

COMMITTEE ON BUDGET AND FINANCE

Board Room

General Administration Building

Chapel Hill, North Carolina

Thursday, March 18, 2004, 11:30 a.m.

AGENDA

Minutes of the meetings of February 6 and 12, 2004

1. Authorization of Tuition for 2004-05 *(to be mailed separately)*
2. Authorization of Fees for 2004-05 *(to be mailed separately)*
3. 2004-05 Supplemental Budget Request
4. Authorization of Non-Appropriated Capital Improvements Projects
5. Report on University Fiscal Liabilities
6. Management Flexibility – Increase in Purchasing Benchmark for The University of North Carolina at Greensboro and Western Carolina University
7. Authorization of New Capital Improvements Project – East Carolina University
8. Authorization of New Capital Improvements Project – The University of North Carolina at Chapel Hill
9. Authorization of New Capital Improvements Project – The University of North Carolina at Charlotte
10. Disposition/Acquisition of Property – North Carolina State University
11. Lease of Space – North Carolina State University
12. Review of Actions Taken by Delegated Authority (no vote required)

DISCUSSION

1. A progress report on the UNC Bond Program

Minutes of the February 6, 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 Friday, February 6, 2004, at 10:00 a.m.

Members in attendance were: Mr. R. Steve Bowden, Mr. F. Edward Broadwell, Jr. (via teleconference), Mr. William L. Burns, Jr., Mr. Ray S. Farris, Ms. Hannah D. Gage, Mr. Peter D. Hans, Governor James E. Holshouser, Jr., Mr. Jim W. Phillips, Jr., and Mr. Benjamin S. Ruffin. Other Board of Governors' members attending the meeting were Chairman J. Bradley Wilson, G. Irvin Aldridge (via teleconference), Patsy B. Perry, Bradley T. Adcock, James G. Babb, Brent D. Barringer, J. Addison Bell (via teleconference), Anne W. Cates, John W. Davis, III, Jonathan L. Ducote, Willie J. Gilchrist, Peter Keber (via teleconference), Adelaide Daniels Key (via teleconference), Charles H. Mercer, Jr., Charles S. Norwood, Cary C. Owen (via teleconference), Gladys Ashe Robinson, Estelle Sanders, Priscilla P. Taylor, and Robert F. Warwick (via teleconference). Others attending the meeting were President Molly Corbett Broad; Vice Presidents Jeffrey R. Davies, Alan R. Mabe, and J.B. Milliken; Special Assistant to the University Kennis R. Grogan; Associate Vice Presidents Kemal Atkins, Betsy Brown, Mark Fleming, Ginger B. Jones, Robert O. Nelson, Dwayne L. Pinkney, and Joni B. Worthington; Associate Vice President and University Property Officer Terrance Feravich; Assistant Vice President Claudia Odom; Ms. Charlotte Todd of the Fiscal Research Division of the General Assembly; Ms. Anne Bander, Mr. Kristin Crosson, and Mr. Trey O'Quinn of the State Budget Office; and members of the press. Campus representatives were in attendance and will be identified in the following paragraphs.

Chairman Phillips convened the meeting. The purpose of the meeting was to review the proposals of the Special Committee for Board-initiated tuition increases. After that, the Committee would review the campus proposals for campus-initiated tuition and fees increases. Chairman Phillips stated that this day had been designated as the time to review and understand the requests and that a representative(s) from each campus was available to answer any questions.

The campus representatives were introduced and they were as follows:

ASU:	Kenneth E. Peacock, Interim Provost and Vice Chancellor for Academic Affairs
ECU:	Chuck Hawkins, Acting Vice Chancellor for Administration and Finance Robert Thompson, Director of Institutional Planning, Research and Effectiveness
ECSU:	Carolyn Mahoney, Vice Chancellor for Academic Affairs
FSU:	Bobby Matthews, Vice Chancellor for Business and Finance Olivia Chavis, Vice Chancellor for Student Affairs Perry Massey, Provost and Vice Chancellor for Academic Affairs
NCA&TSU:	Janice Brewington, Vice Chancellor for Institutional Planning, Assessment, and Research Akua Brown, Office of Business and Finance
NCCU:	Chancellor James H. Ammons, Jr. Lucy J. Reuben, Provost and Vice Chancellor for Academic Affairs Rosalind Fuse-Hall, Executive Assistant to the Chancellor Charles O'Duor, Vice Chancellor for Financial Affairs Roland H. Gaines, Vice Chancellor for Student Affairs
NCSA:	Joseph L. Dickson, Vice Chancellor for Finance and Administration

NCSU: James L. Oblinger, Provost and Executive Vice Chancellor for Academic Affairs
George Worsley, Vice Chancellor for Finance and Business

UNCA: Mark W. Padilla, Vice Chancellor for Academic Affairs
Wayne McDevitt, Vice Chancellor for Administration and Financial Affairs

UNC-CH: Robert N. Shelton, Executive Vice Chancellor and Provost
Shirley Ort, Associate Vice Chancellor and Director of Student Aid
Jerome A. Lucido, Associate Vice Chancellor and Director of Undergraduate Admissions
Steve Jones, Dean, Kenan-Flagler Business School

UNCC: Chancellor James H. Woodward
Olen B. Smith, Jr., Vice Chancellor for Business Affairs

UNCG: Chancellor Patricia A. Sullivan

UNCP: Roger G. Brown, Provost and Vice Chancellor for Academic Affairs
R. Neil Hawk, Vice Chancellor for Business Affairs

UNCW: Mark W. Lanier, Assistant to the Chancellor and Assistant Secretary, Board of Trustees

WCU: George W. Wooten, Vice Chancellor for Administration and Finance

WSSU: Paula Jeffries, Vice Chancellor for Finance and Administration

Vice President Davies presented a history of the constitutional and legislative framework for setting tuition and fees and compared increases over the past several years. Ms. Ort talked about college affordability and discussed student financial aid. Vice President Davies presented the 2002-03 Washington State Tuition and Fee Report that showed national comparisons among flagship universities throughout the United States. Mr. Ducote presented information concerning tuition from students gathered by the Association of Student Governments. A book containing 500 student stories was distributed to the Board members. Vice President Davies explained the process of setting tuition and fees recommendations that first began at the campus level. Finally, each institution's campus-initiated request was presented and each campus representative(s) answered any questions from the Board.

At 4:45 p.m., after deliberating for seven hours, 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 February 12, 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 William Jones Building on the campus of North Carolina Central University in Durham, North Carolina, on Thursday, February 12, 2004, at 1:15 p.m..

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 Chairman J. Bradley Wilson, G. Irvin Aldridge, Bradley T. Adcock, James G. Babb, Brent D. Barringer, C. Clifford Cameron, Anne W. Cates, John W. Davis, III, Jonathan L. Ducote, Adelaide Daniels Key, G. Leroy Lail, Charles S. Norwood, Cary C. Owen, Gladys Ashe Robinson, Estelle Sanders, Priscilla P. Taylor, and Robert F. Warwick. Others attending the meeting were President Molly Corbett Broad, Vice Presidents Gretchen Bataille, Jeffrey R. Davies, Alan R. Mabe, J.B. Milliken, and Leslie Winner; Special Assistant to the University Kennis R. Grogan; Associate Vice Presidents Betsy Brown, Bob Fry, Michelle Howard-Vital, Ginger B. Jones, Bobby Kanoy, Russ Lea, Robert O. Nelson, Dwayne L. Pinkney, James O. Smith, Vijay K. Verma, and Joni B. Worthington; Associate Vice President and University Property Officer Terrance Feravich; Assistant Vice Presidents Shari Harris and Claudia Odom; Ms. Charlotte Todd of the Fiscal Research Division of the General Assembly; Ms. Kristen Crosson of the Office of State Budget and Management; Ms. Sara Kampreth of the Legislative Research Division; Faculty Assembly Chair Jeff Passe; Dr. Ken Peacock, Interim Provost and Vice Chancellor for Academic Affairs of ASU, and Dr. Robert Shelton, Executive Vice Chancellor and Provost of UNC-Chapel Hill; and members of the press. Also in attendance were Chancellor James H. Ammons, Jr. (North Carolina Central University); Chancellor James H. Mullen, Jr. (UNC Asheville); Chancellor James H. Woodward (UNC Charlotte); Chancellor Rosemary DePaolo (UNC Wilmington); Chancellor and Mrs. John W. Bardo (Western Carolina University); and Chancellor Harold L. Martin, Sr. (Winston-Salem State University).

Chairman Phillips called the meeting to order. The minutes of the meetings of January 8 and 9, 2004 were approved.

1. 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 accommodated improvements in purchasing practices authorized by the General Assembly last year. Although no further Committee action was required, the recommended policy changes would be presented for approval to the Board of Governors at its February meeting.

Chairman Phillips then began the discussion of proposed tuition and fee increases by stating that final decisions on these issues would be postponed until the March Board meeting. He thanked all those that had participated in the seven-hour workshop on these issues held on Friday, February 6, 2004. He then framed the forthcoming tuition discussion in terms of access, including required financial aid, and maintaining the quality of education by attracting and

retaining excellent faculty. The UNC system had expended approximately the same amount of state funds over the last three years, at a time when the University had grown by 20,000 students. The General Fund appropriation per student had been reduced by \$700 during this period.

Chairman Phillips then recognized Vice President Bataille who outlined practices followed by campuses to cope with budget reductions and maintain quality. Dr. Bataille's talking points are attached.

Dr. Bataille was further recognized to discuss faculty salaries and benefits. Following her remarks, Chairman Phillips asked Vice President Davies to present information gathered from the campuses about counter offers made to retain faculty.

At the Chairman's request, presentations were made by Chancellor Martin of Winston-Salem State University, Dr. Robert Shelton of The University of North Carolina at Chapel Hill, and Dr. Ken Peacock of Appalachian State University. The presenters explained the creative ways that their campuses had dealt with budget cuts while faced with increasing enrollments and the challenge of attracting and retaining top faculty.

Chairman Phillips thanked the presenters and the Committee continued with its agenda.

On the motion of Ms. Gage, seconded by Mr. Burns, 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.

2. The Board of Trustees of East Carolina University had 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 was recommended that the projects be authorized and that the method of financing as

proposed by East Carolina University be approved.

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

3. 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 presented an attractive offering for investors often resulting in lower interest rates and improved bond insurance rates. Additionally, the fixed costs of issuing bonds were 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) had 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 was now being finalized and was 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 had been assisted in drafting the bond documents by the legal firms of Parker Poe Adams & Bernstein and Thigpen, Blue, Stephens & Fellers. Lehman Brothers was providing underwriting services for the bonds. The Banks Firm would serve as the underwriters' counsel. The trustee would be selected by a Request for Proposals process. It was planned for the bonds to be insured by Ambac Assurance Corporation.

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

It was recommended that the authorizing 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 equalled or exceeded at least 2.0%.

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

4. 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 report had been prepared for the fiscal year ending June 30, 2003.

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

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

5. The University of North Carolina at Chapel Hill (UNC-CH) had 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 was 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 would 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 had 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 proposed to convey the property to Winmore Land Management, LLC., which was 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 had 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 was \$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 was recommended that the request for the disposition of this property 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.

