

May 20, 2026 at 9:30 a.m.
Via Videoconference and PBS North Carolina Livestream
UNC System Office
223 S. West Street, Board Room
Raleigh, North Carolina

AGENDA

OPEN SESSION

- A-1. Approval of the Open Session Minutes of Kirk Bradley
 - a. April 15, 2026 (regular)
 - b. April 15, 2026 (joint)

- A-2. Short Session State Budget UpdateJennifer Haygood

- A-3. FY25 Composite Financial Index and New Financial Health Framework Jennifer Haygood and Joshua Lassiter

- A-4. 2024 Facilities Inventory and Space Utilization Study Jennifer Haygood and Katherine Lynn

- A-5. Establishment of For-Profit Associated Entity – University of North Carolina at Chapel Hill Brandy Andrews

- A-6. Capital Improvement Projects Katherine Lynn

- A-7. Adjourn

Additional Information Available:

- A-4. 2024 Facilities Inventory and Space Utilization Study (full report)

DRAFT MINUTES

April 15, 2026, at 9 a.m.

Via Videoconference and PBS North Carolina Livestream

Morganton Campus of North Carolina School of Science and Mathematics

901 Burkemont Avenue, Joiner Hall, Third Floor

Morganton, North Carolina

This meeting of the Committee on Budget and Finance was presided over by Chair Kirk Bradley. The following committee members, constituting a quorum, were also present in person, via videoconference, or by phone: Lee Barnes, Harry Brown, John A. Fraley, Reginald Holley, and Art Pope.

Chancellors participating were Karrie Dixon, Lee H. Roberts, and Philip Rogers.

The committee Faculty Assembly advisor present was Jim Westerman.

Staff members present included Jennifer Haygood, Katherine Lynn, and others from the University of North Carolina System Office.

1. Call to Order and Approval of OPEN Session Minutes (Item A-1)

The chair called the meeting to order at 9:15 a.m., Wednesday, April 15, 2026. The open session minutes of Wednesday, February 25, 2026, meeting were approved by unanimous consent.

2. FY 2025 University of North Carolina System Debt Capacity Study (Item A-2)

The chair called on Senior Vice President Jennifer Haygood to present the FY 2025 University of North Carolina System Debt Capacity Study for review and approval. The study found that all 16 institutions increased their debt capacity over the five-year study period, 13 institutions increased their debt capacity compared to last year, and all 16 institutions maintained or improved at least one of their primary financial ratios since the 2024 study.

The chair asked for a motion to approve the FY 2025 UNC System Debt Capacity Study.

MOTION: Resolved, that the Committee on Budget and Finance approve the FY 2025 University of North Carolina System Debt Capacity Study and recommend it to the full Board of Governors for a vote through the consent agenda.

Motion: John A. Fraley

Motion carried

3. Additional 2025-26 State Capital and Infrastructure Fund (SCIF) Repairs and Renovations (R&R) Allocations (Item A-3)

The chair called on Vice President Katherine Lynn to present the Additional 2025-26 State Capital and Infrastructure Fund (SCIF) Repairs and Renovations (R&R) Allocations. The committee reviewed the allocation of the remaining \$55,051,122 of 2025-26 UNC SCIF R&R funds outlined in the materials on BoardEffect.

The chair asked for a motion to approve the allocation of the remaining \$55,051,122 of the 2025-26 UNC SCIF R&R funds.

MOTION: Resolved, that the Committee on Budget and Finance approve the additional 2025-26 State Capital and Infrastructure Fund (SCIF) Repairs and Renovations (R&R) allocations and recommend them to the full Board of Governors for a vote.

Motion: John A. Fraley
Motion carried

4. Capital Improvement Projects (Item A-4)

Chair Bradley called on Ms. Lynn to present the capital improvement projects for the authorization of seven new capital projects at five institutions for a total of \$25,289,764, six self-liquidating debt projects at five institutions for a total of \$637,030,000, and 14 increased authorizations at six institutions for a total of \$37,773,364.

The chair asked for a motion to approve the new capital improvement projects, self-liquidating debt projects subject to further approval to debt authorization, and increased authorizations.

MOTION: Resolved, that the Committee on Budget and Finance approve the capital improvement projects, self-liquidating debt projects, and increased authorizations and recommend them to the full Board of Governors for a vote through the consent agenda.

Motion: Harry Brown
Motion carried

5. Revision to 2021-23 Engineering NC's Future Capital Projects — NC State University (Item A-5)

The chair called on Ms. Lynn to present NC State University's request for approval to revise the project scope for Engineering NC's Future capital projects previously approved by the University of North Carolina Board of Governors.

The chair asked for a motion to approve the revision to the 2021-23 Engineering NC's Future Capital Projects.

MOTION: Resolved, that the Committee on Budget and Finance approve the revision to 2021-23 Engineering NC's Future Capital Projects for NC State and recommend it to the full Board of Governors for a vote through the consent agenda.

Motion: John A. Fraley
Motion carried

Chair Bradley called on Ms. Haygood to remind the committee that the full report of the FY 2025 UNC System Debt Capacity Study and the UNC Quarterly Capital Projects Report for April 1, 2026, were provided as additional information available in its materials.

6. Adjourn (Item A-6)

There being no further business and without objection, the meeting adjourned at 9:37 a.m.

Reginald Holley, Secretary

DRAFT MINUTES

April 15, 2026, at 9:52 a.m.

Via Videoconference and PBS North Carolina Livestream

Morganton Campus of North Carolina School of Science and Mathematics

901 Burkemont Avenue, Joiner Hall, Third Floor

Morganton, North Carolina

This joint meeting of the Committee on Budget and Finance and the Committee on External Affairs was presided over by Chair Jimmy Clark. The following committee members, constituting a quorum, were also present in person or via videoconference: Kirk Bradley, Reginald Holley, Lee Barnes, John A. Fraley, Art Pope, Harry Brown, Terry Hutchens, and Randall C. Ramsey.

Chancellors participating included Karrie Dixon, Lee H. Roberts, Philip Rogers, Kevin Howell, and Darrell Allison.

Staff members present included Jennifer Haygood, Bart Goodson, Katherine Lynn, Elizabeth Morra, and others from the University of North Carolina System Office.

1. Approval of the Open Session Minutes of February 25, 2026 (Item A-1)

The chair called the meeting to order at 9:52 a.m. on Wednesday, April 15, 2026. The minutes of February 25, 2026, joint meeting were made public, and without objection, those minutes were approved.

2. Approval of 2026-27 Budget Priorities (Item A-2)

Senior Vice President Jennifer Haygood presented a review of the proposed 2026-27 budget priorities, which focus on Systemwide operating and capital needs. She noted that, unlike prior years, the UNC System Office did not solicit a broad set of institutional requests, reflecting the North Carolina General Assembly's lack of enrollment growth funding in the previous Long Session and the System's focus on advocating for such funding.

