

COMMITTEE ON BUDGET AND FINANCE

Board Room, William Jones Building

North Carolina Central University

Durham, North Carolina

Thursday, February 12, 2004, 1:15 p.m.

AGENDA

Minutes of the meetings of January 8 and 9, 2004

1. Revision of Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions
2. Authorization of Tuition for 2004-05
3. Authorization of Fees for 2004-05
4. Authorization of New Capital Improvements Projects – East Carolina University
5. Authorization of the Sale of Pooled Revenue Bonds
6. Report on Overhead Receipts [Facilities and Administrative (F&A) Receipts]
7. Disposition of Property – University of North Carolina at Chapel Hill

DISCUSSION

1. A progress report on the UNC Bond Program

Minutes of the January 8, 2004 Meeting
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in the Board Room of the General Administration Building in Chapel Hill, North Carolina, on Thursday, January 8, 2004, at 12:00 noon.

Members in attendance were: Mr. R. Steve Bowden, Mr. F. Edward Broadwell, Jr., Mr. William L. Burns, Jr., Mr. Ray S. Farris, Ms. Hannah D. Gage, Mr. Peter D. Hans, Mr. Jim W. Phillips, Jr., and Mr. Benjamin S. Ruffin. Necessarily absent was Governor James E. Holshouser, Jr. Other Board of Governors' members attending the meeting were G. Irvin Aldridge, James G. Babb, Brent D. Barringer, Anne W. Cates, Jonathan L. Ducote, Adelaide Daniels Key, G. Leroy Lail, Charles S. Norwood, Gladys Ashe Robinson, and Priscilla P. Taylor. Others attending the meeting were President Molly Corbett Broad, Vice Presidents Jeffrey R. Davies, J.B. Milliken, and Leslie Winner; Special Assistant to the University Kennis R. Grogan; Associate Vice Presidents Elizabeth C. Bunting, David L. Harrison, Ginger B. Jones, Robert O. Nelson, Dwayne L. Pinkney, Robert J. Samors, and James O. Smith; Associate Vice President and University Property Officer Terrance Feravich; Assistant Vice Presidents Shari Harris and Claudia Odom; Director of Development Laura A. Foxx; Ms. Charlotte Todd of the Fiscal Research Division of the General Assembly; Ms. Anne Bander of the State Budget Office; Mr. Bruce Runberg, Associate Vice Chancellor for Facilities at UNC-Chapel Hill, and members of the press.

Chairman Phillips called the meeting to order. The minutes of the meeting of November 13, 2003 were approved.

1. The 2003 Session of the North Carolina General Assembly enacted legislation granting the Board of Governors additional responsibilities for the management of purchasing contracts.

Session Law 2003-312 authorized the Board of Governors to set separate purchasing benchmarks for each special responsibility constituent institution (SRCI) at levels up to \$500,000, doubling the prior benchmark of \$250,000.

Session Law 2003-228 provided additional purchasing flexibility for procurements made from non-general fund sources, and further provided authority to purchase materials, supplies, and services from sources other than those certified on the State's term contracts, subject to certain conditions.

At its September 2003 meeting, the Board of Governors voted to incorporate needed revisions to accommodate the legislative actions into The Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions. Policy 600.3.1 with revisions shown by underlines was attached and required formal ratification.

It was recommended that the policy outlining the Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions be ratified at the February 2004 meeting of the Board of Governors.

Mr. Broadwell proposed an amendment to the policy as follows:

A.1.

- i. The Chancellor shall ensure that procedures and support systems are in place to provide for the effective operation and maintenance of all existing campus buildings and infrastructure. New facilities financed by the 2000 Higher Education Bond Program or any other sources of funds shall become a part of an effective program of preventive maintenance from the time that construction is completed. Procedures shall also be in place to assure proper accountability and safeguarding of all fixed assets and other items purchased by the University.

On the motion of Mr. Broadwell, seconded by Mr. Farris, the recommendation was approved as amended. Policy 600.3.1 as amended is attached to these minutes.

2. In October 2001, the Board of Governors authorized North Carolina State University and the University of North Carolina at Chapel Hill to implement a commercial paper program through the periodic issuance of tax-exempt commercial paper bonds. The initial maximum authorized borrowing amount was established at \$100 million. The Commercial Paper Program had been very successful. UNC-Chapel Hill had used \$42.9 million and North Carolina State had used \$25 million of the existing authority. UNC-Chapel Hill's short-term debt was replaced in December with a 30-year issue. NC State's short-term indebtedness was paid down in June 2003 when debt was issued for a new residence hall. Those issues reinstated the original \$100 million authority for the Commercial Paper Program.

North Carolina State University and the University of North Carolina at Chapel Hill had benefited from the Commercial Paper Program and, based on cash-flow analyses, now requested that the maximum authorized borrowing amount be increased by \$150 million. The new maximum not to exceed amounts would be \$60 million for North Carolina State University and \$190 million for UNC-Chapel Hill. These amounts were based on projections of need from each institution's Chief Financial Officer.

Commercial paper was short-term, unsecured debt issued in the form of promissory notes, and presented an alternative to borrowing from banks. A commercial paper program provided the issuer access to a flexible, low cost source of capital to provide bridge financing for projects. The program was available only to fund projects, on an interim basis, previously approved by the Board and the General Assembly, up to the authorized maximum amount. The additional bonds would be issued by the Board of Governors but would be an obligation of the constituent institution secured by available funds excluding state appropriations, tuition, and restricted gifts. Funds would be drawn on an as-needed basis for capital expenditures. The program would be repaid with proceeds from a long-term bond issue, gift receipts, or other sources.

The Commercial Paper Program had allowed North Carolina State University and UNC-Chapel Hill to issue long-term debt less frequently than in the past and provided greater flexibility over the timing of bond issues. The less frequent issuance of bonds reduced the costs of issuance and achieved more attractive debt service costs. Tax-exempt commercial paper rates were often several percentage points lower than commercial bank loans.

It was recommended that the following Resolution be adopted and that the Vice President for Finance be authorized to issue bonds as needed to carry out the commercial paper bonds program up to a maximum of an additional \$150 million.

AN AMENDED AND RESTATED RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF BONDS DESIGNATED "UNIVERSITY OF NORTH CAROLINA SYSTEM COMMERCIAL PAPER BONDS (UNC AT CHAPEL HILL/NC STATE)," AS SPECIAL OBLIGATIONS OF THE BOARD PAYABLE FROM THE REVENUES PLEDGED THEREFOR; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS THEREOF; AND DETERMINING AND PROVIDING VARIOUS MATTERS RELATED TO THE AUTHORIZATION ISSUANCE, SALE, DELIVERY AND SECURITY OF SUCH BONDS.

On the motion of Mr. Farris, seconded by Ms. Gage, the recommendation was approved.

3. The Board of Trustees of The University of North Carolina at Chapel Hill had requested authority to establish two new capital improvements projects.

The first project would provide for the renovation of approximately 2,500 square feet of space at 410 East Franklin Street and the addition of 700 square feet to the existing facility. When the project was completed, the Center for the Study of the American South, which was currently located in Hamilton Hall, would relocate to the facility. This would free additional space in Hamilton Hall for the departments of History, Sociology, and Political Science. The project was estimated to cost \$300,000 and would be financed from private gifts.

The second project would provide for the renovation of the Hamilton Hall basement. This 3,300 square-foot renovation would provide dry lab storage space for the Anthropology Department. The project was estimated to cost \$980,000 and would be financed from facilities and administrative receipts.

It was recommended that the projects be authorized and that the methods of financing as proposed by The University of North Carolina at Chapel Hill be approved.

On the motion of Ms. Gage, seconded by Mr. Bowden, the recommendation was approved.

4. The Board of Trustees of The University of North Carolina at Chapel Hill had requested the approval of the exchange of property between The University of North Carolina at Chapel Hill Foundation, Inc. and The University of North Carolina at Chapel Hill.

The University property was located at 412 East Rosemary Street in Chapel Hill. It was a .276-acre lot with a 1,716 square foot house as an improvement. The house was currently used as a rental property and the University had no long-term need for the property. The University had received appraisals for the property that ranged from \$237,000 to \$300,000.

The Foundation was currently negotiating the purchase of property at 606 Cameron Avenue in Chapel Hill. The Cameron property was .19 acres with an approximate 3,511-square-foot improvement that was currently under construction. Appraisals for this property ranged from \$153,000 to \$200,000 and did not include the improvements underway. The Cameron property would be the subject of the exchange with the University once the Foundation's purchase of the property was complete.

The Cameron property was uniquely located between a parcel owned by the University and three other parcels along West Cameron Avenue to the corner of South Graham Street in Chapel Hill. In the short term, the properties along West Cameron Avenue would be used to address a parking shortage for employees who worked at the cogeneration facility, which was located across the street from the Cameron property. The Cameron property was also located at a key corner of the main campus adjacent to the railroad line that connected to the future site of the proposed Carolina North campus.

It was recommended that the request of the Board of Trustees be approved and transmitted to the Council of State for final action.

On the motion of Mr. Farris, seconded by Mr. Burns, the recommendation was approved.

At the Chairman's request, Vice President Davies reported on the progress of mold-related projects at NCCU. The Governor had directed that the Office of State Construction oversee the project for remediating mold and making improvements in New Residence Halls 1 and 2 in December. As of January 8, 2004, the Office of the President had not received a scope of work for the mold remediation efforts by State Construction and a source of funds for the work had not been reported.

Chairman Phillips then stated that the campus proposals for increases in tuition and fees would be discussed at a Workshop in the Board Room the next day and urged all to attend. The Committee would make a recommendation to the Board for consideration at its February meeting. Mr. Farris asked that the Tuition and Fee Policy be made available to all at the workshop. Chairman Phillips wanted the Board to have adequate time to consider all tuition and fee proposals; therefore a special meeting was called for Friday, February 6, at 10:00 a.m. in Chapel Hill for discussing the tuition proposals.

Chairman Phillips then requested the Bond Update Report. Associate Vice President Pinkney stated that the increase in construction contract commitments had spurred an increase in monthly expenditures of bond funds. The expenditures were anticipated to approach \$70,000,000 per month at the peak of construction later in 2004. The expenditures would continue to fuel the recovery of the State's economy and to engage Historically Underutilized Businesses (HUB) at a level well beyond the State's goal of 10%. The Higher Education Bond Oversight Committee had met on December 8, 2003. The Committee continued to express confidence in the management of the program. Assistant Vice President Harris then presented the HUB Report. As of this report, HUB contractors had been awarded \$204 million (16.3%) of the Bond Program construction dollars. \$123 million of this amount was awarded during calendar year 2003. CM at Risk projects continued to demonstrate high levels of participation.

On the motion of Ms. Gage, seconded by Mr. Hans, the Committee went into closed session, on the advice of counsel, to instruct the staff concerning the negotiation of the price and terms of contracts concerning the acquisitions of real property and to consult with legal counsel to consider and give instructions concerning a potential or actual claim.

CLOSED SESSION

The Committee returned to open session.

There being no further business, the meeting was adjourned.

Mr. Jim W. Phillips, Jr.
Chairman of the Committee
on Budget and Finance

Mr. F. Edward Broadwell, Jr.
Secretary of the Committee
on Budget and Finance

Minutes of the January 9, 2004 Meeting
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance hosted a workshop in the Board Room of the General Administration Building in Chapel Hill, North Carolina, on Friday, January 9, 2004, at 9:30 a.m. The purpose of the meeting was to discuss Board-initiated tuition increase proposals, campus-initiated tuition increase proposals, and fee proposals.

Members of the Committee on Budget and Finance, other Board of Governors' members, Chancellors, Office of the President staff, representatives from State government agencies, and members of the press were in attendance.

Chairman Phillips convened the meeting and announced that on Friday, February 6, 2004, at 10:00 a.m., in the Board Room, there would be a special Budget and Finance Committee meeting for the purpose of discussing all tuition and fee proposals. Mr. Phillips discussed briefly the constitutional and statutory authority for the establishment of tuition and fees by the Board of Governors and brought those in attendance up-to-date on actions of the last few years.

At the Chairman's request, Vice President Davies presented detailed information regarding tuition and fee proposals submitted by each constituent institution. Questions and comments were entertained during the presentation.

There being no further business, the meeting was adjourned.

Mr. Jim W. Phillips, Jr.
Chairman of the Committee
on Budget and Finance

Mr. F. Edward Broadwell, Jr.
Secretary of the Committee
on Budget and Finance

Revision of Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions

At the January meeting of the Committee on Budget and Finance, the Committee voted to approve changes to Policy # 600.3.1, *Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions*. The changes accommodate improvements in purchasing practices authorized by the General Assembly last year. Although no further Committee action is required, the recommended policy changes will be presented for approval to the Board of Governors at its February meeting.



POLICIES

The University of North Carolina *Board of Governors*

600.3.1

Adopted 09/13/91
Amended 09/09/94
Amended 09/08/95
Amended 09/13/96
Amended 05/22/97
Amended 11/13/98
Amended 08/13/99
Amended 02/13/04

Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions

A. Achieving and Retaining Status as a Special Responsibility Constituent Institution

Management Staffing Standards and Internal Controls and Safeguards

1. Responsibilities of Special Responsibility Constituent Institutions

The following standards and safeguards must be met and maintained in order to receive and retain the designation as a special responsibility constituent institution.

- a. The Chancellor/Executive Director must assume personal responsibility and also establish the appropriate administrative and internal control procedures for carrying out the special delegations of authority. In this regard, the Chancellor/Executive Director must certify that the administrative capability on campus in the areas of budgeting and accounting, personnel, and purchasing, as noted in b., c., and d. below, are sufficient to carry out the increased flexibility being granted.
- b. The capability of the staff and the system of budgeting, accounting and internal controls must be sufficient to administer the increased budget flexibility given to the designated institutions.