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

**Committee on Budget and Finance
February 12, 2004**

**Remarks by Gretchen M. Bataille
Senior Vice President for Academic Affairs**

Introduction

- Responsibility of administrators is to balance quality with access
- Discuss impact of budget cuts on academic quality within the context of Chairman Phillips' remarks
- Chairs, deans, and provosts on the academic side of the institution are simultaneously charged with keeping sections open, class sizes down, and budgets balanced
- Every academic administrator I know—including myself in previous roles of chair, dean, and provost—weighs these factors and makes the best decisions possible
- Knowing the options our campuses faced, our staff reviewed the system-wide data from 1998 to the present to see what patterns emerged
- There were few surprises, and the data confirm what we—and you—have heard about the situations on our campuses
- Not all campuses chose the same course of action, so it makes more sense to look comprehensively at what has happened
- Options include increasing the average class size, decreasing the number of sections, hiring more part-time and adjunct faculty instead of full-time tenure track faculty, cutting lab sections, having students share lab spaces, reducing help sessions and tutoring that encourage academic retention, or simply not offering courses that might be needed for graduation.

- **RESULT:** There has been an overall increase in the average class size. While the “average” increase is less than one student per section, some campuses have increased the average class size by as many as five students. One student per section doesn’t sound like much, but some campuses offer over 8000 sections a year. Overall, UNC offers over 50,000 sections a year.
- **RESULT:** There has been a decrease in the number of sections offered. For those campuses who chose to decrease the number of sections, 1460 fewer sections were offered in 2002 compared to 1998.
- **RESULT:** There has been an increase in the number of part-time and non-tenure track faculty as well as an increase in the use of graduate assistants to meet instructional needs. From 1998 to 2002, part-time faculty increased by 2.5% and faculty hired outside of the tenure-track increased by 4.8%.
- **IMPLICATIONS:** The decisions made on the campuses reflect a trade-off that impacts quality—this is not what academic administrators, faculty, students, parents, or boards want to see happen.
- **CONCLUSIONS:** Every campus has dealt with the budget cuts in different ways, in every case ensuring as much as possible that quality remains at the highest possible level.
- **FOR EXAMPLE:** NCSU changed the hiring practices and salary structure for lecturers, providing three-year appointments with benefits. UNCCH maintained small class sizes as its highest priority and increased the number of part-time faculty to do this. ECU developed and expanded distance education opportunities. NCA&T increased class sizes where it would do the least harm to the educational experience. ASU increased class size by nearly two students each and eliminated over 200 sections.
- **CURRENT SITUATION:** You have read and heard the voices of students who are worried about the quality of their education or the inability to get needed classes. These voices cannot be ignored. At the same time, our academic administrators have sought to ensure

quality by making tough decisions about hiring, scheduling of classes, increasing class size, and eliminating sections.

- **FINALLY:** There is only so much that can be done before the very heart of the academic enterprise is eroded. Increased class sizes make interactive discussion more difficult; increased lab sizes require that students share experiments rather than learn how to do the research themselves; the extensive use of non-tenure-track or part-time faculty reduces the number of faculty with a stake in the future of the department and the discipline; a decrease in the number of sections increases the time to graduation. All of these factors affect the quality of a UNC education—quality that we have come to expect, indeed, that our students and the public demand.

- DRAFT -
FACULTY LOSS SUMMARY
2001 - 2004

CAMPUS - totals reported	<i>Left for Higher Salary/Benefits</i>	<i>Teaching Load Issues& Higher Salary</i>	<i>Successful Counter-Offer</i>	<i>Program Dropped/ Class Load Issues</i>	<i>Loss of Funds</i>	<i>Left for Position w/higher Salary in Private Industry</i>
(Note 2) ASU - 9	7		2			
(Note 2) ECU - 32	32					
(Note 1) NCSU - 3	2		1			
FSU - 7	6	1				
NC A&T - 17	2	3	11	1		
(Note 2) NCCU - 1	1					
(Note 1) NC SA - 8	7		(does not make counter-offers)		1	
NCSU - 90	30		49			11
(Note 2) UNCA - 13	9		4			
(Note 3) UNCCH - 103	61		42			
UNCC - 30	19		4			7
UNCG - 41	22	2	11			6
(Note 4) UNCP - 8	4 (+ 4 pending)					
(Note 4) UNCW - 18	8 (+ 6 pending)	2				2
(Note 1) WCU - 31	26		5			
(Note 4) WSSU - 7	7					

- (1) = 2002 - 2003 data only
(2) = 2002 - 2004 data only
(3) = 2001- 2002 data only
(4) = timeframe not specified

2004-05 Supplemental Budget Request

In its November 2002 meeting, the Board of Governors approved a budget request for the 2003-05 biennium. The priorities that were not funded by the 2003 General Assembly remain under consideration for the 2004 Legislative Session. Since the 2003-05 Budget Request was assembled, several items, including the enrollment increases and the Distinguished Professors Endowment Trust Fund, have been recalculated to reflect recent events or actual experience. Several additional items have come to the attention of the Board and those have been included in the proposed supplemental request. It is recommended that the Board of Governors adopt the attached supplemental budget request for presentation to the Governor and the General Assembly for consideration during the upcoming 2004 Legislative Session. It is further recommended that the Vice President for Finance be authorized to make refinements to the request in the interest of accuracy and completeness.

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

In preparing the 2003-05 Budget Request of the Board of Governors, the Board was guided by six interrelated strategic priorities: Access; Intellectual Capital Formation; K-16 Initiatives; Creation, Transfer, and Application of Knowledge; Internationalization; and Transformation and Change. The unfunded items in the 2003-05 Budget Request remain before the General Assembly for consideration during the 2004 Session. The Board amends its request in the amount and scope as follows to update amounts as appropriate and present additional priorities not known at the time that the biennial budget request was developed.

Access

The most important of the Board's strategic priorities is ensuring access to higher education for all qualified citizens and embracing a vision of lifelong learning. It is the Board's belief that providing full funding for enrollment growth and adequate need-based student financial aid are imperative in meeting this objective.

Enrollment Changes

\$64,691,225

UNC campuses were over-enrolled by approximately 680 students in the fall of 2003. It is expected that an additional 6,927 students will enroll on UNC campuses in the fall of 2004, bringing the total need for enrollment growth appropriations in 2004-05 to \$63.9 million.

The North Carolina School of Science and Mathematics has also requested \$700,000 for an additional 35 students.

Need-based Student Financial Aid Plan

To Be Determined

This funding is required to hold needy students harmless for the 5% tuition increase mandated by the General Assembly in 2003, cover additional students who have been deemed eligible for the program, and hold students harmless for other increases in 2004-05. The requested amount would provide funding of need-based aid for undergraduate North Carolina residents. The amount needed to fully fund this program will be calculated following the Board of Governors' action on Tuition and Fees.

Intellectual Capital Formation

Intellectual Capital Formation addresses ways to develop an educated citizenry that will enable North Carolina to flourish through excellent graduate, professional, and undergraduate programs.

Distinguished Professors Endowment Trust Funds – State Matching Funds

6,000,000^R
9,800,000^{NR}

As of January 20, 2004, an unprecedented number of professorships have been funded by private donations and are awaiting the state matching funds. Of 38 professorships currently ready to be funded, 17 of these are for \$167,000 for \$500,000 endowments, 1 is for \$250,000 for a \$500,000 endowment, and 20 of them are for \$334,000 for \$1,000,000 endowments. Significantly, at least half of these are in critical areas of the biological and medical sciences and engineering. The State match required for these 38 qualifying professorships is \$9,769,000, and a steadily increasing number of additional requests are being submitted by the campuses. A recent survey of all 16 constituent institutions estimates that State matching funds will be requested for an additional 29 distinguished professorships beyond those currently in the queue. The required State match for the anticipated chairs would require \$8,012,000. To address the current backlog, the Board of Governors requests \$9.8 million in non-recurring funds. In recognition of the anticipated new professorships, the Board of Governors requests that the recurring budget be increased by \$6 million.

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

Creation, Transfer and Application of Knowledge

Components of the request for Creation, Transfer and Application of Knowledge are intended to expand the frontiers of knowledge through scholarship and research and stimulate economic development in North Carolina through basic and applied research, technology transfer, and outreach and engagement activities.

Economic Development

North Carolina A & T State University & UNC Greensboro - Joint Request for Funding Operating Needs of the Millennium Campus	354,863
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These campuses jointly request funding for ongoing university costs due to telephone and networking needs at the former Central NC School for the Deaf to enable the buildings to be used by the Universities for outreach and economic development. Also see related capital request on page 6.

North Carolina Central University - Funds for the Bioprocessing Research Institute and Technology Enterprise	1,250,000
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NCCU received a grant of \$17.8 million from the Golden LEAF Foundation and \$1.3 million of in-kind support from the biomanufacturing and pharmaceutical industries towards its Bioprocessing Research Institute and Technology Enterprise. Although completion of the BRITE facility is one and one-half to two years away, it is critical that NCCU begin immediately to search for and hire faculty and other essential personnel with expertise in biotechnological areas to complement the current faculty. These personnel will collaborate with the existing research faculty to augment the development of the BRITE Center for Excellence. This request includes five new faculty positions, four other positions, equipment and supplies, and other start-up costs.

North Carolina State University - Funds for Biomanufacturing Training and Education Center	1,080,050 R 1,350,000 NR
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The Golden LEAF Foundation has approved a grant of \$33.5 million for the construction of a Biomanufacturing Training and Education Center (BTEC) to be located on NCSU's Centennial Campus. In addition, \$2.5 million in additional funds for equipment has been promised as matching from the biomanufacturing industry. While the facility will require more than two years to design and build, it is essential that NCSU begin to complement the existing faculty & educational staff in biotechnology with key interdisciplinary faculty and staff positions that can be integrated into the existing biotechnology community. These positions will contribute to the teaching and educational mission of BTEC and also facilitate the creation and dissemination of knowledge in emerging areas of commercialized biotechnology to capitalize on the extraordinary physical resource represented in and by BTEC. This request includes three new faculty positions, sixteen other positions and other equipment and startup funds.

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

North Carolina State University - Funds for Technology Incubator Program 189,835

NCSU's Industrial Extension Service (IES) has operated NCSU's Technology Incubator since mid-2003 when the NCTDA ceased its operation of the Incubator. NCSU's Technology Incubator specifically facilitates university/industry collaborations and the commercialization of promising technologies from within and outside the University. To date, the Technology Incubator has been home to 55 companies and its graduates include notable high-growth companies such as Nitronex and Silicon Semiconductor. Additionally, the National Business Incubator Association reports that each dollar of state incubator investment generates approximately \$45 in tax revenues from the 84% of incubator graduates that remain in their home states. From 1998 through most of 2002, the State provided the subsidy required to operate the incubator at NCSU via annual appropriations to NCTDA. IES and NCSU are currently seeking this support to ensure the continued operation of the Incubator as a critical link between the University and North Carolina entrepreneurs and industry.

Leveraging the State's SBTDC 900,000

The University proposes an increased investment in the North Carolina Small Business and Technology Development Center (SBTDC) to significantly increase its capabilities and service outreach of the state's leading existing business assistance resource. Critical service capabilities will be retained and expanded levels of outreach and service to small and medium-sized businesses will be achieved, with a particular emphasis placed on expanding services in less urban regions of the state.

With this level of increased support, the SBTDC would be able to create and retain significant numbers of jobs in North Carolina over the near term. It has a 19-year track record of successfully providing business counseling and management education services to well over 100,000 businesses. Its broad range of general business services and special resource programs - international trade finance, government procurement, marine trades and technology development - are provided through a network of 17 campus-hosted centers with ready access to businesses across the state.

