \$44,197,776 for 2009-10.
- Budget adjustment at ECU of \$260,220 for 2009-10 as a result of nonresident freshmen enrollment for two consecutive years that exceeded 18% of the freshmen class -- an over-enrollment of twenty-six (26) nonresident freshmen students
- Authorization of Tuition and Fees for 2010-11 -- Chancellors submitted tuition and fees rate increases consistent with the tuition and fees guidelines established by the Board of Governors in October 2006.
- Budget Priorities for 2010-11 -- The Board of Governors had an existing biennial budget priority list before the Governor and General Assembly for 2009-11. As was customary, the President and Chancellors revisited those items in preparation for the second year of the biennium.

CAPITAL IMPROVEMENTS

In November, 2000, upon the approval of a majority of voters, \$2.5 billion was made available to the University of North Carolina for capital improvements. The Committee provided oversight for the bond program. By June 30, 2010, all projects with the exception of the Digital Conversion at UNC-TV were completed. \$2.491B or 99.6% of the program funds had been expended.

The Committee recommended:

- Allocation of Funds for Capital Improvements for 2009-10 -- Senate Bill 202 allocated \$31,000,000 by special provision for Repairs and Renovations. For nonappropriated capital improvements projects, the 2009 General Assembly authorized \$214,891,500.
- Guaranteed Energy Saving Projects for ASU, NCSU, and UNCW -- G.S. 143-64.17F authorized state agencies to utilize guaranteed energy savings contracts as a method to reduce the state's increasing utility costs, improve efficiencies of operations, and reduce environmental impacts.
- Authorization of Non-Appropriated Capital Improvements Projects for 2010-11 -- There were 21 new or supplemental capital improvements projects at nine institutions totaling \$479,448,900 of which \$458,038,300 was projected to be indebtedness. It was also recommended that the Board approve borrowing to support three capital improvements projects at UNC Hospitals and approve, for advance planning only, three projects at UNCC and one at UNCP.

INSTITUTIONAL BORROWING

The Committee recommended:

- Special Obligation Bonds for NCSU and UNC-CH for participation in the Commercial Paper Program for certain projects approved by the 2009 Session of the General Assembly
- Sale of Special Obligation Bonds for ECU, NCSU, UNC-Chapel Hill, and UNCC
- Pooled Bonds -- ASU, ECU, and UNCW asked to be included in the eleventh pooled issue to provide bonds for new construction and to refund bonds previously approved and issued by the Board of Governors currently outstanding at higher interest rates.
- Associated Entity -- The establishment of Private Equity Fund II as a UNC-Chapel Hill associated entity and an educational program at the Kenan-Flagler School of Business without obtaining nonprofit tax-exempt status.

PROPERTY

As requested by Boards of Trustees, the Committee recommended the following:

- Items in Closed Session for ASU, NCSU, UNCA, UNCG, UNCSA, WSSU, and the NC Arboretum -- The market value of each property would be determined by the State Property Office; the purchase would also be subject to approval by the Council of State.
- Student Housing Arrangements for ASU, ECSU, NCCU, UNCG, and UNCP to enable the universities to meet long-term projected housing demands associated with campus growth -- The cost per bed would be consistent with the current rate structure for comparable residence halls on campus and lease payments would be made from student housing receipts.
- Exchange of property between NCSU and the Endowment Fund of NCSU -- The exchange of approximately 17.5 acres would provide for the development of the Centennial Campus consistent with the master land-use plan.
- Adoption of a resolution which designated that “additional” University-owned real property and appurtenant facilities become part of the NCSU Centennial Campus
- Under delegated authority, the following were reported to the Committee: ASU (2 transactions), ECU (four transactions), NCA&TSU (one transaction), NCSU (five transactions), UNC-CH (four transactions), UNCC (one transaction), UNCG (three transactions), and WCU (one transaction).

OTHER ACTIONS

The Committee recommended:

- Hard waiver model to be used in the creation of an RFP seeking quality student health insurance at an affordable premium and that it be implemented in fall 2010
- Sustainable Practices policy to meet the UNC Tomorrow Commission’s recommendation that the University of North Carolina assume a leadership role in addressing the state’s environmental challenges