Ms. Haygood reviewed the March 2026 consensus revenue forecast, which reflects an improved economic outlook, with revenues projected to exceed prior estimates. She also explained the implications of personal income tax rate triggers.

Discussion emphasized:

- The importance of enrollment growth funding, as Systemwide student credit hours have increased in recent years
- The strain on institutions when enrollment growth is not matched with funding
- Continued support for programs such as NC Promise

Ms. Haygood also highlighted key components of the budget priorities, including:

- Enrollment funding adjustments
- Building reserve needs for new and expanded facilities
- Faculty and staff salary considerations

Committee members and chancellors discussed the operational impact of enrollment increases and the need for sustainable funding models to support growth.

The chair asked for a motion to approve the 2026-27 budget priorities.

MOTION: Resolved, that the Committee on Budget and Finance and the Committee on External Affairs approve the requests for the UNC System’s 2026-27 Budget Priorities and recommend them to the full Board of Governors for a vote.

Motion: Lee Barnes

Motion carried

3. Approval of 2026–27 Self-Liquidating Capital Improvement Projects (Item A-3)

Vice President Katherine Lynn presented a review of the proposed self-liquidating capital improvement projects for 2026-27. These projects, financed through institutional revenues and requiring legislative approval for debt issuance, include projects from North Carolina Central University, NC State University, University of North Carolina at Chapel Hill, University of North Carolina at Charlotte, and University of North Carolina Wilmington.

She noted that, if approved, detailed financial plans would be reviewed with financial advisors and bond counsel prior to bond issuance and construction.

The chair asked for a motion to approve the 2026-27 Self-Liquidating Capital Improvement Projects.

MOTION: Resolved, that the Committee on Budget and Finance and the Committee on External Affairs approve the requests for the UNC System’s 2026-27 Self Liquidating Capital Improvement Projects and recommend them to the full Board of Governors for a vote.

Motion: Lee Barnes

Motion carried

4. Approval of State Legislative Policy Considerations (Item A-4)

Senior Vice President Bart Goodson presented a review of the Short Session non-budget state legislative policy considerations, which include:

- Increasing the dollar threshold for the definition of a capital project from \$100,000 to \$150,000
- Increasing the threshold for formal capital projects from \$500,000 to \$1.5 million
- Providing construction management capacity flexibility for low-capacity institutions
- Aligning the North Carolina School of Science and Mathematics residency definition with “legal resident for tuition purposes” and enabling use of the Residency Determination Service

These policy proposals are intended to improve efficiency, reduce administrative burden, and better align institutional practices with current economic conditions.

The chair asked for a motion to approve the legislative policy proposal requests.

MOTION: Resolved, that the Committee on Budget and Finance and the Committee on External Affairs approve the requests for the UNC System’s State Legislative Policy Considerations and recommend them to the full Board of Governors for a vote.

Motion: Reginald Holley

Motion carried

5. Approval of Continuing Federal Priorities (Item A-5)

Vice President Elizabeth Morra provided a review of the UNC System’s continuing federal priorities, including updates to the System’s communication with the North Carolina congressional delegation.

Materials included a letter from President Peter Hans outlining priorities such as:

- Continued support for federal student aid programs
- Sustained investment in higher education and research funding
- Support for Historically Black Colleges and Universities and other minority-serving institutions

The chair asked for a motion to approve the federal priorities.

MOTION: Resolved, that the Committee on Budget and Finance and the Committee on External Affairs approve the requests for the UNC System’s continuing federal priorities and recommend them to the full Board of Governors for a vote.

Motion: Terry Hutchens

Motion carried

6. Adjourn (Item A-6)

There being no further business and without objection, the meeting adjourned at 10:22 a.m.

Harry Brown, Secretary

Reginald R. Holley, Secretary

AGENDA ITEM

A-2. Short Session State Budget Update.....Jennifer Haygood

- Situation:** One of the principal responsibilities of the University of North Carolina Board of Governors is to “develop, prepare, and present to the Governor and the General Assembly a single, unified recommended budget for all of the constituent institutions of The University of North Carolina” [G.S. 116-11(9)a]. In odd-numbered years, the General Assembly enacts a biennial (two-year) budget. In even-numbered years, adjustments are made to the budget for the second fiscal year of the biennium.
- Background:** During the legislative Short Session, the North Carolina General Assembly makes adjustments to current certified base budgets. The Senate and House are currently working on a budget proposal.
- Assessment:** Based on Short Session legislative activity, an update will be provided. The University of North Carolina System Office will continue to advocate for Board-approved budget priorities, focusing on enrollment growth funding as our top critical need.
- Action:** This item is for information only.

SHORT SESSION STATE BUDGET UPDATE

Committee on Budget and Finance
May 20, 2026

General Fund Revenues – May Update

May 2026 Consensus General Fund Revenue Forecast				
Amounts (millions)	FY24	FY25	FY26	FY27
Actual/Certified	\$ 33,694.0	\$ 34,559.0	\$ 34,709.2	\$ 33,768.5
May 2026 Consensus			\$ 35,687.8	\$ 35,432.7
<i>Change from certified</i>			\$ 978.6	\$ 1,664.2
<i>% change from certified</i>			2.8%	4.9%
<i>YoY Change</i>		\$ 865.0	\$ 1,128.8	\$ (255.1)
<i>YoY % change</i>		2.6%	3.3%	-0.7%

Change vs. March Forecast

	\$ 608.80	\$ 713.20
	1.7%	2.1%

- The upward revision is due to strong tax collections across multiple major revenue sources in March and April.

State Budget Framework

Legislative leaders announced a **broad budget agreement**, focusing on major issues, setting a framework for detailed negotiations to follow.