- c. The personnel capacity, which must be exercised under the direction of appropriate administrative officials, must be available on campus to evaluate jobs, classify positions appropriately, set compensation properly, and carry out the related functions of position management at the level of authority provided by the delegation.
- d. The on-campus expertise must be available to purchase properly the equipment, supplies, and other goods and services for the institution up to the benchmark level established by the Board of Governors for the institution pursuant to G.S. 116-31.10.
- e. The institution must maintain its financial records in such a manner that there are no significant findings in the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office.
- f. Each Chancellor/Executive Director shall prepare a plan for the uses of appropriations carried forward from the previous fiscal year and anticipated lapsed salary funds for the current fiscal year, which should be submitted to the Office of the President by July 15 of each year.
- g. Chancellors/Executive Director may delegate the authority for approving departmental plans for expenditures authorized under budget flexibility, but may not delegate the authority below the level of the appropriate Vice Chancellor.
- h. The Chancellors/Executive Director shall review an annual internal audit report on expenditures authorized under budget flexibility.
- i. The Chancellor shall ensure that procedures and support systems are in place to provide for the effective operation and maintenance of all existing campus buildings and infrastructure. New facilities financed by the 2000 Higher Education Bond Program or any other sources of funds shall become a part of an effective program of preventive maintenance from the time that construction is completed. Procedures shall also be in place to assure proper accountability and safeguarding of all fixed assets and other items purchased by the University.

2. Responsibilities of the President and the Board of Governors

The President is directed to establish the administrative procedures necessary to carry out the following rules:

- a. The President and the General Administration staff shall review the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office for each special responsibility constituent institution.
- b. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations. In any instance where significant findings are identified,

the President shall notify the Chancellor/Executive Director of the particular special responsibility constituent institution that the institution must make satisfactory progress in resolving the findings, as determined by the President of The University, after consultation with the State Auditor, within a three-month period commencing with the date of receipt of the published financial audit report, any other audit report, or management letter.

- c. If satisfactory progress is not made within a three-month period, the President shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of the President of The University of North Carolina, after consultation with the State Auditor. However, once the designation as a special responsibility constituent institution has been withdrawn by the Board of Governors, reinstatement may not be effective until the beginning of the following fiscal year at the earliest.
- d. Any actions taken by the Board of Governors with respect to withdrawal or reinstatement of an institution's status as a special responsibility constituent institution shall be reported immediately to the Joint Legislative Education Oversight Committee.
- e. The President and her/his staff, after consultation with the State Auditor, shall review and consult with the Director of the Office of State Personnel and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 116-31.10. Such review and consultation must take place no less frequently than once each biennium.
- f. The President shall review plans submitted by the Chancellors/Executive Director for uses of funds carried forward from the previous fiscal year and anticipated lapsed salary funds and, upon approval, present a summary of these plans to the Board of Governors at its August meeting each year.

B. Budget Administration

1. Appropriations to Special Responsibility Constituent Institutions

- a. All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made.
- b. Notwithstanding G.S. 143-23(a1), G.S. 143-23 (a2), G.S. 143-23(a3), and G.S. 120-76(8), each special responsibility constituent institution may expend the General Fund monies so appropriated to it in the manner deemed by the Chancellor/Executive Director to be calculated to maintain and advance the programs and services of the

institutions, consistent with the directives and policies of the Board of Governors including but not limited to the following:

1. A current institutional expenditure plan for each budget code must be established and maintained under the direction of the Chancellor/Executive Director.
 2. No action shall be taken that would materially change the capability of the institution to carry out its educational mission as defined by the Board of Governors. The Board of Governors will retain program responsibility. No actions taken should have the effect of either establishing a new academic, research, or public service program or closing such a program without the specific approval by the Board. Reallocation of academic program resources should not be made to the extent that a particular existing program is seriously weakened or effectively discontinued, or a new activity not expressly authorized by the Board of Governors is initiated.
 3. Reallocations of interinstitutional program resources should not be made to the extent that campus participation in a particular program is materially weakened without specific approval by the Board.
 4. No action should be taken which would have the effect of establishing a new community service or student financial aid program without specific approval by the Board of Governors.
 5. Appropriations providing support for Distance Education/Extension degree credit instruction at off-campus locations cannot be reallocated for other purposes without specific approval by the Board of Governors.
- c. The quarterly allotment procedure established pursuant to G.S. 143–17 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution.
 - d. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions.
 - e. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions.
2. Reversions and Carry-Forwards of Appropriations

Of the General Fund current operations appropriations credit balance remaining in each budget code of a special responsibility constituent institution, at the close of a fiscal year, any amount of the General Fund appropriations for that budget code, may be carried forward by the institution to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this section shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The Director of the Budget,

under the authority set forth in G.S. 143-25, shall establish the General Fund current operations credit balance remaining in each budget code of each institution. (*Note advanced approval requirement in Sections A1.f. and A2.f. above.*)

C. Personnel Administration

The Chancellor of a special responsibility constituent institution, when he finds that to do so would help to maintain and advance the programs and services of the institution, may establish and abolish positions, acting in accordance with:

- (1) State Personnel policies and procedures if these positions are subject to the State Personnel Act and if the institution is operating under the terms of a Performance Agreement or a Decentralization Agreement authorized under Chapter 126 of the General Statutes; or
- (2) Policies and procedures of the Board of Governors if these positions are exempt from the State Personnel Act.

The results achieved by establishing and abolishing positions pursuant to the conditions set forth in subdivision (1) of this section shall be subject to postauditing by the Office of State Personnel.

With respect to personnel actions taken under subdivision (2) of this section, no action should have the effect of either establishing a new academic program or administrative unit or closing an existing academic or inter-institutional program or administrative unit. No action should be taken which permanently reduces the number or amount of Regular Term budgeted teaching positions supported by General Fund appropriations thereby changing the student-faculty ratio or the budgeted average teaching salary established by the Board of Governors.

Implementation of all personnel actions shall be subject to the availability of funds within the institution's current budget to fund the full annualized costs of these actions.

D. Purchasing

Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for a special responsibility constituent institution with regard to competitive bid procedures and the bid value benchmark shall be an amount not greater than ~~\$250,000~~ \$500,000. The Board shall set the benchmark for each institution from time to time. In setting an institution's benchmark, the Board shall consider the institution's overall capabilities including staff resources, purchasing compliance reviews, and audit reports. The Board shall also consult with the Director of the Division of Purchase and Contract and the Director of the Budget prior to setting the benchmark.

Institutions with an expenditure benchmark greater than \$250,000 but not greater than \$500,000 shall submit to the Division of Purchase and Contract for that Division's approval, or other action deemed necessary by the Division, a copy of all offers received and the institution's recommendation of award or other action. Notice of the Division's decision shall be sent to that institution. The institution shall then proceed with the award of contract or other action recommended by the Division.

The power and authority granted to the Board of Governors with regard to the acquisition, operation, maintenance and disposition of real and personal property and services shall be subject to, and exercised in accordance with, the provisions of Chapter 143 and 146 of the General Statutes and related sections of the North Carolina Administrative Code, except when a purchase is being made that is not covered by a State term contract and either:

- (1) The funds used to procure personal property or services are not moneys appropriated from the General Fund or received as tuition or, in the case of multiple fund sources, moneys appropriated from the General Fund or received as tuition do not exceed thirty percent (30%) of the total funds; or
- (2) The funds used to procure personal property or services are contract and grant funds or, in the case of multiple fund sources, the contract and grant funds exceed fifty percent (50%) of the total funds.

When a special responsibility constituent institution makes a purchase under condition (1) or (2) above, the requirements of Chapter 143, Article 3 shall apply, except the approval or oversight of the Secretary of Administration, the State Purchasing Officer, or the Board of Awards shall not be required, regardless of dollar value.

Special responsibility constituent institutions shall have the authority to purchase equipment, materials, supplies, and services from sources other than those certified by the Secretary of Administration on term contracts, subject to the following conditions:

- (1) The purchase price, including the cost of delivery, is less than the cost under the State term contract;
- (2) The items are the same or substantially similar in quality, service, and performance as items available under State term contracts;
- (3) The cost of the purchase shall not exceed the benchmark established under G. S. 116-31.10; and
- (4) The special responsibility constituent institution notifies the Department of Administration of purchases consistently being made under this provision so that State term contracts may be improved.

E. Impact on Education

Each special responsibility constituent institution shall include in its institutional effectiveness plan those assessment measures that are determined by the Board to be measures that will assure some standard measure of student learning and development in general undergraduate education. The intent of this requirement is to measure the impact of G.S. 116–30.1 through G.S. 116–30.5, establishing and administering special responsibility constituent institutions, and their implementation on undergraduate student learning and development. The measures shall be taken from accountability reports to the Board and any other performance measures developed for this purpose by the Board.

F. Reporting Requirements

1. Monthly Report

Each designated institution must prepare a monthly operating report for each budget code in the format of the current BD-701 report. The "Authorized Budget" included in this report, which may be changed under the direction of the Chancellor/Executive Director, will show the institution's current expenditure plan. The current Chart of Accounts will be used for reporting purposes.

2. Fiscal Year Plan

Each Chancellor/Executive Director of a special responsibility constituent institution must prepare a fiscal year plan, due to the President by July 15, as follows:

- a. An annual plan specifying programmatic, and major expenditure classification detail, for expending funds carried forward from the previous fiscal year as allowed under G.S. 116-30.3.
- b. An annual plan for expending anticipated lapsed salary funds for the fiscal year. This portion of the plan would be a projection of the amount of lapsed salaries and the programmatic priorities for expending the estimated funds.

3. Annual Report

An annual report, and other reports as may be directed by the President, are required from each special responsibility constituent institution. The annual report must be submitted to the Office of the President by October 10 following fiscal year end, and shall include the following information:

- a. an annual operating report in the same format as the monthly report described above
- b. the impact on undergraduate student learning and development as demonstrated by the standard assessment measures related to this topic
- c. fiscal savings
- d. management initiatives undertaken
- e. increased efficiency and effectiveness achieved, including institutional purchases under the expenditure benchmark established by the Board of Governors for the institution
- f. other outcomes made possible by the flexibility provided
- g. documentation of any reallocation of resources which distinguishes between one-time and permanent transfers, including the actual uses of funds reallocated during the fiscal year as a result of lapsed salaries
- h. the actual uses of appropriations carried forward from the previous fiscal year
- i. any additional costs incurred
- j. a schedule of positions established and positions abolished
- k. list of positions that were vacant for more than 9 months during the fiscal year and an explanation for the length of the vacancy
- l. compliance certification letter to the President from each SRCI Chancellor/Executive Director

Each institution must establish the administrative procedures necessary to accumulate this information for reporting purposes.

Authorization of Tuition for 2004-05I. 2004-05 Tuition Rates*Board-Initiated Tuition Increases*

The Board's tuition policy, as amended in February 2003, calls for the establishment of a special committee to make a recommendation to the Board for it to consider when determining a Board-initiated increase in tuition. At the President's request, Chancellors appointed representatives to participate on the Committee. The Committee met three times but did not arrive at a consensus for consideration by the Board of Governors. The two proposals sent forth by the Committee are detailed below.

First, the students participating in the discussions, as well as University personnel from North Carolina Central University, are recommending that the Board not approve any Board-initiated tuition increase. This group is concerned about the rapidly escalating costs of education and the bottom-line effect on charges to students. When voting in favor of campus-initiated tuition increases, some students believed that they were doing so with the knowledge that a Board-initiated increase would not occur. Students cite the fact that the total costs of education, i.e., tuition, fees, room, board, books, and other incidental costs, are all rising and that a Board-initiated tuition increase, when reviewed in the context of all of the costs of education, is not acceptable. Furthermore, some of this group believes that if a Board-initiated tuition increase is approved, proposed campus-initiated tuition increases should be reduced by an amount equivalent to the Board-initiated increase.

The remaining University personnel recommend that the Board consider a 2% Board-initiated tuition increase for resident students with the same dollar increase for nonresident students. This group believes that it is important to provide funds for the State's General Fund as the Board requests that the General Assembly fund its request for enrollment increases and financial aid, and provides additional funds to meet other needs. The 2% rate was proposed after reviewing the three indices required to be reviewed by this Committee under the Board's policy (1.45%, 2.2%, 2.6%). Although the costs of education are increasing, this group believes that the funds available for financial aid are effectively meeting the needs of students that cannot afford the tuition increases without financial aid. This group also believes that it

would be more effective to propose a thoughtful tuition increase for consideration by the General Assembly rather than to propose no increase for the General Assembly's consideration. The group recommends that the General Assembly should be asked to use the funds raised by the tuition increase to meet the Board's request for financial aid and enrollment growth, in that order. Furthermore, the group believes that a Board-initiated tuition increase should not reduce any of the campus-initiated tuition increases.

Historically, this committee has arrived at a single recommendation by consensus and no formal voting mechanism has been established. If in the future the Board finds it more desirable to have a single recommendation for consideration, the tuition policy should be altered to more definitively define the Committee and the need for a single decision. The Committee also discussed the possibility of the Board-initiated increase being established before campus-initiated tuition increases are considered by the campuses.

Campus-Initiated Tuition Increases

The tuition increases listed below are the across-the-board campus-initiated tuition proposals submitted by the institutions for resident students. If a nonresident rate is not specifically listed, the proposed nonresident increase is equal to the resident increase.