While SBTDC services are available to clients across the spectrum, from start-ups to larger manufacturers, its focus is on meeting the needs of small to mid-sized firms, typically employing between 10 and 200 people. This focus results from on-going research which confirms that it is small to medium-sized companies which have the best potential for adding large numbers of new jobs needed to grow North Carolina's economy.

Specific uses of additional funds will include:

- * A recommitment of resources to help firms access export credit insurance and financing to support increased exporting*
- * Implementation of an "Innovation and Competitiveness" program for rural manufacturers and other rural businesses*
- * Expanded leverage of University resources to support economic and business development projects through the engagement of graduate and professional students and faculty fellows*
- * Expanded support for capital formation and access*
- * Increased size and capacity of the highly successful Procurement Technical Assistance Center Program, which also supports the state's goals of increased business with the military.*

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

Accelerate Innovation in North Carolina's Economy

1,600,000

As the transition to a knowledge-based economy continues, there are two challenges that must be met. First, manufacturing job losses are occurring principally in North Carolina's less urban counties while new knowledge-based jobs are being created, principally in urban counties. North Carolina must find a way to assure that the new economy jobs are broadly distributed across the state. Second, North Carolina needs large numbers of new, high quality jobs if it is to offset past and continuing job losses and provide work for a growing population. Without focused stimulation and support, the current pace and quality of new job creation in North Carolina will not be sufficient to assure a prosperous economic future. A strategy and action to meet the state's new job creation needs should be based upon existing strengths and realities, focusing on: (1) existing small to medium-sized businesses; (2) stimulating technology and knowledge transfer and entrepreneurship; and (3) best practices.

By taking a systematic, best practices-based approach, which builds on and enhances core strengths to stimulate new enterprise formation and existing business competitiveness, North Carolina can help create the jobs needed for its future economic prosperity. The main components of this proposal to accelerate innovation are:

Innovation Support: *Efforts currently underway, supported by the National Science Foundation, confirm that potential exists at all campuses, and the University has developed a set of recommendations and a model approach to realize this potential. This proposed initiative would support the establishment of technology development and transfer support offices needed to implement this model in the eastern and western areas of the state. Through these support offices, professional resources would be available to support expanded research and development, technology transfer and the changes in the cultural environment on the campuses necessary to create and support entrepreneurial behavior. Specific technology support services to be provided would include: grant prospecting and proposal writing support, technology and market assessments, market research, commercialization strategies/negotiations, capital formation/access, partnership and alliance development, licensing and other legal support, and portfolio management. Specific activities to address campus culture would include strategic advising, faculty workshops, new metrics for faculty performance, and incentives/rewards for entrepreneurial behavior.*

Business Acceleration: *A new, cost effective approach to business acceleration is needed to link new and existing incubation facilities to regional University campuses, develop and implement a systematic approach to business formation and growth and assure that there is extensive support for new entrepreneurial companies in the facilities. A formal entrepreneurial minor curriculum would be developed for use, both on-campus with students and off-campus with entrepreneurs. The on-campus offering would provide the platform for creating student teams to support entrepreneurial companies. An increasing level of investment over three years would support the following program components: develop the program and services criteria for "certified" business accelerators and create "certified"*

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

Accelerate Innovation in North Carolina's Economy (continued)

accelerators; provide a full-time university "entrepreneurial agent" at each certified site to link the accelerators and tenant companies to regional campuses; and oversee the engagement of students and faculty support resources. In addition, the proposal would support development of an entrepreneurial minor curriculum, leverage student and faculty support for tenant companies at each accelerator site, develop a portal to support and track tenant company performance, closely monitor and evaluate the growth of tenant companies, measure and report on tenant company performance and outcomes, and provide a support network for the managers of existing incubators and "certified" business accelerators.

Enterprise: *There is ample knowledge as to the challenges to existing business and industry competitiveness. To effectively meet these challenges requires that businesses have a sharp strategic focus, commitment to innovation and change, adoption of state-of-the-art operational and performance enhancement efforts, and a commitment to workforce development. This initiative would support engagement of the University and other resource partners to determine regional business needs and opportunities and develop University outreach teams to serve existing small to medium-sized businesses. Specific enterprise growth services to be provided would include regional needs and opportunity analyses for University outreach teams, together with the establishment of five University outreach teams to work with businesses.*

UNC-Chapel Hill School of Government

Economic Development Community Outreach

387,600

In FY03-04, the School of Government ("SOG") launched a program in community economic development led by two faculty to address this critical need. This is a key component of the University's economic development strategy. SOG faculty are working with North Carolina leaders to offer training, research and technical assistance targeted to meet the needs of distressed communities. They are offering a number of training programs for public officials: a community development academy, regional seminars in economic development planning, leadership programs, and the primary economic development certification course in the region targeted at economic development professionals, coordinated with the state Department of Commerce. In addition, SOG faculty are developing critical research to address the needs of communities including a best-practice series, a web-based clearinghouse, and targeted research to meet the needs identified by local communities.

Funding is sought to hire a professional EPA non-faculty coordinator to manage requests for training and assistance for economically distressed communities, and extend the resources and capabilities of SOG faculty. The faculty work would be significantly leveraged by the addition of two field professionals who would provide training and assistance to communities and increase the capacity of the School to meet this pressing need. Finally, this community outreach initiative would provide modest stipends for others to broaden the capabilities of the SOG team, including faculty throughout the University system.

The University of North Carolina Supplemental Expansion Budget Requests 2004-05

Other Expansion Initiatives

AGRICULTURAL PROGRAMS

North Carolina A & T State University

State Matching Funds for the Agricultural Research & Cooperative Extension 2,239,199

With the recent passage of the new Farm Bill (Farm Security and Rural Investment Act of 2002), the state-matching requirement will increase by 10 percent per year until the total match reaches 100 percent (FY 2004-2008). Furthermore, funds provided from the state for this need in 2004 were nonrecurring. As a result, NCA&TSU needs an additional \$2,239,199 to fulfill its matching requirement in 2005.

Academic Salary Increases

The Board of Governors is directed by the General Assembly to make recommendations for salary increases for faculty members and other academic personnel who are exempt from the State Personnel Act. In its 2003-05 biennial budget request, the Board requested academic salary increases of 6 percent each year of the biennium. Studies continue to indicate that UNC campuses are losing competitive ground with peer institutions in the marketplace for recruiting and retaining high quality faculty. These studies show that the Board's request of 6 percent is minimal, and that it would not bring UNC faculty to the average salaries of their peer institutions. The Board of Governors recognizes the simultaneous need for faculty salary increases as well as the continued difficulties of the state's fiscal situation. In response, the Board reaffirms its request for an increase of 6 percent, to be awarded on a merit basis.

Request – 6% – University-wide 76,959,193

Although not statutorily required by the General Assembly, the Board reiterates its support for a meaningful salary increase for employees subject to the State Personnel act (SPA). The Board also supports funding for career-banding initiatives and funding for in-range pay adjustments in order to maintain the competitiveness of the University's support staff.

UNC Capital Improvements Request

North Carolina A & T State University

Millennium Campus Improvements

3,656,000 NR

UNCG & NCA&TSU jointly request funds to convert three buildings on the former Central NC School for the Deaf for use as classrooms and offices for outreach and economic development.

North Carolina Central University

Reimbursement of Bond Funds

7,124,315 NR

An appropriation is requested to restore funds transferred from the UNC Bond Program for mold remediation. NCCU requests reimbursement of funds diverted from three projects (Hoey Administration-\$2.7M, Electrical Infrastructure-\$3M, and Land Acquisition-\$1.4M).

Funds for Repairs - Steam Lines

6,400,000 NR

As part of the investigation into the causes and sources of mold growth on the NCCU campus, the deteriorated condition of the steam lines was cited as a major contributing factor. The campus currently has funding to repair 40% of the steam lines, but these repairs will create substantial pressure on the remaining aged steam lines. NCCU requests \$6.4M to replace the remaining 60%.

**The University of North Carolina
Supplemental Expansion Budget Requests
2004-05**

UNC Capital Improvements Request (continued)

North Carolina Central University (continued)

Funds for Mold Remediation

2,020,679 NR

The consultant's assessment of needs for mold remediation on the NCCU campus exceeded the amount of reprogrammed funds authorized by the Board for that purpose. NCCU requests an additional \$2M to address Priority 1 & 2 needs from the Clark Nexsen assessment, not covered by the reprogrammed funds.

East Carolina University

North Carolina Cardiovascular Disease Center

60,000,000^{NR}

Funds are requested to fund a new capital project, the North Carolina Cardiovascular Diseases Institute, at East Carolina University. The project will total about 220,000 square feet. A cardiovascular clinical research, education, and outpatient facility will use about 180,000 square feet, and the Warren Life Sciences Building will be expanded for a cardiovascular basic science research center. The project is a significant element of a joint project between ECU and Pitt County Memorial Hospital (PCMH), the primary teaching hospital for the Brody School of Medicine. PCMH is planning to construct, using non-state funds, a 150-bed heart hospital, which will form the in-patient portion of the Institute.

UNC Health Care

North Carolina Clinical Cancer Center

180,000,000^{NR}

UNC Health Care requests that the project amount for the proposed Clinical Cancer Center be increased to \$180M from \$130M as requested in the 2003-05 Budget Request to recognize the actual space requirements to meet present and expected growth, site and utility issues, and a linkage to physicians' offices component of the project resulting from advanced planning efforts. Population growth in the state, the aging of "baby boomers", and the expected cancer diagnoses of approximately 38,000 North Carolinians this year, alone, contribute to the demand for the services provided by the new North Carolina Clinical Cancer Center.

Authorization of Non-Appropriated Capital Improvements Projects

In June, 1999, the Board adopted a ten-year capital plan totaling \$6.9 billion with approximately 60% of the funding to be provided by the State and the remainder to be provided from non-State resources. Since 1999, the General Assembly, at the request of the Board, has authorized non-appropriated capital improvements projects totaling \$1.5 billion to be financed from available balances in University accounts or from the sale of bonds to be repaid from University receipts. This amount exceeds the original commitment made by the Board of Governors.

The University is now ready to proceed with the next year of the plan for projects to be funded from non-State resources. The proposals from the campuses continue to capitalize on the authority granted by the 2000 General Assembly allowing the Board of Governors to issue special obligation bonds – those backed by a pledge of all available institutional revenues excluding tuition receipts and state appropriations. The use of special obligation bonds enhances credit ratings and leads to bond issue savings through more competitive rates of interest. The following pages contain descriptions of each proposed project as well as the sources of project financing. A detailed financial plan will be developed for each project in consultation with financial advisors and bond counsel before bonds are issued and construction contracts are awarded.

It is recommended that the Board approve 35 capital improvements projects (or project supplements) at nine institutions totaling \$346,482,900. The projects would then be forwarded to the General Assembly for authorization during the 2004 Session.

Appalachian State University

Central Dining Facility-Supplement – \$2,000,000

This project was first approved by the General Assembly in 2000 but was delayed because plans call for construction on the Broom-Kirk Gymnasium site and that facility is scheduled for demolition after a new Student Recreation Center is completed. The proposed increase is based on revised cost estimates and is principally related to changes needed to comply with building codes. The proposed increase would be financed from indebtedness to be repaid from dining receipts. The total project cost would now be \$17.7 million.

Steam Line Improvements – \$2,000,000

This project would continue a comprehensive program to repair and/or replace steam distribution-condensate return lines in the East Campus area. The project would be financed from indebtedness to be repaid from utility trust fund receipts.

