



MEETING OF THE BOARD OF GOVERNORS  
Committee on Budget and Finance

May 23, 2018 at 11:00 a.m.  
University of North Carolina System Office  
Center for School Leadership Development, Board Room  
Chapel Hill, North Carolina

## AGENDA

- B-1. [Proceedings of the University Funding Model Task Force](#) .....Scott Lampe
- B-2. [Report on Need-Based Aid from Tuition and Tuition Bill Statement](#) ..... Nathan Knuffman
- B-3. [UNC System Debt Capacity Study](#) ..... Rick Whitfield and Michael Juby
- B-4. [Authorization of Revision to Predevelopment Agreement – UNCW](#) ..... Miles Lackey
- B-5. [Authorization of Predevelopment Agreement – ASU](#) ..... Paul Forte
- B-6. [Millennial Expansion Request – WCU](#) ..... Mike Byers
- B-7. Other Business ..... Temple Sloan
- B-8. Adjourn

### Additional Information Available:

- B-1. [Proceedings of the University Funding Model Task Force](#)
- B-3. [UNC System Debt Capacity Study](#)
- B-7. [2016-17 UNC Consolidated Financial Report](#)
- B-7. [Report of Facilities and Administrative \(F&A\) Receipts, 2016-17](#)

**AGENDA ITEM**

B-1. Proceedings of the University Funding Model Task Force .....Scott Lampe

**Situation:** The University Funding Model Task Force has concluded their review of the current enrollment funding model and the chair of the task force is presenting the findings.

**Background:** In the spring of 2017, President Spellings, with the affirmation of the UNC Board of Governors, established the University Funding Model Task Force comprised of experts from the University and across the state. The task force has concluded its work after ten months. It has based its findings on an assessment of the strengths and weaknesses of the current model; careful scrutiny of funding models in states like Texas, Ohio, Indiana, and Tennessee; and an assessment of performance funding policies and outcomes.

**Assessment:** The University Funding Model Task Force findings are presented for information.

**Action:** This item is for information only.

## **Proceedings of the University Funding Model Task Force Executive Summary**

In the spring of 2017, at the urging of the legislature, President Margaret Spellings, with the affirmation of the Board of Governors of the University of North Carolina System, established the University Funding Model Task Force, which worked to:

1. Evaluate the existing UNC System funding formula, assess its strengths and weaknesses, and identify opportunities to improve.
2. Examine trends in higher education finance and funding models in other states, and research the effectiveness of different models.
3. Develop and recommend funding model reforms to the Board of Governors.

The task force, comprised of experts from the University and across the state, was organized around the following core principles:

- In a growing state, the funding model must reward both access and student success.
- The funding model must encourage educational programs and outcomes that lead to success in the labor market.
- Changes to the funding model must promote efficiency in recognition that state resources are scarce and current funding levels are significant.
- Reforms to the funding model must support continued excellence in research and innovation.

Task force members also agreed that reforms must increase the transparency, simplicity, and predictability of the funding model.

The full report summarizes the proceedings of the task force, including areas of consensus and questions for further study and analysis. The task force proposes a timeline that would allow for implementation of key changes in time to guide the legislative request for the FY 2019-21 session.

### **Summary of the Current Enrollment Growth Model**

- The current model determines the state appropriation by calculating the difference between:
  - the full cost of enrollment growth (“requirements”), and
  - the related tuition revenue (“revenue”)
- Total enrollment funding is not recalculated every year; instead:
  - the increment of change in enrollment is calculated, and then used to adjust the prior year’s funding total
- Additional information on the current enrollment model can be found in Appendix A.

## Assessment of Strengths and Weaknesses of Current Model

|  |  |
|--|--|
| <p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Forward-funding recognizes that institutions incur the costs of educating students in real-time.</li> <li>• Cost recovery model reflects the fact that some academic disciplines, levels, and faculty are higher cost than others.</li> <li>• Provides incentive for access.</li> <li>• Longstanding process with significant infrastructure.</li> </ul>  | <p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• The model is complicated and lacks transparency.</li> <li>• Enrollment projections are uncertain, and projection errors lead to unpredictable swings in state appropriation for individual institutions.</li> <li>• The model may create incentives for institutions to focus on growing graduate education programs rather than undergraduate education.</li> <li>• Each institution has its own unique inputs, including faculty salary and tuition rate.</li> </ul> |
| <p style="text-align: center;"><b>Opportunities for Improvement</b></p> <ul style="list-style-type: none"> <li>• Shifting from projected credit hours to actual credit hours delivered as the measure of enrollment.</li> <li>• The model rewards institutions' enrollment, but not student success.</li> <li>• The cost data is outdated and needs updating.</li> <li>• The model does not make clear distinctions between institution type – the model is the same for research and baccalaureate institutions.</li> </ul> |  |

## Comparison of Current Model to Other States

When compared to other states, North Carolina's model stands out on a few key dimensions:

1. North Carolina is unique among the group of states examined in its use of projected versus actual enrollments.
2. The treatment of tuition revenue in North Carolina—where it is kept in the General Fund—is quite different from the states examined, where tuition revenue is generally controlled by the institution.
3. North Carolina is unique in that the model is designed to fully fund calculated need through a mix of state appropriation and tuition.
4. While the majority of states continue to fund institutions—at least in part—on the basis of enrollment, 28 states have also tied appropriation amounts to how well their public four-year colleges perform on key metrics.<sup>1</sup>
5. Finally, North Carolina stands out for the high level of state support provided to its four-year institutions.

<sup>1</sup> Education Commission of the States, "Policy Snapshot: Outcomes-based Funding," September 2017, <https://www.ecs.org/wp-content/uploads/Policy-Snapshot-Outcomes-Based-Funding.pdf>.



## Findings: Areas of Consensus

### 1. Shift from funding *projected* credit hours to funding *actual* credit hours completed in prior years.

Task force members agreed that the current model's reliance on projected credit hours was not sustainable. Instead, the task force called for funding enrollment growth on the basis of actual credit hours completed in a prior year (the Credit Completion Formula [CCF]). Funding credit hours completed in arrears will:

- **Improve accuracy, transparency, and predictability:** Institutions report student credit hours completed each semester to the Student Data Mart at the System Office. The data are readily available, accurate, and are known before funding arrives.
- **Reduce administrative burden:** The enrollment projection process would no longer be necessary.
- **Increase flexibility:** The model would include all credit hours completed and no longer rely on census dates, which increases flexibility to offer courses in the summer and in formats that do not follow the traditional academic calendar.

### 2. Tie state funding to measures of performance.

Task force members heard from experts on performance funding in other states and read the latest research on the subject. Task force members generally agreed that policymakers should tie some portion of state funding to institutional performance on key metrics, though there were differing opinions about how much funding to tie to performance and where that funding should be derived. Thus, the task force decided that the design of a new performance funding formula be given careful consideration by the Board of Governors and should reflect the UNC System strategic plan and be phased in over time.

### 3. Apply funding model reforms to the incremental model, not base funding.

The task force was unable to reach a conclusion on performance funding, therefore it does not recommend that the implementation of the new CCF model include a reset of base funding. Changes to incremental funding are less disruptive and will adjust the base over time to correct for existing imbalances in funding.

## Findings: Questions to Consider

### 1. How should the new funding model simplify the calculation of requirements?

Task force members from the General Assembly questioned the transparency of the existing 4-step process that relies on the 12-cell matrix, average faculty salary, and varying overhead rates (see Appendix A for detail). While the task force could not come to a conclusion on how to simplify the current approach, several potential opportunities were identified:

- Shifting from the use of average faculty salary, which varies across institutions, to one that uses a cost per-credit hour from the Delaware Cost Study for each academic discipline.

- Eliminate student type (undergraduate, master's and doctoral) from the model.
- Use different, fixed overhead rates for each Carnegie Classification.

## **2. Should nonresident students be included in the funding model?**

Nonresident students are currently included in the incremental funding model, meaning their tuition is included in the calculation of appropriations (nonresident tuition subtracts from state appropriation). The state recognizes the valuable diversity that nonresident students bring to our universities. However, the primary impetus for appropriation is the education of NC residents.

## **3. Should tuition affect appropriation?**

Tuition is a key variable that shapes state appropriation in the current model. It differentiates the funding received for students by residency and student level (undergraduate and graduate), as well as between types of institution. However, this differentiation is not consistent. The range at which appropriation is funded on average spans from 60-75% of requirements, and there is no consistent rationale regarding which type of institutions fall at the bottom and top of the range (i.e. the pattern does not reflect Carnegie classification).

The task force considered an alternative approach in which tuition is decoupled from the enrollment growth formula and the state instead funds a fixed portion of requirements (~70 percent). The task force was not able to come to a conclusion on this question, but suggested that it be part of a broader effort of the Board of Governors to consider changes to tuition and fee policies.

## **4. How much funding should be tied to performance and how should the formula work?**

Opinions on the task force varied considerably on how much money should be tied to performance and where that funding should be derived. Some members argued for a total of \$5 million to \$10 million, while others recommended 8-10 percent of *total* appropriation, which is about \$200 million or more. Some argued that the performance funding be drawn from base funding, others from incremental enrollment growth requests, and others from new money specifically appropriated for performance funding.

Likewise, the task force could not come to a conclusion on what metrics should be included in the formula. Task force members agreed that the metrics should be aligned to system- and institution-level strategic plan goals.

## **Findings: Management Flexibility**

The task force discussed a number of management flexibilities that should accompany changes to the funding model, including:

- Increased carry-forward authority
- Human Resources flexibility
- Moving tuition from the General Fund to a trust fund

## Appendix A – Detail on the Current Enrollment Model

Incremental funding changes are based on projected growth in student credit hours according to the following four-step calculation:

### Part 1:

$$\begin{array}{ccccc} \text{Enrollment Measure} & & & & \\ \text{(change in projected} & & & & \\ \text{student credit hours)} & / & \text{Instructional Cost Factor} & = & \text{Estimated} \\ & & \text{(12-cell matrix: 4 academic} & & \text{Instructors} \\ & & \text{discipline categories, 3 student} & & \\ & & \text{levels (undergrad, master's,} & & \\ & & \text{doctoral)} & & \end{array}$$

$$\begin{array}{ccccc} \text{Estimated} & & & & \\ \text{Instructors} & \times & \text{Average faculty salary} & = & \text{Instructional} \\ & & \text{(average of budgeted salary} & & \text{Costs} \\ & & \text{expense/budgeted faculty FTE)} & & \end{array}$$

### Part 2:

$$\begin{array}{ccccc} \text{Instructional} & & & & \\ \text{Costs} & \times & \text{Weight factors for costs} & = & \text{Total Cost} \\ & & \text{associated with student} & & \text{(Requirements)} \\ & & \text{enrollment (student support,} & & \\ & & \text{institutional support, libraries)} & & \end{array}$$

### Part 3:

$$\begin{array}{ccccc} \text{Enrollment Measure} & \times & \text{Tuition rates by institution} & = & \text{Tuition Costs} \\ & & & & \text{(Receipts)} \end{array}$$

### Part 4:

$$\begin{array}{ccccc} \text{Total Cost} & & & & \\ \text{(Requirements)} & - & \text{Tuition Costs} & = & \text{Appropriation} \\ & & \text{(Receipts)} & & \end{array}$$

Every two years, institutions estimate the incremental change in student credit hours they project will be delivered in the coming year. They calculate the projected cost of delivering those credit hours (“Requirements,” Parts 1 and 2) by weighting each credit hour with an instructional cost factor that corresponds to the academic discipline (Classification of Instructional Program (CIP) code), and student level (undergraduate, master’s, doctoral). The weights are arrayed in a 12-cell matrix (four academic discipline categories by three levels) and are based on national data on costs and historical class-size data.

Those weighted credit hours are then translated to the number of additional faculty needed to deliver the credit hours. The resulting number of additional faculty is then multiplied by an institution-specific historical average faculty salary to produce a dollar amount, which is supplemented with a proportional amount of overhead (student services and administrative expenses) in Part 2. The final dollar amount represents the increase in “Requirements” and corresponds to the additional costs the institution will incur in the coming years.

The model then calculates projected tuition revenues from those additional student credit hours, with different tuition rates for student type (nonresident or resident) and student level (undergraduate or graduate) (Part 3). The difference between requirements and tuition is the state appropriation.

**AGENDA ITEM**

B-2. Report on Need-Based Aid from Tuition and Tuition Bill Statements ..... Nathan Knuffman

**Situation:** A recommendation of the Board of Governors Working Group on Financial Aid and Tuition required UNC System institutions to report annually on tuition set-aside for need-based financial aid.

**Background:** In October 2014, the Board of Governors received a report from the Board's Working Group on Financial Aid and Tuition. The working group's final report made several recommendations. These include the implementation of a limit on need-based aid funded by tuition to a 15 percent maximum percentage of an institution's total base tuition revenue along with a requirement that institutions report annually to the Committee on Budget and Finance of the Board of Governors on tuition used for need-based aid.

The tuition bill statements were revised in 2014, at the request of the Board, to increase transparency regarding use of tuition and fees. The information required to meet the reporting requirements of the Working Group's report has been incorporated into the tuition bill statements.

This item includes both a summary sheet of aid funded from tuition set-aside and institutions' tuition bill statements.

**Assessment:** All institutions are in compliance with the freeze and cap policy. Three are above 15 percent and are frozen and 13 are not frozen. Since implementation, seven have increased the amount of need-based aid from tuition, three have decreased, and six have not changed.

**Action:** This item is for information only.

**The University of North Carolina  
Budgeted Tuition Revenue Allocated to  
Need-Based Financial Aid from 2011-12 to 2018-19**

| Institution  | 2011-12               | 2012-13               | 2013-14               | 2014-15<br>Freeze and Cap<br>Begins | 2014-15 %<br>NBA | 2015-16               | Δ<br>from 2014-15<br>to 2015-16 | 2015-16 %<br>NBA | 2016-17               | Δ<br>from 2015-16<br>to 2016-17 | 2016-17 %<br>NBA | 2017-18               | Δ<br>from 2016-17<br>to 2017-18 | 2017-18 %<br>NBA | 2018-19               | Δ<br>from 2017-18<br>to 2018-19 | 2018-19 %<br>NBA |
|--------------|-----------------------|-----------------------|-----------------------|-------------------------------------|------------------|-----------------------|---------------------------------|------------------|-----------------------|---------------------------------|------------------|-----------------------|---------------------------------|------------------|-----------------------|---------------------------------|------------------|
| ASU          | \$ 8,431,338          | \$ 10,544,443         | \$ 11,895,599         | \$ 11,895,599                       | 14.4%            | \$ 11,919,809         | \$ 24,210                       | 13.5%            | \$ 11,919,809         | \$ -                            | 12.8%            | \$ 11,919,809         | \$ -                            | 12.6%            | \$ 11,919,809         | \$ -                            | 12.3%            |
| ECU          | 14,957,731            | 18,525,561            | 19,725,599            | 19,725,599                          | 13.6%            | 19,725,599            | -                               | 13.1%            | 19,725,599            | -                               | 12.1%            | 19,725,599            | -                               | 11.4%            | 19,725,599            | -                               | 11.7%            |
| ECSU         | 1,379,859             | 1,704,690             | 1,861,649             | 1,866,687                           | 20.1%            | 1,866,687             | -                               | 30.8%            | 1,704,690             | (161,997)                       | 29.1%            | 1,704,690             | -                               | 34.4%            | 1,704,690             | -                               | 32.9%            |
| FSU          | 2,284,136             | 2,633,936             | 2,956,034             | 2,956,034                           | 16.9%            | 2,956,034             | -                               | 17.0%            | 2,341,934             | (614,100)                       | 12.0%            | 2,529,284             | 187,350                         | 13.6%            | 2,529,284             | -                               | 13.3%            |
| N.C. A&T     | 5,020,710             | 6,612,542             | 7,536,243             | 7,536,243                           | 12.8%            | 7,536,243             | -                               | 12.5%            | 7,536,243             | -                               | 12.2%            | 7,627,859             | 91,616                          | 11.4%            | 7,627,859             | -                               | 10.0%            |
| NCCU         | 4,812,569             | 5,473,937             | 6,001,776             | 6,001,776                           | 15.0%            | 6,192,555             | 190,779                         | 14.6%            | 6,192,555             | -                               | 15.9%            | 6,192,555             | -                               | 14.7%            | 6,192,555             | -                               | 14.7%            |
| NC State     | 34,173,722            | 40,769,443            | 43,255,394            | 44,981,653                          | 17.9%            | 44,981,653            | -                               | 16.4%            | 44,981,653            | -                               | 15.6%            | 44,981,653            | -                               | 15.1%            | 44,981,653            | -                               | 13.9%            |
| UNCA         | 2,192,705             | 2,479,295             | 2,637,233             | 2,637,233                           | 14.7%            | 2,771,742             | 134,509                         | 14.8%            | 2,968,376             | 196,634                         | 14.2%            | 3,017,260             | 48,884                          | 14.9%            | 2,965,831             | (51,429)                        | 14.5%            |
| UNC-CH       | 46,433,112            | 58,042,055            | 66,151,033            | 66,151,033                          | 20.9%            | 66,151,033            | -                               | 20.7%            | 66,151,033            | -                               | 19.8%            | 66,151,033            | -                               | 19.4%            | 66,151,033            | -                               | 20.2%            |
| UNCC         | 9,592,165             | 11,275,108            | 11,275,108            | 11,275,108                          | 9.5%             | 11,275,108            | -                               | 8.6%             | 11,275,108            | -                               | 8.1%             | 11,425,108            | 150,000                         | 7.9%             | 12,275,108            | 850,000                         | 8.2%             |
| UNCG         | 8,663,881             | 10,468,889            | 11,125,825            | 11,125,825                          | 13.9%            | 11,125,825            | -                               | 13.1%            | 11,125,825            | -                               | 12.0%            | 11,125,825            | -                               | 11.3%            | 11,125,825            | -                               | 10.9%            |
| UNCP         | 2,060,644             | 2,378,562             | 2,378,562             | 2,378,562                           | 10.9%            | 2,378,562             | -                               | 10.0%            | 2,378,562             | -                               | 10.4%            | 2,378,562             | -                               | 10.5%            | 2,044,830             | (333,732)                       | 8.9%             |
| UNCW         | 6,034,912             | 8,208,939             | 9,012,300             | 9,012,300                           | 11.7%            | 9,012,300             | -                               | 10.7%            | 9,012,300             | -                               | 10.1%            | 9,012,300             | -                               | 10.1%            | 9,012,300             | -                               | 9.8%             |
| UNCSA        | 1,220,484             | 1,446,771             | 1,590,023             | 1,626,713                           | 10.6%            | 1,701,538             | 74,825                          | 12.8%            | 1,779,653             | 78,115                          | 12.7%            | 1,848,463             | 68,810                          | 12.8%            | 1,921,418             | 72,955                          | 13.4%            |
| WCU          | 3,142,334             | 3,975,114             | 4,441,979             | 4,458,066                           | 11.5%            | 4,458,066             | -                               | 10.8%            | 4,458,066             | -                               | 10.6%            | 4,458,066             | -                               | 9.6%             | 4,758,066             | 300,000                         | 10.2%            |
| WSSU         | 2,489,824             | 2,710,009             | 3,247,030             | 3,247,030                           | 15.9%            | 3,247,030             | -                               | 15.8%            | 3,247,030             | -                               | 15.6%            | 3,247,030             | -                               | 15.6%            | 3,247,030             | -                               | 16.8%            |
| <b>Total</b> | <b>\$ 152,890,126</b> | <b>\$ 187,249,294</b> | <b>\$ 205,091,387</b> | <b>\$ 206,875,461</b>               |                  | <b>\$ 207,299,784</b> | <b>\$ 424,323</b>               |                  | <b>\$ 206,798,436</b> | <b>\$ (501,348)</b>             |                  | <b>\$ 207,345,096</b> | <b>\$ 546,660</b>               |                  | <b>\$ 208,182,890</b> | <b>\$ 837,794</b>               |                  |