Appalachian State University	\$300 for 2004-05 and 2005-06
East Carolina University	\$300 for 2004-05, 2005-06, and 2006-07
Elizabeth City State University	\$300 for 2004-05 and 2005-06
Fayetteville State University	\$300 for 2004-05 and 2005-06
North Carolina A & T State University	\$300 for 2004-05 and 2005-06
North Carolina Central University	\$300 for 2004-05 and 2005-06
North Carolina School of the Arts	\$600 for undergraduates/\$1,000 for graduates in 2004-05 and \$300 for undergraduates and \$500 for graduates in 2005-06
North Carolina State University	\$300 for 2004-05, 2005-06, and 2006-07
UNC Asheville	\$300 for residents/\$600 for nonresidents for 2004-05, 2005-06, and 2006-07
UNC-Chapel Hill	\$300 for residents/\$1,500 for nonresidents for 2004-05
UNC Charlotte	\$300 for 2004-05, 2005-06, and 2006-07
UNC Greensboro	\$300 for 2004-05 and 2005-06
UNC Pembroke	\$300 for 2004-05 and 2005-06
UNC Wilmington	\$360 for 2004-05 and 2005-06
Western Carolina University	\$300 for 2004-05 and 2005-06
Winston-Salem State University	\$300 for 2004-05 and 2005-06

There were also campus-initiated tuition increases for professional schools at certain institutions. These rates follow:

East Carolina University	
1 st year Medical Students	\$1,200 for 2004-05, \$700 for 2005-06, and \$700 for 2006-07
2 nd , 3 rd , & 4 th year Medical Students	\$700 for 2004-05
North Carolina State University	
Masters of Business Administration	\$4,000 for 2004-05
Masters of Accounting	\$2,000 for 2004-05 and 2005-06
UNC-Chapel Hill	
Masters of Business Administration	<i>Resident Students:</i> \$2,000 for 2004-05, \$3,000 for 2005-06, and \$4,000 for 2006-07 <i>Nonresident Students:</i> \$2,000 for 2004-05, 2005-06, and 2006-07
Masters of Accounting	<i>Resident Students:</i> \$2,000 for 2004-05, \$3,000 for 2005-06, and \$4,000 for 2006-07 <i>Nonresident Students:</i> \$2,000 for 2004-05, 2005-06, and 2006-07
Masters of Public Administration	\$150 for 2004-05, 2005-06, and 2006-07
Journalism and Mass Communications	<i>Resident Students:</i> \$300 for 2004-05, \$200 for 2005-06 and 2006-07 <i>Nonresident Students:</i> \$900 for 2004-05, \$600 for 2005-06 and 2006-07
Law	<i>Resident Students:</i> \$300 for 2004-05 <i>Nonresident Students:</i> \$500 for 2004-05
Masters of Social Work	Entering Fall 2004 – <i>Resident Students:</i> \$1,200 for 2004-05 and \$2,000 for 2005-06 <i>Nonresident Students:</i> \$2,000 for 2005-06
DDS	<i>Resident Students:</i> \$1,800 for 2004-05, \$1,500 for 2005-06 and 2006-07; <i>Nonresident Students:</i> \$0
AuD and DPT	\$2,500 for 2004-05
Pharm D	\$3,500 for 2004-05
UNC Charlotte	
Masters of Business Administration	\$2,500 for 2004-05 and 2005-06
UNC Greensboro	
Masters of Business Administration	\$30 per credit hour for 2004-05
Masters of Science in Info. Technology	\$30 per credit hour for 2004-05
UNC Wilmington	
Masters of Accounting	<i>Resident Students:</i> \$503 for 2004-05 (will match the 04-05 MBA rate) <i>Nonresident Students:</i> \$499 for 2004-05 (will match the 04-05 MBA rate)

The tuition rates that follow reflect the campus-initiated tuition proposals submitted by all institutions and do not include a board-initiated increase. It is recommended that the Committee, acting on behalf of the Board, establish the following tuition rates for 2004-05.

**The University of North Carolina
Regular Tuition Rates
2004-05**

Institution		North Carolina			
		Residents		Nonresidents	
		From	To	From	To
North Carolina State University	<i>Undergraduate</i>	\$2,955	\$3,255	\$14,803	\$15,103
	<i>Graduate</i>	3,163	3,463	15,161	15,461
School of Veterinary Medicine					
	<i>Graduate</i>	8,107	8,407	30,820	31,120
	<i>Graduate</i>	3,163	3,463	15,161	15,461
School of Management					
	<i>Graduate</i>	5,788	10,088	17,661	21,961
	<i>Graduate</i>	4,475	6,775	16,411	18,711
UNC-Chapel Hill					
Academic Affairs	<i>Undergraduate</i>	2,955	3,255	14,803	16,303
	<i>Graduate</i>	3,163	3,463	15,161	16,661
	<i>Graduate</i>	6,046	6,646	17,935	18,835
	<i>Graduate</i>	8,152	8,752	20,120	20,620
School of Business					
	<i>Graduate</i>	13,384	15,684	28,749	30,749
	<i>Graduate</i>	12,384	14,684	27,249	29,249
	<i>Graduate</i>	8,843	11,543	20,566	23,166
	<i>Graduate</i>	3,163	3,613	15,161	16,811
	<i>Graduate</i>	3,163	4,663 ¹	15,161	16,661
Health Affairs					
School of Pharmacy	<i>Graduate</i>	3,163	3,463	15,161	16,661
		5,930	9,730	22,315	25,815
School of Nursing	<i>Undergraduate</i>	2,955	3,255	14,803	16,303
	<i>Graduate</i>	3,163	3,463	15,161	16,661
School of Public Health	<i>Undergraduate</i>	2,955	3,255	14,803	16,303
	<i>Graduate</i>	4,029	4,329	15,270	16,770
School of Dentistry					
	<i>Graduate</i>	7,385	9,485 ¹	28,117	28,117
	<i>Undergraduate</i>	2,955	3,255	14,803	16,303
	<i>Undergraduate</i>	2,955	3,255	14,803	16,303
	<i>Graduate</i>	4,764	5,064	18,383	19,883
School of Medicine					
	<i>Graduate</i>	7,385	7,685 ²	33,001	33,001 ²
	<i>Graduate</i>	3,163	5,963	15,161	19,161
	<i>Undergraduate</i>	2,955	3,255	14,803	16,303
	<i>Graduate</i>	3,163	3,463	15,161	16,661
	<i>Graduate</i>	3,163	3,463	15,161	16,661

¹ For students entering in Fall 2004.

² The rate for MD resident students enrolled prior to Fall 2001 is \$5,064; the MD nonresident rate is \$31,517.

**The University of North Carolina
Regular Tuition Rates
2004-05**

Institution		North Carolina Residents		Nonresidents	
		From	To	From	To
East Carolina University	<i>Undergraduate</i>	1,910	2,210	12,049	12,349
	<i>Graduate</i>	1,991	2,291	12,232	12,532
School of Medicine					
1st year Med Students	<i>Graduate</i>	3,609	5,109	28,524	30,024
2nd, 3rd, & 4th year Med Students	<i>Graduate</i>	3,609	4,609	28,524	29,524
UNC-Charlotte	<i>Undergraduate</i>	1,904	2,204	11,941	12,241
	<i>Graduate</i>	1,979	2,279	12,111	12,411
School of Business					
Masters of Business Admin.		1,979	4,779	12,111	14,911
UNC-Greensboro	<i>Undergraduate</i>	1,803	2,103	12,696	12,996
	<i>Graduate</i>	1,887	2,187	12,862	13,162
School of Business					
Masters of Business Admin. *	<i>Graduate</i>	1,887	2,907	12,862	13,882
Masters of Science in Info. Technology & Management *	<i>Graduate</i>	1,887	2,907	12,862	13,882
Appalachian State University	<i>Undergraduate</i>	1,596	1,896	10,963	11,263
	<i>Graduate</i>	1,668	1,968	11,176	11,476
Fayetteville State University	<i>Undergraduate</i>	1,321	1,621	10,682	10,982
	<i>Graduate</i>	1,393	1,693	10,908	11,208
N.C. A & T State University	<i>Undergraduate</i>	1,544	1,844	10,911	11,211
	<i>Graduate</i>	1,616	1,916	11,126	11,426
North Carolina Central University	<i>Undergraduate</i>	1,653	1,953	11,022	11,322
	<i>Graduate</i>	1,825	2,125	11,331	11,631
School of Law	<i>Graduate</i>	1,945	2,245	13,730	14,030
UNC Pembroke	<i>Undergraduate</i>	1,464	1,764	10,829	11,129
	<i>Graduate</i>	1,536	1,836	11,048	11,348
UNC Wilmington	<i>Undergraduate</i>	1,703	2,063	11,278	11,638
	<i>Graduate</i>	1,779	2,139	11,481	11,841
School of Business					
Masters of Business Admin.	<i>Graduate</i>	2,282	2,642	11,980	12,340
Masters of Accounting	<i>Graduate</i>	1,779	2,642	11,481	12,340
Western Carolina University	<i>Undergraduate</i>	1,426	1,726	10,787	11,087
	<i>Graduate</i>	1,498	1,798	11,008	11,308
UNC Asheville	<i>Undergraduate</i>	1,672	1,972	10,497	11,097
	<i>Graduate</i>	1,730	2,030	10,669	11,269
Elizabeth City State University	<i>Undergraduate</i>	1,174	1,474	9,438	9,738
	<i>Graduate</i>	1,233	1,533	9,651	9,951
Winston-Salem State University	<i>Undergraduate</i>	1,226	1,526	9,491	9,791
	<i>Graduate</i>	1,285	1,585	9,703	10,003
N. C. School of the Arts					
College	<i>Undergraduate</i>	2,305	2,905	13,435	14,035
	<i>Graduate</i>	2,417	3,417	13,601	14,601
High School		0	0	5,983	6,583

* \$30 per credit hour campus-initiated increase--assumes full-time student at 24 hours annually.

II. Special Tuition Rates for Nonresident Students, 2004-05

Each year, the Board of Governors establishes special tuition rates for two groups of nonresident students in accordance with a Board Resolution approved July 29, 1983. The two groups of students identified in the Resolution are as follows:

- Group 1. Undergraduate students deemed by the institution to have special talents and qualifications and who are thereby awarded by the institution a scholarship or fellowship at a rate of at least \$250 per academic year. The North Carolina School of the Arts may identify categories within this group in accordance with established institutional practice.
- Group 2. Graduate students who are awarded by the institution a graduate teaching or research assistantship and who are paid a stipend at a rate of at least \$2,000 per academic year.

Effective with the Fall Term of 2004, the special tuition rates for the specific groups of nonresident students identified above are proposed as shown on the following page. The new rates reflect the tuition increases proposed in Section 1.

**Special Tuition Rates for Nonresident Students
2004-05**

Institution	Group 1 – Undergraduate		Group 2 – Graduate	
	From	To	From	To
North Carolina State University	\$13,853	\$14,153	\$3,163	\$3,463
School of Veterinary Medicine				
D.V.M. Candidate	–	–	8,107	8,407
Veterinary Graduate	–	–	3,163	3,463
School of Management				
Masters of Business Admin.	–	–	5,788	10,088
Masters of Accounting	–	–	4,475	6,775
UNC-Chapel Hill				
Academic Affairs	13,853	15,353	3,163	3,463
School of Journalism & Mass Comm.	–	–	6,046	6,646
School of Law	–	–	8,152	8,752
School of Business				
M.B.A. Candidate - 1st year	–	–	13,384	15,684
M.B.A. Candidate - 2nd year	–	–	12,384	14,684
Masters of Accounting	–	–	8,843	11,543
School of Government (MPA)	–	–	3,163	3,613
School of Social Work (MSW)	–	–	3,163	4,663
Health Affairs				
School of Pharmacy				
Graduate	–	–	3,163	3,463
Pharm D Candidate	–	–	5,930	9,730
School of Nursing	13,853	15,353	3,163	3,463
School of Public Health	13,853	15,353	4,029	4,329
School of Dentistry				
D.D.S. Candidate	–	–	7,385	9,485
Dental Hygiene	13,853	15,353	–	–
Dental Auxiliary	13,853	15,353	–	–
Dental Graduate	–	–	4,764	5,064
School of Medicine				
M.D. Candidate	–	–	7,385	7,685
AuD and DPT	–	–	3,163	5,963
Medical Technology	13,853	15,353	–	–
Physical Therapy	–	–	3,163	3,463
Medicine Graduate	–	–	3,163	3,463
East Carolina University	11,099	11,399	1,991	2,291
School of Medicine				
1st year Med Students	–	–	3,609	5,109
2nd, 3rd, & 4th year Med Students	–	–	3,609	4,609

**Special Tuition Rates for Nonresident Students
2004-05**

Institution	Group 1 – Undergraduate		Group 2 – Graduate	
	From	To	From	To
UNC-Charlotte	10,991	11,291	1,979	2,279
School of Business				
Masters of Business Admin.	–	–	1,979	4,779
UNC-Greensboro	11,746	12,046	1,887	2,187
School of Business				
Masters of Business Admin.	–	–	1,887	2,907
Master of Science in Info. Technology & Management	–	–	1,887	2,907
Appalachian State University	10,013	10,313	1,668	1,968
Fayetteville State University	9,732	10,032	1,393	1,693
N.C. A & T State University	9,961	10,261	1,616	1,916
North Carolina Central University	10,072	10,372	1,825	2,125
School of Law	–	–	1,945	2,245
UNC Pembroke	9,879	10,179	1,536	1,836
UNC Wilmington	10,328	10,688	1,779	2,139
Masters of Business Admin.	–	–	2,282	2,642
Masters of Accounting	–	–	1,779	2,642
Western Carolina University	9,837	10,137	1,498	1,798
UNC Asheville	9,663	10,263	1,730	2,030
Elizabeth City State University	8,604	8,904	1,233	1,533
Winston-Salem State University	8,657	8,957	1,285	1,585
N. C. School of the Arts				
Category A	11,991	12,903	–	–
Category B	12,291	13,203	–	–
Category C	12,541	13,453	–	–
Graduate	–	–	2,417	3,417

III. Tuition for Students Enrolled in Degree-Credit Distance Education Courses

It is proposed that, effective with the fall semester 2004, resident students and nonresident students taking courses within North Carolina that are enrolled in distance education courses be charged the regular-term tuition rates established in Section I. It is further proposed that tuition rates for these students be implemented on a per-credit-hour basis and that the charge per credit hour be calculated as follows:

- For undergraduate courses, the rate per student credit hour would be the annual rate divided by 29.6 hours.
- For graduate courses, the rate per student credit hour would be the annual rate divided by 20.4 hours.

It is further proposed that the Board delegate to the President the authority to set tuition rates for nonresident students taking courses outside North Carolina. These are students who primarily take courses via the Internet.

Authorization of Fees for 2004-05

It is recommended that the Board approve fees for 2004-05 as stated in the attached resolution.