Tax Policy Changes	Key Investments
<ul style="list-style-type: none"> • Personal income tax triggers for rate reductions are repealed; new schedule set: <ul style="list-style-type: none"> ◦ 3.49% in 2027-2029 ◦ 3.24% in 2030-2032 ◦ 2.99% in 2033-2034 ◦ Further reductions to 2.74% and 2.49% via future triggers • Constitutional amendment will be placed on the November ballot to cap the income tax rate at 3.5%. • Property tax levy limit from the House will also be taken up. 	<ul style="list-style-type: none"> • State Employee Salaries <ul style="list-style-type: none"> ◦ Average 3% raise with higher increases in certain areas ◦ Bonuses: \$1,750 for those earning <\$65,000; \$1,000 for those earning more • Teacher Salaries <ul style="list-style-type: none"> ◦ Average 8% raise ◦ Starting pay will be #1 in South ◦ Bonuses: \$1,000 for 16+ years of experience; \$500 for others • State Retirees: 2.5% bonus • NC Children’s Hospital: \$208 million

Personal Income Tax Rates

Tax Year	Current Law - G.S. 105-153.7			Budget Framework	
	Rate	Trigger		Rate	Trigger
2023	4.75%			4.75%	
2024	4.50%			4.50%	
2025	4.25%			4.25%	
2026	3.99%			3.99%	
2027	3.49%	\$33.04	FY26	3.49%	No triggers apply
2028	2.99%	\$34.10	FY27	3.49%	
2029	One additional conditional rate cut: 2.49%	\$34.76	FY28	3.49%	
2030		\$35.75	FY29	3.24%	
2031		\$36.51	FY30	3.24%	
2032		\$38.00	FY31	3.24%	
2033		\$38.50	FY32	2.99%	
2034		\$39.00	FY33	2.99%	

Estimated Tax Year 2027 and 2028 rates based on May 2026 Revenue Forecast

AGENDA ITEM

A-3. FY25 Composite Financial Index and New Financial Health Framework..... Jennifer Haygood and Joshua Lassiter

Situation: The University of North Carolina System will present the fiscal year 2025 Composite Financial Index (CFI) results for each institution and introduce the development of a Systemwide Financial Health Monitoring and Early-Warning Framework.

Background: The CFI, developed by the National Association of College and University Business Officers, is a widely used, university-specific measure that evaluates overall institutional financial health and strategic risk. The CFI is derived from audited financial statements and is designed to be comparable across public and private institutions. Within higher education, a score of 3.0 is considered the threshold for financial health.

In parallel, the UNC System is developing a forward-looking Financial Health Monitoring and Early-Warning Framework to identify emerging financial stress early and enable constructive engagement while corrective options remain available.

Assessment: Overall, the UNC System reflects strong financial positioning as measured by the CFI. Fifteen of 16 institutions reported CFI scores above the 3.0 benchmark, and 13 institutions improved their scores from FY24 to FY25.

While the CFI provides a valuable snapshot of financial health, it is inherently a point-in-time measure and does not fully capture emerging risks or directional trends that may develop between reporting periods. The proposed Financial Health Monitoring and Early-Warning Framework is intended to complement the CFI by providing a more forward-looking, comprehensive view of institutional financial health.

The framework will combine externally validated indicators—such as credit ratings, audit outcomes, and CFI trends—with internally generated leading indicators, including budget execution, liquidity trajectory, enrollment assumptions, and forecast accuracy, along with structural and qualitative risk factors such as reliance on one-time funds, leadership turnover, and auxiliary or athletics-related exposure. Collectively, these elements are intended to surface patterns of financial stress earlier and support more informed, timely engagement between the System Office and institutions.

Action: This item is for information only.

**COMPOSITE FINANCIAL INDEX
&
NEW FINANCIAL HEALTH FRAMEWORK**

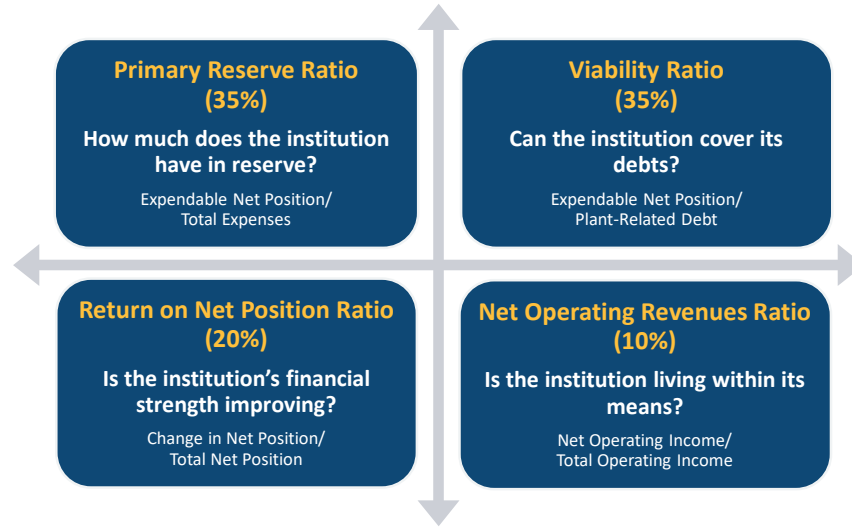
Committee on Budget and Finance

May 20, 2026

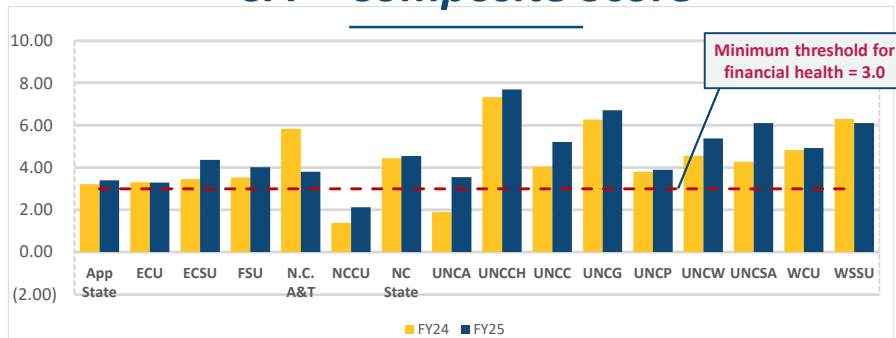
Composite Financial Index

- **University-specific composite measure developed by the National Association of College and University Business Officers (NACUBO):**
 - **Evaluates overall institutional financial health and strategic risk**
 - **Used widely throughout higher education**
 - **Derivable from audited financial statements**
 - **Useful for private and public institutions**