Notes: %NBA= the percentage of base tuition revenue set aside for need-based aid

UNC-CH's 2014-15 and 2015-16 amounts have been updated.

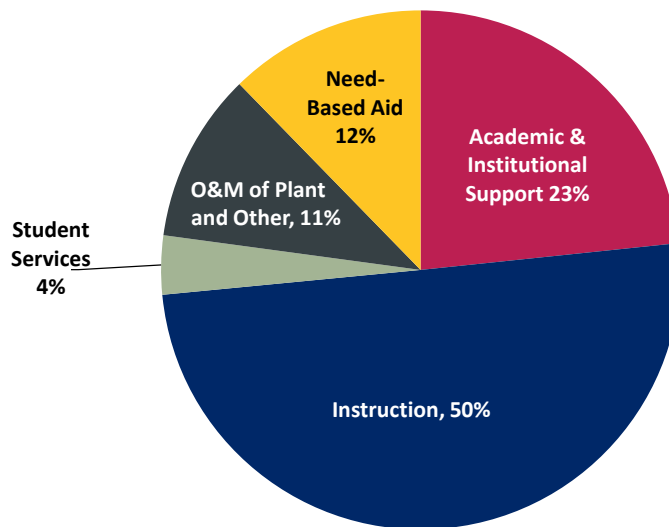
Includes both undergraduate and graduate need-based financial aid.

The revenue amounts shown for 2010-11 & 2011-12 include the CITI approved by BOG, as well as revenue generated from the supplemental tuition increases authorized by the 2010 General Assembly. Campuses were allowed to increase tuition up to \$750 in July 2010 and the increases could be spread over two years (2010-11 & 2011-12). Five campuses opted to spread the increase over two years.

The appropriation for the tuition buy down at NC Promise campuses was counted as tuition for the purpose of this report.

# Appalachian State University

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

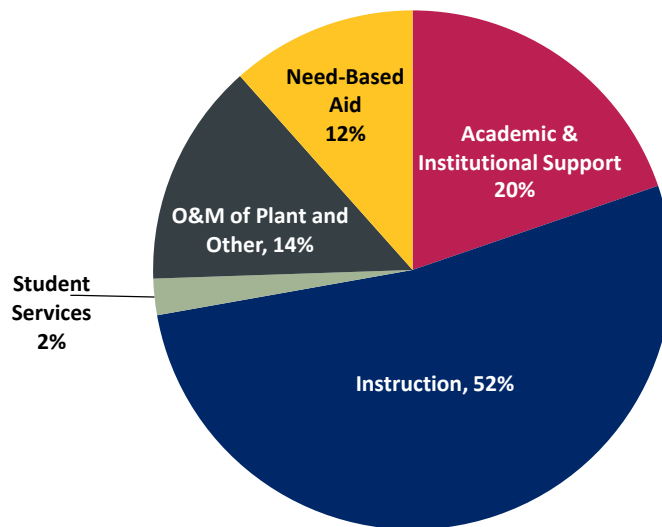
| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |  |
|--------------------------------|--------------------|--------------------|---------------------|--|
| Regular Term Full-Time Tuition | \$ 4,159.00        | \$ 4,242.00        | \$ 19,049.00        | Annual full-time tuition rate  |
| <b>General Fees</b>            |                    |                    |                     |  |
| Athletics                      | \$760.00           | \$760.00           | \$760.00            | Funds intercollegiate athletics, including salaries and team operations.   |
| Educational & Technology       | \$576.00           | \$576.00           | \$576.00            | Funds specialized instructional supplies and services for scientific and information technology equipment.   |
| Health Services                | \$325.00           | \$325.00           | \$325.00            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.  |
| Student Activities             | \$646.00           | \$646.00           | \$646.00            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).  |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.  |
| Debt Service                   | \$634.00           | \$634.00           | \$634.00            | Funds the principal and interest for capital projects. Examples for Appalachian State University include the Athletic Facilities, Student Center, Student Recreation Center, and Student Union Addition. |
| <b>Total Fees</b>              | <b>\$ 2,971.00</b> | <b>\$ 2,971.00</b> | <b>\$ 2,971.00</b>  |  |
| <b>Total Tuition and Fees</b>  | <b>\$ 7,130.00</b> | <b>\$ 7,213.00</b> | <b>\$ 22,020.00</b> |  |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, Appalachian State University received approximately \$150 million in appropriations from the North Carolina General Assembly providing an additional \$9,092 towards the total cost of education for each resident student.**

# East Carolina University

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

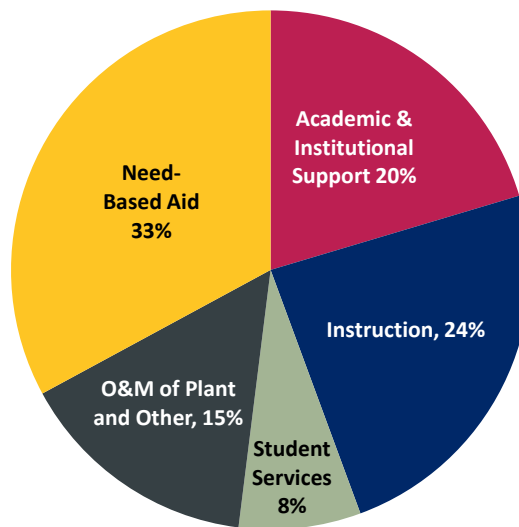
| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |   |
|--------------------------------|--------------------|--------------------|---------------------|---|
| Regular Term Full-Time Tuition | \$ 4,365.00        | \$ 4,452.00        | \$ 20,729.00        | Annual full-time tuition rate   |
| <b>General Fees</b>            |                    |                    |                     |   |
| Athletics                      | \$723.00           | \$723.00           | \$723.00            | Funds intercollegiate athletics, including salaries and team operations.  |
| Educational & Technology       | \$395.00           | \$395.00           | \$395.00            | Funds specialized instructional supplies and services for scientific and information technology equipment.  |
| Health Services                | \$263.00           | \$263.00           | \$263.00            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.   |
| Student Activities             | \$694.00           | \$694.00           | \$694.00            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).   |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.   |
| Debt Service                   | \$460.00           | \$460.00           | \$460.00            | Funds the principal and interest for capital projects. Examples for East Carolina University include Student Centers, Athletic Facilities, and Campus Recreation Center. Authorized at \$510 for 2016-17, however, only charging \$460. |
| <b>Total Fees</b>              | <b>\$ 2,565.00</b> | <b>\$ 2,565.00</b> | <b>\$ 2,565.00</b>  |   |
| <b>Total Tuition and Fees</b>  | <b>\$ 6,930.00</b> | <b>\$ 7,017.00</b> | <b>\$ 23,294.00</b> |   |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, East Carolina University received approximately \$317 million in appropriations from the North Carolina General Assembly providing an additional \$13,612 towards the total cost of education for each resident student.**

# Elizabeth City State University

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

| Undergraduate Tuition          | Returning Resident* | New Resident*      | Nonresident*       |   |
|--------------------------------|---------------------|--------------------|--------------------|---|
| Regular Term Full-Time Tuition | \$ 1,000.00         | \$ 1,000.00        | \$ 5,000.00        | Annual full-time tuition rate   |
| <b>General Fees</b>            |                     |                    |                    |   |
| Athletics                      | \$878.87            | \$878.87           | \$878.87           | Funds intercollegiate athletics, including salaries and team operations.  |
| Educational & Technology       | \$326.00            | \$326.00           | \$326.00           | Funds specialized instructional supplies and services for scientific and information technology equipment.  |
| Health Services                | \$255.03            | \$255.03           | \$255.03           | Funds medical services for students, including the salaries, maintenance and operation of student health centers.                                     |
| Student Activities             | \$703.00            | \$703.00           | \$703.00           | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs). |
| Campus Security Fee            | \$30.00             | \$30.00            | \$30.00            | Funds campus safety and security initiatives, including salaries, training, and operations.   |
| Debt Service                   | \$0.00              | \$0.00             | \$0.00             | Elizabeth City State University does not charge fees for debt service obligations.  |
| <b>Total Fees</b>              | <b>\$ 2,192.90</b>  | <b>\$ 2,192.90</b> | <b>\$ 2,192.90</b> |   |
| <b>Total Tuition and Fees</b>  | <b>\$ 3,192.90</b>  | <b>\$ 3,192.90</b> | <b>\$ 7,192.90</b> |   |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

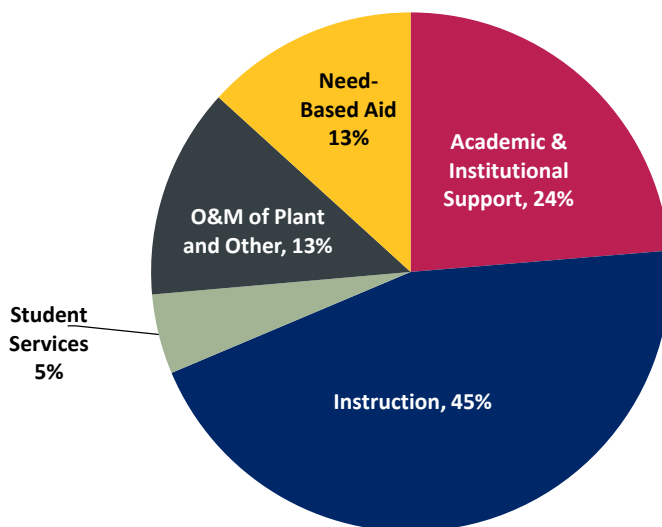
**In the year ended June 30, 2018, Elizabeth City State University received approximately \$34 million in appropriations from the North Carolina General Assembly providing an additional \$28,222 towards the total cost of education for each resident student.**

**\*The reduced tuition is a result of the NC Promise Program, which was established by the North Carolina General Assembly. This program is expected to provide \$4 million in state appropriation to ECSU in FY 2018-19 to support the significant reduction in cost to students.**



# Fayetteville State University

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

### Undergraduate Tuition

|                                | Returning Resident | New Resident | Nonresident  |                               |
|--------------------------------|--------------------|--------------|--------------|-------------------------------|
| Regular Term Full-Time Tuition | \$ 2,922.76        | \$ 2,982.00  | \$ 14,590.00 | Annual full-time tuition rate |

### General Fees

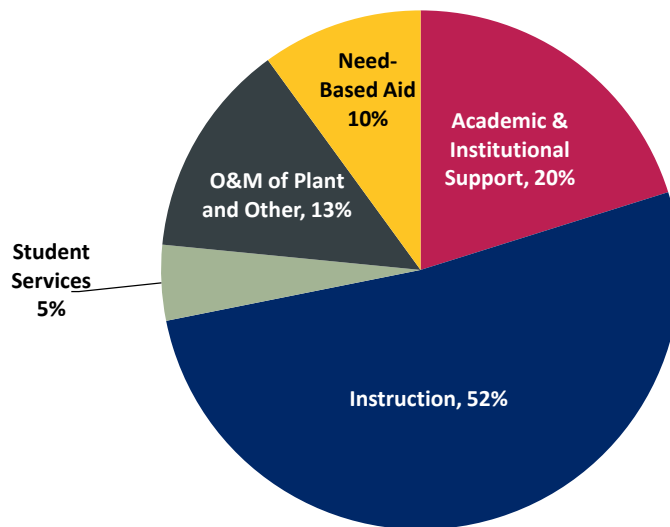
|                               |                    |                    |                     |   |
|-------------------------------|--------------------|--------------------|---------------------|---|
| Athletics                     | \$718.00           | \$718.00           | \$718.00            | Funds intercollegiate athletics, including salaries and team operations.  |
| Educational & Technology      | \$382.00           | \$382.00           | \$382.00            | Funds specialized instructional supplies and services for scientific and information technology equipment.  |
| Health Services               | \$237.00           | \$237.00           | \$237.00            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.                                     |
| Student Activities            | \$565.00           | \$565.00           | \$565.00            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs). |
| Campus Security Fee           | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.   |
| Debt Service                  | \$335.00           | \$335.00           | \$335.00            | Funds the principal and interest for capital projects. Examples for Fayetteville State University include Student Center Renovations.                 |
| <b>Total Fees</b>             | <b>\$ 2,267.00</b> | <b>\$ 2,267.00</b> | <b>\$ 2,267.00</b>  |   |
| <b>Total Tuition and Fees</b> | <b>\$ 5,189.76</b> | <b>\$ 5,249.00</b> | <b>\$ 16,857.00</b> |   |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, Fayetteville State University received approximately \$55 million in appropriations from the North Carolina General Assembly providing an additional \$11,033 towards the total cost of education for each resident student.**

# North Carolina A&T State University

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

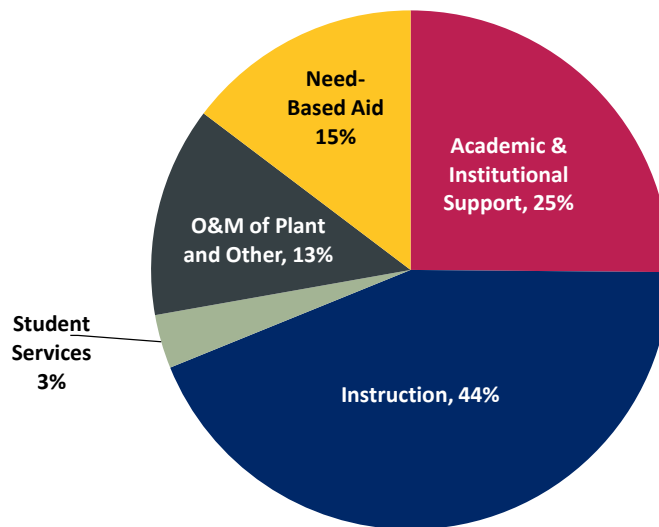
| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |  |
|--------------------------------|--------------------|--------------------|---------------------|--|
| Regular Term Full-Time Tuition | \$ 3,470.00        | \$ 3,540.00        | \$ 16,750.00        | Annual full-time tuition rate  |
| <b>General Fees</b>            |                    |                    |                     |  |
| Athletics                      | \$845.00           | \$845.00           | \$845.00            | Funds intercollegiate athletics, including salaries and team operations.   |
| Educational & Technology       | \$449.06           | \$449.06           | \$449.06            | Funds specialized instructional supplies and services for scientific and information technology equipment.   |
| Health Services                | \$338.50           | \$338.50           | \$338.50            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.  |
| Student Activities             | \$714.25           | \$714.25           | \$714.25            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).                  |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.  |
| Debt Service                   | \$588.00           | \$588.00           | \$588.00            | Funds the principal and interest for capital projects. Examples for North Carolina A&T State University include the Student Health Center, Student Union, and Stadium. |
| <b>Total Fees</b>              | <b>\$ 2,964.81</b> | <b>\$ 2,964.81</b> | <b>\$ 2,964.81</b>  |  |
| <b>Total Tuition and Fees</b>  | <b>\$ 6,434.81</b> | <b>\$ 6,504.81</b> | <b>\$ 19,714.81</b> |  |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, North Carolina A&T State University received approximately \$101 million in appropriations from the North Carolina General Assembly providing an additional \$11,878 towards the total cost of education for each resident student.**