The fee recommendations for 2004-05 have been developed in accordance with the updated tuition and fee policy adopted by the Board in February 2003, after an eight-month review by a special committee. As required by the Board guidelines:

- Reviews have been conducted of all fees by the Chancellors and the Boards of Trustees and detailed analyses have been made of activities for which increased fees have been proposed.
- The institutions have established procedures designed to ensure appropriate participation from representatives of all aspects of campus life in the development of the fee recommendations. Each Chancellor has provided a description of the campus fee process. These descriptions document structured processes which are inclusive of the campus community and provide ample opportunity for student involvement.
- The Office of the President review of proposed fees has been conducted jointly by Academic Affairs, Finance, Information Resources, and Student Affairs staff members.

RESOLUTION AUTHORIZING FEES

WHEREAS, G.S. 116-143 requires that the Board of Governors of The University of North Carolina shall fix the tuition and fees, not inconsistent with the actions of the General Assembly, at the constituent institutions of The University.

NOW, THEREFORE, BE IT RESOLVED, that, effective with the Fall Term, 2004, the constituent institutions are authorized to charge and collect the following fees:

Application Fees

This fee is charged to individuals submitting applications for admission as students to the University to offset the cost of handling applications and to provide funds for recruiting students. For those institutions where the requested increase in application fees exceeds 3%, detailed explanations follow.

- East Carolina University proposes a \$10 increase in medical school application fees to cover increased costs associated with processing applications including personnel, supplies, postage and printing expenses.
- The University of North Carolina at Chapel Hill proposes an 8.3% application fee increase for Graduate Schools, a 7.7% increase in the School of Law and School of Dentistry application fees and a 3.1% increase in the Pharmacy School application fee. The additional funds will defray increasing costs of printing and mailing applications forms, personnel costs involved in receiving applications, and operating expenses.
- The University of North Carolina at Charlotte proposes a \$15 increase in its undergraduate application fee and a \$20 increase in the graduate school application fee. The requested increases will allow for the establishment of two new positions to support application processing and provide additional funds for postage, supplies and equipment replacement.
- The University of North Carolina at Greensboro proposes a \$10 increase to offset the increased operating costs of serving a significantly larger number of prospective students and to cover inflationary increases in supplies, printing, and telephone expenses. In addition, funds will provide for replacement equipment.

Recommended application fees effective Fall Term, 2004, are listed below. Increases in fees are requested at four institutions.

<i>Institution</i>	<i>Requested Increase</i>	<i>Proposed Fee</i>
Appalachian State University	—	45.00
East Carolina University	—	50.00
Graduate	—	50.00
Medical	10.00	60.00
Elizabeth City State University	—	30.00
Fayetteville State University	—	25.00
North Carolina A & T State University	—	35.00
North Carolina Central University	—	30.00
North Carolina School of the Arts	—	50.00
International Students	—	100.00
North Carolina State University	—	55.00
International Students	—	65.00
UNC-Asheville	—	60.00
UNC-Chapel Hill	—	60.00
Graduate	5.00	65.00
Law & Dentistry	5.00	70.00
Medical School	—	65.00
Pharmacy	2.00	67.00
Masters in Business Administration	—	110.00
Masters in Accounting	—	85.00
UNC-Charlotte	15.00	50.00
Graduate	20.00	55.00
UNC-Greensboro	10.00	45.00
UNC-Pembroke	—	40.00
UNC-Wilmington	—	45.00
Western Carolina University	—	40.00
Winston-Salem State University	—	30.00
Graduate	—	40.00

Athletics Fees

Athletics Fee revenues provide funds for intercollegiate athletic programs and for the maintenance and operations of athletic facilities.

For the 2004-05 year, increases in Athletics Fees are requested at fourteen institutions. The primary purpose for requesting these increases is to meet athletic conference/division requirements for scholarships and gender equity. The cost of health insurance and medical treatment for student athletics has escalated. In addition, the cost of providing athletic scholarships has been impacted by recent tuition increases. The commitment that campuses have made to greater equity requires funds to maintain these scholarships at an adequate level. For those institutions where the athletics fee requested increase exceeds 3%, detailed explanations follow.

- Appalachian State University proposes a 4.5% increase in the athletics fee to support scholarships, enhance efforts to support gender equity, and cover inflationary cost for supplies.
- East Carolina University 6.3% increase provides additional funding for athletic scholarships, addresses gender equity, funds inflationary operating expenses and replacement equipment.
- Elizabeth City State University proposes a 12.7% increase to support athletic scholarships, additional funding for women's athletic program and inflationary operating budget expenses.
- North Carolina A&T State University proposes a 5.6% increase to the athletics fee to increase the minimal operating reserves required to maintain Division I-AA and NCAA certification requirements. In addition, the fee increase supports the rising costs of operating expenses.
- North Carolina Central University requests an 8.2% increase in the athletics fee to support additional athletic scholarships.
- North Carolina State University requested a 10.6% increase in the athletics fee to support facility improvements, and renovations to and maintenance of athletic facilities. The additional revenue provides for improvements to the track facility, soccer field and softball stadium.
- The University of North Carolina at Charlotte \$26 athletics fee increase would support additional scholarships, inflationary operating cost expenses, and create a reserve for projected expenses during the initial years of participation in the Atlantic 10 conference. The additional funding will also establish a Director of Basketball Operations position for the women's athletics program.

- The University of North Carolina at Greensboro proposes a 3.7% increase to fund additional athletic scholarships, address gender equity and provide funds for increased operating expenses.
- Western Carolina University proposes an 11.8% increase to support additional scholarships, address gender equity, and add a new women's softball program.
- Winston-Salem State University requests an \$80 increase to fund scholarships and increase the operating budgets to support all sports programs.

The recommended Athletics Fees effective Fall Term, 2004, are listed below.

<i>Institution</i>	<i>Requested Increase</i>	<i>Proposed Fee</i>
Appalachian State University	15.00	351.00
East Carolina University	20.00	340.00
Elizabeth City State University	40.00	355.00
Fayetteville State University	—	273.00
North Carolina A & T State University	20.00	378.00
North Carolina Central University	25.00	330.00
North Carolina State University	10.00	104.00
UNC-Asheville	4.00	483.00
UNC-Chapel Hill	2.00	98.50
UNC-Charlotte	26.00	374.00
UNC-Greensboro	13.00	361.00
UNC-Pembroke	10.00	371.00
UNC-Wilmington	8.00	343.00
Western Carolina University	48.00	456.00
Winston-Salem State University	80.00	400.00

Health Services Fees

Health Services Fees finance health and medical services for students, including the maintenance and operation of student health centers. For 2004-05, increases are requested at nine institutions to expand services provided and operating hours. In addition, funds are requested to provide for inflationary increases, particularly for increases in the cost of prescription drugs that are expected to rise by more than 8% next year. For those institutions where the health fee requested increase exceeds 3%, detailed explanations follow.

- Appalachian State University proposes a 4.9% increase in the health fee to support additional operating expenses and to increase the support provided to students in the Student Health Services through the establishment of a clinician and nursing assistant position.
- Fayetteville State University proposes a 25% increase to provide for increased operating expenses, equipment upgrades and to establish a part-time Psychologist position (.25 FTE) to support counseling services.
- The North Carolina School of the Arts proposes to increase the health fee by \$106 to meet increased costs associated with medical supplies, pharmaceutical expenses and extended operating hours. Additionally, the fee provides funding to support increased demand for counselor services in the school's Wellness Center. The funding also establishes a new counselor position and a part-time administrative assistant position.
- The University of North Carolina at Chapel Hill's 5.4% proposed health fee increase supports increased funding for Counseling and Psychological Services and provides additional funding for inflationary operating budget expenses including pharmaceuticals, medical supplies/equipment and contracted services.
- The University of North Carolina at Charlotte's 3.2% proposed health fee increase will provide for expanded clinic hours, create one full-time LPN position and provide a half-time Physicians Assistant position. Funding also supports inflationary costs associated with providing health services.
- The University of North Carolina at Greensboro proposes a 4.7% increase to meet inflationary increases in the cost of medical supplies, pharmaceutical expenses and other operating expenses.

The recommended Health Services Fees effective Fall Term, 2004, are listed below.

<i>Institution</i>	<i>Requested Increase</i>	<i>Proposed Fee</i>
Appalachian State University	9.00	194.00
East Carolina University	2.00	180.00
Elizabeth City State University	—	170.00
Fayetteville State University	23.00	115.00
North Carolina A & T State University	—	175.00
North Carolina Central University	—	174.00
North Carolina School of the Arts	106.00	491.00
North Carolina State University	—	183.00
UNC-Asheville	3.00	141.00
UNC-Chapel Hill	16.00	312.00
UNC-Charlotte	4.00	128.00
UNC-Greensboro	9.00	199.00
UNC-Pembroke	—	125.00
UNC-Wilmington	—	130.00
Western Carolina University	5.00	187.00
Winston-Salem State University	—	157.00

Student Activities Fees

Student Activities Fees provide funds for nonacademic student services and for the maintenance and operation of facilities used in conjunction with those services. Included are funds to operate student unions and intramural facilities, and funds that provide for student organizations, newspapers, yearbooks, and entertainment programs. Increases in fees are requested at fifteen campuses to provide for program expansion and to finance the rising costs of providing the current level of services. Security measures have been improved at many campuses during student events; and operating costs have been proposed for new or expanded student unions and other recreation facilities at several campuses. For those institutions where the student activities fee requested increase exceeds 3%, detailed explanations follow.

- Appalachian State University requests a 4.4% increase to support the Student Union, Educational and Recreational programs and intramural activities. The increase covers inflationary operating expenses, deferred maintenance improvements, and additional staffing to support expanded Student Union operations.
- East Carolina University proposes to increase the student activity fee by 6.2% to fund the Mendenhall Student Center maintenance and repair budget. In addition, funding targets increased support for the SGA, student organizations, and student programs.
- Elizabeth City State University proposes a 12.9% increase to provide operating funds for the new student center. Funds will provide for three positions, one building manager and two housekeepers.
- Fayetteville State University proposes a 12.9% increase to support a higher funding level for student organizations, the student center, and develop a Speakers Series program.
- North Carolina A&T State University requests a 14.9% student activities fee increase to increase support for student organizations, expand the lyceum series, and support the student radio station and student program operations.
- North Carolina School of the Arts propose to increase the student activities fee by 13.3% to support expanded student service programming and provide for operating expenses associated with the new Hanes Student Center.
- North Carolina State University proposes a 9.7% fee increase to support additional student activity programming, repairs and renovations for four (4) student center facilities and increased funding levels for intramural sports.
- The University of North Carolina at Asheville requests a 10.1% increase to meet increased operating budget expenses resulting from inflation and to provide additional operating budget for the expanded Highsmith Student Center.

- The University of North Carolina at Chapel Hill proposes a 24.9% increase in the student activities fee for undergraduate student and a 28.8% increase for graduate students to support the Student Government Association, campus recreation programs, the Ram's Head Recreation Center, the expanded Student Union and other student programming.
- The University of North Carolina at Greensboro proposes a 3.7% increase to meet increased operating expenses needed to maintain the Elliott University Center and the Piney Lake recreational facility as well as to increase existing student programming operating budgets.
- The University of North Carolina at Pembroke requests a 3.5% increase to provide increased funds for the Distinguished Speakers Series, the University Center, band, chorus, drama, lyceum series, and other student programs.
- The University of North Carolina at Wilmington's 8.9% proposed student fee increase would support facility maintenance and repairs, enhanced cultural activities including the Leadership Lecture Series, Jazz festival, Artist Recital series, University Theatre, University Ensembles, and other student programming. In addition, funds will be used to replace aging mail handling and service equipment.
- Western Carolina University's proposed 3.9% student activities fee increase would provide additional operating funds for student activities. The fee would also establish a revenue base to support the operation of a new recreation center now under design.
- Winston-Salem State University's 3.2% proposed student activities fee increase provides for inflationary expenses in student programs including the Artsposure Series, Campus Activity Board Programs, Evans Fitness Center, and international programs.

The recommended Student Activities Fees effective Fall Term, 2004, are listed below.

<i>Institution</i>	<i>Requested Increase</i>	<i>Proposed Fee</i>
Appalachian State University	14.00	330.50
East Carolina University	22.00	376.00
Elizabeth City State University	50.00	435.50
Fayetteville State University	40.00	350.00
North Carolina A & T State University	40.00	309.00
North Carolina Central University		
Undergraduate Students	—	328.00
Graduate Students	—	304.00
North Carolina School of the Arts		
College Students	60.00	510.00
High School Students	50.00	550.00
North Carolina State University	27.00	306.45
UNC-Asheville	40.00	437.50
UNC-Chapel Hill		
Undergraduate Students	48.25	241.52
Graduate Students	52.25	234.02
UNC-Charlotte	2.00	374.00
UNC-Greensboro	11.00	308.00
UNC-Pembroke	13.00	387.00
UNC-Wilmington	40.00	485.00
Western Carolina University	15.00	391.50
Winston-Salem State University	10.00	320.00

Educational and Technology Fees

Educational and Technology Fees were instituted as a result of the study of student fees conducted by the Board of Governors in 1992-93 and adopted in May 1993. The fees provide for specialized instructional supplies and services and for scientific and information technology equipment. Increases in fees are requested at fourteen campuses to provide for program expansion and to meet the rising costs of providing the current level of services that are resulting from inflationary increases. For those institutions where the educational and technology fee requested increase exceeds 3%, detailed explanations follow.

- Appalachian State University requests a 5.4% increase in the educational and technology fee to provide additional supplies for teaching laboratories in the natural sciences and replacement equipment in student computer labs.
- East Carolina University requests an 8% increase to fund expanded help desk services for students, meet increased costs of operating expenses resulting from inflation, and purchase and maintain software licenses.
- Elizabeth City State University proposes a 5.3% increase in the educational and technology fee to provide increased funding for technology support to students and faculty. In addition, the proposed funding supports increased wireless capacity throughout the campus.
- Fayetteville State University's 13.7% increase provides funding for additional specialized instructional laboratories, replacement equipment for student labs, multimedia classrooms and a student portal system.
- North Carolina A&T State University requests an 11.6% increase to purchase additional hardware and software and increase funding for maintenance and temporary labor for technology labs in various academic units.
- North Carolina State University proposes a 9.4% increase to fund increased costs associated with maintaining department laboratory and technology learning centers, student computing services and increased demand for on-line information resources, student services and electronic communication between faculty and students.
- The University of North Carolina at Asheville proposes a 16.3% increase to enhance the development of "smart" classrooms, update student computer laboratories, and enhance academic computing capabilities.