Composite Financial Index

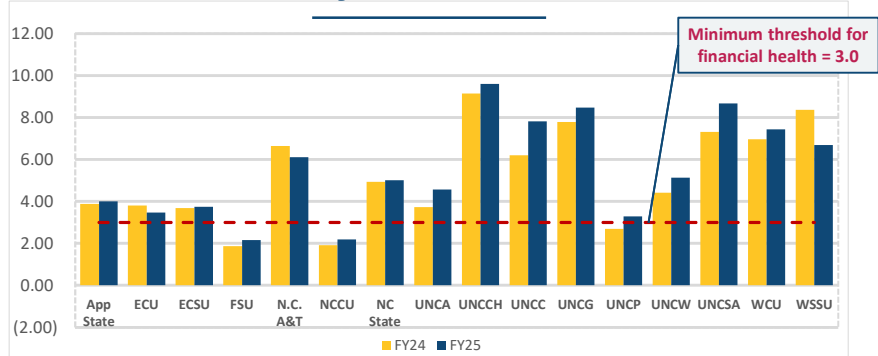


CFI – Composite Score



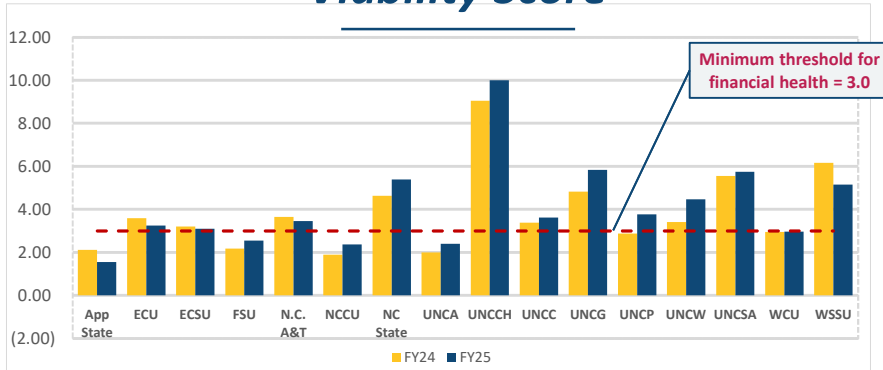
Ratio Performance	Institution(s)
Ratio > 3.0 and improved in 2025	ASU, ECSU, FSU, NCSU, UNCA, UNC-CH, UNCC, UNCG, UNCP, UNCW, UNCSA, WCU
Ratio > 3.0 but declined in 2025	ECU, NC A&T, WSSU
Ratio < 3.0 but improved in 2025	NCCU
Ratio < 3.0 and declined in 2025	None

Primary Reserve Score



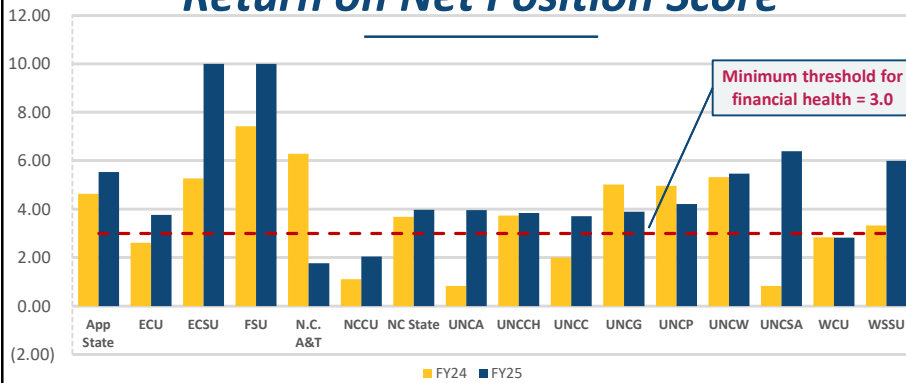
Ratio Performance	Institution(s)
Ratio > 3.0 and improved in 2025	ASU, ECSU, NCSU, UNCA, UNC-CH, UNCC, UNCG, UNCP, UNCW, UNCSA, WCU
Ratio > 3.0 but declined in 2025	ECU, NC A&T, WSSU*
Ratio < 3.0 but improved in 2025	FSU, NCCU
Ratio < 3.0 and declined in 2025	None

Viability Score



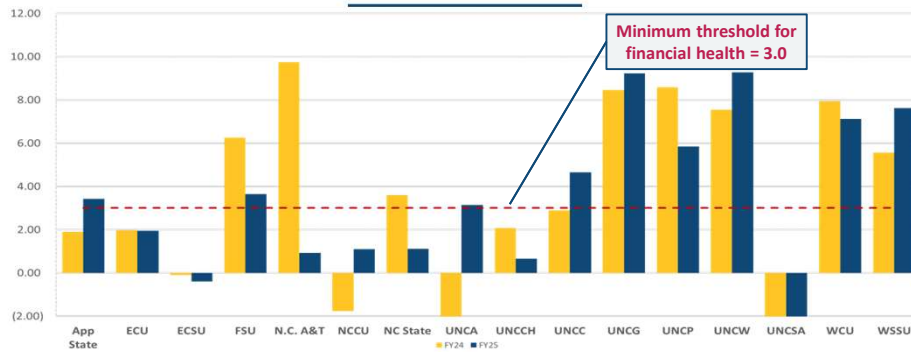
Ratio Performance	Institution(s)
Ratio > 3.0 and improved in 2025	NCSU, UNC-CH, UNCC, UNCG, UNCP, UNCW, UNCSA
Ratio > 3.0 but declined in 2025	ECU, ECSU, NC A&T, WSSU
Ratio < 3.0 but improved in 2025	FSU, NCCU, UNCA, WCU
Ratio < 3.0 and declined in 2025	ASU

Return on Net Position Score



Ratio Performance	Institution(s)
Ratio > 3.0 and improved in 2025	ASU, ECU, ECSU, FSU, NCSU, UNCA, UNC-CH, UNCC, UNCW, UNCSA, WSSU
Ratio > 3.0 but declined in 2025	UNCG, UNCP
Ratio < 3.0 but improved in 2025	NCCU
Ratio < 3.0 and declined in 2025	NC A&T, WCU

Net Operating Revenues Score



Ratio Performance	Institution(s)
Ratio > 3.0 and improved in 2025	ASU, UNCA, UNCC, UNCG, UNCW, WSSU
Ratio > 3.0 but declined in 2025	FSU, UNCP, WCU
Ratio < 3.0 but improved in 2025	NCCU, UNCSA
Ratio < 3.0 and declined in 2025	ECU, ECSU, NC A&T, NCSU, UNC-CH

Monitoring Institutions' Financial Health

Recognizing financial challenges earlier.

Responding before they grow.

What Are We Doing Now?

MOODY'S
RATINGS



**BUSINESS PROCESS
COMPLIANCE PROGRAM**


NACUBO
CFI



Why Isn't This Enough?


- **Timing Lag – many of these indicators are produced annually**
- **Qualitative Indicators**
 - Sometimes conversations > KPIs
 - Sometimes observed behaviors > KPIs
- **Trouble often lives below the (public-facing) surface.**

Next Steps?




- **Design Framework**
 - Combine existing external signals with more targeted, internally generated leading indicators.
 - Consider structural & qualitative factors
 - Bench strength and succession planning
 - Turnover in key finance positions
 - Behavioral patterns (late reports, waiver requests, etc.)
- **Define New Risk Indicators**
- **Begin Monitoring and Support Activities**

Program Timeline



 We are currently between Step 2 and Step 3.
Next: Define Framework for Improved Monitoring.

QUESTIONS?

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AGENDA ITEM

A-4. 2024 Facilities Inventory and Space Utilization Study Jennifer Haygood and Katherine Lynn

Situation: The University of North Carolina System Office prepares a Systemwide annual facilities inventory and space utilization study detailing the utilization of space, room characteristics, and building characteristics as a tool for space management and planning.