# North Carolina Central University

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

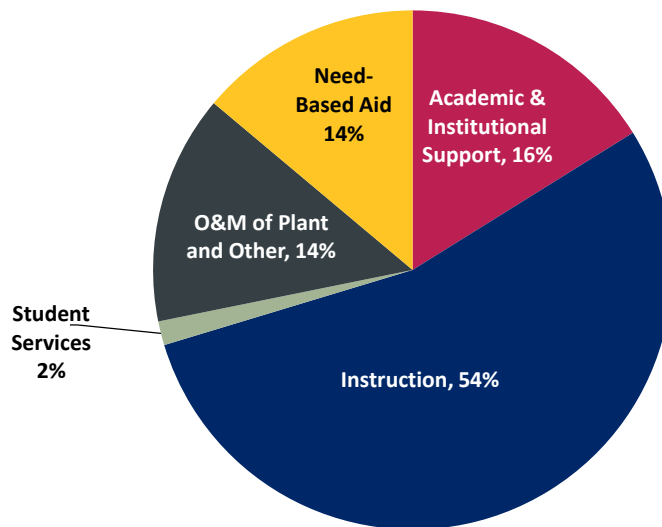
| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |   |
|--------------------------------|--------------------|--------------------|---------------------|---|
| Regular Term Full-Time Tuition | <b>\$ 3,655.00</b> | <b>\$ 3,728.00</b> | <b>\$ 16,435.00</b> | Annual full-time tuition rate   |
| <b>General Fees</b>            |                    |                    |                     |   |
| Athletics                      | \$847.00           | \$847.00           | \$847.00            | Funds intercollegiate athletics, including salaries and team operations.  |
| Educational & Technology       | \$428.15           | \$428.15           | \$428.15            | Funds specialized instructional supplies and services for scientific and information technology equipment.  |
| Health Services                | \$267.66           | \$267.66           | \$267.66            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.                                     |
| Student Activities             | \$476.40           | \$476.40           | \$476.40            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs). |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.   |
| Debt Service                   | \$570.00           | \$570.00           | \$570.00            | Funds the principal and interest for capital projects. Examples for North Carolina Central University include the Walker Complex and Student Center.  |
| <b>Total Fees</b>              | <b>\$ 2,619.21</b> | <b>\$ 2,619.21</b> | <b>\$ 2,619.21</b>  |   |
| <b>Total Tuition and Fees</b>  | <b>\$ 6,274.21</b> | <b>\$ 6,347.21</b> | <b>\$ 19,054.21</b> |   |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, North Carolina Central University received approximately \$90 million in appropriations from the North Carolina General Assembly providing an additional \$13,685 towards the total cost of education for each resident student.**

# North Carolina State University

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

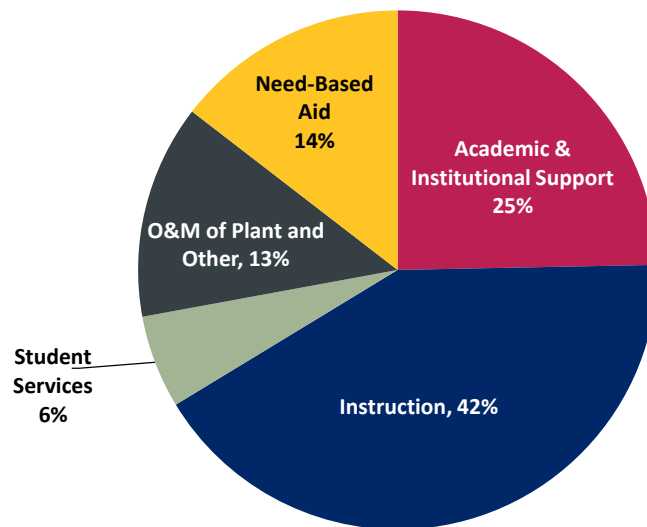
| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |  |
|--------------------------------|--------------------|--------------------|---------------------|--|
| Regular Term Full-Time Tuition | \$ 6,407.00        | \$ 6,535.00        | \$ 25,878.00        | Annual full-time tuition rate  |
| <b>General Fees</b>            |                    |                    |                     |  |
| Athletics                      | \$232.00           | \$232.00           | \$232.00            | Funds intercollegiate athletics, including salaries and team operations.   |
| Educational & Technology       | \$439.28           | \$439.28           | \$439.28            | Funds specialized instructional supplies and services for scientific and information technology equipment.   |
| Health Services                | \$407.00           | \$407.00           | \$407.00            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.  |
| Student Activities             | \$679.32           | \$679.32           | \$679.32            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).  |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.  |
| Debt Service                   | \$572.00           | \$572.00           | \$572.00            | Funds the principal and interest for capital projects. Examples for North Carolina State University include the Carmichael Complex, Derr Complex, Student Center, and Thompson Theater Building. |
| <b>Total Fees</b>              | <b>\$ 2,359.60</b> | <b>\$ 2,359.60</b> | <b>\$ 2,359.60</b>  |  |
| <b>Total Tuition and Fees</b>  | <b>\$ 8,766.60</b> | <b>\$ 8,894.60</b> | <b>\$ 28,237.60</b> |  |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, North Carolina State University received approximately \$431 million in appropriations from the North Carolina General Assembly providing an additional \$17,707 towards the total cost of education for each resident student.**

# UNC Asheville

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

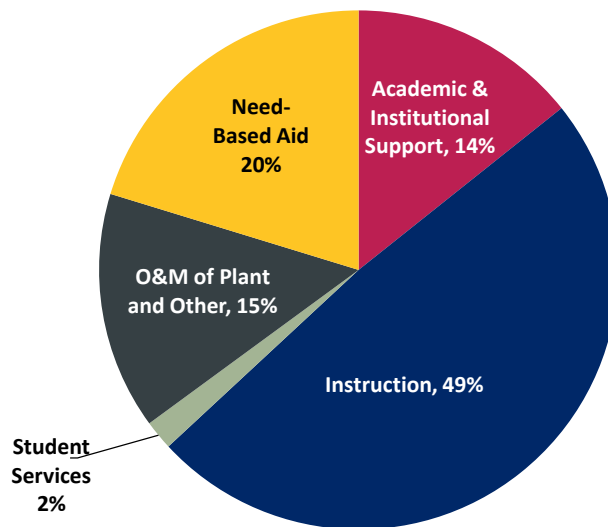
| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |  |
|--------------------------------|--------------------|--------------------|---------------------|--|
| Regular Term Full-Time Tuition | \$ 4,041.00        | \$ 4,122.00        | \$ 20,845.00        | Annual full-time tuition rate  |
| <b>General Fees</b>            |                    |                    |                     |  |
| Athletics                      | \$830.00           | \$830.00           | \$830.00            | Funds intercollegiate athletics, including salaries and team operations.   |
| Educational & Technology       | \$490.00           | \$490.00           | \$490.00            | Funds specialized instructional supplies and services for scientific and information technology equipment.   |
| Health Services                | \$368.00           | \$368.00           | \$368.00            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.  |
| Student Activities             | \$768.00           | \$768.00           | \$768.00            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).                                  |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.  |
| Debt Service                   | \$394.00           | \$394.00           | \$394.00            | Funds the principal and interest for capital projects. Examples for UNC Asheville include the Safety & Health Facility, Student Rec Center & Track Facility, and Highsmith Renovation. |
| <b>Total Fees</b>              | <b>\$ 2,880.00</b> | <b>\$ 2,880.00</b> | <b>\$ 2,880.00</b>  |  |
| <b>Total Tuition and Fees</b>  | <b>\$ 6,921.00</b> | <b>\$ 7,002.00</b> | <b>\$ 23,725.00</b> |  |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, UNC Asheville received approximately \$42 million in appropriations from the North Carolina General Assembly providing an additional \$13,334 towards the total cost of education for each resident student.**

# UNC-Chapel Hill

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

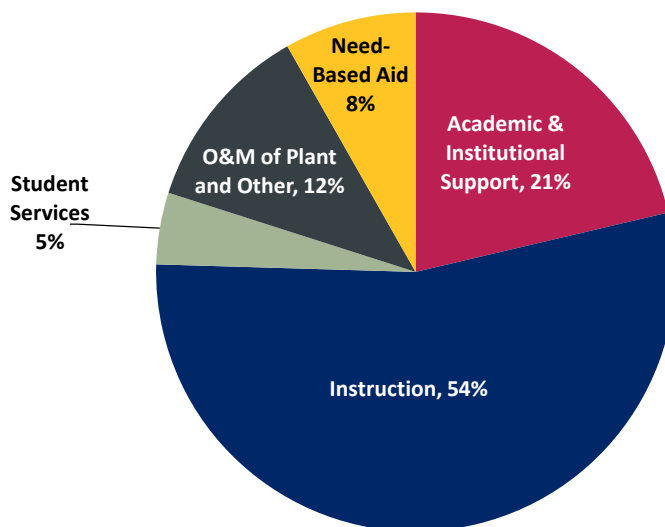
| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |   |
|--------------------------------|--------------------|--------------------|---------------------|---|
| Regular Term Full-Time Tuition | \$ 6,881.00        | \$ 7,019.00        | \$ 33,202.00        | Annual full-time tuition rate   |
| <b>General Fees</b>            |                    |                    |                     |   |
| Athletics                      | \$279.00           | \$279.00           | \$279.00            | Funds intercollegiate athletics, including salaries and team operations.  |
| Educational & Technology       | \$444.86           | \$444.86           | \$444.86            | Funds specialized instructional supplies and services for scientific and information technology equipment.  |
| Health Services                | \$400.15           | \$400.15           | \$400.15            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.   |
| Student Activities             | \$397.97           | \$397.97           | \$397.97            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).               |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.   |
| Debt Service                   | \$185.85           | \$185.85           | \$185.85            | Funds the principal and interest for capital projects. Examples for UNC-Chapel Hill include the Rams Head Rec Center, Student Dining, Student Union, and IM Fields. |
| <b>Total Fees</b>              | <b>\$ 1,737.83</b> | <b>\$ 1,737.83</b> | <b>\$ 1,737.83</b>  |   |
| <b>Total Tuition and Fees</b>  | <b>\$ 8,618.83</b> | <b>\$ 8,756.83</b> | <b>\$ 34,939.83</b> |   |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, UNC-Chapel Hill received approximately \$480 million in appropriations from the North Carolina General Assembly providing an additional \$23,445 towards the total cost of education for each resident student.**

# UNC Charlotte

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

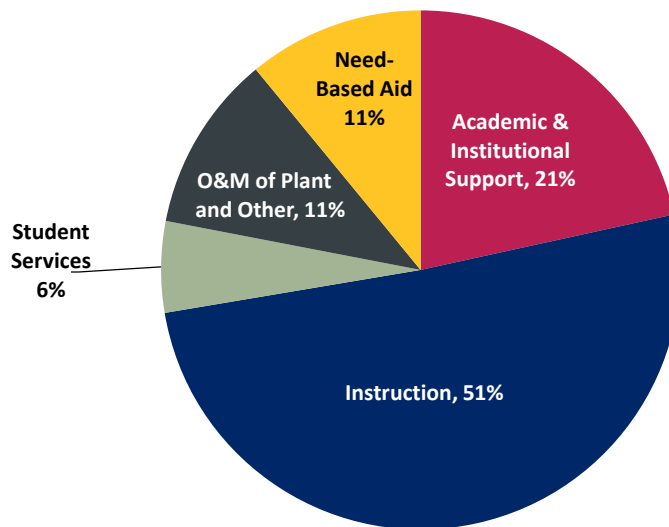
| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |   |
|--------------------------------|--------------------|--------------------|---------------------|---|
| Regular Term Full-Time Tuition | \$ 3,737.00        | \$ 3,812.00        | \$ 17,246.00        | Annual full-time tuition rate   |
| <b>General Fees</b>            |                    |                    |                     |   |
| Athletics                      | \$824.00           | \$824.00           | \$824.00            | Funds intercollegiate athletics, including salaries and team operations.  |
| Educational & Technology       | \$592.00           | \$592.00           | \$592.00            | Funds specialized instructional supplies and services for scientific and information technology equipment.  |
| Health Services                | \$243.00           | \$243.00           | \$243.00            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.   |
| Student Activities             | \$632.00           | \$632.00           | \$632.00            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).                           |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.   |
| Debt Service                   | \$720.00           | \$720.00           | \$720.00            | Funds the principal and interest for capital projects. Examples for UNC Charlotte include the Student Union, Football Stadium, Health Center, and University Recreation Center. |
| <b>Total Fees</b>              | <b>\$ 3,041.00</b> | <b>\$ 3,041.00</b> | <b>\$ 3,041.00</b>  |   |
| <b>Total Tuition and Fees</b>  | <b>\$ 6,778.00</b> | <b>\$ 6,853.00</b> | <b>\$ 20,287.00</b> |   |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, UNC Charlotte received approximately \$265 million in appropriations from the North Carolina General Assembly providing an additional \$11,243 towards the total cost of education for each resident student.**

# UNC Greensboro

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |  |
|--------------------------------|--------------------|--------------------|---------------------|--|
| Regular Term Full-Time Tuition | \$ 4,335.00        | \$ 4,422.00        | \$ 19,581.00        | Annual full-time tuition rate  |
| <b>General Fees</b>            |                    |                    |                     |  |
| Athletics                      | \$761.00           | \$761.00           | \$761.00            | Funds intercollegiate athletics, including salaries and team operations.   |
| Educational & Technology       | \$446.00           | \$446.00           | \$446.00            | Funds specialized instructional supplies and services for scientific and information technology equipment.   |
| Health Services                | \$302.00           | \$302.00           | \$302.00            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.  |
| Student Activities             | \$550.00           | \$550.00           | \$550.00            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).                                  |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.  |
| Debt Service                   | \$707.00           | \$707.00           | \$707.00            | Funds the principal and interest for capital projects. Examples for UNC Greensboro include Athletic Facilities, Gove Health Center, Student Rec Center, and Elliott University Center. |
| <b>Total Fees</b>              | <b>\$ 2,796.00</b> | <b>\$ 2,796.00</b> | <b>\$ 2,796.00</b>  |  |
| <b>Total Tuition and Fees</b>  | <b>\$ 7,131.00</b> | <b>\$ 7,218.00</b> | <b>\$ 22,377.00</b> |  |

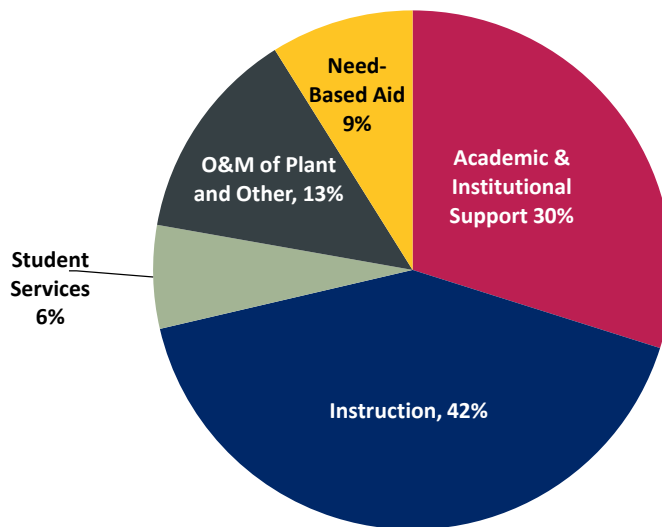
Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, UNC Greensboro received approximately \$185 million in appropriations from the North Carolina General Assembly providing an additional \$11,136 towards the total cost of education for each resident student.**



# UNC Pembroke

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

| Undergraduate Tuition          | Returning Resident* | New Resident*      | Nonresident*       |   |
|--------------------------------|---------------------|--------------------|--------------------|---|
| Regular Term Full-Time Tuition | \$ 1,000.00         | \$ 1,000.00        | \$ 5,000.00        | Annual full-time tuition rate   |
| <b>General Fees</b>            |                     |                    |                    |   |
| Athletics                      | \$747.52            | \$747.52           | \$747.52           | Funds intercollegiate athletics, including salaries and team operations.  |
| Educational & Technology       | \$528.91            | \$528.91           | \$528.91           | Funds specialized instructional supplies and services for scientific and information technology equipment.  |
| Health Services                | \$190.00            | \$190.00           | \$190.00           | Funds medical services for students, including the salaries, maintenance and operation of student health centers.   |
| Student Activities             | \$679.84            | \$679.84           | \$679.84           | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).   |
| Campus Security Fee            | \$30.00             | \$30.00            | \$30.00            | Funds campus safety and security initiatives, including salaries, training, and operations.   |
| Debt Service                   | \$240.00            | \$240.00           | \$240.00           | Funds the principal and interest for capital projects. Examples for UNC Pembroke include the Track & Soccer Complex, Multipurpose Center, Health Services Center, and Campus Rec Outdoor Complex. |
| <b>Total Fees</b>              | <b>\$ 2,416.27</b>  | <b>\$ 2,416.27</b> | <b>\$ 2,416.27</b> |   |
| <b>Total Tuition and Fees</b>  | <b>\$ 3,416.27</b>  | <b>\$ 3,416.27</b> | <b>\$ 7,416.27</b> |   |