- The University of North Carolina at Chapel Hill's 6.3% requested increase would defray inflationary expenses related to computer laboratories, learning centers, and help desk operations. Additionally, funds would provide for the replacement of aging equipment and computers and the upgrade of obsolete software applications.
- The University of North Carolina at Charlotte requests a 4.8% increase to support improved customer service for students through web-based student portals, offset increased operating budget expenses, and provide additional staffing for computer labs.
- The University of North Carolina at Pembroke requests a 10% increase to support improvements in the computer and educational laboratories. The funding will support a new Computing Consultant position, which will provide supervision to student technicians that provide essential technical support throughout the university. Funds would also provide revenue needed to support increased operating expenses for technology resources and computer and science laboratories.
- Western Carolina University requests a \$40 increase to support replacement equipment in computer and research labs. The funding would also establish two new positions. One position would provide additional staff support for the student computer labs and the other would provide increased computer technical assistance throughout the university.
- Winston-Salem State University's 12.2% fee increase would provide for upgrading computers, new software for computer and research laboratories, equipment for four multimedia classrooms, and meet increased costs of operating resulting from inflation.

The recommended Educational and Technology Fees effective Fall Term, 2004, are listed below.

<i>Institution</i>	<i>Requested Increase</i>	<i>Proposed Fee</i>
Appalachian State University	6.00	118.00
East Carolina University	8.00	108.00
Elizabeth City State University	7.00	138.00
Fayetteville State University	20.00	165.00
North Carolina A & T State University	25.00	240.00
North Carolina Central University	—	260.00
North Carolina School of the Arts	—	260.00
North Carolina State University	30.00	350.00
UNC-Asheville	20.00	143.00
UNC-Chapel Hill	19.00	322.00
UNC-Charlotte	7.00	152.00
UNC-Greensboro	3.00	216.00
UNC-Pembroke	12.00	132.00
UNC-Wilmington	8.50	374.50
Western Carolina University	40.00	180.00
Winston-Salem State University	30.00	275.00

As additional information, it is noted that several institutions have a requirement that some or all students purchase computers. At both UNC-Chapel Hill and Western Carolina University, all students are required to purchase their own computers. Information regarding these initiatives is available on the campus websites. East Carolina University, North Carolina State University, and North Carolina School of the Arts do not require all students to purchase computers; however, some disciplines within these schools do have computer requirements for particular students. In Fall 2004, Winston-Salem State University will have a computer requirement for all freshmen.

Indebtedness Fees

Under the policy for the establishment of fees adopted by the Board of Governors in 1993 and revised in 2003, fees for the retirement of indebtedness are established at the time that debt is incurred. Indebtedness fees, once established, remain in effect until the debt is retired.

The decrease in the indebtedness fees at NCSU is the result of collecting all revenues needed for debt retirement. At WCU, indebtedness fees decreased due to higher revenue collections yielded from an increase in student enrollment.

- The University of North Carolina at Chapel Hill requests a \$31.25 increase in debt service to support the Student Dining Facilities and Rams Head Recreation Center, projects previously approved by the Board of Governors and the General Assembly.
- The University of North Carolina at Charlotte requests a \$35 debt service increase to support the cost of an on-campus multiuse student activities facility previously approved by the Board of Governors and the General Assembly.

The recommended Indebtedness Fees in effect for Fall Term, 2004, are listed below.

<i>Institution</i>	<i>Requested Increase/ Decrease</i>	<i>Established Fee</i>
Appalachian State University	—	340.00
East Carolina University	—	189.00
Elizabeth City State University	—	—
Fayetteville State University	—	95.00
North Carolina A & T State University	—	161.00
North Carolina Central University	—	81.00
North Carolina School of the Arts	—	200.00
North Carolina State University	(15.00)	42.55
UNC-Asheville	—	220.00
UNC-Chapel Hill	31.25	180.50
UNC-Charlotte	35.00	271.00
UNC-Greensboro	—	272.00
UNC-Pembroke	—	120.00
UNC-Wilmington	—	332.00
Western Carolina University	(35.00)	366.00
Winston-Salem State University	—	115.00

Special Fees

Special Fees provide funds for specific needs that are not financed from other revenue sources. Special fees are charged *only* to students that participate in programs or activities financed from those fees. These are programs that have specialized instructional needs, e.g., programs in health affairs, law, business, engineering, and architecture. These needs are expensive and occur in curriculums where students must obtain a "competitive edge" to acquire highly desirable jobs upon graduation. For those institutions where the special fee requested increase exceeds 3%, detailed explanations follow.

- East Carolina University requests a new time-limited (10 years) \$50 fee for all students to support the financing of the SCT Banner system implementation.
- The North Carolina School of the Arts requests a \$60 increase in the special Music Fee to provide adequate funding for maintenance and repair in the School of Music Complex and Watson Chamber Music Hall. There is also a requested 43% increase in the School of Dance injury fee to support the medical supplies and health services provided to dancers.
- North Carolina State University proposes a new Professional Golf Management fee to meet student costs associated with gaining access to golf courses and to meet golf shop operations. The Professional Golfer's Association (PGA) of America requires this access to meet accreditation standards.
- The University of North Carolina at Chapel Hill proposes a 9% increase in the law student fee to support additional costs associated with the Trial Law Academy, the North Carolina Journal of Law, and the Technology and Conference on Race, Class, Gender and Ethnicity.
- The University of North Carolina at Charlotte requests a new time-limited (10 years) \$53 fee to support the implementation of the SCT Banner administrative software.
- The University of North Carolina at Greensboro requests a new time-limited (5 years) \$50 fee to support the implementation of the SCT Banner software.

The recommended Special Fees effective Fall Term, 2004, are listed below.

<i>Institution</i>	<i>Requested Increase</i>	<i>Proposed Fee</i>
Appalachian State University		
Graduate Student Fee	—	30.00
East Carolina University		
Music Fee	—	31.00
Administrative Computing Fee (time-limited)	50.00	50.00
North Carolina Central University		
Special Student Activities Fee – Law	—	403.00
ADA Dietetic Internship Program	—	367.50
Nursing Technology Support	—	120.00
North Carolina School of the Arts		
School of Filmmaking Fee	—	750.00
School of Music Fee	60.00	225.00
School of Drama Fee	—	175.00
School of Dance – Injury Screening	30.00	100.00
School of Design and Production	—	30.00
North Carolina State University		
Graduate School Fee	—	11.00
College of Engineering Computer Fee	—	90.00
Professional Golf Management Fee	400.00	400.00
UNC-Chapel Hill		
Placement Fee- M.B.A. and 5th Yr. Masters in Accounting	—	600.00
Placement Fee - Law Students	—	100.00
Special Student Activities Fees:		
Dental, Dental Hygiene, and Medical Students	—	9.00
Law Students	7.00	83.50
Masters in Business Administration/Accounting Students	—	50.00
Pharmacy Students	—	7.50
School of Dentistry – Materials Fee		
Undergraduate	—	30.00
Graduate	—	55.00
D.D.S.	—	55.00
Dental Assisting	—	23.00
Dentistry Equipment Fee–Dental Hygiene	—	70.00
Dentistry Equipment Fee–D.D.S.	—	200.00
Instrument Management System Fee – D.D.S.	—	1,500.00
Instrument Management System Fee – Dental Hygiene	—	600.00
Senior Class Enrichment	—	2.00

<i>Institution</i>	<i>Requested Increase</i>	<i>Proposed Fee</i>
UNC-Chapel Hill (continued)		
Masters of Public Administration – Intern	–	200.00
Biostatistics Field Training	–	25.00
Nursing Practicum – Undergraduate	–	170.00
Nursing Practicum – Graduate	–	150.00
Environmental Sciences & Engineering – N.C. and S.C	–	200.00
Environmental Sciences & Engineering – Tennessee	–	225.00
Health Behavior and Health Education – Graduate	–	600.00
Health Behavior and Health Education – Practicum	–	125.00
Health Policy and Administration – Undergraduate	–	400.00
Health Policy and Administration – Graduate	–	450.00
Maternal and Child Health Field Training	–	350.00
Nutrition Field Training – Washington, DC	–	50.00
Nutrition Field Training – Hospitals and Health Agencies	–	450.00
Law School Special Fee	–	500.00
Law School Practical Skills Enhancement	–	500.00
Business School Program Quality Fee	–	500.00
Student Professional Training Program:		
Masters in Public Health	–	550.00
Masters in Health Admin. & Master of Science in Public Health (year 1)	–	550.00
Masters in Health Admin. & Master of Science in Public Health (year 2)	–	1,000.00
Public Health Nursing Field Training – Washington D.C.	–	150.00
Public Health Nursing Field Training – Practicum	–	450.00
Pharmacy Internship/Clerkship	–	200.00
Social Work Field Training	–	300.00
UNC Charlotte		
International Student Fee	–	100.00
College of Architecture Students	–	80.00
College of Engineering Students	–	150.00
College of Information Technology Students	–	150.00
Administrative Computing Fee (time-limited)	53.00	53.00
UNC Greensboro		
Administrative Computing Fee (time-limited)	50.00	50.00
UNC Wilmington		
Student Service Fee	–	20.00

Student Government Association Fee

In 2002-03, the Board approved a system-wide annual fee of \$1 to provide funds for the Student Government Association. It is recommended that this fee be continued at the same level during the 2004-05 academic year.

Authorization of New Capital Improvements Projects – East Carolina University

The Board of Trustees of East Carolina University has requested the authority to establish two new capital improvements projects. Both projects would be financed from housing receipts.

The first project, estimated to cost \$510,500, would provide for the replacement and upgrade of elevator equipment in the 36-year-old White Residence Hall. The project would bring the elevators up to modern safety and operating standards.

The second project, estimated to cost \$530,400, would provide for the replacement of existing windows, corridor and room doors with new energy-efficient windows and fire-rated doors in the 81-year-old Fleming Residence Hall.

It is recommended that the projects be authorized and that the method of financing as proposed by East Carolina University be approved.

Authorization of the Sale of Pooled Revenue Bonds

In November 1998, the Board approved for the first time the issuance of pooled bonds for long-term debt for several campuses rather than individual institutional issues. A pooled issue presents an attractive offering for investors often resulting in lower interest rates and improved bond insurance rates. Additionally, the fixed costs of issuing bonds are spread among all participants resulting in savings for individual institutions through economies of scale. The Board also approved the issuance of pooled bonds in 2000, 2002, and in 2003. Since the Fall 2003 issue, three institutions (the University of North Carolina at Charlotte, Winston-Salem State University, and North Carolina Central University) have asked to be included in a fifth pooled issue to refund bonds previously approved and issued by the Board of Governors currently outstanding at higher interest rates. The size of the bond issue is now being finalized and is anticipated to be between \$15 million and \$20 million.

The Board of Governors would issue the bonds and then make a “loan” to each institution participating in the pool. The bonds would be outstanding for up to 20 years, with the average maturity being for a period of 11 years. The University has been assisted in drafting the bond documents by the legal firms of Parker Poe Adams & Bernstein and Thigpen, Blue, Stephens & Fellers. Lehman Brothers is providing underwriting services for the bonds. The Banks Firm will serve as the underwriters’ counsel. The trustee will be selected by a Request for Proposals process. It is planned for the bonds to be insured by Ambac Assurance Corporation.

The refunding plan for the three institutions anticipates achieving net present value savings of at least 2.0%, totaling over \$400,000.

It is recommended that the following Resolution be adopted and that the Vice President for Finance be authorized to issue and sell bonds at such time as the net present value savings equal or exceed at least 2.0%.

A RESOLUTION AUTHORIZING THE ISSUANCE OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM POOL REVENUE BONDS FOR THE PURPOSE OF PAYING THE COST OF MAKING LOANS TO CONSTITUENT INSTITUTIONS; PROVIDING FOR THE PAYMENT OF SUCH BONDS AND THE INTEREST THEREON FROM REVENUES DERIVED FROM THE LOANS; AND APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS WITH RESPECT THERETO

Report on Overhead Receipts [Facilities and Administrative (F&A) Receipts]

Legislation enacted by the 2001 General Assembly (S.L. 2001-424) included the following special provision directing the Board of Governors to report on the amount and uses of facilities and administrative receipts:

UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS

SECTION 31.14. The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee by March 1, 2002, and annually thereafter, on the amount of overhead receipts for The University System and the use of those receipts.

In response to this legislation, the following report has been prepared for the fiscal year ending June 30, 2003.

It is recommended that the attached report be approved and transmitted to the Joint Legislative Education Oversight Committee.

**Report to the
2004 North Carolina General Assembly
Joint Legislative Education Oversight Committee**

**The University of North Carolina
Report on Overhead Receipts
[Facilities and Administrative (F&A) Receipts]
2002-03**

**The Board of Governors of
The University of North Carolina**

February 13, 2004

The University of North Carolina
Report on Overhead Receipts
[Facilities and Administrative (F&A) Receipts]
2002-03

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In response to this legislation, this report covers the fiscal year ending June 30, 2003.

Background

The University of North Carolina serves the state's interests through a three-part mission of teaching, research, and public service. UNC's reputation as one of the nation's top public university systems has been built, in part, on the volume and quality of research and sponsored programs conducted by its faculty. With limited direct appropriations for research, UNC has depended heavily on obtaining competitive grants and contracts to support its research efforts.

In recent decades, the federal government has stepped up efforts to promote scientific research at United States universities, as well as research conducted by federal, nonprofit, and commercial laboratories. Recognizing that research carries necessary administrative, facilities, and other expenses above and beyond the direct costs of the project, federal agencies have included in their research grants and contracts a portion of funds to help

offset these related costs – commonly called "indirect costs," "overhead receipts," or "facilities and administrative (F&A) receipts." In keeping with federal reporting practices, the term “facilities and administrative (F&A) receipts” is used for the remainder of this report.