Background: Since 1967, the System Office has prepared an annual facilities inventory and space utilization study for all public universities and community colleges. In 2019, the report was revised to include only the 16 public universities and to focus on space utilization and building conditions. Space utilization is based on class hours of instruction and seat fill and is derived from the Fall 2024 scheduling data. The 2024 study includes information on the institution's physical assets, including the age and condition of buildings at each institution, and space utilization, including classrooms and class labs. It is based on data that is self-reported at each institution.

Assessment: No action is required.

Action: This item is for information only.

2024 FACILITIES INVENTORY AND SPACE UTILIZATION STUDY

Committee on Budget and Finance

May 20, 2026

Background and Context

■ What data is used in the study?

- Data, including building and room characteristics, which is updated annually by the institutions
- Data on time and location of courses as reported during fall term

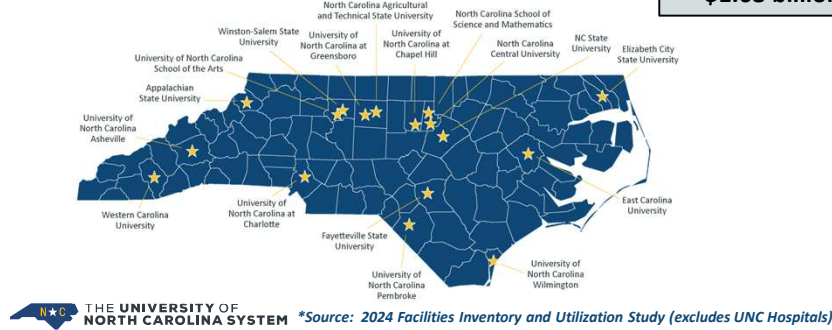
■ How is the study used?

- Provides data for allocation of SCIF R&R maintenance projects
- Provides data for System-level decisions
- Provides additional data to support campus-level capital planning, space utilization, and asset management

2024 UNC System Capital Assets*

- The UNC System has almost **93.8 million gross square feet** of capital assets.
- This includes approximately **2,920 buildings**.
- Current replacement value (CRV) exceeds **\$36 billion**.

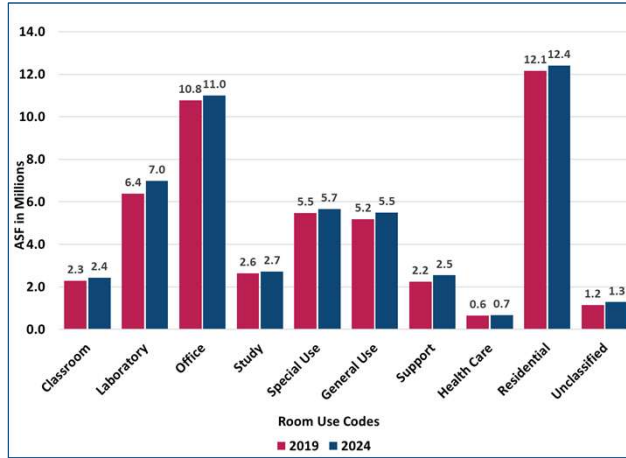
The recommended annual reinvestment into capital renewal is 3.0% of CRV, or approximately **\$1.08 billion**.



Change in UNC System Capital Assets

2022	2023	2024
TOTAL GROSS SQUARE FEET (GSF)		
46.8 Appropriated 45.6 Non-appropriated 92.4 million GSF	46.9 Appropriated 47.0 Non-appropriated 93.9 million GSF	46.5 Appropriated 47.3 Non-appropriated 93.8 million GSF
NUMBER OF BUILDINGS		
1,911 Appropriated 1,072 Non-appropriated 2,983 Buildings	1,896 Appropriated 1,069 Non-appropriated 2,965 Buildings	1,863 Appropriated 1,057 Non-appropriated 2,920 Buildings
ESTIMATED REPLACEMENT VALUE		
\$31.1 billion	\$37.2 billion	\$36.4 billion

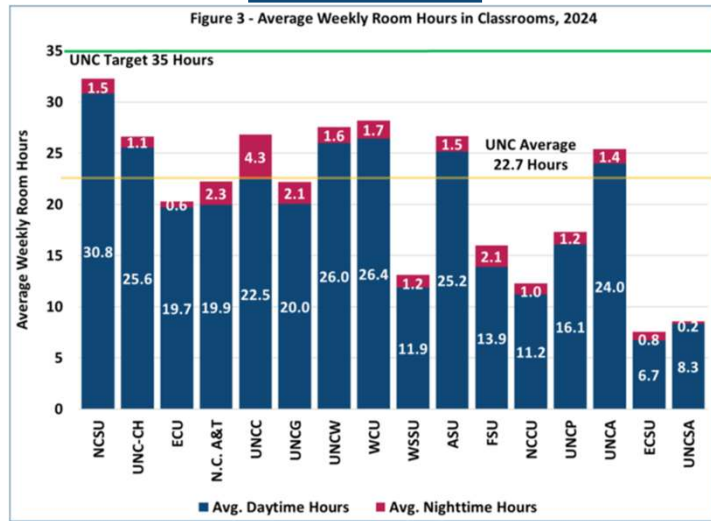
Assignable Area by Room Use



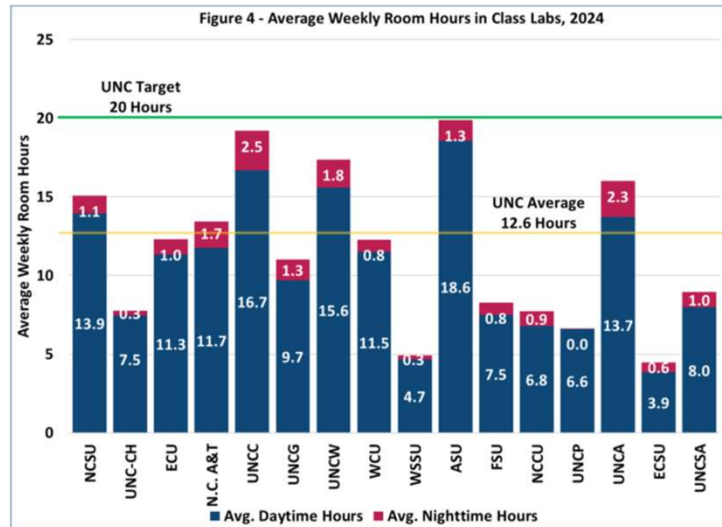
The single largest category of assignable space is for residential facilities, with 12.3M SF, or 24 percent. Office space is the second largest room use category at 11.0M SF, or 21 percent. These two categories account for nearly 50 percent of the assignable space.