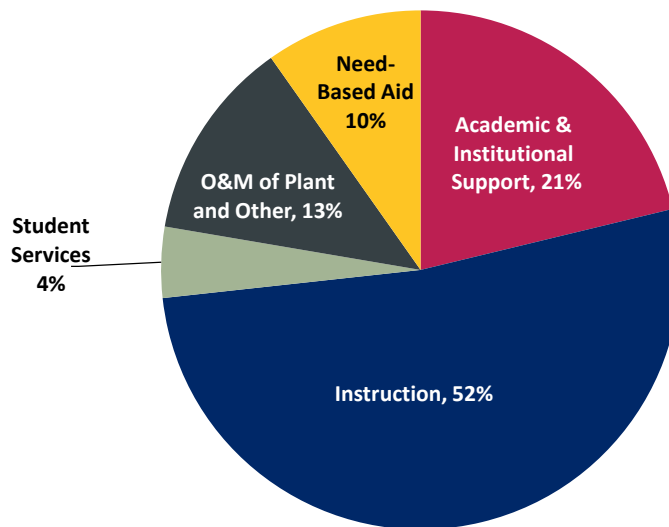
Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, UNC Pembroke received approximately \$59 million in appropriations from the North Carolina General Assembly providing an additional \$11,052 towards the total cost of education for each resident student.**

**\*The reduced tuition is a result of the NC Promise Program, which was established by the North Carolina General Assembly. This program is expected to provide \$16 million in state appropriation to UNCP in FY 2018-19 to support the significant reduction in cost to students.**

# UNC Wilmington

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

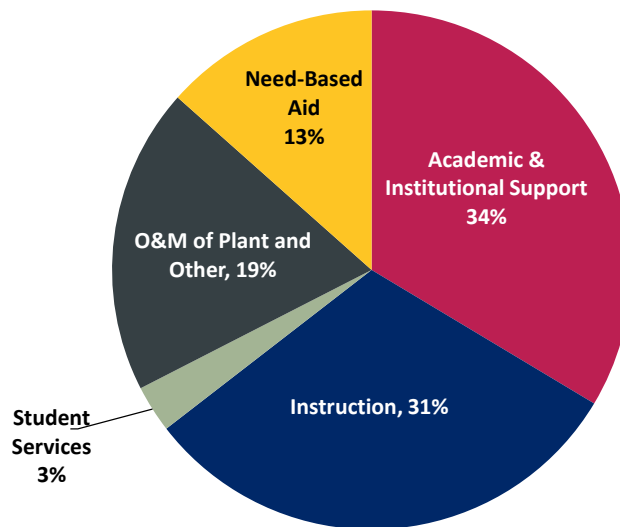
| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |   |
|--------------------------------|--------------------|--------------------|---------------------|---|
| Regular Term Full-Time Tuition | \$ 4,355.50        | \$ 4,443.00        | \$ 18,508.00        | Annual full-time tuition rate   |
| <b>General Fees</b>            |                    |                    |                     |   |
| Athletics                      | \$749.55           | \$749.55           | \$749.55            | Funds intercollegiate athletics, including salaries and team operations.  |
| Educational & Technology       | \$494.24           | \$494.24           | \$494.24            | Funds specialized instructional supplies and services for scientific and information technology equipment.  |
| Health Services                | \$219.00           | \$219.00           | \$219.00            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.                                     |
| Student Activities             | \$687.95           | \$687.95           | \$687.95            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs). |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.   |
| Debt Service                   | \$376.00           | \$376.00           | \$376.00            | Funds the principal and interest for capital projects. Examples for UNC Wilmington include the Campus Recreation Center, and Student Union.           |
| <b>Total Fees</b>              | <b>\$ 2,556.74</b> | <b>\$ 2,556.74</b> | <b>\$ 2,556.74</b>  |   |
| <b>Total Tuition and Fees</b>  | <b>\$ 6,912.24</b> | <b>\$ 6,999.74</b> | <b>\$ 21,064.74</b> |   |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, UNC Wilmington received approximately \$142 million in appropriations from the North Carolina General Assembly providing an additional \$10,761 towards the total cost of education for each resident student.**

# UNC School of the Arts

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |   |
|--------------------------------|--------------------|--------------------|---------------------|---|
| Regular Term Full-Time Tuition | \$ 6,370.00        | \$ 6,497.00        | \$ 22,640.00        | Annual full-time tuition rate   |
| <b>General Fees</b>            |                    |                    |                     |   |
| Athletics                      | \$0.00             | \$0.00             | \$0.00              | UNC School of the Arts do not have an athletic program.   |
| Educational & Technology*      | \$754.00           | \$754.00           | \$754.00            | Funds specialized instructional supplies and services for scientific and information technology equipment.  |
| Health Services                | \$882.00           | \$882.00           | \$882.00            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.                                     |
| Student Activities             | \$748.00           | \$748.00           | \$748.00            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs). |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.   |
| Debt Service                   | \$0.00             | \$0.00             | \$0.00              | UNC School of the Arts do not currently have any debt obligations.  |
| <b>Total Fees</b>              | <b>\$ 2,414.00</b> | <b>\$ 2,414.00</b> | <b>\$ 2,414.00</b>  |   |
| <b>Total Tuition and Fees</b>  | <b>\$ 8,734.00</b> | <b>\$ 8,861.00</b> | <b>\$ 25,004.00</b> |   |

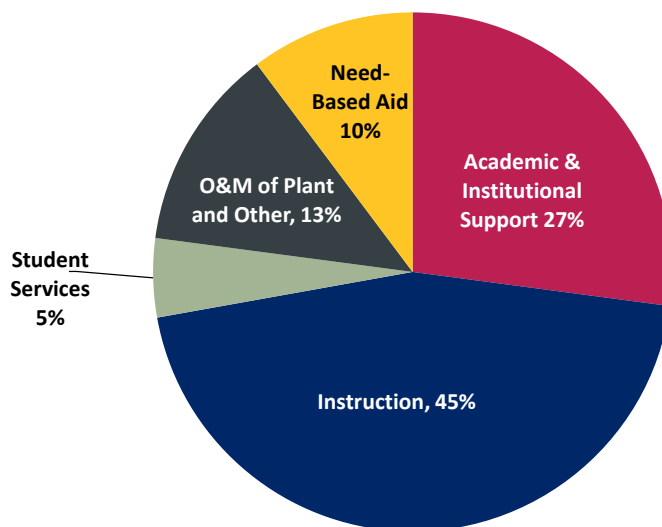
\*Includes Administrative Computing Fee.

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, UNC School of the Arts received approximately \$32 million in appropriations from the North Carolina General Assembly providing an additional \$46,003 towards the total cost of education for each resident student.**

# Western Carolina University

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

| Undergraduate Tuition          | Returning Resident* | New Resident*      | Nonresident*       |   |
|--------------------------------|---------------------|--------------------|--------------------|---|
| Regular Term Full-Time Tuition | \$ 1,000.00         | \$ 1,000.00        | \$ 5,000.00        | Annual full-time tuition rate   |
| <b>General Fees</b>            |                     |                    |                    |   |
| Athletics                      | \$756.00            | \$756.00           | \$756.00           | Funds intercollegiate athletics, including salaries and team operations.  |
| Educational & Technology       | \$544.00            | \$544.00           | \$544.00           | Funds specialized instructional supplies and services for scientific and information technology equipment.  |
| Health Services                | \$306.00            | \$306.00           | \$306.00           | Funds medical services for students, including the salaries, maintenance and operation of student health centers.   |
| Student Activities             | \$618.00            | \$618.00           | \$618.00           | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).   |
| Campus Security Fee            | \$30.00             | \$30.00            | \$30.00            | Funds campus safety and security initiatives, including salaries, training, and operations.   |
| Debt Service                   | \$523.00            | \$523.00           | \$523.00           | Funds the principal and interest for capital projects. Examples for Western Carolina University include the Student Recreation Center, University Center, Brown Hall, Dining Facilities, and Athletic Facilities. |
| <b>Total Fees</b>              | <b>\$ 2,787.00</b>  | <b>\$ 2,787.00</b> | <b>\$ 2,787.00</b> |   |
| <b>Total Tuition and Fees</b>  | <b>\$ 3,787.00</b>  | <b>\$ 3,787.00</b> | <b>\$ 7,787.00</b> |   |

The fee totals also include a \$10 Sustainability Fee.

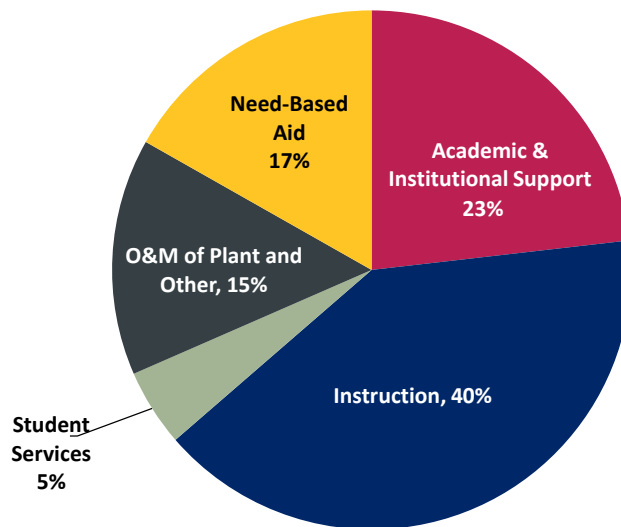
Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, Western Carolina University received approximately \$104 million in appropriations from the North Carolina General Assembly providing an additional \$11,350 towards the total cost of education for each resident student.**

**\*The reduced tuition is a result of the NC Promise Program, which was established by the North Carolina General Assembly. This program is expected to provide \$31 million in state appropriation to WCU in FY 2018-19 to support the significant reduction in cost to students.**

# Winston-Salem State University

## Use of Tuition



All need-based financial aid shown above is supported solely through tuition receipts.

**Academic & Institutional Support** - funds academic and operational administration including university leadership and business functions such as finance, human resources, and legal services

**Instruction** - primarily faculty salaries and benefits, supports all aspects of the direct academic mission of the university

**Need-Based Financial Aid** - provides tuition-related aid to students with a demonstrated financial need

**Student Services** - encompasses the student-related administrative needs of the university including admissions, registrar, academic counseling, and career counseling

**Operation & Maintenance (O&M) of Plant and Other Expenses** - contributes to the operation and maintenance of the physical plant, utilities, and IT infrastructure

| Undergraduate Tuition          | Returning Resident | New Resident       | Nonresident         |   |
|--------------------------------|--------------------|--------------------|---------------------|---|
| Regular Term Full-Time Tuition | \$ 3,335.00        | \$ 3,401.00        | \$ 13,648.00        | Annual full-time tuition rate   |
| <b>General Fees</b>            |                    |                    |                     |   |
| Athletics                      | \$745.00           | \$745.00           | \$745.00            | Funds intercollegiate athletics, including salaries and team operations.  |
| Educational & Technology       | \$416.46           | \$416.46           | \$416.46            | Funds specialized instructional supplies and services for scientific and information technology equipment.  |
| Health Services                | \$267.00           | \$267.00           | \$267.00            | Funds medical services for students, including the salaries, maintenance and operation of student health centers.   |
| Student Activities             | \$530.70           | \$530.70           | \$530.70            | Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).                               |
| Campus Security Fee            | \$30.00            | \$30.00            | \$30.00             | Funds campus safety and security initiatives, including salaries, training, and operations.   |
| Debt Service                   | \$423.00           | \$423.00           | \$423.00            | Funds the principal and interest for capital projects. Examples for Winston-Salem State University include the Student Activities Center and North Campus Acquisitions/Improvement. |
| <b>Total Fees</b>              | <b>\$ 2,412.16</b> | <b>\$ 2,412.16</b> | <b>\$ 2,412.16</b>  |   |
| <b>Total Tuition and Fees</b>  | <b>\$ 5,747.16</b> | <b>\$ 5,813.16</b> | <b>\$ 16,060.16</b> |   |

Beginning in August 2017, resident undergraduate tuition will be frozen for students who remain continuously enrolled for eight semesters.

**In the year ended June 30, 2018, Winston-Salem State University received approximately \$68 million in appropriations from the North Carolina General Assembly providing an additional \$15,379 towards the total cost of education for each resident student.**

**AGENDA ITEM**

B-3. UNC System Debt Capacity Study ..... Rick Whitfield and Michael Juby

- Situation:** The University of North Carolina System Office is required to prepare and submit a Debt Capacity Study to the General Assembly detailing the University's current debt load and capacity to borrow.
- Background:** The appropriations bill adopted by the General Assembly in the fall of 2015 (SL 2015-241) requires the Board of Governors to annually advise the General Assembly and the Governor on the estimated debt capacity of the UNC System for the upcoming five years. The provision also requires each constituent institution to report current and anticipated debt levels to the Board of Governors by February 1<sup>st</sup> of each year in order that the Board can prepare a comprehensive report of the UNC System by April 1<sup>st</sup> of each year.
- Assessment:** Working with its partners at First Tryon Advisors, the University has prepared the FY2017 Debt Capacity Study in compliance with SL 2015-241. This report shows the financial health of the University and its capacity to borrow.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

# The University of North Carolina System Debt Capacity Study

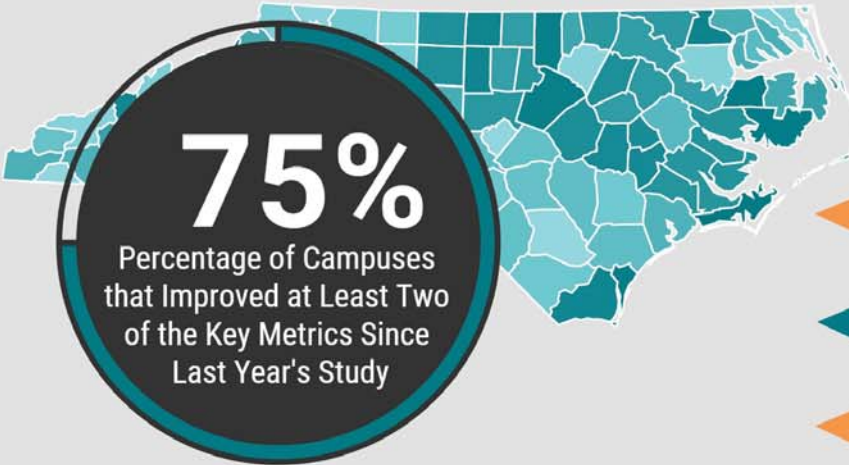


The Debt Capacity Study was prepared by First Tryon Advisors on behalf of the University of North Carolina System



# UNC System Debt Capacity Study

Highlights from the 2017 Study



## Ratio Improvement



**15**

Number of Campuses that Have Developed Debt Policies or Guidelines

**12**  
OUT OF 16

Number of Campuses that Increased Debt Capacity vs. Last Year's Study





| Institution | Moody's | S&P | Fitch |
|-------------|---------|-----|-------|
| ASU         | Aa3     | -   | -     |
| ECSU        | Baa2    | -   | -     |
| ECU         | Aa2     | AA- | -     |
| FSU         | -       | A-  | A+    |
| NCA&T       | A1      | -   | A+    |
| NCCU        | A3      | -   | -     |
| NCSU        | Aa1     | AA  | -     |
| UNCA        | A1      | -   | -     |
| UNCC        | Aa3     | A+  | -     |
| UNCCH       | Aaa     | AAA | AAA   |
| UNCG        | Aa3     | A+  | -     |
| UNCP        | -       | A-  | -     |
| UNCSA       | -       | -   | -     |
| UNCW        | Aa3     | -   | -     |
| WCU         | Aa3     | -   | -     |
| WSSU        | A3      | A-  | -     |

# 15

Number of Campuses that Maintained their Credit Ratings and Outlooks Since Last Year's Study

Key:

Rating Upgrade

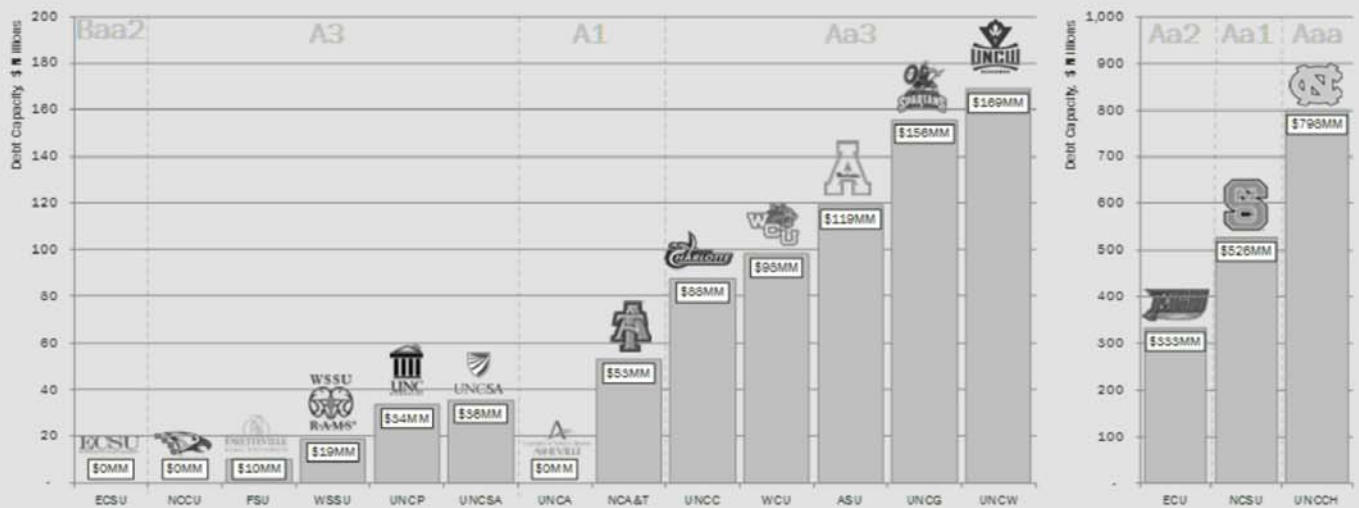
Outlook Improvement

Rating Downgrade

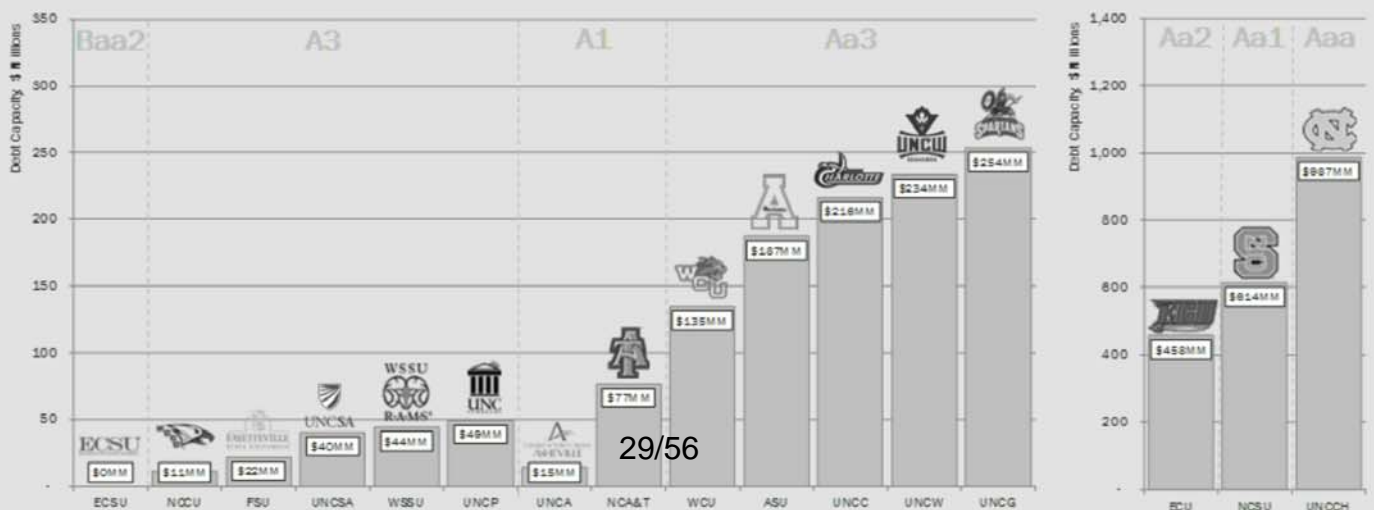
Outlook Deterioration

\*Reflects University's Rating on General Revenue Bonds

## Current Debt Capacity Across the System



## Estimated Debt Capacity Across the System (2021)



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| Appendix C: Study Methodology and Background      | 10 |
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## 2018 Debt Capacity Study

### Purpose of the Study

The Current Operations and Capital Improvements Appropriations Act of 2015, which was signed into law on September 18, 2015, added a new Article 5 to Chapter 116D of the General Statutes of North Carolina (the “**Act**”), requiring each constituent institution (collectively, the “**Campuses**”) of The University of North Carolina (the “**University**”) to provide the Board of Governors of the University (the “**Board**”) with an annual report on its current and anticipated debt levels. The Act requires that the University, in turn, submit to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the State Treasurer and The University of North Carolina System (the “**UNC System**”) an annual study incorporating each Campus report.

This report (the “**Study**”) has been developed to address the Act’s mandate to advise stakeholders “on the estimated debt capacity of The University of North Carolina for the upcoming five fiscal years” and establish “guidelines for evaluating the University’s debt burden.”

The Act also requires the Board to submit a uniform report from each Campus regarding its debt burden and anticipated debt levels, in addition to other data and information relating to each Campus’s fiscal management. Those Campus reports are attached to the Study as **Appendix D**.

### Methodology Used

Because the Act defines “debt” for the purposes of the Study to exclude debt serviced with “funds appropriated from the General Fund of the State,” the Study primarily focuses on special obligation bonds issued under Article 3 of Chapter 116D (“**special obligation bonds**” or “**general revenue bonds**”) and other long-term debt issued on behalf of each Campus to finance various capital facilities, including housing and other enterprise projects.

N.C. Gen. Stat. §116D-26(a) prohibits using the obligated resources of one Campus to secure the debt of another campus, meaning the University has no debt capacity independent of its Campuses’ individual ability to issue debt. The Study does not, therefore, aggregate each Campus’s individual debt levels and obligated resources to derive a University-wide debt capacity measure. Instead, the Study offers a comprehensive review of each Campus’s debt capacity using the guidelines presented in the Act, which the System has presented in detail in the Campus reports included as part of **Appendix D**.

The Act expressly requires the University to establish guidelines for two ratios—**debt to obligated resources** and a **five-year payout ratio**. The Study also includes two additional ratios that are more widely used to measure a public university’s debt burden—**expendable resources to debt** and **debt service to operating expenses**. For more details on the ratios, see the information under the caption “[Description of Ratios](#)” below.

The Study is based on a financial model that has been developed to measure four ratios on a pro forma basis over the next five years (the “**Study Period**”). Recognizing the wide diversity in enrollment, funding sources and missions across each Campus, the UNC System has worked with each Campus to establish tailored and meaningful target policies for its respective ratios.

While a Campus’s ultimate debt capacity is affected by numerous quantitative and qualitative factors, for the purposes of the Study, “**estimated debt capacity**” is defined as the maximum amount of debt each Campus could issue without exceeding its ceiling ratio for debt to obligated resources in any single year of the Study Period.

## Description of Ratios

The model considers the following four ratios:

### Statutory Ratios

| Ratio                              | Explanation  | Commentary  |
|------------------------------------|--|---|
| <b>Debt to Obligated Resources</b> | Compares each Campus's outstanding debt to the funds legally available to service its debt         | <ul style="list-style-type: none"> <li>Provides a general indication of a Campus's ability to repay debt from wealth that can be accessed over time</li> <li>Tied to the statutory framework for Campus debt, so ratio is not used outside the State</li> </ul> |
| <b>Five-Year Payout</b>            | Measures the percentage of each Campus's debt to be retired within the subsequent five year period | <ul style="list-style-type: none"> <li>Indicates how rapidly a Campus's debt is amortizing and how much additional debt capacity may be created in the near term</li> <li>Five year horizon is not widely used</li> </ul>                                       |

### Supplementary Ratios

| Ratio                               | Explanation   | Commentary  |
|-------------------------------------|---|---|
| <b>Debt Service to Operations</b>   | Measures debt service burden as a percentage of each Campus's total operating expenses                | <ul style="list-style-type: none"> <li>Indicates a Campus's operating flexibility to finance existing requirements and new initiatives</li> <li>Uses expenses rather than revenues because expenses tend to be more stable year-over-year</li> <li>Permits comparison to peers outside the State</li> </ul> |
| <b>Expendable Resources to Debt</b> | Measures the number of times each Campus's liquid and expendable net assets covers its aggregate debt | <ul style="list-style-type: none"> <li>Provides a general indication of a Campus's ability to repay debt from wealth that can be accessed over time</li> <li>Permits comparisons to peers outside the State</li> </ul>  |

The first two ratios—**debt to obligated resources** and **five-year payout**—are mandated by the Act. While the ratios provide useful snapshots of each Campus's debt portfolio and fiscal condition, the two ratios are not widely used outside of North Carolina. To provide additional data points and peer comparisons, the Study tracks two additional ratios—**debt service to operations** and **expendable resources to debt**.

Note that the Study uses each Campus's "Available Funds" as a proxy for its obligated resources. "Available Funds" is reported publicly by each Campus with outstanding general revenue bond debt and reflects how Article 3's "obligated resources" concept has been translated into the bond documentation governing each Campus's general revenue bonds. The two concepts are identical for most Campuses, but to the extent there is any discrepancy, "Available Funds" will produce a lower, more conservative figure.

See **Appendix A** for more information on the ratios and the definitions for related terms.

## Overview of Target and Policy Ratios

For the two statutorily-required ratios—**debt to obligated resources** and the **five-year payout ratio**—each Campus has set both a target ratio and a floor or ceiling policy, as applicable. Each Campus's target and policy ratios are summarized below. See **Appendix C** for more information on the methodology each Campus used in setting its target and policy ratios.

### Debt to Obligated Resources

| Institution    |         |      |
|----------------|---------|------|
| ECSU           | Target  | 2.00 |
|                | Ceiling | 2.25 |
| UNCG           | Target  | 2.00 |
|                | Ceiling | 2.50 |
| WSSU           | Target  | 2.00 |
|                | Ceiling | 3.00 |
| FSU            | Target  | 1.80 |
|                | Ceiling | 2.10 |
| UNCP           | Target  | 1.70 |
|                | Ceiling | 2.00 |
| NCCU           | Target  | 1.50 |
|                | Ceiling | 2.00 |
| UNCA           | Target  | 1.50 |
|                | Ceiling | 2.00 |
| UNCC           | Target  | 1.50 |
|                | Ceiling | 1.75 |
| UNCW           | Target  | 1.50 |
|                | Ceiling | 1.75 |
| WCU            | Target  | 1.50 |
|                | Ceiling | 2.00 |
| NCA&T          | Target  | 1.10 |
|                | Ceiling | 1.75 |
| ASU            | Target  | 1.00 |
|                | Ceiling | 1.50 |
| ECU            | Target  | 1.00 |
|                | Ceiling | 1.25 |
| NCSU           | Target  | 1.00 |
|                | Ceiling | 1.25 |
| UNCCH          | Target  | 1.00 |
|                | Ceiling | 1.00 |
| UNCSA          | Target  | 1.00 |
|                | Ceiling | 1.50 |
| Median Target  |         | 1.50 |
| Median Ceiling |         | 1.88 |

### Target Ratio - Expendable Resources to Debt

| Institution   | Policy (NLT) |
|---------------|--------------|
| WSSU          | 0.25         |
| FSU           | 0.35         |
| NCCU          | 0.35         |
| UNCP          | 0.39         |
| UNCA          | 0.45         |
| WCU           | 0.45         |
| ECSU          | 0.50         |
| UNCC          | 0.60         |
| UNCW          | 0.60         |
| UNCG          | 0.65         |
| ASU           | 0.70         |
| NCA&T         | 0.70         |
| ECU           | 0.75         |
| NCSU          | 1.00         |
| UNCSA         | 1.25         |
| UNCCH         | 1.50         |
| Median Target | 0.60         |

### 5-Year Payout Ratio

| Institution   |        |     |
|---------------|--------|-----|
| UNCCH         | Target | 10% |
|               | Floor  | 10% |
| NCA&T         | Target | 15% |
|               | Floor  | 10% |
| NCSU          | Target | 15% |
|               | Floor  | 10% |
| UNCA          | Target | 15% |
|               | Floor  | 10% |
| UNCC          | Target | 15% |
|               | Floor  | 12% |
| WSSU          | Target | 15% |
|               | Floor  | 10% |
| UNCP          | Target | 17% |
|               | Floor  | 10% |
| ECSU          | Target | 20% |
|               | Floor  | 10% |
| FSU           | Target | 20% |
|               | Floor  | 10% |
| UNCG          | Target | 20% |
|               | Floor  | 15% |
| UNCW          | Target | 20% |
|               | Floor  | 15% |
| NCCU          | Target | 20% |
|               | Floor  | 15% |
| ASU           | Target | 25% |
|               | Floor  | 10% |
| ECU           | Target | 25% |
|               | Floor  | 12% |
| UNCSA         | Target | 25% |
|               | Floor  | 12% |
| WCU           | Target | 25% |
|               | Floor  | 15% |
| Median Target |        | 20% |
| Median Floor  |        | 10% |

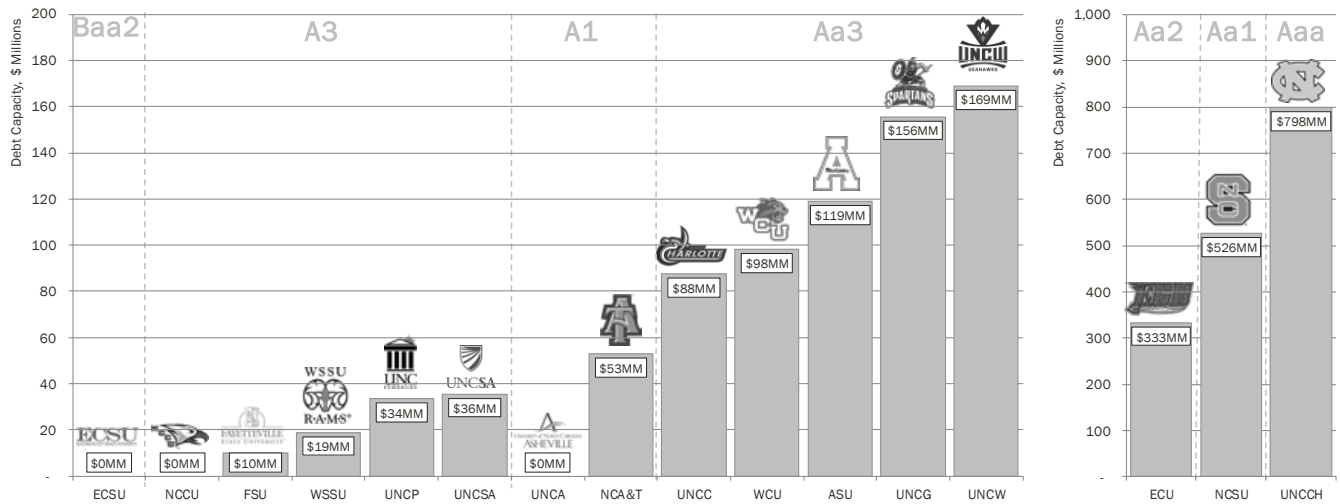
### Target Ratio - Debt Service to Operations

| Institution   | Policy (NTE) |
|---------------|--------------|
| UNCG          | 8.00%        |
| UNCC          | 7.00%        |
| UNCP          | 6.70%        |
| UNCW          | 6.50%        |
| WSSU          | 6.50%        |
| UNCA          | 5.80%        |
| ECSU          | 5.50%        |
| WCU           | 5.40%        |
| ASU           | 5.00%        |
| FSU           | 5.00%        |
| NCCU          | 5.00%        |
| ECU           | 4.00%        |
| NCSU          | 4.00%        |
| UNCCH         | 4.00%        |
| NCA&T         | 3.50%        |
| UNCSA         | 3.00%        |
| Median Target | 5.20%        |

## Conclusions

The following table summarizes each Campus's **current estimated debt capacity** as defined for the purposes of the Study. The numbers in the table reflect the **maximum amount of debt each Campus could issue in fiscal year 2018** without exceeding its ceiling ratio for **debt to obligated resources** during any year of the Study Period, after taking into account any Approved Future Projects. Each Campus's Approved Future Projects, if any, are detailed in its report included as part of **Appendix D**.

### Estimated Debt Capacity Across the System (2018)

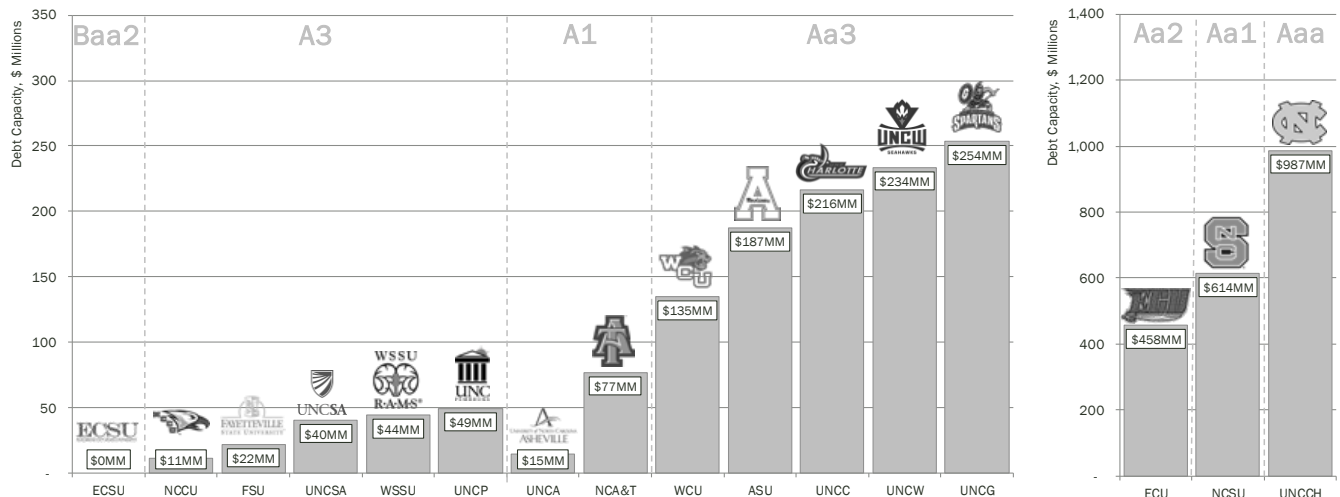


\*The estimated debt capacity figures for ECU, NCSU and UNC have been presented in a separate chart using a compressed scale to make the estimated debt capacity figures for the other Campuses easier to interpret.