Under federal OMB Circulars, facilities and administrative receipts generally reimburse for costs associated with supporting grants and contracts activities of the institution in a manner consistent with the formulae under which the funds were recovered. Internal university controls pertaining to the compliance requirements for sponsored project expenditures under OMB Circular A-133 are designed to provide reasonable assurance regarding the achievement of the following objectives:

1. Transactions are properly recorded and accounted for in order to permit preparation of reliable financial statements and reports and maintain accountability over assets.
2. Transactions are executed in compliance with laws, regulations and provisions of federal and state laws and in accordance with sponsored agreement terms.
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Research and other sponsored program awards to the 16 UNC campuses totaled \$945 million for FY 2002-03 with about two-thirds of these dollars coming from federal sources. State and local governments provide less than 15 percent. Among public university systems, in the latest national survey, UNC ranks third in science and technology research expenditures, behind only the University of California and the University of Texas systems. Grants and contracts support thousands of individual projects that improve human health, our understanding of the natural world, education, national defense, and other areas critical to the nation and

our state. Not only do grants and contracts support leading-edge science and public service, but their funds are also used to support our state's workforce. Grants and contracts support salaries for faculty, post-doctoral fellows, staff, graduate assistants, and undergraduates, all of whom keep our universities in the forefront of regional economic development and training.

In 2002-03, UNC institutions received a total of \$136.9 million in facilities and administrative receipts (Attachment A). F&A receipts were expended by each campus to support costs associated with maintaining an environment conducive for conducting research and scholarly advancement and ensuring competitiveness for attracting additional research funds. However, F&A costs are also significantly under-reimbursed by the federal government. In a recent report (Rand Corp., 2000) the federal government was criticized for not providing up to 25 percent of the facilities and administrative costs earned by United States campuses (due to administrative caps and programmatic restrictions). It should further be noted that many agencies provide no facilities and administrative receipts.

In order to provide the requested information regarding the amount and uses of facilities and administrative receipts, each campus was asked to provide a report for the 2002-03 fiscal year. The institutional responses are summarized in the following sections of this report, and individual campus examples are detailed in Attachment F. (Copies of the individual institutional responses are available upon request.)

Amount of Facilities and Administrative Receipts – 2002-03 Fiscal Year

University-wide, a total of \$136.9 million was recovered in facilities and administrative receipts (see Attachment A) for the 2002-03 fiscal year.

Consistent with their research missions, the two major research universities, North Carolina State University (18.1%) and UNC-Chapel Hill (70.3%), accounted for almost 90 percent of the University-wide total. As shown on Attachment A, five institutions –East Carolina University, North Carolina A & T State University, UNC Charlotte, UNC Greensboro, and UNC Wilmington – accounted for most of the remaining F&A receipts.

Uses of Facilities and Administrative Receipts – 2002-03 Fiscal Year

Each institution provided a programmatic summary of priorities and an object of expenditure summary of facilities and administrative receipts disbursements made during the 2002-03 fiscal year, which totaled \$120.2 million (Attachment B). The principal priorities for programmatic expenditures were designed to:

- maintain and expand research infrastructure;
- provide for research support and assistantships;
- maintain research-related administrative functions;
- promote new research activity in a competitive research environment;
- fund faculty "start-up" packages (support staff, laboratory facilities, and operating expenses);
- provide general administrative support;
- sustain academic programs, including the libraries;
- provide for capital improvements and debt service; and
- support strategic initiatives.

Each of the campuses also reported on its expenditure priorities for the year. The most frequently cited use of F&A receipts was to support the administrative functions related to the grants themselves. This ranged from support for campus administrative units (finance offices, contract and grant

functions, controller's offices, and facilities services) to support for public safety positions to guarantee laboratory security to costs for clean up and disposal of unique or hazardous materials. Campuses also used F&A receipts to support academic programs, provide laboratory space and equipment for research, and to encourage new research. Attachment C shows a list of the priorities that each school discussed in its report. Since the expenditures by the two major research universities account for most of the total, the following illustrative examples are drawn from their reports. Similar kinds of expenditures were made by the other campuses, but in relatively smaller amounts. Attachment F provides additional examples of the uses of F&A receipts as reported by the institutions.

UNC-Chapel Hill committed \$204 million of its F&A receipts toward the construction of several major building and renovation projects over the next several years. They include the Administrative Office Building, Medical Biomolecular Building, Public Health Building, Nursing Building, Science Complex, Neurosciences Building, and Bioinformatics Building. UNC-Chapel Hill committed to match the 2000 bond funds with an equal amount of non-state campus receipts during the capital improvements plan approved by the Board of Governors and the General Assembly that formed the basis for the bond program. F&A receipts comprise a significant portion of the campus "match," either through direct expenditure or through the issuance of special obligation bonds to be retired from future F&A receipts. UNC-Chapel Hill issued its first series of these special obligation bonds during 2001,

committing these receipts as one of the sources of debt repayment. 2002-03 was the second year of bond issuance for these projects at UNC-Chapel Hill.

Facilities and administrative receipts at UNC-Chapel Hill contributed significantly to sustaining and enhancing the academic and administrative technology support to the campus. Major information technology initiatives included support to academic technology and networking, the Capital Wiring Project, Carolina Computing Initiative, and efforts to streamline and automate campus functions (the departmental accounting system, an electronic grants management system, and the space management system). During FY 2002-03 Facilities and Administrative receipts provided funding for the Office of Research and Graduate Studies, which supported research activities of faculty, staff and students. The office provided administrative support for all sponsored programs in an effort to enhance campus research funding. The goals of this office include:

- (1) enhancing research funding on campus;
- (2) providing matching funds for external research applications;
- (3) expanding technology development and economic development activities;
- (4) providing expanded coordinated training programs;
- (5) providing support and coordination of multidisciplinary research proposals;
- (6) disseminating information about the benefits of research;
- (7) providing protection for human subjects by maintaining high standards in the research review process;
- (8) enhancing the ethical care and use of animals in research; and
- (9) providing administrative support for all sponsored programs.

During 2002-03, facilities and administrative receipts at UNC-Chapel Hill were also used for new faculty start-ups, i.e., to pay for equipment,

supplies, furniture, computers, travel, space renovation, relocation, and recruitment expenses for faculty members campus-wide. UNC-Chapel Hill also allocated a part of the facilities and administrative receipts to the divisions that generated these costs. For example, during 2002-03 fiscal year, the College of Arts and Sciences used F&A receipts for the start-up and recruitment of new faculty, to match outside grants, to renovate existing spaces, replace equipment, for staff support, supplies, and for specialized services such as Learning Disability Services and the Institute for Arts and Humanities. The Schools of Education, Nursing, Dentistry, Journalism and Mass Communication, Government, Information and Library Science and the Kenan-Flagler Business School also expended F&A receipts to provide start-up packages for new faculty, provide research staffing, cover general operating expenses, and provide for necessary repairs and renovations. In total, faculty start-up funds were provided to 121 new faculty in the last fiscal year. These funds have been instrumental in making competitive employment offers through the provision of research support, laboratory set ups, scientific equipment matching funds for external grants and to provide bridge funding between grant awards.

In 2002-03, UNC-Chapel Hill Libraries devoted most of their F&A resources to purchase library materials to partially offset the continuing rise in the cost of serials and electronic resources and to avoid large-scale serials cancellations. The funds were also used to purchase books, journals, and maintain electronic access for the library collection.

At North Carolina State University, almost one-third of the facilities and administrative revenues were used to provide salary support for those offices supporting the research infrastructure of the campus, such as purchasing, payroll, accounting, budget, administrative computing, facilities operations, legal, and personnel. Another 20% was used towards capital projects, such as the D.H. Hill Library, Patterson Hall, Dabney Hall, and Centennial Campus.

Like UNC-Chapel Hill, NCSU is planning to obligate a large portion of their facilities and administrative receipts toward the required campus match in the 2000 Higher Education Bond program. NCSU committed \$32 million of F&A receipts to support major building construction or renovation projects and related debt service, including:

- current indebtedness on four buildings on Centennial Campus which house research programs for faculty from several colleges;
- major funds are committed for the College of Veterinary Medicine Research Building, the College of Engineering (Phase II) and two general research buildings on Centennial Campus;
- major renovation projects in Patterson Hall, Cox Hall, Jordan Hall, the relocation of departments to Riddick Hall, and lab renovations in the College of Physical and Mathematical Sciences.

In addition, the Vice Chancellor for Research and Graduate Studies allocated funds to provide start-up packages and equipment for new faculty, matching costs for special research initiatives, interinstitutional programs, and facility upfits and renovations. These receipts were used to maintain research-related collections and services, make accessibility renovations to the library, and provide archival storage.

Allocations were made to research administration to cover the costs of personnel and other operating costs of the Office of Sponsored Programs and

the Contracts and Grants accounting office. Funds were also allocated to support the continuing development of the Centennial Campus through retro-fitting and constructing new research buildings, and providing support for the Centennial Campus Development Office.

In addition to the programmatic summary provided by each institution, an accounting by object of expenditure was also provided (see Attachment D). In summary, the categories of expenditures follow:

Object of Expenditure	Amount	% of Total
Personnel Services	\$ 41,173,546	34.2%
Supplies, Utilities, Fixed Charges & Other Current Services	48,564,272	40.4%
Renovation and capital improvements projects	16,830,943	14.0%
Educational, computing and other equipment	9,919,578	8.2%
Educational awards	2,835,524	2.4%
Library Materials	631,037	0.5%
Other expenditures	286,636	0.2%
TOTAL	120,241,536	100%

University Research Facilities and Administrative Receipts Reporting Policy

Recognizing the need for uniform policies and procedures for reporting University research facilities and administrative receipts, the Board of Governors at its meeting on March 6, 2002 adopted a new policy statement. A copy of the policy is attached (Attachment E).

The requirements of the policy are:

1. UNC institutions determine expenditure of F&A receipts. The chancellor of each constituent institution shall expend F&A funds only to support scholarly development of its faculty, staff and students or to ensure that the campus infrastructure is supported to enhance such scholarly activities.
2. In a format to be provided by the Office of the President, each campus will report by December 1, the amount of F&A funds received, amount expended by purpose, and uncommitted balance. A report will be made to the Board of Governors at the February Board meeting.

3. Chancellors shall formulate and submit a copy of an administrative procedure for the use and reporting of F&A funds to the President, consistent with Board of Governors' guidelines for the expenditure of F&A funds.

**University of North Carolina
Facilities and Administrative Receipts, 2002-03**

Institution	2002-03 Receipts	% of TOTAL
Appalachian State University	\$ 448,873	0.3%
East Carolina University	2,776,301	2.0%
Elizabeth City State University	302,570	0.2%
Fayetteville State University	397,242	0.3%
North Carolina A&T State University	2,421,308	1.8%
North Carolina Central University	1,004,196	0.7%
North Carolina State University	24,723,686	18.1%
UNC Asheville	92,437	0.1%
UNC-Chapel Hill	96,184,105	70.3%
UNC Charlotte	2,000,737	1.5%
UNC Greensboro	3,203,591	2.3%
UNC Pembroke	287,586	0.2%
UNC Wilmington	2,183,106	1.6%
Western Carolina University	285,080	0.2%
Winston-Salem State University	317,641	0.2%
UNC-General Administration	240,246	0.2%
TOTAL	\$ 136,868,705	100%

**University of North Carolina
Facilities and Administrative Expenditures, 2002-03**

Institution	2002-03 Expenditures	% of TOTAL
Appalachian State University	\$ 529,936	0.4%
East Carolina University	2,691,674	2.2%
Elizabeth City State University	282,396	0.2%
Fayetteville State University	281,917	0.2%
North Carolina A&T State University	2,369,089	2.0%
North Carolina Central University	414,806	0.3%
North Carolina State University	24,606,659	20.5%
UNC Asheville	96,639	0.1%
UNC-Chapel Hill	81,629,612	67.9%
UNC Charlotte	1,493,048	1.2%
UNC Greensboro	3,061,433	2.5%
UNC Pembroke	155,482	0.1%
UNC Wilmington	1,815,494	1.5%
Western Carolina University	271,460	0.2%
Winston-Salem State University	378,586	0.3%
UNC-General Administration	163,305	0.1%
TOTAL	\$ 120,241,536	100%

University of North Carolina
 Report on 2002-03 Facilities and Administrative Receipts
 Summary of Campus Priorities for Spending Overhead Receipts

<u>Institution</u>	<u>Encourage new research activity</u>	<u>Support research- related admin functions</u>	<u>Foster research/ creative activity in classroom</u>	<u>Maintain/ expand research enterprise infrastructure</u>	<u>Support of academic programs</u>	<u>General admin support at campus</u>	<u>Promote grantsmanship education</u>	<u>Grant research support/ assistantships</u>	<u>Faculty Start-ups</u>	<u>Library</u>	<u>Strategic Initiatives</u>	<u>Match External Grants</u>	<u>Capital Projects</u>
ASU	X	X	X	X	X			X	X	X		X	
ECU	X	X	X	X				X	X		X	X	
ECSU		X			X	X		X					
FSU		X					X						
NCA&T	X	X		X	X			X					
NCCU		X	X	X	X		X	X			X	X	
NCSU		X		X	X		X		X	X	X	X	X
UNCA		X		X			X					X	
UNC-CH	X	X	X	X	X	X	X	X	X	X	X	X	X
UNCC		X		X	X		X						X
UNCG	X	X	X	X	X	X		X	X	X	X		
UNCP		X		X	X	X							
UNCW		X		X	X	X		X	X		X		X
WCU		X		X	X	X					X		
WSSU		X		X	X						X		
UNC-GA	X	X		X			X				X		

University of North Carolina
Summary of Facilities and Administrative Expenditures by Campus
For the Fiscal Year 2002/03