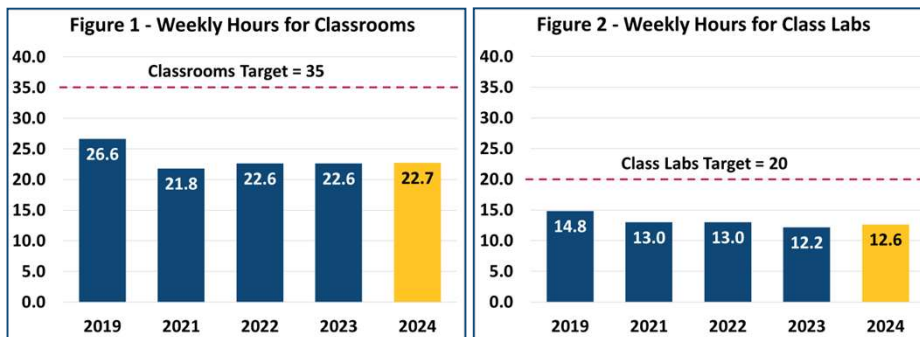
Average Weekly Classroom Hours



Average Weekly Class Lab Hours

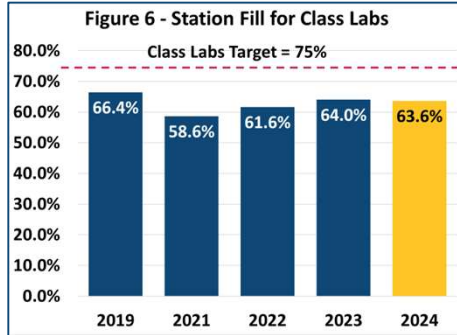
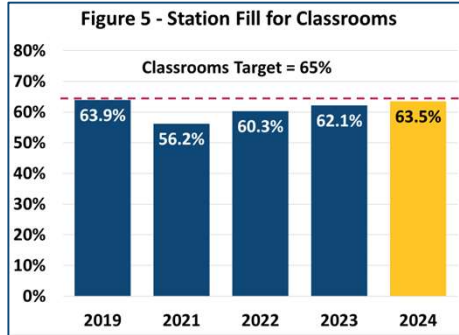


Instructional Space Utilization in Weekly Hours



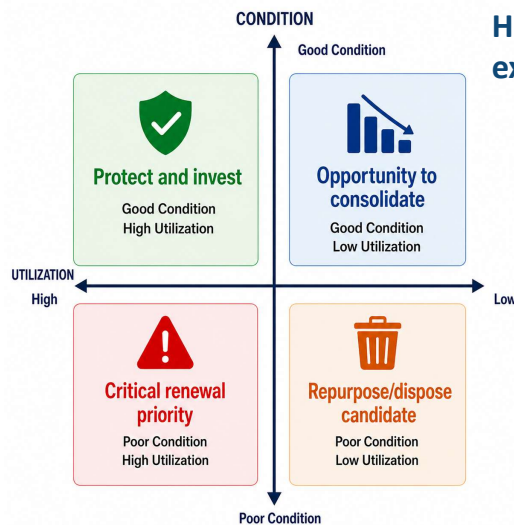
In 2024, weekly classroom hours were increased by 0.1 hours and weekly class lab hours increased by 0.4 hours from the previous year.

Instructional Space Utilization by Station Fill



In 2024, student station utilization increased by 1.4 percent for classrooms and decreased by 0.4 percent for class labs.

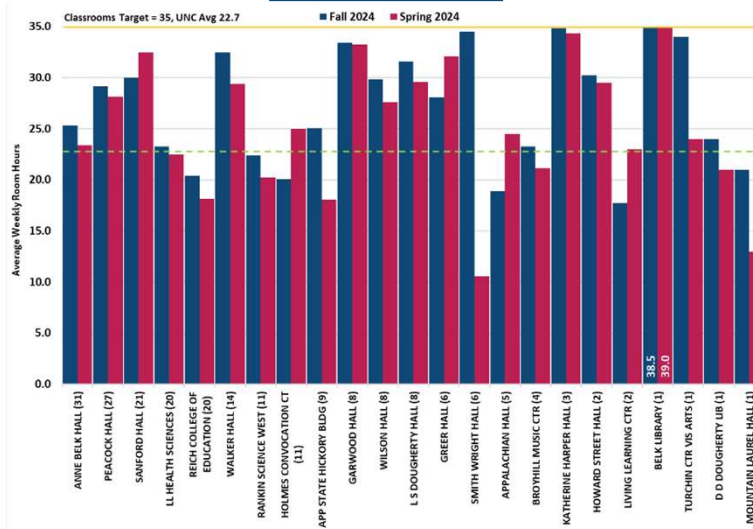
Capital Planning Considerations



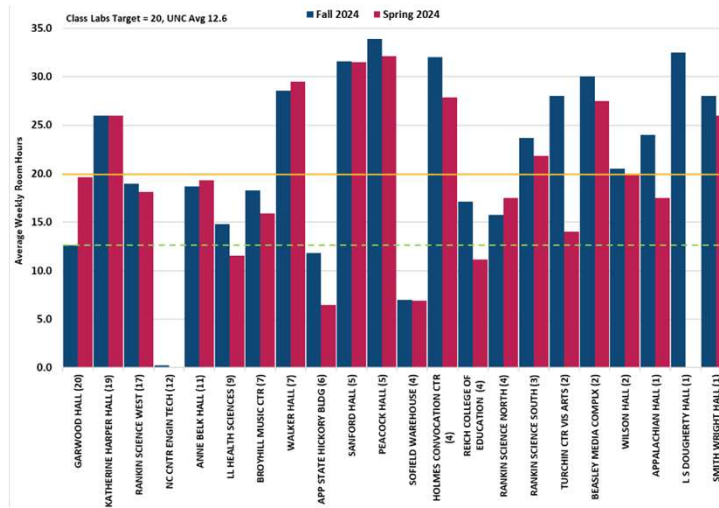
How can the utilization of existing space be maximized?

- What is the condition of the existing space?
- What is the current utilization of the existing space?
- What is the demand for the space?
- Can the existing space be repaired or renovated to increase utilization?

Use of Instructional Classroom Space



Use of Instructional Class Lab Space



Next Step: Update Systemwide Space Standards

- Why Now?
 - Current systemwide standards were last updated 1998.
 - Some constituent institutions have adopted their own standards.
 - Instructional delivery and space needs have changed significantly.
- What Updated Standards Will Support
 - More efficient capital project planning, including STEM projects
 - Better utilization of existing instructional space
 - Stronger systemwide consistency and benchmarking

Proposed Action:

Use remaining STEM Planning funds (S.L. 2018-5) to develop updated systemwide space planning standards.