\*\*FSU, UNCP and UNCSCA are not currently rated by Moody's. FSU and UNCP have been grouped based on their corresponding ratings from either Standard and Poor's or Fitch; UNCSCA has been grouped based on an estimated Moody's rating of A3.

Generally, debt capacity for each campus will grow over the course of the Study Period. The table below summarizes each Campus's **projected estimated debt capacity for fiscal year 2022**, assuming it issued no debt (other than debt to finance any Approved Future Projects) until the last year of the Study Period.

### Estimated Debt Capacity Across the System (2022)



\*The estimated debt capacity figures for ECU, NCSU and UNC have been presented in a separate chart using a compressed scale to make the estimated debt capacity figures for the other Campuses easier to interpret.

\*\*FSU, UNCP and UNCSCA are not currently rated by Moody's. FSU and UNCP have been grouped based on their corresponding ratings from either Standard and Poor's or Fitch; UNCSCA has been grouped based on an estimated Moody's rating of A3.



The range of capacities reflects the diversity among the Campuses, each with its own strengths, challenges and mission. The Study reflects the general health and proactive management of each Campus's balance sheet, much of which is attributable to the State's history of strong support for the University and its Campuses. The general growth in capacity over the course of the Study Period indicates relatively rapid amortization rates for most Campuses.

**The limited debt capacity shown for UNC Asheville, Winston-Salem State University and North Carolina Central University reflect recent or future financings that have already been approved by the Board and the General Assembly and are already factored into the debt-related ratios for those Campuses.** It is anticipated those Campuses will have relatively modest additional borrowing needs during the Study Period.

A small handful of Campuses are facing significant headwinds in terms of enrollment and revenue growth, which is reflected in their debt capacity results. For those Campuses, improving debt capacity, alone, may not be a priority; instead, their debt capacity will improve as they continue to work with the UNC System to implement new strategies and policies to meet their unique challenges.

While the Study provides useful insight into each Campus's overall fiscal position and capital needs and will help Campuses, policymakers and other stakeholders identify trends and challenges facing each Campus and the University over time, the Study also underscores the unique nature of public higher education debt and the value of General Administration's centralized support and oversight. **The Study's emphasis on aggregate debt and asset levels, then, is valuable, but the current approval process, which is predicated on a collaborative, project-by-project analysis of tailored cost estimates and project-specific sources of repayment, should continue to drive decision-making with respect to any proposed project.**

## Recommendations

### Recommended Use of the Study

Because the Study is framed broadly to accommodate the complexity and diversity of each Campus's mission, business model, size and infrastructure needs, the Study should be used as a general assessment of each Campus's overall fiscal position and to help Campuses, policymakers and other stakeholders identify trends and challenges facing each Campus and the University system over time. Like any other management tool, the Study is not intended as a substitute for the considered judgment of Campus leadership, the UNC System, the Board or the General Assembly. A Campus may be better served, for example, foregoing a project even when it has significant debt capacity or pursuing a financing even if it would cause the Campus to exceed one of its stated target ratios.

While the Study will help policymakers and stakeholders determine when additional scrutiny for a project may be warranted to ensure Campuses are deploying debt prudently and strategically, Campus debt policies and the University's debt approval process—which is predicated on a project-by-project analysis of tailored cost estimates and identified sources of repayment—should continue to drive decision-making with respect to any proposed financing.

The graphic below summarizes how the Study is intended to be integrated into a comprehensive debt management framework that includes each Campus's debt policy and the University's debt approval process.

### Annual Debt Capacity Study

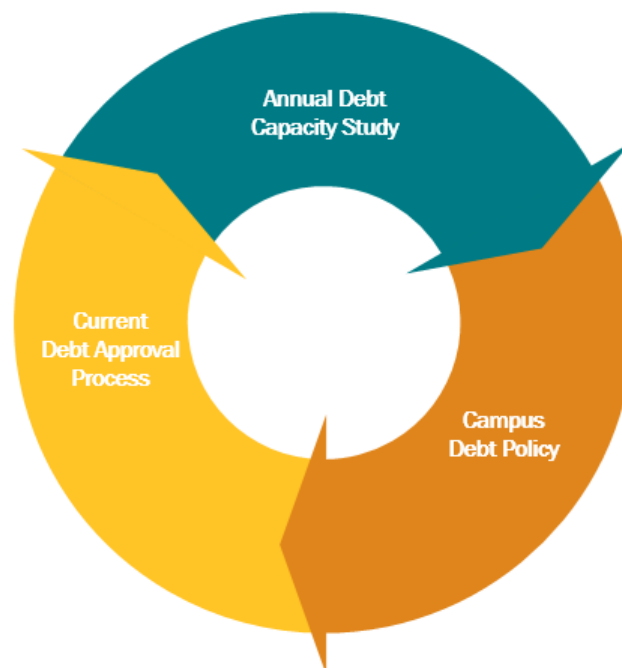
- Provides snapshot of each Campus's current estimated debt capacity
- May indicate when a proposed project requires heightened scrutiny
- Updated annually to reflect (1) newly approved debt, (2) any relevant changes to the Campuses' strategic debt policies and (3) updated Campus financial results and projections

### Campus Debt Policy

- Clarifies each Campus's strategic approach to debt and its capital investment needs
- Establishes criteria for evaluating projects and approving debt, including benchmarks to measure prudent debt levels
- Sets guidelines for pursuing strategic exceptions to stated policies, including specific criteria for approving debt in excess of estimated capacity

### Current Debt Approval Process

- Evaluates each proposed project's affordability based on identified sources of repayment and projected impact on student cost
- Uses estimated debt capacity results to assess strategic value of proposed project in light of a Campus's overall debt burden, mission and needs
- May request and consider additional evaluation criteria when a Campus's estimated debt capacity is limited



## Debt Consolidation Program - Overview

In keeping with the State's constitutional mandate to provide all people of the State with access to the benefits of the University at the lowest practicable cost, the Board and the UNC System are committed to exploring all options that may help the Campuses operate in a more cost-effective manner.

As discussed above and in more detail in **Appendix B**, Campuses generally meet their financing needs by issuing general revenue bonds through the Board under Article 3 of Chapter 116D of the General Statutes of North Carolina, as amended. Under the current approach, the bonds issued on behalf of each Campus are rated and priced based solely on that Campus's ability to repay the debt from its own resources. This siloed approach results in a wide range of borrowing costs across the System, with the smallest Campuses forced to borrow at interest rates that are more than 30% higher than the rates charged to the largest Campuses.

To find a more efficient way for smaller Campuses to access the capital markets, the Board and UNC System are working to develop and implement a new consolidated borrowing structure that would provide credit support to the smallest Campuses without doing harm to any other Campuses in the System. Under the proposed approach, bonds would be issued by the Board and loaned to each participating institution, similar to the pool transactions commonly done in the early 2000s. The bonds would be repaid from each Campus's Available Funds, but they would also be supported by a common reserve fund that the Board would be obligated to replenish using non-appropriated funds, allowing smaller Campus participants to borrow at a single, enhanced interest rate. Before implementing the proposed program, the UNC System is working to ensure the new structure will not negatively impact the credit rating or borrowing capacity of the larger Campuses.



## Appendix A: Key Definitions

**Debt:** Debt incurred under Chapter 116D of the North Carolina General Statutes or any other debt that will be serviced with funds available to the institutions from gifts, grants, receipts, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including debt that will be serviced with funds appropriated from the General Fund of the State.

**Obligated Resources:** Any sources of income or receipts of the Board of Governors or the institution at which a special obligation bond project is or will be located that are designated by the Board as the security and source of payment for bonds issued under this Article to finance a special obligation bond project, including, without limitation, any of the following:

- a. Rents, charges, or fees to be derived by the Board of Governors or the institution from any activities conducted at the institution.
- b. Earnings on the investment of the endowment fund of the institution at which a special obligation project will be located, to the extent that the use of the earnings will not violate any lawful condition placed by the donor upon the part of the endowment fund that generates the investment earnings.
- c. Funds to be received under a contract or a grant agreement, including "overhead costs reimbursement" under a grant agreement, entered into by the Board of Governors or the institution to the extent the use of the funds is not restricted by the terms of the contract or grant agreement or the use of the funds as provided in this Article does not violate the restriction.
- d. Funds appropriated from the General Fund to the Board of Governors on behalf of a constituent institution for utilities of the institution that constitute energy savings as that term is defined in G.S. 143-64.17.

Except as provided in subdivision d. of this subdivision, obligated resources do not include funds appropriated to the Board of Governors or the institution from the General Fund by the General Assembly from funds derived from general tax and other revenues of the State, and obligated resources do not include tuition payment by students.

**5-Year Payout Ratio:** Percentage of each Campus's long-term debt scheduled to be retired during the succeeding five-year period.

**Debt Service to Operations:** Ratio that measures a Campus's debt service burden as a percentage of its total expenses. Ratio uses aggregate operating expenses as opposed to operating revenues because expenses are generally more stable. Operating Expenses also include an adjustment for any noncash charge relating to the implementation of GASB 68.

Debt Service to Operations = (Annual Debt Service) / (Total Operating Expenses)

**Expendable  
Resources  
to Debt:**

Ratio that measures the number of times a Campus's liquid and expendable net assets covers the Campus's aggregate funded debt. In calculating the ratio, the Campus's Unrestricted Net Assets has been adjusted to add any non-cash charges for the period (such as adjustments required by GASB 68).

Expendable Resources to Debt = 
$$\frac{(\text{Adjusted Unrestricted Net Assets} + \text{Restricted Expendable Net Assets})}{(\text{Debt})}$$

## Appendix B: Overview of UNC System Debt

Most debt within the scope of the Study is comprised of special obligation bonds issued by the Board on behalf of each Campus in accordance with Article 3 of Chapter 116D of the General Statutes of North Carolina, as amended (“**Article 3**”). Campuses may use special obligation bonds (or “**general revenue bonds**,” as they are commonly called) to finance any capital facility located at the Campus that supports the Campus’s mission, but only if the Board has specifically designated the project as a “special obligation bond project” in accordance with Article 3.

Article 3 contains procedural safeguards to ensure the thoughtful use of special obligation bonds. For example, before any general revenue bonds are issued, Article 3 requires the approval of the **Campus Board of Trustees**, the **Board of Governors**, the **General Assembly** and the **Director of the Budget** (in consultation, if necessary with the **Joint Legislative Commission on Governmental Operations**).

As part of its approval, the Board of Governors must (1) designate the proposed project as a “special obligation bond project” and the obligated resources that will serve as the source of repayment for the proposed bonds and (2) establish that sufficient obligated resources are reasonably expected to be available to service the proposed bonds. In its report to the General Assembly seeking approval for a proposed Article 3 project, the Board must provide details regarding the project need, expected project costs, expected increases in operating costs following completion (including any contemplated impact on student costs), estimated debt service and the sources and amounts of obligated resources to be used to repay the debt.

Although Article 3 focuses on a Campus’s obligated resources in the aggregate, as a practical matter, the plan of finance for each proposed project is evaluated on a standalone basis. **If a Campus is unable to demonstrate that existing or future revenues associated with a project are sufficient to service the proposed debt, then the financing will generally not move forward unless the project is redesigned to a sustainable and appropriate scale.** Those project-specific revenues may take the form of enterprise system revenues (such as dormitory or dining system revenues) or other dedicated revenue sources (such as capital campaign donations or student fees). Campus debt issued under other legislative authority, including student housing revenue bonds under Article 19 of Chapter 116D, is also subject to procedural safeguards and are evaluated on a project-by-project basis.

This slight disconnect between the statutory framework for evaluating debt capacity—with its focus on **affordability relative to each Campus’s aggregate obligated resources**—and the practical manner in which projects are evaluated and approved—with its focus on **an individual project’s affordability based on a specific source of repayment**—means that the Study presents an inherently conservative picture of each Campus’s debt capacity. While the model’s inherent conservatism encourages prudent planning, the Study’s limitations in evaluating the affordability of any single Campus project should be noted.

Unlike the State of North Carolina’s debt capacity study, for example, where future debt service is paid out of well-defined and relatively predictable revenue streams, Campus projects may be financed through a variety of revenue sources, none of which is easily modeled on a pro forma basis at the aggregate obligated resources level. In addition, the Act establishes a target ratio that compares aggregate debt (which will increase immediately by the full amount of the debt once issued) to obligated resources (which will increase incrementally over time). This means that any new financing will generally reduce the Campus’s debt capacity as reflected in the Study, even if the new project would be entirely supported by new revenues that would not exist but for the project.

None of the Campus debt included in the Study affects the State of North Carolina’s debt capacity or credit rating. Such obligations are payable only from the applicable Campus’s obligated resources (or other pledged revenues) and do not constitute a debt or liability of the State or a pledge of the State’s full faith and credit.

## Appendix C: Study Methodology and Background

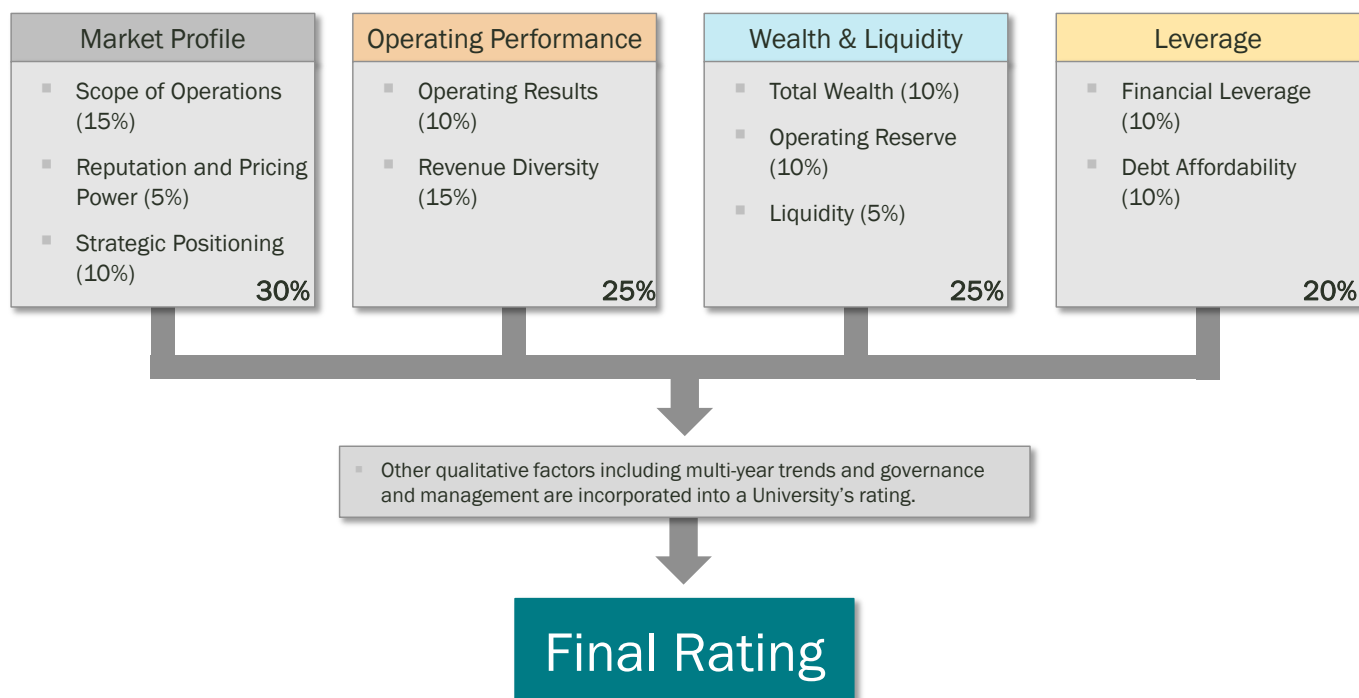
### Overview of Strategic Debt Management and Credit Assessment

The prudent use of debt, in service of each Campus's mission, provides several strategic benefits:

- **Achieving intergenerational equity** – Most capital projects will benefit students for decades. Financing a portion of each Campus's planned capital investments enables each Campus to better align the benefits and financial burdens across multiple generations.
- **Enhancing effectiveness** – A Campus may use debt to invest in transformative projects on an accelerated schedule, permitting the Campus to leverage its resources to better scale its programs, serve its stakeholders and meet its mandated mission.
- **Imposing discipline** – Debt can be used to clarify priorities and reduce other spending that may crowd-out investments necessary for the Campus's long-term health.

Burdensome debt levels, however, can undermine an institution's effectiveness and viability. Debt may diminish a Campus's future operational flexibility and may limit its ability to adapt to future developments and trends in the marketplace. In the worst instances, debt levels may hasten a Campus's decline, creating a downward spiral that exerts ever-increasing pressure on the institution's balance sheet.

Each Campus's credit rating (for those with rated debt) serves as a general barometer of how the rating agencies view the Campus's financial strength and its debt management practices, which, in turn, informs the Campus's reputation in the capital markets. In assessing a public university's creditworthiness, rating agencies generally consider three or four broad categories of factors. The table below summarizes the factors that Moody's Investors Service ("**Moody's**") considers as part of its "scorecard," which guides its credit profile analysis in the higher education sector:



\*The Study focuses on Moody's methodology, as it rates nearly all of the Campuses.