<u>Institution</u>	<u>Total Personnel Compensation</u>	<u>Contracted Services</u>	<u>Supplies</u>	<u>Utilities</u>	<u>Other Current Services</u>	<u>Fixed Charges</u>	<u>Total Equipment</u>	<u>Library Materials</u>	<u>Educational Awards</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>	<u>Explain Other</u>
ASU	55,177	1,000	142,510	0	154,618	6,494	121,879	16,875	6,000	0	25,383	529,936	Grant Match
ECU	1,240,872	94,280	101,374	-3,561	233,220	39,095	275,203	0	3,934	564,575	142,682	2,691,674	Grant Match, Workman's Compensation
ECSU	55,816	36,825	13,829	0	78,402	26,141	33,518	0	37,865	0	0	282,396	
FSU	63,711	21,680	15,784	0	49,390	2,035	0	0	1,820	21,050	54,236	281,917	Grant Match
NCA&T	1,348,196	23,811	19,058	0	424,640	38,559	155,347	0	298,427	0	0	2,369,089	
NCCU	183,429	1,750	13,447	0	181,124	17,437	16,619	0	1,000	0	0	414,806	
NCSU	8,559,609	882,439	1,997,360	217,090	1,646,580	2,907,074	3,097,794	52,878	311,194	4,934,641	0	24,606,659	
UNCA	73,545	8,900	842	0	3,949	155	0	0	0	5,038	4,210	96,639	Dependant Care Assistant Program
UNC-CH	27,405,663	2,700,271	11,410,892	512,153	14,846,876	7,125,440	1,829,182	560,810	1,829,182	9,936,859	0	81,629,612	
UNCC	14,464	3,464	9,221	0	50,108	8,834	46,002	0	110	1,360,845	0	1,493,048	
UNCG	1,413,291	165,468	568,970	18	596,338	79,403	66,293	25	70,000	0	101,627	3,061,433	Grant Match
UNCP	70,219	33,178	3,055	0	29,849	3,469	0	0	3,000	0	0	155,482	
UNCW	338,392	12,210	241,404	0	279,978	98,857	597,370	0	237,842	7,935	-41,502	1,815,494	Refund of expense
WCU	72,558	10,946	15,868	0	109,973	23,768	49,666	449	12,000	0	0	271,460	
WSSU	181,266	31,007	21,961	0	87,100	20,895	13,207	0	23,150	0	0	378,586	
UNC GA	97,338	0	1,227	0	13,337	51,403	0	0	0	0	0	163,305	
UNC Total	41,173,546	4,027,229	14,576,802	725,700	18,785,482	10,449,059	6,302,080	631,037	2,835,524	16,830,943	286,636	120,241,536	
	34.24%	3.35%	12.12%	0.60%	15.62%	8.69%	5.24%	0.52%	2.36%	14.00%	0.24%	100%	



POLICIES

The University of North Carolina *Board of Governors*

Number 500.5
Adopted: 3/6/02

University Research Facilities and Administration Receipts Reporting Policy

Purpose

The University of North Carolina receives reimbursement of Facilities and Administration (F&A) costs related to grants and contracts and is expected to allocate these funds within the appropriate state and federal guidelines. Pursuant to the provisions of Senate Bill 1005, Section 31.14 (2001), the UNC Board of Governors is required to report to the Joint Legislative Education Oversight Committee by March 1, each year, the amount of overhead receipts for the University System and the use of those receipts.

Background

F&A costs (sometimes called indirect or overhead receipts) are calculated for such items as facilities maintenance and renewal, libraries, salaries of technical, compliance and administrative personnel, equipment, scholarly development, and facilities support. F&A rates are set by negotiation between the federal government and each university. Lower rates are often established statutorily or by policy by certain programs and sponsors.

Under federal OMB Circular A-21 indirect costs generally reimburse for costs of the grants and contracts operations of the institution and other overhead expenses of the university in a manner consistent with the formulae under which the funds were recovered. Internal university controls pertaining to the compliance requirements for sponsored project expenditures under OMB Circular A-133 are designed to provide reasonable assurance regarding the achievement of the following objectives:

1. Transactions are properly recorded and accounted for in order to permit preparation of reliable financial statements and reports and maintain accountability over assets.
2. Transactions are executed in compliance with laws, regulations and provisions of federal and state laws and in accordance with sponsored agreement terms.
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Requirements

1. UNC institutions determine expenditure of F&A receipts. The chancellor of each constituent institution shall expend F&A funds only to support scholarly development of its faculty, staff and students or to ensure that the campus infrastructure is supported to enhance such scholarly activities.
2. In a format to be provided by the Office of the President, each campus will report by December 1, the amount of F & A funds received, amount expended by purpose, and uncommitted balance. A report will be made to the Board of Governors at the February board meeting.
3. Chancellors shall formulate and submit a copy of an administrative procedure for the use and reporting of F&A funds to the President, consistent with Board of Governors' guidelines for the expenditure of F&A funds.

**University of North Carolina
Facilities and Administrative (F&A) Receipts
Examples of Usage By Campus**

Appalachian State University

- ◆ An allocation was made to the Belk Library to provide support for the acquisition of materials suitable for the research and creative endeavors of the faculty and students.
- ◆ \$80,000 of F&A receipts were used to provide cash matches for external grants.
- ◆ The Office of Research and Sponsored Programs was allocated \$20,000 of the receipts to support its mission of providing the infrastructure necessary for the solicitation of grants and contracts.

East Carolina University

- ◆ F&A receipts at ECU were expended to support meritorious new research and ongoing efforts by faculty. This included bridge funding for faculty researchers who were temporarily not funded from extramural sources, but who anticipated extramural funding. Matching funds were provided to the Department of Physics, in support of purchase of a CD spectrometer for which extramural funding of \$57,531 came from the NC Biotech Center, Photodynamic Therapy Program, a component of the Leo Jenkins Cancer Center. F&A receipts also supported the purchase of a \$50,000 optical biopsy system and the Americorp Project Heart, a federally funded School of Education tutoring/mentoring program for students performing poorly in math and reading.
- ◆ F&A funds in the amount of \$75,000 enabled the university to purchase the Amitrol Robotic Manufacturing System for the College of Technology. This state-of-the-art integrated system provides for integrated teaching of manufacturing processes including computer aided design, product prototype development, bill of materials, production scheduling, product manufacturing, and post production quality assurance.
- ◆ F & A funds were used to update the Center for Health Science Communications' Polycon videoconferencing MCU from an 8 port MUX to a 16 port MUX. This system allows ECU physicians to provide fully interactive medical consults to other physicians and patients at up to 16 remote sites in Eastern North Carolina. The MCU's continuous presence feature allows a central location to view and interact with all remote locations simultaneously. This equipment provides advanced videoconferencing capability for telemedicine and distance education.

(ECU continued)

- ◆ Imaging Analysis Software - F & A funds provided needed software updates for the imaging analysis system used by the Departments of Pharmacology and Physiology. The software enables 2 dimensional gel analysis and significantly improves the data evaluation capabilities of the system.
- ◆ F&A support funded the establishment of ECSU's Center of Excellence in Remote Sensing Education and Research (CERSER). The Center focuses on developing innovative and relevant research capabilities and collaborations related to coastal, ocean and marine research

Elizabeth City State University

- ◆ ECSU used F&A receipts to pay for Sponsored Program Administration staffing, including the wages for the Director of Sponsored Programs and a contract and grants accountant.
- ◆ Academic programs at ECSU benefited through the expenditure of F&A receipts by adding student research assistants, equipment, and support for the advancement of minorities in the biomolecular sciences.

Fayetteville State University

- ◆ F&A receipts in 2002-03 were reinvested in research and academic programs at FSU. F&A receipts were used to promote grantsmanship workshops and to cover general operations related to the grants (Business Office, Sponsored Research, etc.).

North Carolina Agricultural and Technical State University

- ◆ NCA&T used 2002-03 F&A receipts to offer graduate assistantships, a practice that contributes greatly to the recruitment and retention of exceptional graduate students.
- ◆ F&A receipts at NC A&T were used to strengthen technology transfer by funding intellectual property disclosures, faculty and staff development, and provide seed funding for new innovations. This has resulted in a more competitive technology portfolio, increased exposure to the intellectual assets of the university, and provided greater capability to engage in industry collaborations and community outreach for economic development.
- ◆ In 2002-03, F&A funds were used to support the development of emerging interdisciplinary research initiatives in computational sciences as well as food biotechnology and safety. The support included seed funding for shared research support staff, laboratory acquisitions and upgrades, faculty visits to prospective sponsors, and matching funds.

(NCA&T continued)

- ◆ Funds were used to support the Taylor Art Gallery as an extension of the Visual Arts program and artist in residence initiative. Continued funding was provided in support of the program goals of the Transportation Institute in the School of Business and Economics in conjunction with research monies received from the Federal Highway Administration, US-DOT and center designation as an Urban Transit Institute. In addition funding was used in assisting the transition process of the Yanceyville Center into a facility for adult learning and professional degree program pursuits.

North Carolina Central University

- ◆ NCCU's F&A receipts benefited many academic programs in 2002-03, including the School of Education, the Psychology Department, the School of Nursing, Biology Department, Physics Department, Health Education, Chemistry Department and the Hospitality Education Program. These funds supported the purchase of supplies, current service expenditures, educational equipment and scientific equipment not funded through state funding.
- ◆ The Biomedical Biotechnology Research Institute at NCCU used F&A receipts to purchase critical scientific equipment, supplies, and current services for research efforts in the biomedical technology program.
- ◆ F&A receipts at NCCU funded technical staff to assist the grant recipients in the pre- and post-award processes. These Sponsored Research staff played a critical role in assisting the university to identify funding available from state, federal, and other sources. The receipts also offset university expenses associated with the annual audit of federal grants and programs.

North Carolina State University

- ◆ NCSU expended \$1.25 million of F&A receipts on the purchase and installation of equipment for the Triangle National Lithography Center. One piece of equipment is a lithography stepper that will be used to produce patterns on different substrates for use as electronic devices. Items that can be produced with the stepper include computer chips, molecular electronics devices, and opto-electronics devices. Other nanoscale technology that can be produced by the stepper include a "lab-on-a-chip" device that can, for example, screen biologically active reagents like anthrax.
- ◆ NCSU used \$100,000 in F&A receipts to renovate space in Gardner Hall and to recruit an additional genomic researcher. This additional funding expanded NCSU's research capacity in plant biotechnology.

(NCSU continued)

- ◆ \$200,000 of F&A receipts were used to invest in equipment to significantly expand the university's research capacity in the emerging realm of proteomics. Funding established and expanded research programs in the Department of Molecular and Structural Biochemistry.
- ◆ NCSU's Department of Psychology implemented a project: Aligning School Psychology Training and Practice with the Needs of Students with Disabilities in the General Education Program (sponsor - U.S. Department of Education). The project is designed to reduce the shortage of school psychologist in North Carolina and to provide school psychologists with increased skills in reading assessment, intervention, and consultation in the early grades.
- ◆ F&A receipts were used to expand research efforts through the rental of Pylon Research Labs (off campus facility). The additional space will accommodate lab and office space for 20 faculty members in the Colleges of Veterinary Medicine and Agriculture and Life Sciences that require specialized handling of biological materials.
- ◆ The College of Textiles purchased a dynamic mechanical analyzer (DMA) for \$65,000. The instrument will be used as a focal point in research to develop improved barrier fabrics for protection against chemical, biological and radiation hazards. Researchers also expect to develop a new test method (through a MOA) that will characterize the polymer used to make brushes that clean wafers used in the chip making process.
- ◆ Over \$185,000 was used to provide seed funding to secure grants in all NCSU colleges and schools.

University of North Carolina at Asheville

- ◆ Facilities and administration funds at UNC-Asheville were used to pay for a contracts and grants accountant to assist contract and grant recipients with billing for reimbursements, financial reporting, and other associated administrative functions.
- ◆ Receipts were also used to fund an administrative assistant position to help research grant opportunities and track proposals.
- ◆ UNCA also reinvested F&A funds by using them to fund grant-writing workshops for faculty.

University of North Carolina at Chapel Hill

- ◆ UNC-Chapel Hill has committed \$204 million of its F&A receipts towards the construction of several major building and renovation projects over the next several years. In the current year, over \$9.3 million provided for capital improvements, including repairs and renovations.

(UNC-CH continued)

- ◆ In FY 2002-03 over \$27 million of facilities and administrative receipts provided personnel expenses for offices supporting the research infrastructure on the campus.
- ◆ An investment of \$1.9 million in F&A funds enabled the School of Medicine to establish a new nuclear magnetic resonance (NMR) imaging Core Facility, which will support research projects in the School of Medicine, the School of Public Health, and the College of Arts and Sciences. This advanced research will help establish UNC-Chapel Hill as a national leader in NMR studies and will yield advances in medical treatment, attracting health-care providers and paying clientele from around the U.S. Success in these areas will result in increased employment opportunities for North Carolinians.
- ◆ F&A funding supported planning and proposal development for the Carolina Population Center's MEASURE project, which is designed to improve data collection, monitoring, and evaluation of population, health, and nutrition services around the world. In September 2003, the Center was awarded a \$70 million cooperative agreement by the U.S. Agency for International Development, the largest social-sciences award in the history of UNC-Chapel Hill.
- ◆ F&A receipts provided the College of Arts and Sciences \$2.2 million dollars in matching grant funds to support research efforts.
- ◆ The School of Public Health is investing \$150,000 in F&A funds to bring a laboratory up to current standards that will allow research designed to lead to the development of a SARS vaccine. By committing \$50,000 per year in F&A funds to the Clinical Nutrition Research Center, the School of Public Health secured \$4 million in NIH funding over five years. Investing \$365,000 in F&A funds over five years enabled the School of Public Health to establish UNC-Chapel Hill's Center for Environmental Health and Susceptibility, which has received a five-year, \$4 million grant from the National Institute of Environmental Health Sciences (NIEHS). The Center has sponsored proposals for additional research grants that currently bring an additional \$17 million per year to the University.
- ◆ Using \$225,000 in F&A funds, the School of Pharmacy purchased nuclear magnetic resonance equipment to characterize the structure of molecules important in medicinal chemistry.
- ◆ The new Carolina Physical Science Complex is the single largest construction project in the University's history and could not be built without F&A funds. The project, which will enhance the physical sciences, will cost an estimated \$205 million, \$84 million of which will be funded by state bond funds. The remainder will be generated through a combination of private fund-raising, fees, and F&A receipts.
- ◆ Using approximately \$38,000 in F&A funds, the University Center for International Studies provided outreach programs for K-12 schools in

(UNC-CH continued)

North Carolina, supported international research by undergraduate students, and joined with the U.S. Department of State and the U.S. Department of Education to sponsor International Education Week, which promotes international education and exchange.