East Carolina University

Administrative Offices – \$2,500,000

This project would provide for the construction of a new facility to provide office and work space for the Pirate Club and the Athletics Ticketing Offices. Conference room facilities would also be included. The project would be financed from indebtedness to be repaid from private gifts and receipts from ticket sales.

Stadium Maintenance Repairs – Phase III – \$2,600,000

This project would provide for additional repairs to the 41-year old Dowdy-Ficklen Stadium. Earlier project phases previously approved by the General Assembly total \$3.46 million and ECU issued debt and implemented a \$15 debt service fee. The debt was retired at the end of the 2003 calendar year and the \$15 debt service fee lapsed. ECU proposes to issue debt and reestablish the \$15 debt service fee to finance this project that would provide critical sanitary-sewer upgrades, replacement of plumbing fixtures on the North and South sides of the stadium, renovation of the visitor's locker room, and electrical system upgrades. The indebtedness would also be retired from private gifts.

Tyler and Fletcher Residence Halls Renovations – \$3,250,000

This project would provide for the upgrade of the electrical systems at two residence halls to accommodate the installation of window air conditioning units. After careful study of design alternatives, campus officials determined that it would be more cost effective to install window units than renovate the residence halls and install central air conditioning. The project would be financed from indebtedness to be repaid from housing receipts.

North Carolina A&T State University

Parking Deck – \$6,796,750

This project would provide a 500-space parking deck on the campus to help address increased parking demand resulting from enrollment growth. The project would be financed from indebtedness to be repaid from parking receipts.

North Carolina Central University

Biomanufacturing Research Institute and Training Enterprise – \$17,800,000

The Golden LEAF Foundation has approved a grant of \$17,800,000 to NCCU to design, construct, equip, and up-fit a new biomanufacturing research building on the NCCU campus. The Golden LEAF (Long-term Economic Advancement Foundation) was created in 1999 as a non-profit corporation. It receives one half of the funds coming to North Carolina resulting from the Master Tobacco Settlement Agreement and makes grants to non-profit and government agencies. NCCU will establish a new Biomanufacturing Research Institute and Training Enterprise (BRITE). Golden LEAF funds will be used to build a state-of-the-art facility for researching a full range of biomanufacturing technologies in both basic and applied settings.

North Carolina State University

Biomanufacturing Training and Education Center – \$33,500,000

The Golden LEAF Foundation has approved a grant of \$33,500,000 to NCSU to design, construct, equip, and up-fit a building on the University's Centennial Campus for the Biomanufacturing Training and Education Center (BTEC). The Golden LEAF (Long-term Economic Advancement Foundation) was created in 1999 as a non-profit corporation. It receives one half of the funds coming to North Carolina resulting from the Master Tobacco Settlement Agreement and makes grants to non-profit and government agencies. BTEC is planned to be a 91,000 gross square foot facility, which will provide capstone, hands-on training and education in biomanufacturing. Included will be facilities to train students in large-scale bioprocessing and aseptic operations. Teaching facilities will be designed to standards required by industry while remaining flexible to meet the changing demands of the biomanufacturing industry.

Dining Hall Renovations – \$3,000,000

This project would provide for renovations to dining halls and food service facilities in the Talley Student Center, Fountain Dining Hall and in convenience stores. The facilities would be upgraded to reflect student preferences for food-court-style service delivery. The project would be financed from indebtedness to be repaid from dining receipts.

Renovation of Berry, Becton, and Bagwell Residence Halls-Supplement – \$4,000,000

This project was previously approved by the General Assembly in the 2003 legislative session. After completing programming and design for the renovations, the campus identified additional requirements that were not included in the original project scope. These requirements include the addition of new stair towers on two of the residence halls and significant modifications to the third as a result of code changes. The proposed increase would be financed from indebtedness to be repaid from housing receipts. The total project cost would be \$14 million.

North Carolina State University (continued)

Student Commons Improvements – \$3,500,000

This project would provide for an academic support and service center for the 440 students living in the Berry/Becton/Bagwell Quad residence halls. The Commons would include a 24-hour service desk, staff offices, convenience store, and student mailboxes on the first floor. The second floor would have a computer lab, a classroom/meeting room, and a study room for use by students in the Honors Village. The project would be financed from indebtedness to be repaid from housing and dining receipts.

Renovations to Reynolds Coliseum – \$1,500,000

This project would provide for the replacement of the roof at Reynolds Coliseum and address code-related issues and asbestos removal. The proposed increase would be financed from indebtedness to be repaid from a \$10 debt service fee.

The University of North Carolina at Asheville

Governors Village Residence Hall – \$12,700,000

This project would provide for the construction of a 230-bed facility as the campus continues to replace the existing Governors Village built in the 1960s. The project would be financed from indebtedness to be repaid from housing receipts.

The University of North Carolina at Chapel Hill

Ambulatory Care Renovations – \$1,800,000

This project would provide for the consolidation of adult and pediatric orthopedics clinics within the Ambulatory Care Center and UNC Hospitals as well as relocation of several clinics, including radiology and therapy units, to the second floor of the Ambulatory Care Center. This project would be financed from indebtedness to be repaid from Medical Faculty Practice Plan receipts.

Arthritis Research Center – \$1,800,000

This project would provide for renovations to the third floor of the Thurston-Bowles Building. Administrative space within the Arthritis Research Center would be reconfigured to accommodate a planned reorganization. This project would be financed from indebtedness to be repaid from private gifts.

Carmichael Fields 3 & 4 – \$1,200,000

This project would provide for the resurfacing of athletic fields with AstroTurf and improvements to the fields' storm drainage system. The project would be financed from indebtedness to be repaid from a \$4 per year debt service fee.

The University of North Carolina at Chapel Hill (continued)ITS Building-Supplement – \$4,000,000

This project was previously approved by the 2003 General Assembly as a request to renovate the Bennett Building for telecommunications functions. After more extensive programming and design, the campus has determined that it would be more cost effective to demolish the Bennett Building and build a new facility. The proposed increase would allow for the demolition of the existing building, the relocation of the existing duct bank and the temporary relocation of the central IT HUB during construction. The proposed increase would be financed from indebtedness to be repaid from telecommunications receipts. The total project cost would be \$16.3 million.

Institute for Advanced Materials, Nanoscience & Nanotechnology – \$3,800,000

This project would provide for the upfit of laboratory space in the basement of the Science Complex, Phase I facility for the new Institute. The project would be financed from indebtedness to be repaid from private gifts.

Educational Foundation Office Building – \$3,000,000

This project would provide for the construction of a new facility to co-locate the functions of the Educational Foundation and the athletics ticket office. The project would be financed from indebtedness to be repaid from private gifts.

Athletic Facilities Improvements – \$1,100,000

This project would provide for the addition of permanent stands and a team building for the women's softball team, consistent with Title IX requirements for gender equity in athletics programs and facilities. The project would be financed from indebtedness to be repaid from private gifts.

Addition to WUNC Radio – \$1,000,000

This project would provide for a 1,600 square-foot addition to WUNC radio that would include office space, meeting rooms, and storage, as well as improvements to the Chatham County transmitter site and tower upgrade, which would include the addition of a block building and equipment. The project would be financed from indebtedness to be repaid from private gifts.

School of Medicine Research Facilities-Addition – \$33,000,000

This project would add three floors to a research facility approved by the 2002 General Assembly for use by the School of Pharmacy. The increase would be financed from indebtedness to be repaid from facilities and administrative receipts.

Student Family Housing – \$19,000,000

This project would provide 408 units (one and two bedroom) of new housing for student families. The project would continue the replacement of the 1960s-built Odum Village apartments. This project would be financed from indebtedness to be repaid from housing receipts.

The University of North Carolina at Chapel Hill (continued)

Morrison Residence Hall Renovations – \$24,000,000

This project would provide for the complete modernization and renovation of this high-rise residence hall built in the 1960s. The project would include reconfiguration of rooms consistent with modern standards and upgrades to mechanical systems. A total of 860 beds would be available after renovations. The project would be financed from indebtedness to be repaid from housing receipts.

Residence Halls Phase II-Supplement – \$20,500,000

This project was previously approved by the 2002 Session of the General Assembly. The proposed increase would enable the campus to provide apartment-style units rather than the suite-style units originally programmed. The increase would also address the severely sloped site conditions and would provide an underground parking deck. The proposed increase would be financed from indebtedness to be repaid from housing receipts. The total project cost would be \$67 million.

Daniels Building Renovations – \$7,000,000

This facility houses the student store which contains a general sales area, the Bulls Head Book Shop, a textbook sales area, offices and storage areas. It was built in 1968 and is in need of renovation. This project would upgrade the building's mechanical, electrical and plumbing systems and provide other improvements to address accessibility, and fire and life safety issues. The project would be financed from indebtedness to be repaid from student store receipts.

Parking Facilities – \$17,000,000

This project would provide for the addition of 934 parking spaces on campus in two parking decks. One deck would be located under the planned Global and International Studies Facility and the other would be located at Jackson Circle to augment parking near the medical complex. These projects involve the relocation of utilities and the excavation of rock. The project would be financed from indebtedness to be repaid from parking receipts.

Major Infrastructure Improvements – \$68,436,150

This project would provide for the addition of new sanitary sewer lines, electrical substation upgrades, duct banks, a chiller plant, chilled water systems expansion and improvements, and the replacement of aging steam lines and equipment. The project would be financed from indebtedness to be repaid from the utilities trust fund.

The University of North Carolina at Charlotte

Parking Deck-Supplement – \$4,200,000

This project was previously approved by the 2002 Session of the General Assembly and would provide 600 new parking spaces on campus. Project programming, scope refinement and improved cost estimates have identified the need to increase the authorized funding. The project would be financed from indebtedness to be repaid from parking receipts. The total project cost would be \$12.5 million.

The University of North Carolina at Charlotte (continued)

Greek Village Housing – \$12,500,000

This project would provide housing facilities for approximately 400 student members of Greek organizations. The facilities would be 12 three-story structures, each housing up to 32 students. The facilities would include single rooms, along with kitchens, dining facilities, laundry facilities and meeting areas. The project would be financed from indebtedness to be repaid from housing receipts.

Student Union Building-Supplement – \$6,000,000

This project was approved in 2003 by the General Assembly at an estimated cost of \$39,700,000. The proposed increase would provide for a pedestrian connector, shell space for future expansion of the HVAC system, and additional space for student activities. The proposed increase would be financed from indebtedness to be repaid from the proceeds of an existing debt service fee – no increase in the amount of the fee is required. The total cost of the facility is now estimated to be \$45.7 million.

The University of North Carolina at Greensboro

Parking Deck Addition – \$8,000,000

This project would provide for the addition of 500 parking spaces, on four levels, to an existing parking deck. This proposed addition is consistent with the campus master plan. The project would be financed from indebtedness to be repaid from parking receipts.

Residence Hall Renovations – \$4,500,000

This project would provide for HVAC improvements in Guilford and Mary Foust residence halls and the campus Dining Hall, each built in the 1920s. Existing chillers would be removed and the facilities would be connected to the regional chiller plant. The project would also include new HVAC equipment to include controls in the residence hall. The project would be financed from indebtedness to be repaid from housing receipts.

Dining Hall Renovations – \$1,500,000

This project would provide for the removal and replacement of the existing slate roof for the 79-year-old Dining Hall. The existing roof is failing and is increasingly requiring repairs. The project would be financed from indebtedness to be repaid from dining receipts.