As part of their criteria, the rating agencies give significant weight to various qualitative factors, such as the strength of the institution's leadership, the quality and responsiveness of its long-range planning and the role

of any centralized oversight. In a rating report issued in February of 2016 in connection with a Campus bond offering, for example, Moody's noted that the Campus **"benefits from being part of the UNC system, which has a demonstrated history of strong oversight of member institutions"** and listed the Campus's **"generous operating and capital support from the State of North Carolina"** as a primary credit strength.

For several reasons, the Study has not attempted to tie "debt capacity" to the predicted impact any new debt may have on a Campus's credit rating. First, each Campus's mission and strategic planning should drive its debt management decisions, not the other way around. Managing a Campus's operations solely to achieve a certain credit rating may distort strategic objectives and lead to unintended consequences. As Moody's states in its current Rating Methodology for Global Higher Education (dated November 23, 2015):

"Strategic positioning depends on effective short- and long-range planning, consistent self-assessment and benchmarking, and ongoing monitoring and accountability. ... Determining the appropriate level of investment is a significant challenge, as too little investment can result in a gradual loss of student demand, research funding, or philanthropy if donors feel that the university is in decline. Overinvesting can saddle a college with an unsustainable business model, with revenue unable to support high fixed costs, including debt service."

Second, projecting the exact amount of debt a Campus could issue during the Study Period without negatively impacting its credit rating is difficult. Any single financial ratio makes up only a fraction of the overall credit analysis, and weak ratios may be ignored or deemphasized in a particular situation based on multi-year trends, projections and other qualitative factors. Further, while the Campuses' financial performance has no impact on the State's credit rating, each Campus's credit rating has historically benefitted from the State's strong support and overall financial health. As a result, many Campuses "underperform" relative to the national median ratios for their rating category, making comparisons to median ratios challenging. Finally, because median ratios are not perfectly correlated to rating outcomes, a model that attempts to draw a linear relationship between any single ratio and a projected rating outcome would have limited predictive value.

In this context, **it is important to distinguish "debt capacity" from "debt affordability."** Debt capacity provides a general indication of each Campus's ability to absorb debt on its balance sheet during the Study Period. Debt affordability, on the other hand, evaluates the merits of a specific financing (or a specific amount of debt), taking into account a number of quantitative and qualitative factors relating to the projects under consideration, including project revenues and expenses, cost of funds, competing strategic priorities and the "hidden" costs of foregoing the projects entirely.

### Development of the Financial Model

To support the Study, a financial model has been developed to analyze four financial ratios for each Campus on a pro forma basis over the course of the Study Period. Because Article 3 does not permit the Campuses to pool their obligated resources to form a common source of funds to support all Campus project financings, the Study focuses on the individual Campus data and does not attempt to aggregate each Campus's capacity to derive a University-wide measure of "debt capacity." The other components of the model are designed to assist each Campus in establishing guidelines for maintaining prudent debt levels and for evaluating capital investment priorities in light of fiscal constraints.

Each Campus's debt capacity reflects the amount of debt each Campus could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**. Each Campus has developed its own target policy for each ratio in consultation with the UNC System to ensure the ratio is tailored and meaningful for that Campus's size, mission, resources and average age of plant.

## Methodology for Setting Target Ratios

Because of the differences in each Campus's mission, enrollment, resources and capital needs, imposing a single set of target policies across all Campuses would distort the information produced by the Study—either by generating too much capacity for the larger Campuses or by holding smaller Campuses to unrealistic benchmarks relative to their size and scale. To produce a more meaningful model for each Campus, the Campuses, in consultation with the UNC System, have set their own target policies for the model ratios.

In setting its target policies, each Campus considered many quantitative and qualitative factors, including comparisons to its designated peer institutions, its strategic initiatives, its historical results, its average age of plant, its recent and projected growth and any existing Campus debt policies. As discussed above, the Campuses' credit ratings are bolstered by several favorable qualitative factors, including, most importantly, the State's long history of support. Because the Campuses benefit from those qualitative factors, it follows that many Campuses' quantitative measures are weaker than the median ratios for their assigned rating category. Campuses were not forced, therefore, to set their target ratios directly in line with those median ratios, as that approach would invite quantitative comparisons to larger, wealthier peers. Campuses used median ratios as an important benchmark in setting their policy ratios.

## Other Assumptions and Factors Affecting the Model

The Campus financial model is based on each Campus's financial results as of **June 30, 2017**—the most recent period for which audited financials are available. The model includes debt issued to finance new projects since June 30, 2017, but the model excludes any refinancing, redemption or other debt payments that have occurred during the current fiscal year, building an additional element of conservatism into the model.

The financial model also takes into account any legislatively approved project that each Campus plans to finance during the Study Period. Interest rate assumptions for any pro forma debt are based on conservative, fixed rate projections and are adjusted to account for each Campus's credit rating and the expected term of the financing.

The financial model adds back to each Campus's unrestricted net assets any noncash charge taken in connection with the implementation of GASB 68 and will make similar adjustments for the implementation of related accounting policies in the future.

Finally, by default, the financial model assumes that each Campus's Available Funds, expendable resources and operating expenses will grow by an annual rate equal to the Consumer Price Index (2.10% at the time the model was developed). Each Campus was given the option, however, to adjust the growth factor for each of the model components based on its reasonable expectations for its performance over the Study Period. Any such adjustment, and the factors considered in making the adjustment, is described in the individual Campus reports attached as **Appendix D**.

## Appendix D: Reports from Constituent Institutions

The Reports from Constituent Institutions have been removed as this document is intended to provide a summary of the Study. The entire Study is available on the UNC System's website or you can contact the System directly at (919) 962-1000.



## AGENDA ITEM

B-4. Authorization of Predevelopment Agreement – UNCW ..... Rick Whitfield

**Situation:** University of North Carolina Wilmington requests that the Board of Governors authorize UNCW to enter into a predevelopment agreement with Balfour Beatty Campus Solutions (the Developer) in connection with a project to redevelop student housing facilities. This project includes the development of approximately 1,800 beds and the construction of related parking facilities on UNCW's Millennial Campus.

**Background:** The Board of Governors is authorized under §116-198.34 to (1) designate real property held by a constituent institution as a Millennial Campus of the institution, (2) to provide for the acquisition and construction of projects located on the Millennial Campus, and (3) to enter into contracts and agreements related to the acquisition and construction of such projects.

At UNCW's request, the Board previously designated a portion of UNCW's campus as a Millennial Campus to facilitate the development of a new student housing village. UNC Wilmington conducted a competitive selection process which included a request for qualifications followed by requests for proposals to solicit public-private partnership proposals for the development of the project. Based on the results of that process, UNCW determined that, when compared to UNCW's traditional delivery and financing options, a public-private partnership model would deliver additional value and savings to UNC Wilmington, reduce the time frame for project delivery, and lower student rental rates necessary to support the project.

The Board previously authorized UNCW to enter into a predevelopment agreement with the Developer under which UNCW would be responsible for up to \$373,500 of the Developer's advance planning costs (including design work, testing, research, and limited site development) prior to the negotiation and approval of the ground lease. UNCW now seeks the Board's authorization to enter into a predevelopment agreement to advance the project's design and development plans through financial close.

**Assessment:** UNCW would be responsible for no more than half of the Developer's advance planning costs through financial close, unless UNCW determines that it is in its best interests to unilaterally terminate the predevelopment agreement without cause, in which case UNCW may be responsible for the full amount of the Developer's advance planning costs through the date of termination in an amount not to exceed \$6,902,072. UNCW would be responsible for its share of such costs only if the project failed to move forward. If the project reaches financial close, all predevelopment costs would be financed from the proceeds of the financing to be provided by the nonprofit owner of the project. UNCW will request Board approval of the ground lease's terms and conditions once those terms have been finalized.



**Action:**

This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

**AGENDA ITEM**

B-5. Authorization of Predevelopment Agreement– ASU ..... Rick Whitfield

**Situation:** Appalachian State University requests that the Board of Governors authorize Appalachian to enter into a predevelopment agreement in connection with a project to redevelop student housing facilities, replace approximately 1,797 existing beds, add approximately 325 new beds, and add related surface and structured parking (the “project”) on Appalachian’s Millennial Campus. The project is to be executed in multiple phases, the first of which includes the construction of approximately 608 new beds and a structured parking facility.

**Background:** The Board of Governors is authorized under G.S. 116-198.34 (1) to designate real property held by a constituent institution as a "Millennial Campus" of the institution, (2) to provide for the acquisition and construction of projects located on the Millennial Campus, and (3) to enter into contracts and agreements related to the acquisition and construction of such projects.

At Appalachian’s request, the Board previously designated a portion of the campus as a Millennial Campus to facilitate the development of multiple facilities. Appalachian conducted a competitive selection process which included a request for qualifications followed by requests for proposals to qualify potential developers and solicit public-private partnership proposals for the development of the project. Based on the results of that process, Appalachian determined that, when compared to Appalachian’s traditional delivery and financing options, a public-private partnership model would deliver additional value and savings to Appalachian, reduce the timeframe for project delivery, and result in lower student rental rates necessary to support the project.

Appalachian is requesting the Board’s authorization to enter into a predevelopment agreement with the developer selected through a competitive procurement process to advance the design and development plans of the first phase of the project.

**Assessment:** The predevelopment agreement will allow Appalachian and the developer to continue to refine design concepts and related cost estimates to ensure project feasibility and affordability without causing a delay in the project’s anticipated timeline. Under the predevelopment agreement, the developer will be responsible for up to \$1,700,000 which represents all of the developer’s advance planning soft costs (including design work, testing, and research costs). In addition, Appalachian will be responsible for up to \$3,700,000 which represents certain limited site development costs prior to the negotiation and approval of the ground lease for the first phase of project development. The predevelopment agreement will provide that Appalachian will be obligated for the site development costs only if the project fails to move forward. If owed, such funds will be payable from housing reserves funded from housing receipts. The developer will be

responsible for all of the advance planning soft costs related to predevelopment activities defined in the agreement unless Appalachian determines that it is in its best interests to unilaterally terminate the predevelopment agreement without cause, in which case Appalachian may elect to purchase the work product from the developer. If this should happen, Appalachian would seek authorization from the Board prior to exercising the option to purchase the work product. If the project reaches financial close, all advance planning costs would be financed from the proceeds of the financing to be provided by the nonprofit owner of the project. Appalachian will request Board approval of the terms and conditions in the ground lease once those terms have been finalized.

**Action:**

This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

**AGENDA ITEM**

B-6. Millennial Expansion Request – WCU .....Mike Byers

**Situation:** The Board of Trustees of Western Carolina University has requested that the Board of Governors designate as a Millennial Campus specified property across multiple sites for the construction of radio and communication towers; public-private partnership opportunities; and regional economic development initiatives in support of Western Carolina University's mission.

**Background:** G.S. 116-198 Article 21B: The Centennial Campus, the Horace Williams Campus, and the Millennial Campuses Financing Act define the process for seeking the Millennial Campus designation. The legislation states that the Board of Governors may act on recommendations by the president of the University of North Carolina System after consultation with the chancellor and the board of trustees of a constituent institution to designate real property held by, or to be acquired by, a constituent institution as a Millennial Campus of the institution.

That designation shall be based on an express finding by the Board of Governors that the institution desiring to create a Millennial Campus has the administrative and fiscal capability to create and maintain such a campus. Furthermore, the Board of Governors has found that creating the constituent institution's Millennial Campus will enhance the university's research, teaching, and service missions, as well as the economic development of the region served by the institution.

**Assessment:** The Millennial Campus concept has been widely and successfully used by NC State University, UNC-CH, N.C. A&T/UNCG, ASU, ECU, UNCC, UNCW, and WCU. The proposed construction of radio and communication towers will allow WCU to meet its requirements pursuant to the award of a frequency by the FCC, and will also allow the university to contract with third party communication providers for the lease of space on the tower(s) for cellular telephone communication services and broadband internet services. Other sites referenced pursuant to this designation request will allow WCU to more fully take advantage of public-private partnership opportunities with regard to current business operations as-well-as the design and construction of campus buildings in the future. The expansion of the Millennial Campus would not alter the level of oversight required by the Board of Governors for WCU property transactions.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## **Millennial Campus Designation – WCU**

### **ISSUE OVERVIEW**

The 2000 session of the General Assembly authorized the Board of Governors to designate a Millennial Campus at each constituent institution when the Board finds that such a designation will enhance not only the institution's research, teaching, and service missions, but also the economic development of the region served by the institution. The legislation states that the Board should act on the recommendation of the president after the president has consulted with the chancellor and the board of trustees. The designation shall be based on the finding that the institution has the administrative and fiscal capacity to create and maintain such a campus. Each Millennial Campus would function in a manner similar to the Centennial Campus at North Carolina State University, and each would be exempt from the provisions of the Umstead Act.

The Western Carolina University Board of Trustees has requested that the Board of Governors designate as a Millennial Campus specified property across multiple sites for the construction of radio and communication towers; public-private partnership opportunities; and regional economic development initiatives in support of Western Carolina University's mission. The sites are in close proximity to campus or are located on the main campus. The purpose behind this millennial designation request conforms to the WCU Strategic Plan and is in accordance with the WCU Campus Master Plan.

### **RECOMMENDATION**

The president has completed the required consultations and recommends that the Board approve the request for Western Carolina University to be granted an expansion of its Millennial Campus status. The campus has the administrative and fiscal capacity that is required, and the activities to be performed on the Millennial Campus would advance regional economic development.



# WCU Millennial Campus Expansion Request

Board of Governors

Finance & Audit Committee

May 2018



# Overview of Request



## **BACKGROUND INFORMATION:**

North Carolina statute permits the Board of Governors of the University of North Carolina to designate real property and facilities as a Millennial Campus at constituent institutions, to enhance the institution's research, teaching, and service missions as well as enhance the economic development of the Western North Carolina Region.

In 2006, the UNC Board of Governors authorized Millennial Designation and created a Millennial Campus at WCU.

## **REQUEST:**

**Additional properties should be added to expand the existing WCU Millennial Campus by adding 6 sites, enabling public-private partnership opportunities for communications infrastructure, student housing, faculty/staff housing, mixed use facilities, and athletics.**

## Overall Plan

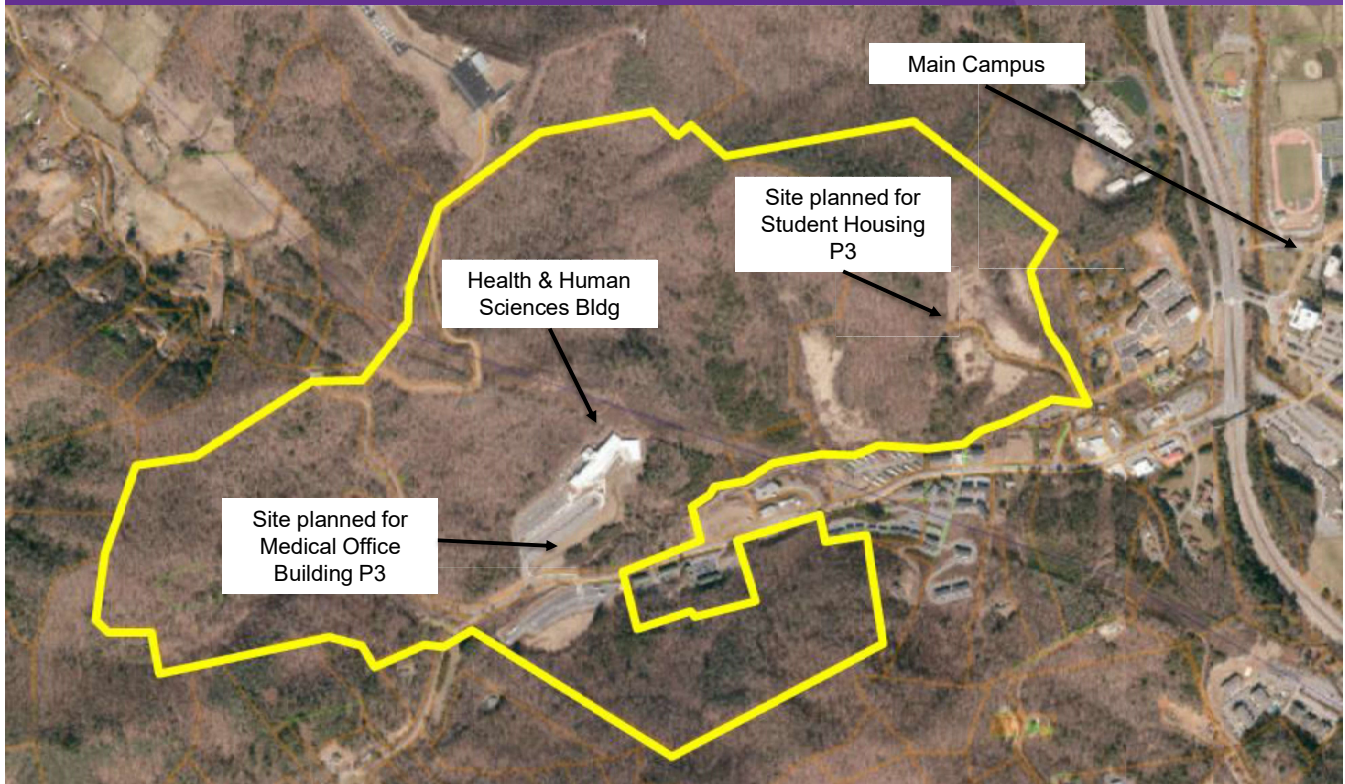
(Less Cullowhee Mountain Site)