QUESTIONS?



**THE UNIVERSITY OF
NORTH CAROLINA SYSTEM**

**2024 FACILITIES INVENTORY
AND SPACE UTILIZATION STUDY**

for

University of North Carolina System

Fifty-Eighth Edition



Discovery Hall (addition to Randall Library)

University of North Carolina at Wilmington

May 2026



Discovery Hall (addition to Randall Library)

University of North Carolina at Wilmington

Seahawks now have more space to study, write, and research. Connected to the recently renovated Randall Hall, the completion of Discovery Hall marks a full refresh and expansion of University of North Carolina Wilmington’s main library complex. Discovery Hall is home to an events space with an adjacent exhibit area, an impressive data visualization and analysis lab, an enhanced and enlarged makerspace, a recording studio, a virtual reality space, and a new home for the collections of the Center for Southeast North Carolina Archives and History that includes a spacious research room.

Discovery Hall also adds considerable student study space, including “The Lookout,” located on the third floor, with broad windows that look out onto the front of UNC Wilmington’s campus and a hand-painted mural by Alum and Freelance Artist Caleigh Sion.

Executive Summary

The primary purpose of the annual Facilities Inventory and Space Utilization Study (study) is to offer higher education administrators within the University of North Carolina System a detailed statistical profile of the facilities of their own institution and of the other universities in the System as a tool for space management and planning. The study evaluates self-reported data for UNC System institutions with the data carefully reviewed, including extensive use of computer edits as a means of ensuring accuracy and consistency. The ultimate responsibility for the precision of the data, of course, lies with the individual institutions as the source on which this study is based. While each institution has a vested interest in its own space picture, a Systemwide overview of key elements of the study provides useful context on the facilities in the UNC System.

**In 2024, the UNC System had
approximately 93.8M gross square feet of space
and 2,920 Buildings
including all 16 institutions and excluding UNC Hospitals.**

This study typically looks at the UNC System facilities with a focus on three key areas: **utilization of instructional space, room space characteristics, and building characteristics.**

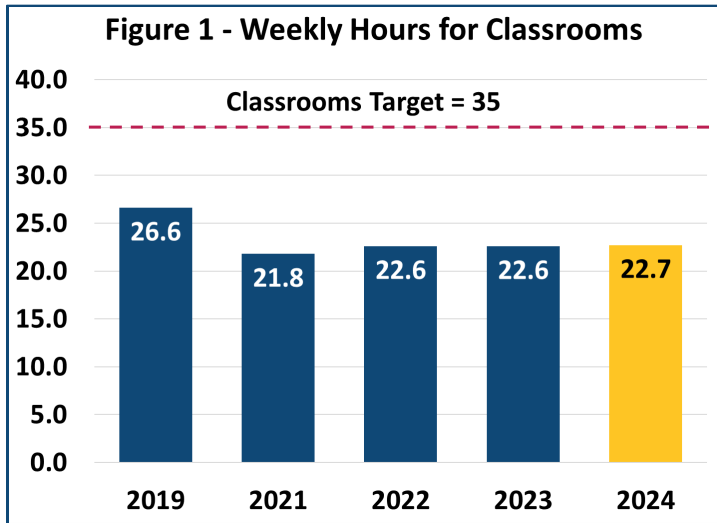
Utilization of Instructional Space

The study looks at several areas to gauge the capacity and utilization of space. This includes two primary measures: the weekly room utilization and the seat fill. The weekly room utilization indicates how often the room is utilized for scheduled classes. The UNC System has set a utilization standard target that each available classroom be scheduled for 35 hours of class instruction per week based on day and evening scheduling, Monday – Friday between 5 a.m. and 11 p.m. Daytime utilization is based on all class times between and including 5 a.m. and 4:59 p.m.; nighttime utilization is based on all other classes. The average weekly room hours of instruction are calculated by dividing the total room hours of instruction by the total number of rooms. This data is taken from Tables 3 and 4 found on pages 10 and 12 of the study.

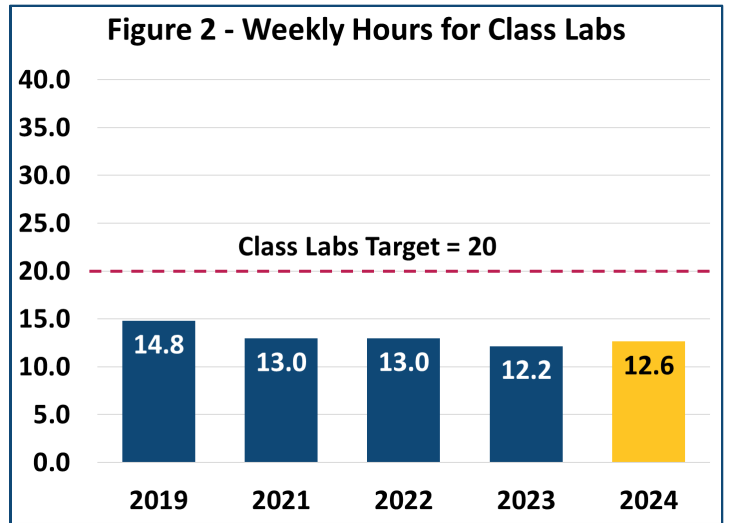
**The UNC System standard for classrooms is
35 hours per week of scheduled class instruction.**

**The UNC System standard for class labs is
20 hours per week of scheduled class instruction.**

Figures 1 and 2 show the average weekly hours of instruction for classrooms and class labs in 2024.