The General Assembly is also required to approve the financing plan when bonds are issued to provide supplemental financing for projects that are partially funded by the 2000 higher education bonds. Authorization for financing is requested for one such project at The University of North Carolina at Chapel Hill.

<u>Institution</u>	<u>Project</u>	<u>Total Project Cost</u>	<u>2000 Higher Education Bond Funding</u>	<u>Supplemental Indebtedness</u>	<u>Source of Debt Repayment</u>
UNC-CH	Campus Fiber- Optic Wiring	\$25,533,500	\$17,533,500	\$8,000,000	Telecommunications Receipts

Report on University Fiscal Liabilities

G.S. 116-13.2 requires the Board of Governors to report on an annual basis to the Joint Legislative Commission of Governmental Operations on financing of buildings and other facilities and fiscal liabilities or contingent liabilities of the University or any constituent institutions.

§ 116-13.2. Report on University Fiscal Liabilities.

The Board of Governors shall report on an annual basis to the Joint Legislative Commission on Governmental Operations on:

- (1) Any financing of buildings or other facilities, regardless of the ownership of those buildings or other facilities, located on land owned by The University of North Carolina or the constituent institutions of The University of North Carolina; and
- (2) All fiscal liabilities or contingent liabilities, including payments for debt service or other contractual arrangements, of The University of North Carolina or any constituent institution.

A report developed by the Office of the President to meet the legislative directive follows.

It is recommended that the Report on Fiscal Liabilities be accepted and reported to the Joint Legislative Commission on Governmental Operations.

The University of North Carolina

Report on Fiscal Liabilities

Report to the Joint Legislative Commission on
Governmental Operations

March 19, 2004

The University of North Carolina

Report on Fiscal Liabilities

Introduction

The General Statutes authorize the Board of Governors of the University of North Carolina to issue revenue bonds, payable from obligated resources, but with no pledge of taxes or the faith and credit of the State, to pay the cost, in whole or in part, of improvements to the facilities of the University. Debt financing allows the University and its constituent institutions to pay for an asset over a period of time, up to its useful life, rather than pay for it at the time of construction or purchase. All debt issues are structured to effectively utilize and maximize resources.

The Board of Governors only issues debt after legislation has been enacted by the North Carolina General Assembly authorizing the capital project and its method of financing. The legislature establishes a maximum aggregate principal amount for that purpose. The Board of Governors approves all projects before they are submitted to the legislature for approval. After legislative approval, the Board follows a financially responsible practice of individually approving all requests from constituent institutions to issue long-term indebtedness. Staff to the Board prepares a financial analysis for each new project with a determination of coverage ratios and the ability of a project to meet the debt service requirements from the primary revenues. Specifically, information reviewed includes a basic overview of the constituent institution, its programs, facilities, enrollment trends, available funds for debt repayment, existing indebtedness, and a detailed plan of financing for the use of the proceeds from the bond issue.

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- (2) All fiscal liabilities or contingent liabilities, including payments for debt service or other contractual arrangements, of The University of North Carolina or any constituent institution.

Section I is a detailed report on all financings of the University. Included is the name of the constituent institution, the name of the bond issue, the original principal amount, outstanding indebtedness and the amount of debt service (principal and interest) paid last fiscal year.

Section II is a summary report of other financial liabilities of the University. This data was gathered by the constituent institutions and are included in the Comprehensive Annual Financial Report and the most recent audit as conducted by the State Auditor.

The University of North Carolina
Outstanding Indebtedness as of June 30, 2003
Summary

	Bonded Indebtedness Outstanding	Other Indebtedness Outstanding	Operating Leases
Appalachian State University	\$ 110,359,000	\$ 1,772,127	\$ 1,970,174
East Carolina University	70,860,000	—	2,404,768
Elizabeth City State University	6,815,000	—	138,154
Fayetteville State University	7,435,000	—	—
North Carolina A & T State University	16,485,000	—	1,912,586
North Carolina Central University	10,720,000	—	305,793
North Carolina School of the Arts	4,580,000	1,500,000	32,445
North Carolina State University	153,159,000	—	2,556,000
UNC Asheville	30,200,000	—	288,278
UNC-Chapel Hill	371,786,054	19,000,000	11,856,976
UNC Charlotte	87,259,000	—	287,399
UNC Greensboro	78,645,000	—	797,208
UNC Pembroke	5,305,000	—	9,608
UNC Wilmington	73,145,000	198,774	433,150
Western Carolina University	15,299,000	2,333,080	129,195
Winston-Salem State University	13,800,000	—	57,172
TOTAL – UNC	\$1,055,852,054	\$24,803,981	\$23,178,906

The University of North Carolina

Report on Fiscal Liabilities

Section 1

Outstanding Indebtedness as of June 30, 2003

Statement of Bonded Indebtedness as of June 30, 2003
Constituent Institutions of The University of North Carolina

Facility	Bond Issue	Date of Issue	Amount of Issue	Amount Outstanding 6/30/03	Debt Service 6/30/03
Appalachian State University					
Dormitory—White, Lovill, Hoey, and Bowie Hall; and Student Center	Housing and Student Center System of 1964—Series D	06/16/66	\$ 3,654,000	\$ 304,000	\$ 160,000
Dormitory—Winkler Hall	Housing and Student Center System of 1964—Series I	05/03/72	1,760,000	550,000	90,000
Married Student Housing	Housing and Student Center System of 1964—Series J	06/06/72	1,722,000	550,000	90,000
Residence Hall Construction/Renovation	Housing and Student Center System, Series 1993	05/14/93	17,760,000	715,000	680,000
Power Plant Construction	Utilities System, Series 1994	05/13/94	28,940,000	645,000	610,000
Student Union Addition	Student Fee Revenue Refunding Bonds, Series 1998	05/12/98	8,050,000	5,780,000	495,000
Power Plant Construction	Utilities System Revenue Refunding Bonds, Series 1998	05/12/98	27,535,000	26,945,000	130,000
Stadium Turf Note Prepayment	UNC System Pool Revenue Bonds, Series 1998B	11/03/98	875,000	410,000	125,000
Parking Deck	Parking System Revenue Bonds, Series 2000	06/21/00	10,200,000	9,990,000	210,000
Residence Hall Construction/Renovation	Housing & Student Center System Revenue Bonds, Series 2000	06/21/00	13,225,000	12,945,000	280,000
Broyhill Inn Renovation	UNC System Pool Revenue Bonds, Series 2000	10/01/00	1,590,000	1,445,000	75,000
Student Union Addition 2001	Housing & Student Center System Revenue Bonds, Series 2001	12/11/01	6,680,000	6,535,000	145,000
Refinance 1993 Housing Series	Housing & Student Center System Revenue Bonds, Series 2001	03/28/02	13,240,000	13,015,000	225,000
Doughton Hall Renovation	UNC System Pool Revenue Bonds, Series 2002A	11/14/02	4,940,000	4,895,000	45,000
Student Recreation Center	ASU General Revenue Bonds, Series 2003A	05/08/03	25,635,000	25,635,000	0
Total—Appalachian State University				110,359,000	3,360,000
East Carolina University					
Dowdy-Ficklen Stadium Expansion	Athletic Variable Rate Demand Bonds, Series 1996	12/12/96	7,000,000	5,400,000	425,000
Repairs to Ficklen Stadium	UNC System Variable Rate Demand Pool Revenue Bonds, Series 1998A	11/03/98	1,020,000	105,000	106,785
Blount Intramural Field	UNC System Variable Rate Demand Pool Revenue Bonds, Series 1998A	11/03/98	1,050,000	600,000	123,615
Reade Street Parking Lot	UNC System Variable Rate Demand Pool Revenue Bonds, Series 1998A	11/03/98	1,575,000	900,000	187,880
Residence Hall Renovation – Jarvis	Housing and Dining System, Series 1998	11/05/98	5,095,000	4,405,000	379,525

Statement of Bonded Indebtedness as of June 30, 2003
Constituent Institutions of The University of North Carolina

Facility	Bond Issue	Date of Issue	Amount of Issue	Amount Outstanding 6/30/03	Debt Service 6/30/03
East Carolina University (continued)					
Student Health Center Renovation	Student Fee Revenue Bonds (SHC), Series 1999	07/13/99	3,500,000	3,010,000	287,965
Jones Residence Hall & Galley Dining Facility Renovation	Housing and Dining System, Series 2001A	05/16/01	12,570,000	12,570,000	636,588
Housing and Dining Revenue Refunding Bonds	Housing and Dining System, Series 2001B	05/16/01	11,985,000	10,910,000	2,385,338
Student Fee Revenue Refunding Bonds (Student Rec)	Student Fee Revenue Refunding Bonds, Series 2001C	12/06/01	14,555,000	13,370,000	1,182,668
West End Dining Project	General Revenue Bonds, Series 2003A	06/19/03	14,960,000	14,960,000	507,293
Athletic Facilities Student Fee Refunding Bonds (Minges)	General Revenue Bonds, Series 2003A	06/19/03	4,630,000	4,630,000	844,314
Total–East Carolina University				70,860,000	7,066,971
Elizabeth City State University					
Dormitories–Wamack Hall, Mitchell–Lewis Hall	Dormitory System Revenue Bonds of 1981–Series A	10/01/81	675,000	390,000	20,000
Dormitory–200 Bed	Dormitory System Revenue Bonds of 1981–Series B	10/01/81	1,680,000	955,000	45,000
Refinance of Dormitory-200 Bed (1992-Series C)	UNC Pool General Revenue Bonds, Series 2002B	11/14/02	3,410,000	3,379,112	30,888
Bedell Cafeteria Renovation	UNC Pool General Revenue Bonds, Series 2002B	11/14/02	1,225,000	1,213,904	11,096
Dormitory Furniture	UNC Pool General Revenue Bonds, Series 2002B	11/14/02	885,000	876,984	8,016
Total–Elizabeth City State University				6,815,000	115,000
Fayetteville State University					
Dormitory–Vance Hall	Dormitory System Revenue Bonds–Series A	10/01/74	920,000	115,000	50,915
New Dormitory	Dormitory System Revenue Bonds–Series B	11/15/74	1,750,000	755,000	151,215
Dining Hall	Dining System Revenue Bonds–Series 1997	02/12/97	3,040,000	2,700,000	223,288
General Revenue Bond	Pool General Revenue Bonds–Series 2002B	11/14/02	3,980,000	3,865,000	181,932
Total–Fayetteville State University				7,435,000	607,350
North Carolina A & T State University					
Surface Parking Lot Project	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	1,465,000	1,165,000	135,944
Student Union Project	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	5,860,000	4,660,000	548,844
Stadium System Student Fee Loan	UNC System Pool Revenue Bonds–Series 2000	10/01/00	1,555,000	1,375,000	163,625
Dining System	UNC System Pool Revenue Bonds–Series 2000	10/01/00	9,875,000	9,285,000	800,925
Total–North Carolina A & T State University				16,485,000	1,649,338

Statement of Bonded Indebtedness as of June 30, 2003
Constituent Institutions of The University of North Carolina