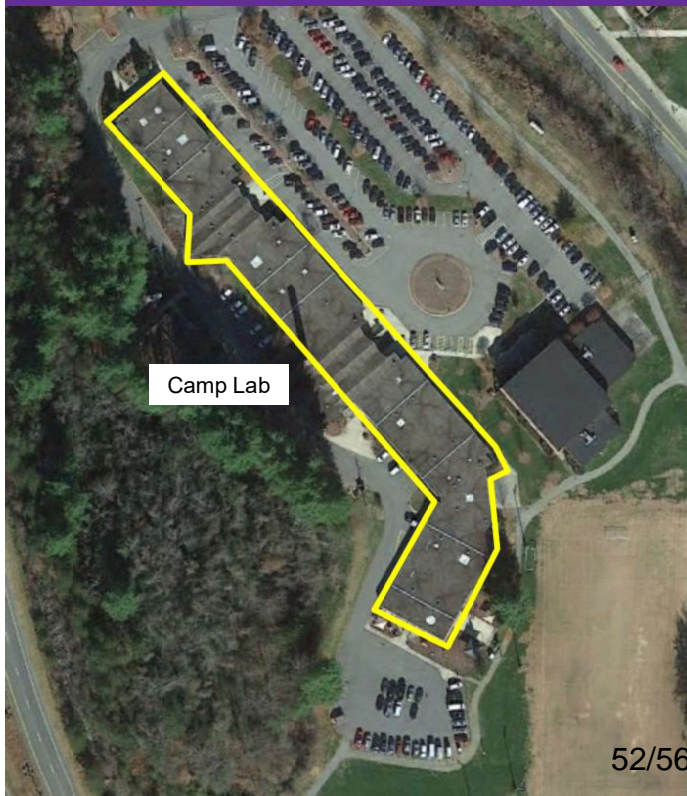
# Existing Millennial Property

(West of Hwy 107)

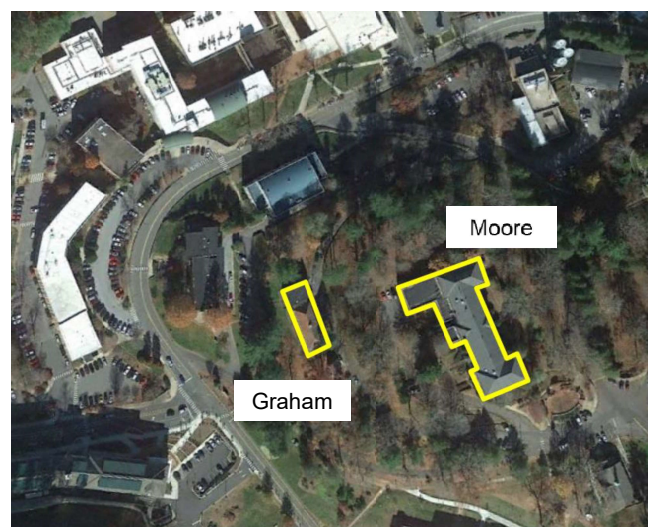


# Existing Millennial Property

(East of Hwy 107)



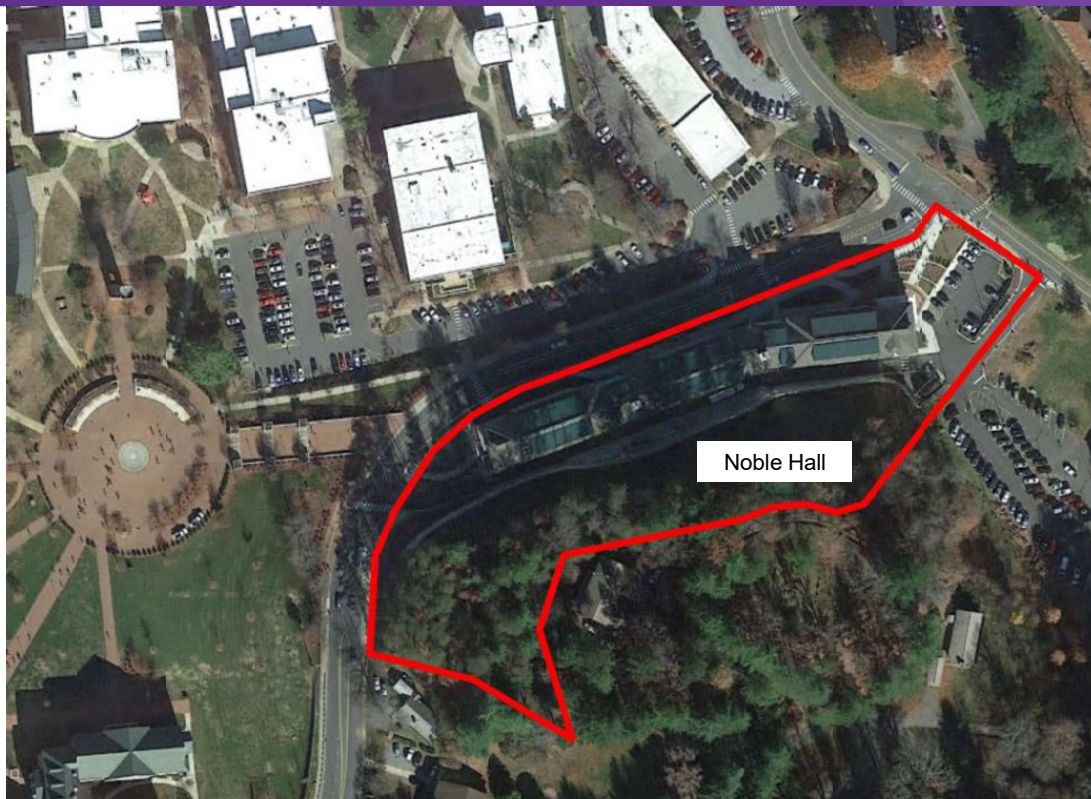
- Camp Building
- Graham Building (to be demolished)
- Moore Building





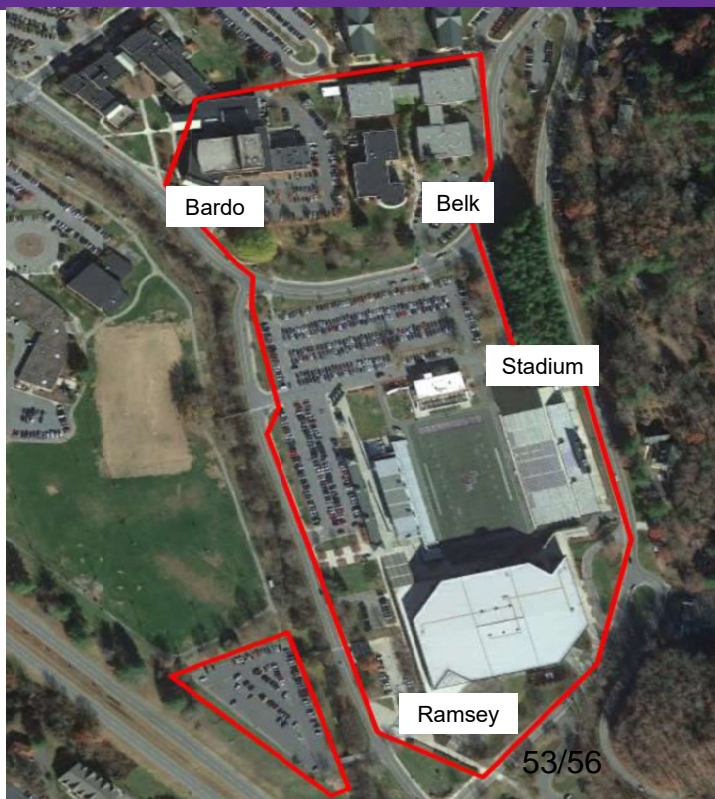
# Proposed Millennial Property

## (Noble Hall)



# Proposed Millennial Property

## (Stadium, RAC, Belk & Bardo)



Potential Millennial Initiatives:

**P3 Facilities Improvements,  
Service Offerings, and  
Technology Transfer**



# Proposed Millennial Property

## (Norton Road)



Potential Millennial Initiative:

**Student Housing P3**

# Proposed Millennial Property

## (Old Cullowhee)

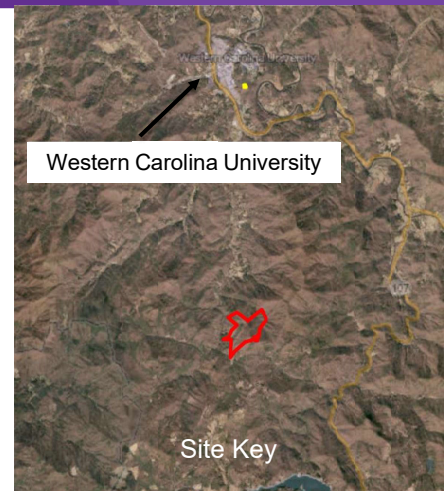
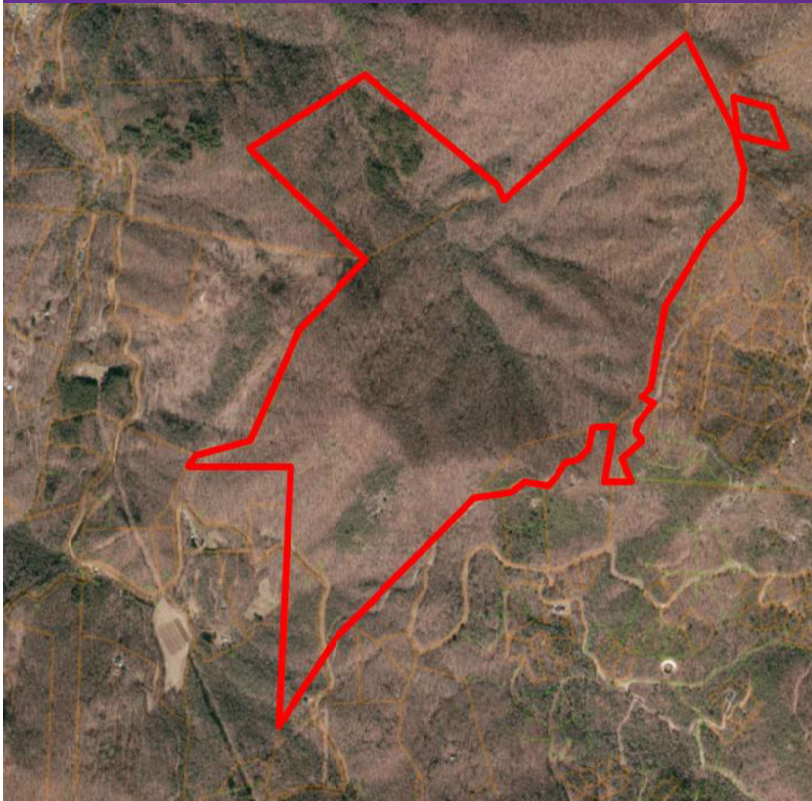
Potential Millennial Initiative:

- **Dam Removal / Riverpark development**
- **Mixed Use Housing P3 Development**





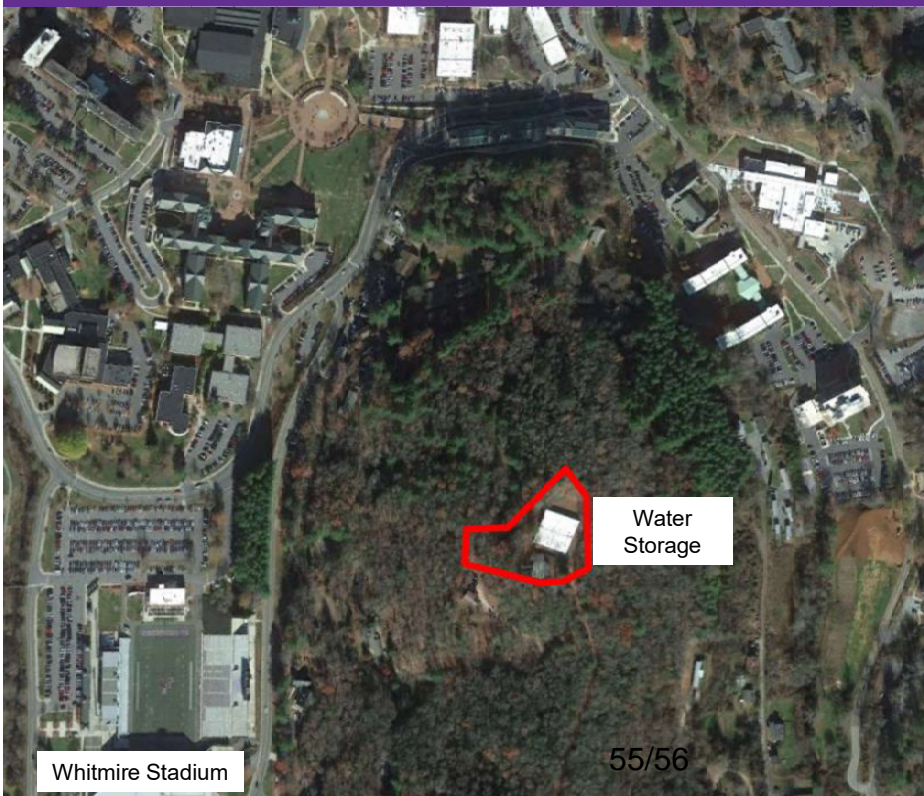
# Proposed Millennial Property (Cullowhee Mountain)



Planned Millennial Initiative:

**Communications Tower**

# Proposed Millennial Property (Brown Mountain/Reservoir Ridge)

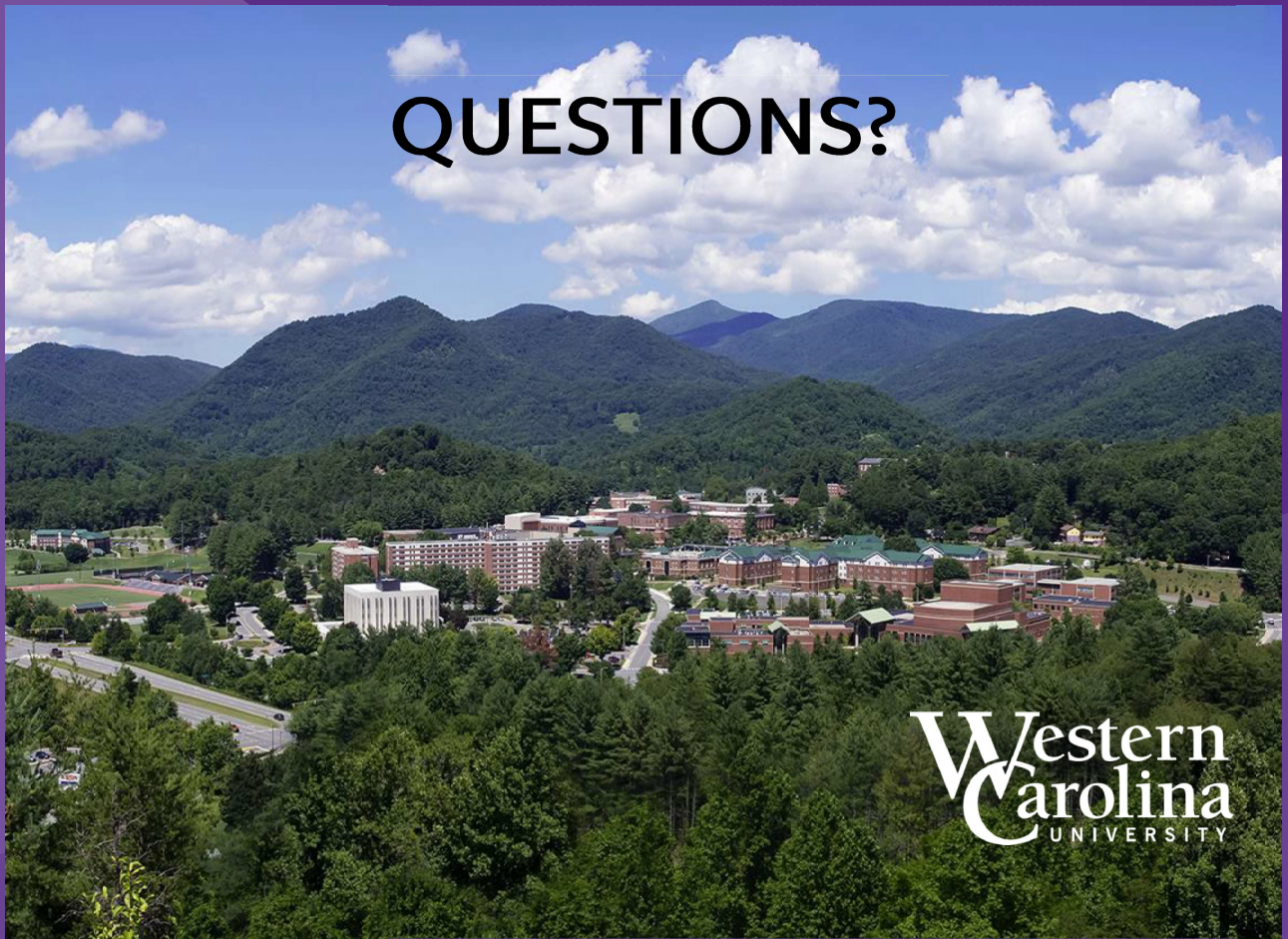


Planned Millennial Initiative:

**Communications Tower**



# QUESTIONS?



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