- ◆ Using \$18,960 of F&A receipts to match a similar amount from other sources, the Office of Economic Development produced a report, "Improving North Carolina's Economic Development Delivery System," which offers guidelines for enhancing the efforts by government agencies and their partners to strengthen the state's economy.
- ◆ UNC-Chapel Hill's libraries invested approximately \$226,000 in F&A funds to renovate two floors of the Health Sciences Library, \$65,000 to develop new Web-based information systems, and \$112,000 to purchase project-related research journals for Health Affairs.

University of North Carolina at Charlotte

- ◆ UNCC placed the majority of its F&A receipts during 2002-03 towards the construction of the Humanities Building. Future F&A receipts will support the expansion of research facilities and equipment, including the Science and Technology Building and an addition to the Charlotte Research Institute.
- ◆ F&A receipts were also used to support department priorities, for example, the provision of supplemental funding for an annual mathematics research conference held at UNC Charlotte.

University of North Carolina at Greensboro

- ◆ UNCG has used F&A receipts to offer increased training for campus research administrators. This assists faculty in the administration of the grants and awards and helps to increase the quantity and productivity of research at UNCG.
- ◆ F&A receipts funded the Gene Microarray Applications Program (GMAP) designed to increase the use of biotechnology by faculty. One team that was supported by GMAP funds has secured approximately one million dollars from the Environmental Protection Agency. Their work led to the first spin-off company from UNCG, Ecogenomix.
- ◆ In FY 2002-03 over \$400,000 was given to nine research teams under the auspices of a program known as the External Proposal Development Incentive Program (EPDIP). The purpose of EPDIP was to spur interdisciplinary projects.

University of North Carolina at Pembroke

- ◆ F&A receipts allowed the Biology Department to establish a minor in environmental science and seek to establish an Outdoor Environmental Laboratory on the banks of the nearby federally designated scenic Lumber River. The outdoor lab will expose a generation of students, both K-12 and university, to environmental issues and specimens of plant life found nowhere else in the region and to a rare black water river.
- ◆ UNCP's use of F&A receipts supported the funding of a Media Integration system, a project that combined images, sound, animation and information to create new media through which to communicate information. Created by the interdisciplinary collaboration of faculty from Art, Music and Mass Communications, the project has evolved into a minor concentration currently housed within the Art Department with growth to a major expected within the next two years. The project has gained notoriety among UNC institutions through UNCP's acceptance as the only NC school in the international New Media Centers program for two years as well as through UNCP's Digital Content Consortium inaugurated in March 2003.
- ◆ F&A receipts supported The Office of Sponsored Research & Programs. The Office serves faculty, staff, and students by providing assistance in their endeavors to pursue and perform scholarly works. Some of the activities supported by the Office and other departments at UNCP included: proposal identification, proposal preparation and monitoring, partnership and collaboration identification, internal proposal reviews, compliance and agreement management, tracking proposal status, project execution, presentation of grant writing workshops, intent letters, consultant review, space alterations/renovations, conflict of interest certifications, lobbying certifications, cost-share, data support, disposal of chemical or hazardous wastes, policies on research subjects, compliance management, agreement management, intellectual asset management, and financial management.

University of North Carolina at Wilmington

- ◆ UNCW's ability to offer start-up packages from F&A funds has been important in recruiting new PhDs to the campus in areas such as computer science, where hiring has been extremely competitive.
- ◆ Repairs and maintenance of scientific buildings were funded from F&A receipts.
- ◆ In 2002-03, UNCW purchased scientific equipment for the Center for Marine Science from F&A receipts (M/V Mandalay).

Western Carolina University

- ◆ In 2002-03, WCU used F&A receipts to establish a grants and contracts administration office – an effort to assist faculty and to increase the contracts and grants awards in that region of North Carolina.
- ◆ F&A receipts funds for recruitment and retention activities like “WCU on Tour”, an off campus program that introduces Western Carolina University to surrounding regions and states.
- ◆ F&A receipts were also used to support audit costs related to grants and contracts, purchase workmen’s compensation insurance for employees paid from grants and contracts, and for other related administrative costs.

Winston-Salem State University

- ◆ WSSU used 2002-03 F&A receipts to provide funds for student enrichment programs, such as the Minority Science Outreach Program and Honors Summer Program.
- ◆ It was also necessary to use F&A receipts to fund the annual costs of auditing contracts and grants financial records and fund staffing positions associated with the administration of contracts and grants.

University of North Carolina General Administration

- ◆ F&A receipts at UNC General Administration were used to fund related administrative costs, including
 - a research associate position and operating costs to administer compliance standards and to manage pre and post-award operations
 - fund the establishment and maintenance of negotiated F&A rate proposal and the UNC Cost Allocation Plan
- ◆ F&A receipts were also used to cover administrative overhead costs for central administrative cost pools, provide sponsored program professional development, and fund unfunded cost-sharing requirements for grant proposals.

Disposition of Property – The University of North Carolina at Chapel Hill

The University of North Carolina at Chapel Hill (UNC-CH) has requested approval of the disposition of 63 acres of undeveloped land northwest of Homestead Road and west of Rogers Road in Chapel Hill. The land was a part of the Horace Williams estate but is not a component of the Carolina North tract planned for development as a millennial campus. Through a private developer and in close cooperation with the Town of Carrboro, the land will be privately developed to provide affordable housing for local residents with University personnel having priority in purchasing some of the housing. Working closely with the State Property Office, the University has determined that transfer of the property to the Endowment Fund of The University of North Carolina at Chapel Hill for zero consideration would provide a means to accomplish the transaction more expeditiously. The Endowment Fund proposes to convey the property to Winmore Land Management, LLC., which is proposing to develop this tract of land as well as other land contiguous to this tract – a total of 129 acres. The UNC-CH Board of Trustees has approved the property transfer contingent upon compliance with the conditions imposed with the gifting of the property to UNC-CH by Horace Williams. The intended purchase price to be paid by Winmore Land Management, LLC is \$1,250,000 (in the form of an interest bearing promissory note) plus 30% of the gross sales revenues in excess of \$15 million from lot sales within the entire 129-acre development.

It is recommended that the request for the disposition of this property be approved and transmitted to the Council of State for final action.

University of North Carolina Board of Governors
UNC Bond Program Report
February 2004

Since the last report, significant awards have been made at the following campuses: East Carolina University for Flanagan Building (\$9.6M); North Carolina Central University for Turner Law School Renovation (\$7.3M); UNC-Chapel Hill for the Manning Drive Steam Plant and the Utility Tunnel (\$30.7M); UNC-Greensboro for Stone Classroom Building (\$3M); and Western Carolina University for Breese Gym Conversion to Academic Use (\$1.1M).

While these additional projects are entering the construction stream, others are being completed. Classroom projects are frequently performed in small increments in order to limit the impact on teaching. Such projects have been completed at both East Carolina University (Brody at \$265,000) and UNC-Chapel Hill (Caldwell at \$373,500). Even though they are individually very small, together these projects are a critical part of the bond program's goals to modernize teaching spaces. Winston-Salem State University completed a larger project this reporting period - the new Computer Science Facility (\$8.6M) - and also broke ground on the new Early Childhood Development Center (\$1.5M).

The Construction Manager-at-Risk delivery method is continuing to prove to be an effective method for larger projects and for managing an aggregation of smaller related projects. This delivery method has been selected for forty-one bond and non-bond projects valued at \$875 million (twenty-seven bond projects valued at \$583 million) that have been awarded to seventeen different companies.

The UNC Bond Alliance met on February 3rd to discuss issues and share best practices that will continue to contribute to the successful execution of the bond program. The University of North Carolina Center for Public Television will host a future meeting of the Higher Education Bond Oversight Committee. At its last meeting, the Committee approved a change in the format of the bond oversight report. The changed format will provide the Committee with more information in a user-friendly format and also significantly reduce the report's production time.

An updated project status overview is included in this report reflecting the activity by institution. The program is now soundly past the halfway point in terms of bond funds committed with \$1.287 Billion in design or construction contracts, completed projects, or land acquisitions.

**The University of North Carolina
Bond Project Status Overview - February 2004
Contractual Commitments from Bond Funds**

Institution	# of Projects per Bond List*	# of Project Bid Packages*	Total Dollar Value	In Design Phase				In Construction Phase				Complete				Land Acquisitions	
				\$	%	#	%	\$	%	#	%	\$	%	#	%	\$	%
Appalachian State University	13	23	\$87,406,200	\$4,988,264	5.71%	5	21.74%	\$45,946,530	52.57%	6	26.09%	\$13,867,102	15.87%	10	43.48%	\$829,300	0.95%
East Carolina University	13	23	\$190,609,500	\$8,487,808	4.45%	5	21.74%	\$21,766,854	11.42%	7	30.43%	\$62,474,546	32.78%	7	30.43%	\$7,667,248	4.02%
Elizabeth City State University	19	21	\$46,296,800	\$3,114,750	6.73%	6	28.57%	\$23,012,685	49.71%	6	28.57%	\$1,893,992	4.09%	3	14.29%	\$0	0.00%
Fayetteville State University	16	24	\$46,021,400	\$2,028,133	4.41%	11	45.83%	\$14,780,632	32.12%	9	37.50%	\$718,988	1.56%	2	8.33%	Not Applicable	N/A
North Carolina A&T State University	24	34	\$161,800,091	\$7,275,124	4.50%	5	14.71%	\$61,131,739	37.78%	16	47.06%	\$2,933,132	1.81%	5	14.71%	\$5,916,258	3.66%
North Carolina Central University	23	47	\$121,246,203	\$8,065,433	6.65%	9	19.15%	\$61,348,827	50.60%	20	42.55%	\$585,141	0.48%	2	4.26%	\$1,733,376	1.43%
North Carolina School of the Arts	12	10	\$42,547,500	\$1,000,270	2.35%	4	40.00%	\$4,199,948	9.87%	2	20.00%	\$19,949,740	46.89%	2	20.00%	\$2,210,770	5.20%
North Carolina State University	40	74	\$468,256,655	\$22,748,345	4.86%	26	35.14%	\$187,467,658	40.04%	21	28.38%	\$26,171,174	5.59%	16	21.62%	\$371,896	0.08%
UNC-Asheville	9	12	\$50,464,200	\$3,052,742	6.05%	5	41.67%	\$8,815,381	17.47%	2	16.67%	\$1,720,243	3.41%	5	41.67%	Not Applicable	N/A
UNC-Chapel Hill	50	77	\$510,539,075	\$35,757,410	7.00%	37	48.05%	\$166,821,888	32.68%	22	28.57%	\$59,493,092	11.65%	14	18.18%	\$8,872	0.00%
UNC-Charlotte	15	22	\$190,033,501	\$11,638,237	6.12%	7	31.82%	\$117,509,570	61.84%	9	40.91%	\$6,985,553	3.68%	6	27.27%	Not Applicable	N/A
UNC-Greensboro	17	26	\$166,008,255	\$5,874,142	3.54%	5	19.23%	\$21,769,925	13.11%	8	30.77%	\$35,574,944	21.43%	7	26.92%	\$3,051,765	1.84%
UNC-Pembroke	16	14	\$56,873,600	\$4,343,602	7.64%	9	64.29%	\$23,873,028	41.98%	4	28.57%	\$0	0.00%	0	0.00%	Not Applicable	N/A
UNC-Wilmington	18	33	\$109,201,800	\$5,530,950	5.06%	15	45.45%	\$19,112,053	17.50%	6	18.18%	\$3,168,016	2.90%	11	33.33%	\$635,000	0.58%
Western Carolina University	15	25	\$100,336,744	\$6,801,725	6.78%	7	28.00%	\$42,625,961	42.48%	11	44.00%	\$6,221,654	6.20%	4	16.00%	\$0	0.00%
Winston-Salem State University	11	17	\$46,786,581	\$1,080,255	2.31%	3	17.65%	\$11,881,704	25.40%	5	29.41%	\$15,266,864	32.63%	9	52.94%	Not Applicable	N/A
UNC Center for Public Television**	2	6	\$65,890,600	\$32,500	0.05%	0	0.00%	\$28,490,512	43.24%	2	33.33%	\$8,619,295	13.08%	4	66.67%	Not Applicable	N/A
NC School of Science and Math**	2	4	\$5,163,000	\$227,250	4.40%	0	0.00%	\$2,440,892	47.28%	1	25.00%	\$1,780,102	34.48%	3	75.00%	Not Applicable	N/A
The NC Arboretum	1	6	\$9,331,700	\$596,958	6.40%	4	66.67%	\$1,503,942	16.12%	1	16.67%	\$110,000	1.18%	1	16.67%	Not Applicable	N/A
Reserve – For Repairs and Renovations and Cost Overruns			\$25,186,595														
Total	316	498	\$2,500,000,000	\$132,643,898	5.31%	163	32.73%	\$864,499,729	34.58%	158	31.73%	\$267,533,578	10.70%	111	22.29%	\$22,424,485	0.90%

*The number of projects undertaken by the institutions differs from the number as listed in the bond legislation because projects are in some instances combined or separated into multiple phases. The percentages reported are based on the number of bid packages being prepared by the institution in order to give a more accurate progress picture.

**With no projects still in design, a design contract amount continues to be reported reflecting the designer's ongoing responsibility and the institution's financial commitment until the completion of the project when the design contract amount is incorporated into the total reported under "Complete."

Construction Manager at Risk preconstruction fee is listed under "Construction" column and will reflect a project count when a Gross Maximum Price contract is executed.