Facility	Bond Issue	Date of Issue	Amount of Issue	Amount Outstanding 6/30/03	Debt Service 6/30/03
North Carolina Central University					
Dormitory – New Chidley Hall	Dormitory System Revenue Bonds of 1996–Series E	08/01/96	8,890,000	7,915,000	671,150
Athletic Stadium – Renovation	Stadium System Revenue Bonds – Series 1998	03/03/98	3,320,000	2,805,000	254,623
Total–North Carolina Central University				10,720,000	925,773
North Carolina School of the Arts					
Refunding of Dormitory & Dining Hall Series 1989	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	1,080,000	800,000	132,575
Dormitory HVAC Renovations Project	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	890,000	580,000	107,638
Fitness Center and Student Center Project	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	2,650,000	2,290,000	202,819
Technology Infrastructure Project	UNC System Pool Revenue Bonds–Series 2000	10/31/00	1,005,000	910,000	97,475
Total–North Carolina School of the Arts				4,580,000	540,507
North Carolina State University					
Dormitory–Sullivan Hall	Housing System Revenue Bonds of 1964–Series F	09/01/64	2,200,000	205,000	104,153
Dormitory Complex	Housing System Revenue Bonds of 1964–Series G	09/01/66	3,225,000	535,000	142,925
Avent Ferry Complex	Housing System Revenue Bonds of 1964–Series M	10/14/94	11,820,000	1,045,000	550,703
Refund Housing System Series H, J, and K	Housing System Revenue Bonds of 1964–Series N	10/14/94	4,110,000	2,040,000	433,368
University Student Center	Refunding Revenue Bonds, Series 1996	08/29/96	2,210,000	1,580,000	265,293
Parking System	Refunding Revenue Bonds, Series 1996	08/29/96	6,530,000	4,165,000	803,545
Dining Hall System	Refunding Revenue Bonds, Series 1996	08/29/96	2,345,000	1,815,000	253,429
Centennial Campus Projects	Taxable Series 1997A	03/12/97	7,765,000	5,120,000	892,314
Centennial Campus Projects	Nontaxable Series 1997B	03/12/97	7,090,000	7,090,000	363,363
Residence Hall Improvement Bonds	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	15,770,000	11,440,000	1,700,200
Student Health Facility Project	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	5,615,000	4,470,000	524,675
Gymnasium Refunding Bonds	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	1,695,000	1,140,000	248,238
Entertainment and Sports Arena Project	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	6,325,000	5,475,000	486,444
Centennial Campus Projects	Taxable Series 1999A	09/22/99	13,500,000	13,200,000	588,187
Centennial Campus Projects	Nontaxable Series 1999B	09/22/99	2,117,000	904,000	486,003
Housing System Project	System Wide Financing, 2000 Series	10/01/00	3,020,000	2,530,000	385,900
Central Stores Expansion Project	System Wide Financing, 2000 Series	10/01/00	3,370,000	3,165,000	275,800
Centennial Campus Projects	Refunding Revenue Bonds, Series 2002C	04/17/02	7,160,000	6,690,000	849,349
Student Housing Projects	Refunding Revenue Bonds, Series 2002B	04/17/02	8,800,000	8,155,000	970,443
Student Housing and Athletics Projects	General Revenue Bonds, Series 2003A	06/20/03	26,735,000	26,735,000	0
Student Housing and Athletics Projects	General Revenue Bonds, Series 2003B	06/20/03	45,660,000	45,660,000	20,370
Total–North Carolina State University				153,159,000	10,344,702

Statement of Bonded Indebtedness as of June 30, 2003
Constituent Institutions of The University of North Carolina

Facility	Bond Issue	Date of Issue	Amount of Issue	Amount Outstanding 6/30/03	Debt Service 6/30/03
UNC Asheville					
Dormitory – 148 Spaces	Dormitory and Dining System Revenue Bonds–Series C	10/30/97	7,600,000	6,720,000	190,000
Refunding of Series A	Dormitory and Dining System Revenue Bonds–Series D	10/30/97	3,695,000	2,495,000	215,000
Parking Deck Project	UNC System Variable Rate Demand Pool Revenue Bonds–Series 1998A	11/03/98	2,580,000	1,660,000	245,000
Parking Deck Project	UNC System Variable Rate Demand Pool Revenue Bonds–Series 2000	10/01/00	705,000	590,000	60,000
Dormitory and Refunding Series B	UNCA General Revenue and Refunding Bonds-Series 2002A	09/24/02	18,900,000	18,735,000	165,000
Total–UNC Asheville				30,200,000	875,000
UNC-Chapel Hill					
Environmental Protection Agency Project	U.S. EPA Project, Series 1991	08/14/91	36,678,921	30,070,153	4,209,528
Environmental Protection Agency Project	U.S. EPA Project, Series 1996	11/01/96	2,400,000	905,000	370,304
Health Affairs Parking Deck II	Parking System Revenue Bonds, Series 1997A	06/19/97	11,750,000	10,910,000	839,061
Refunding Parking Series B, 1989	Parking System Revenue Bonds, Series 1997B	06/19/97	8,245,000	4,750,000	923,045
Graham & Aycock Dorms Renovation	Housing System 97A	10/30/97	9,170,000	7,855,000	745,635
Refunding Housing Series 1991	Housing System 97B	10/30/97	7,210,000	6,400,000	860,136
Refunding SRC Series 1991	Student Fee Revenue Bonds – Series 1997	10/30/97	3,545,000	2,780,000	425,415
Refunding Utility System Series 1992	Utility System Revenue Bonds, Series 1997	10/30/97	30,379,142	41,125,901*	0
Student Union Renovation	Student Fee Revenue Bonds–Series 2000	04/13/00	12,465,000	11,775,000	993,419
General Revenue 2001 A	General Revenue 2001 A	02/07/01	89,930,000	86,345,000	4,249,306
General Revenue 2001 B	General Revenue 2001 B	02/07/01	54,970,000	51,955,000	3,178,704
General Revenue 2001 C	General Revenue 2001 C	02/07/01	54,970,000	51,955,000	2,338,027
Utilities Refunding – General Revenue 2002B	General Revenue Refunding Bonds 2002B	05/07/02	66,555,000	64,960,000	3,410,363
Total–UNC-Chapel Hill				371,786,054	22,542,943

*Amount outstanding includes accretion on Capital Appreciation Bonds.

Statement of Bonded Indebtedness as of June 30, 2003
Constituent Institutions of The University of North Carolina

Facility	Bond Issue	Date of Issue	Amount of Issue	Amount Outstanding 6/30/03	Debt Service 6/30/03
UNC Charlotte					
Cone Student Center Addition	University Center System–Series C	07/01/74	2,300,000	925,000	105,000
Dormitories–Sanford Hall, Moore Hall	Housing and Dining System–Series B	01/01/68	1,675,000	345,000	60,000
Dormitory–Scott Hall	Housing and Dining System–Series C	01/01/73	2,200,000	580,000	125,000
Dormitory–Holshouser Hall	Housing and Dining System–Series D	01/01/73	2,200,000	580,000	125,000
Dormitory–Apartments–Phase II	Housing and Dining System–Series F	09/17/79	2,175,000	1,140,000	60,000
Dormitory–Energy Conservation	Housing and Dining System–Series G	09/17/79	152,000	25,000	6,000
Dormitory–Apartments–Phase III	Housing and Dining System–Series H	04/21/80	1,568,000	839,000	40,000
Refunding Bonds	Housing and Dining System, Series M	11/29/93	19,805,000	10,030,000	1,315,000
Refunding Bonds	Student Activity Center Student Fee Revenue Bonds	11/15/95	26,295,000	21,880,000	715,000
785-Space Parking Deck	Parking System Revenue Bonds–Series 1996	07/16/96	5,000,000	4,175,000	135,000
Phase VII Apartments	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	15,875,000	14,380,000	405,000
Recreational Playing Fields	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	1,105,000	720,000	105,000
1000 Space Parking Deck	Parking System Revenue Bonds–Series 2002	01/07/02	10,900,000	10,525,000	375,000
Phase VIII Apartments	2002A General Revenue Promissory Note	10/15/02	21,115,000	21,115,000	0
Total–UNC Charlotte				87,259,000	3,571,000
UNC Greensboro					
Baseball Stadium and Student Recreation Area	Student Facilities System – 1997 Series B	06/27/97	3,755,000	3,325,000	274,587
Phillips/Hawkins Renovations	Housing and Dining System – 1997 Series D	06/27/97	6,000,000	5,320,000	434,955
Dormitory and Dining Facilities Renovations	Housing and Dining System – 1997 Series E	06/27/97	7,290,000	2,840,000	787,062
Dormitory and Dining Facilities Renovations	Housing and Dining System – 1997 Series F	06/27/97	8,750,000	6,765,000	705,260
Central Campus and McIver Street Parking Decks	Student Facilities System – Series C	12/09/97	12,200,000	10,755,000	879,212
Residence Halls Wiring & Electrical Renovations	Housing and Dining System – Series G	06/07/00	6,425,000	6,155,000	511,544
Elliot University Center Addition and Renovation	General Revenue Bonds–Series A	06/27/01	19,870,000	18,970,000	1,393,243
Oakland Ave. Parking Deck/Defeased SFS Series A	General Revenue Bonds–Series B	01/04/02	16,445,000	15,695,000	1,321,925
Residence Hall Renovations/Defeased H&D Series C	General Revenue Bonds–Series 2002A	11/14/02	8,835,000	8,820,000	184,209
Total–UNC Greensboro				78,645,000	6,491,997

Statement of Bonded Indebtedness as of June 30, 2003
Constituent Institutions of The University of North Carolina

Facility	Bond Issue	Date of Issue	Amount of Issue	Amount Outstanding 6/30/03	Debt Service 6/30/03
UNC Pembroke					
Student Housing Note	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	3,130,000	2,795,000	245,869
Recreational Facilities Student Fee Loan	UNC System Pool Revenue Bonds–Series 2000	10/01/00	1,025,000	965,000	82,038
Dining System	UNC System Pool Revenue Bonds–Series 2000	10/01/00	755,000	685,000	72,563
Recreation Center Improvements	UNC System Pool Revenue Bonds–Series 2002B	11/14/02	605,000	585,000	29,756
Surface Parking Lot	UNC System Pool Revenue Bonds–Series 2002B	11/14/02	285,000	275,000	14,595
Total–UNC Pembroke				5,305,000	444,821
UNC Wilmington					
Dormitory–Belk	Dormitory and Dining Hall System Revenue Bonds–Series B	01/01/75	1,400,000	585,000	75,000
Dormitory–1979	Dormitory & Dining Hall System Revenue Bonds–Series D	01/01/78	1,600,000	125,000	115,000
Apartment	Dormitory and Dining Hall System Revenue Bonds–Series H	05/01/91	3,285,000	375,000	350,000
Dormitory – Refunding Bonds	Dormitory and Dining Hall System, Series I	10/08/93	10,760,000	5,870,000	870,000
Trask Coliseum	Physical Education System Revenue Bond–Series B	03/01/94	1,140,000	605,000	70,000
Dorm – 1998	DDH Revenue Bonds Series J	06/04/97	6,440,000	5,380,000	230,000
Student Union & Annex	Student Union System Revenue Bonds-Series 1997	06/04/97	4,300,000	3,195,000	315,000
Recreation Bond 1998	Recreation System Revenue Bonds–Series 1998	05/06/98	10,300,000	8,870,000	380,000
Residence Hall	General Revenue Bonds – Series 2002A	06/20/02	11,500,000	11,500,000	0
Westside Parking/Apartments	General Revenue Bonds – Series 2002B	10/15/02	6,735,000	6,640,000	95,000
Student Union Construction	General Revenue Bonds – Series 2003A	04/15/03	30,000,000	30,000,000	0
Total–UNC Wilmington				73,145,000	2,500,000

Statement of Bonded Indebtedness as of June 30, 2003
Constituent Institutions of The University of North Carolina

Facility	Bond Issue	Date of Issue	Amount of Issue	Amount Outstanding 6/30/03	Debt Service 6/30/03
Western Carolina University					
Dormitory–Scott Hall	Dormitory System Revenue Bonds–Series D	05/01/67	2,394,000	389,000	101,670
16 Faculty Apartments	Faculty Housing Revenue Bonds–Series A	11/01/67	280,000	50,000	11,350
Fire Safety Improvements	UNC System Pool Revenue Bonds–Series 1998B	11/03/98	465,000	370,000	41,644
Dormitory–Reynolds Defeasement	UNC System Pool Revenue Bonds–Series 2000	10/01/00	1,370,000	1,350,000	268,975
Student Center	UNC System Pool Revenue Bonds–Series 2000	10/01/00	5,355,000	5,140,000	393,300
Athletic Facilities	UNC System Pool Revenue Bonds–Series 2002	11/14/02	8,070,000	8,000,000	585,362
Total–Western Carolina University				15,299,000	1,402,301
Winston-Salem State University					
Student Services Complex	Student Services System – Student Fee Revenue Bonds	12/05/95	3,600,000	3,000,000	262,647
New Dormitory	Housing and Dining System Revenue Bonds–Series B	09/01/98	8,430,000	7,770,000	753,983
Residence Hall Renovations	UNC System Pool Revenue Bonds–Series 2002B	11/14/02	3,090,000	3,030,000	114,403
Total–Winston-Salem State University				13,800,000	1,131,033
Total Outstanding Bonded Indebtedness of the Institutions				1,055,852,054	63,568,736

Note: Debt service includes both principal and interest payments.

Statement of Other Indebtedness as of June 30, 2003
Constituent Institutions of The University of North Carolina

Facility	Lender	Date of Loan	Amount of Loan	Amount Outstanding 6/30/03	Debt Service 6/30/03
Appalachian State University					
Visual Arts Building	Bank One	08/03/99	\$2,700,000	\$ 1,772,127	\$248,903
North Carolina School of the Arts					
Student Commons Building Renovation	Wachovia Bank, N.A.	04/18/03	1,500,000	1,500,000	—
UNC-Chapel Hill					
General Revenue 2002A Commercial Paper	General Revenue 2002A	03/05/02	1,000,000	19,000,000	38,880
UNC Wilmington					
500-Car Parking Lot	Peoples Bank and Trust	08/17/88	698,300	11,283	46,554
Parking Lot 97	Branch Banking & Trust	02/06/97	430,000	187,491	27,509
Total—UNC Wilmington				198,774	74,063
Western Carolina University					
Hinds University Center	First Union National Bank	11/30/95	3,800,000	2,332,148	389,247
Development Foundation	Ford Motor Credit	07/23/98	25,552	932	932
Total—Western Carolina University				2,333,080	390,179
Total of Other Outstanding Indebtedness of the Institutions				24,803,981	752,025

The University of North Carolina

Report on Fiscal Liabilities

Section 2

Other Liabilities as of June 30, 2003

The University of North Carolina
Section II - Other Financial Obligations
2002-03

Institution	Operating Leases 2002-03	Other Contingent Liabilities 2002-03	Other Contingent Liabilities Description
Appalachian State University	1,970,174	0	none
East Carolina University	2,404,768	0	none
Elizabeth City State University	138,154	0	none
Fayetteville State University	0	0	none
North Carolina A & T State University	1,912,586	0	none
North Carolina Central University	305,793	194,096	Capital lease for educational equipment
North Carolina School of the Arts	32,445	0	none
North Carolina State University	2,556,000	0	none
UNC Asheville	288,278	0	none
UNC-Chapel Hill	11,856,976	2,072,142	Capital lease for machinery and equipment; 20-year lease with UNC-CH Foundation and sublease with General Alumni Association for use of alumni facilities.
UNC Charlotte	287,399	0	none
UNC Greensboro	797,208	0	none
UNC Pembroke	9,608	0	none
UNC Wilmington	433,150	178,215	Capital lease for athletic fields lighting
Western Carolina University	129,195	41,889	Capital lease for equipment
Winston-Salem State University	57,172	0	none

Management Flexibility – Increase in Purchasing Benchmark for the University of North Carolina at Greensboro and Western Carolina University

The guidelines for Special Responsibility Constituent Institutions (SRCI) authorize the Board of Governors to set separate purchasing benchmarks for each SRCI at levels up to \$500,000. Essentially, each institution may secure goods and services for amounts not exceeding the established benchmark using institutional procedures rather than routing bids through the Division of Purchase and Contract in Raleigh.

The University of North Carolina at Greensboro and Western Carolina University have conducted self-assessments of their purchasing capabilities and, as a result of their assessments, request an increase in their respective benchmarks. The University of North Carolina at Greensboro requests an increase in its purchasing benchmark to \$500,000 from \$150,000. Western Carolina University requests an increase in its purchasing benchmark to \$250,000 from \$100,000. In accordance with the Board's guidelines, the Vice President- Finance has consulted with the Director of Purchase and Contract and the State Budget Officer to determine that these benchmarks are appropriate for each of these institutions.

It is recommended that the purchasing benchmark for the University of North Carolina at Greensboro be set at \$500,000 and the purchasing benchmark for Western Carolina University be set at \$250,000, effective April 1, 2004.

Authorization of New Capital Improvements Project – East Carolina University

The Board of Trustees of East Carolina University has requested the authority to establish a new capital improvements project.

The project would provide for upgrade of the HVAC system in the 80-year-old Cotton Residence Hall. Work would include replacement of the existing fan coil units in each room and replacement of the building's chiller. The project is estimated to cost \$1,677,308 and would be financed from housing receipts.

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

Authorization of New Capital Improvements Project – The University of North Carolina at Chapel Hill

The Board of Trustees of the University of North Carolina at Chapel Hill has requested the authority to establish a new capital improvements project.

The project would provide for the renovation of approximately 12,000 square feet of space on the eleventh floor of the Faculty Lab Office Building to provide laboratory space for pharmacological research activities. The project is estimated to cost \$530,500 and would be financed from facilities and administrative receipts.

It is recommended that the project be authorized and that the method of financing as proposed by the University of North Carolina at Chapel Hill be approved.

Authorization of New Capital Improvements Projects – The University of North Carolina at Charlotte

The Board of Trustees of the University of North Carolina at Charlotte requests approval of four new capital improvements projects.

The first project would provide for the improvement of traffic flow at the intersection of two major campus roads (Mary Alexander and Van Landingham). The intersection abuts the campus's main parking decks (East Decks), and results in conflicting pedestrian and vehicular traffic in its current configuration. The traffic pattern has created a significant safety problem that the proposed project would address. The project is estimated to cost \$415,000 and would be financed from parking funds.

The second project would provide for the replacement of the HVAC system in the 33-year-old Residence Dining Hall. The project would include replacement of the chiller, mechanical room air handling units, and associated steam system and controls. The project is estimated to cost \$900,000 and would be financed from dining receipts.

The third project would provide for structural repair and architectural enhancements to Cone Plaza, an exterior component of the Bonnie Cone University Center. The steel substructure of the plaza area is severely corroded and in danger of losing its structural integrity due to moisture intrusion. The project is estimated to cost \$634,000 and would be financed from Cone Center receipts.

The fourth project would provide for the renovation of the dining areas in Prospector Cafeteria to convert from the traditional cafeteria-style service delivery to the food-court-service delivery style. The project is estimated to cost \$1,200,000 and would be financed from dining receipts.

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

Disposition/Acquisition of Property – North Carolina State University

North Carolina State University requests approval of the acquisition of three properties through a land exchange with SAS Institute. The properties planned for acquisition are being acquired by Commander Properties on behalf of the Institute and are listed below:

1. The Joe Lee Tract is a 96-acre undeveloped property located on Mid Pines Road south of Tryon Road. The property is contiguous to NCSU's Lake Wheeler Road Field Laboratory on three sides. The College of Agriculture and Life Sciences would use this property to support the relocation of the beef cattle herd from their Reedy Creek Road location and provide future expansion opportunities for the Lake Wheeler Road Field Laboratory. This tract will be purchased by SAS Institute for \$2,880,000 and valued within the exchange at \$2,300,000, the appraised value established in consultation with the State Property Office.
2. The EyeBeam Building property is a 2.15-acre parcel with a two-story, 31,000 square-foot building constructed in 2000. Located at 512 Brickhaven Drive, this property is adjacent to NCSU's Raulston Arboretum. This property is one of four parcels that is targeted for acquisition for campus expansion adjacent to the Arboretum. The building would be used for office space, +meeting rooms, and swing space as needed by departments during construction of projects associated with the 2000 Higher Education Bond program and to supply the space needed to support NCSU program growth. This property will be purchased for \$4,075,000, a value established in consultation with the State Property Office.
3. The Blue Ridge Road property is a 1.44-acre parcel with a one-story, 14,850 square-foot building constructed in 1976. Located at 1528 Blue Ridge Road, the property is adjacent to the Centennial Biomedical Campus. The building has been leased for the past ten years by NCSU's Center for Urban Affairs and Community Services for use by their Technical Outreach for Public Schools program (TOPS). The property would continue to serve the TOPS program and provide future expansion opportunities for the Centennial Biomedical Campus. It is anticipated that this property will be purchased for \$920,000, a value established in consultation with the State Property Office.

In exchange, North Carolina State University requests to dispose of approximately 96 acres of grazing land located on the west side of Trenton Road that are used by the College of Agriculture and Life Sciences. The planned Cary Parkway Extension would bisect this parcel and the growing commercial and residential development around this land will ultimately diminish the ability of this property to support its associated academic program. SAS Institute is seeking to acquire this property for expansion of its adjacent campus. SAS Institute has also agreed that NCSU would retain use of the Trenton Road West property for a period of ten years

under a no-cost lease. The property has an appraised value of \$6,050,000 and the State Property Office concurs with the appraisal. The 2000 Higher Education Bonds would be the source of the additional funds needed to complete the transaction. The properties acquired as part of the proposed exchange are consistent with NCSU's master plan.

Summary of the property exchange funding strategy:

Exchange Item	Exchange Value*	
	Revenue	Expense
Acquisition of the Joe Lee Tract property		\$2,300,000
Acquisition of the EyeBeam Building property		\$4,075,000
Acquisition of the Blue Ridge Road property		\$ 920,000
Disposition of Trenton Road West property	\$6,050,000	
2000 Higher Education Bond Funds (land acquisition funds)	\$1,245,000	
Total	\$7,295,000	\$7,295,000

*The Joe Lee Tract will be purchased by SAS Institute for \$2,880,000 and exchanged to NCSU at a value of \$2,300,000 representing a \$580,000 benefit for NCSU

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

Lease of Space – North Carolina State University

In 1998, the General Assembly passed House Bill 1737 to provide North Carolina State University with expanded flexibility for the development of the Centennial Campus. One of the changes included in the Bill enabled the Board of Governors to approve certain out-leases of space on the Centennial Campus and then report the leases to the Council of State rather than secure the approval of the Council of State in advance. This change provided the University with the ability to execute leases in a shorter time period than had previously been possible. Once the Board had approved a lease, the Vice President for Finance was authorized to execute the lease on behalf of the Chairman of the Board of Governors.

The Board of Trustees of North Carolina State University has requested approval of an out-lease of space to Advanced Energy Corporation (AEC). Advanced Energy Corporation has been a tenant of the Centennial Campus since 1997 and has leased additional space since the initial lease to meet expansion needs. This request is to consolidate all leases and to enter into an amended lease agreement. The lease will provide AEC approximately 20,250 square feet of space on the Centennial Campus and will have an initial term of 7.5 years with two five-year renewal options. The initial annual rent will be \$19.55 per square foot and adjusted annually thereafter by the CPI.

It is recommended that the request of the Board of Trustees be approved and that it be reported to the Council of State.

**Property Actions Approved Under Delegated
Authority to the Office of the President**

On June 8, 2001, the Board authorized the Office of the President to execute leases valued up to \$150,000 and acquisitions up to \$250,000. The following property transactions were approved under this delegation and are reported to the Committee on Budget and Finance.

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

Owner:	State of North Carolina
Disposition reason:	The farmhouse is at the end of its economic useful life and severing this structure from the property will mitigate potential nuisance issues
Location:	1411 Homestead Road, Orange County
Description:	A 1-1/2 story 1,700 square-foot wood framed farmhouse built in 1901
Estimated value:	No economic value
Rental Income:	None
Proceeds:	No consideration
Approvals:	The UNC-CH Board of Trustees recommended this action on January 22, 2004

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

Owner:	State of North Carolina
Disposition reason:	Provide ground lease to allow the construction and operation of affordable family accommodations for patients of the UNC Health Care Systems
Location:	The property is located on the north side of Mason Farm Road immediately east of the Ronald MacDonald House, Chapel Hill, Orange County
Description:	Approximately 5.85 acres of land
Estimated value:	N/A
Rental Income:	25-year ground lease at \$1.00 per year with the improvements and the property reverting to the lessor upon expiration of the lease term
Proceeds:	N/A
Approvals:	The UNC-CH Board of Trustees recommended this action on January 22, 2004

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

Since the last report, contractual commitments for bond-funded projects have increased by \$13.6 million. While this pace is not as robust as past increases, it is a fundamental recognition that the shift in the program from design to construction has occurred. In addition, the current rate of expenditures, based on contractual commitments, supports the need for the sale of bonds in March to meet payment obligations in April. Accordingly, the State Treasurer plans to issue the next tranche of 2000 Higher Education Bonds on March 8. Bond proceeds will be made available to the campuses within roughly two weeks of the sale.

The largest activity level within this reporting period occurred in projects moving into the completed category. North Carolina State University completed its Undergraduate Science Teaching Lab (\$19.7M); East Carolina University completed a classroom project in Austin Building (\$1.3M); and UNC-Greensboro completed its McIver Chiller Plant Buildout (\$3.5M) and Technology Infrastructure (\$9.4M) projects.

An updated project status overview is included in this report reflecting the activity by institution. The program now has bond-funded contractual commitments in excess of \$1.3 billion with more than 11% of the dollar value and 22% of the number of bid packages anticipated already completed.

The Higher Education Bond Oversight Committee met on the campus of the University of North Carolina Center for Public Television on March 8, 2004. Prior to the meeting of the full Committee, Finance Division staff met with the Chairs of the Committee in Winston-Salem to review The University's revised format for reporting to the Higher Education Bond Oversight Committee. After successful implementation of the latest in construction scheduling software on all of the campuses, the Office of the President is now positioned to more efficiently provide summary level dashboard indicators to Bond Oversight. The Chairs indicated their approval of the revised format. A copy of this report is attached.

The Finance Division hosted a two-day workshop (March 3 and 4) at the Friday Center on Controlling Construction Costs. The workshop, designed for internal audit and capital projects management staff, was well attended by campus representatives. The workshop facilitator presented best practices and case studies that demonstrate how campuses can better manage their capital programs, from contract negotiations through project closeout.

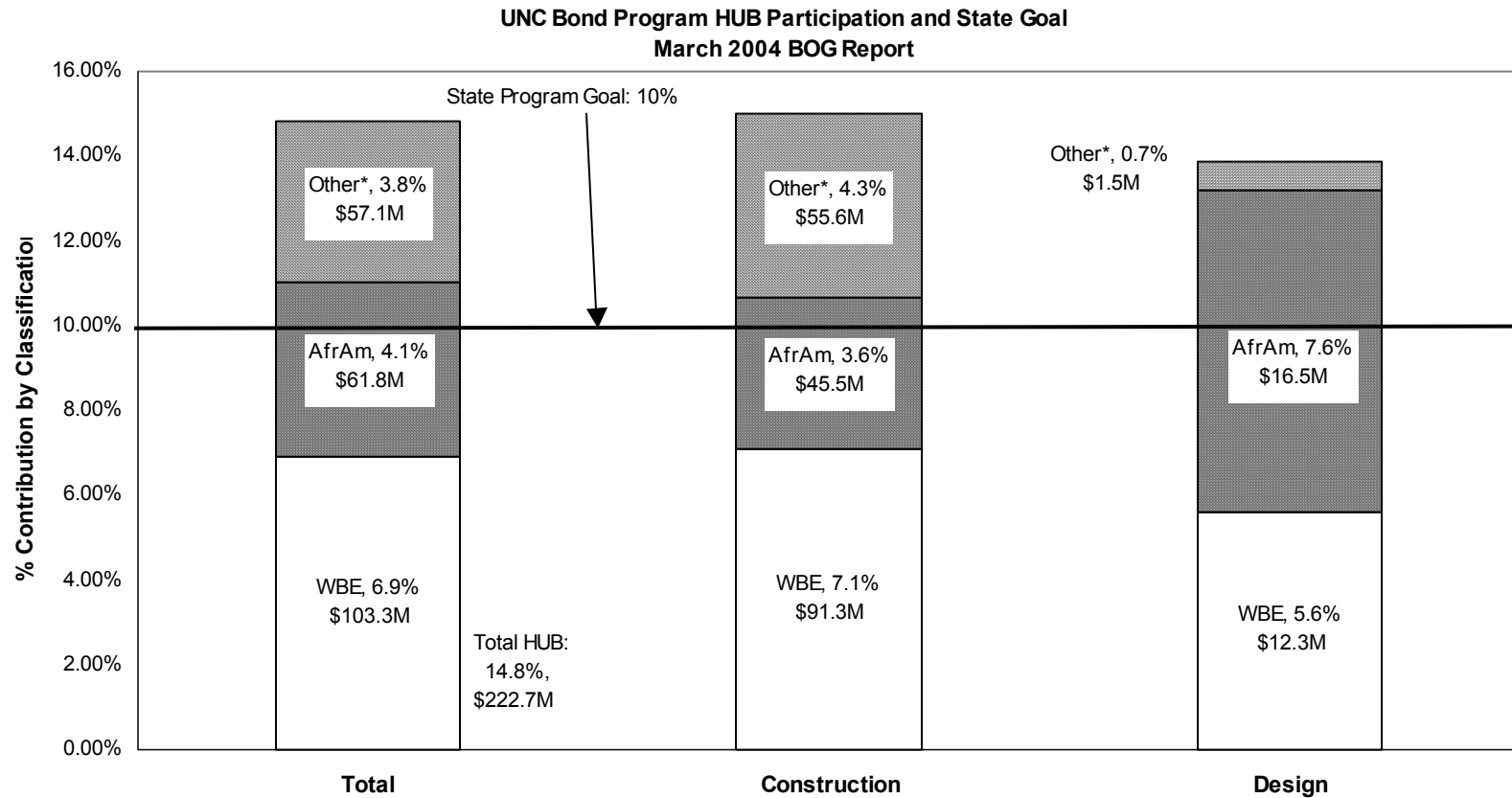
University of North Carolina Board of Governors
UNC Bond Program Report
March 2004

Historically Underutilized Business Update

As of the end of January 2004, 15% of the construction contracts' dollars for the Bond Program has been awarded to Historically Underutilized Businesses (HUBs) for a total of \$192 million. An additional \$30 million has been awarded to minority designers. In regards to bond-funded CM@Risk projects, HUB firms account for 16.8% of the \$248 million in awarded contracts.

The progress of our campuses and affiliates continues, with fourteen of the nineteen having reached or exceeded the state's 10% HUB participation goal. Efforts are still needed system-wide to further increase African-American participation. According to the recently released Disparity Study Phase II by the Department of Administration, the African-American participation should be approximately 5%. The University is currently at 3.6%.

**University of North Carolina Board of Governors
UNC Bond Program Report
March 2004**



**The University of North Carolina
Bond Project Status Overview - March 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	\$5,166,965	5.91%	5	21.74%	\$47,236,120	54.04%	7	30.43%	\$12,478,375	14.28%	9	39.13%	\$829,300	0.95%
East Carolina University	13	23	\$190,609,500	\$8,375,051	4.39%	5	21.74%	\$20,753,730	10.89%	6	26.09%	\$63,774,374	33.46%	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%	\$14,937,322	32.46%	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	\$7,199,278	4.45%	6	17.65%	\$61,569,109	38.05%	17	50.00%	\$3,013,378	1.86%	5	14.71%	\$5,916,258	3.66%
North Carolina Central University	23	47	\$121,246,203	\$8,458,988	6.98%	9	19.15%	\$63,305,601	52.21%	20	42.55%	\$601,780	0.50%	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%	\$4,201,756	9.88%	2	20.00%	\$19,949,740	46.89%	2	20.00%	\$2,210,770	5.20%
North Carolina State University	40	77	\$468,256,655	\$21,065,812	4.50%	26	33.77%	\$175,411,783	37.46%	21	27.27%	\$45,911,631	9.80%	18	23.38%	\$371,896	0.08%
UNC-Asheville	9	12	\$50,464,200	\$3,052,742	6.05%	5	41.67%	\$8,823,850	17.49%	2	16.67%	\$1,720,243	3.41%	5	41.67%	Not Applicable	N/A
UNC-Chapel Hill	50	77	\$510,539,075	\$34,454,960	6.75%	37	48.05%	\$166,997,607	32.71%	22	28.57%	\$59,493,092	11.65%	15	19.48%	\$8,872	0.00%
UNC-Charlotte	15	22	\$190,033,501	\$12,015,744	6.32%	7	31.82%	\$118,069,085	62.13%	9	40.91%	\$6,985,553	3.68%	6	27.27%	Not Applicable	N/A
UNC-Greensboro	17	26	\$166,008,255	\$5,745,929	3.46%	6	23.08%	\$18,275,855	11.01%	6	23.08%	\$39,429,617	23.75%	9	34.62%	\$3,051,765	1.84%
UNC-Pembroke	17	14	\$56,873,600	\$4,649,057	8.17%	8	57.14%	\$24,084,673	42.35%	4	28.57%	\$0	0.00%	0	0.00%	Not Applicable	N/A
UNC-Wilmington	18	33	\$109,201,800	\$6,038,111	5.53%	16	48.48%	\$19,113,876	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	\$6,166,268	6.15%	7	28.00%	\$46,228,362	46.07%	11	44.00%	\$6,221,654	6.20%	4	16.00%	\$0	0.00%
Winston-Salem State University	13	17	\$46,786,581	\$1,321,496	2.82%	3	17.65%	\$11,990,270	25.63%	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%	\$2,449,096	47.44%	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	319	501	\$2,500,000,000	\$130,710,262	5.23%	165	32.93%	\$856,455,234	34.26%	157	31.34%	\$291,136,694	11.65%	115	22.95%	\$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. The number of projects listed based on legislation, reflects the original 316 items plus 3 projects approved through scope change requests.

**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.