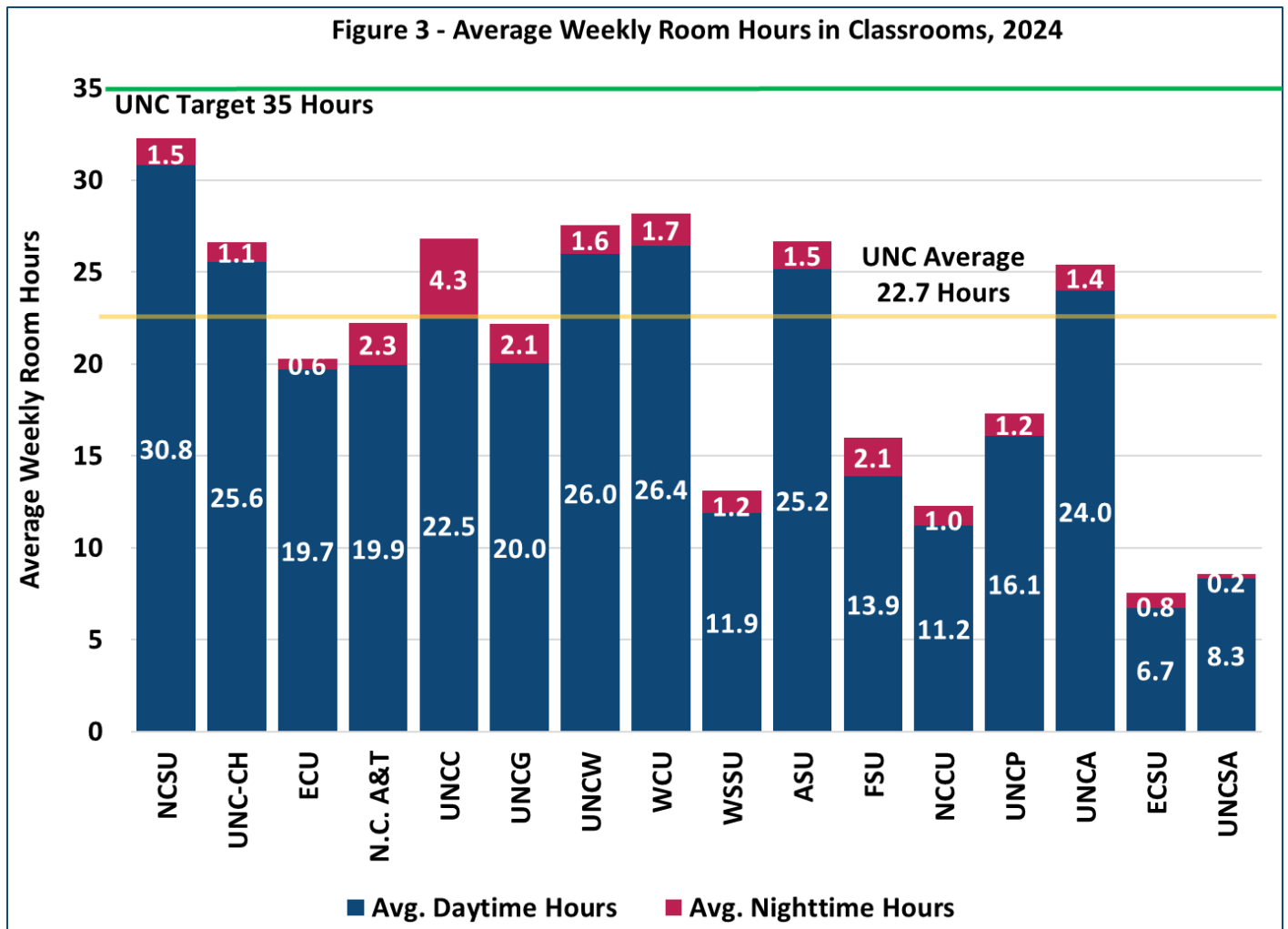


Source: Table 3



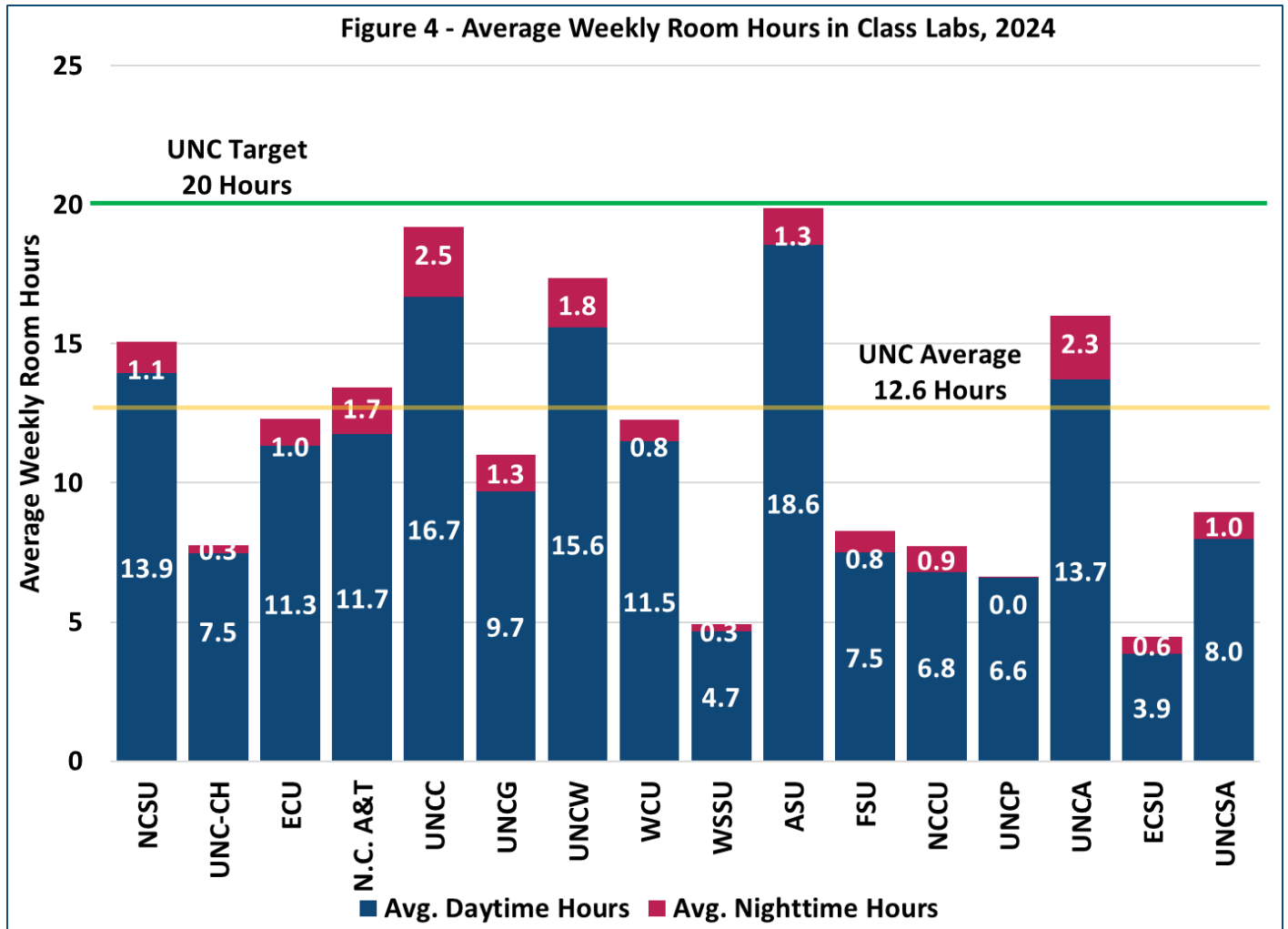
Source: Table 4

Figure 3 includes a breakdown of average weekly hours for classrooms by institution and includes additional details on daytime and nighttime room hours.



Source: Table 3

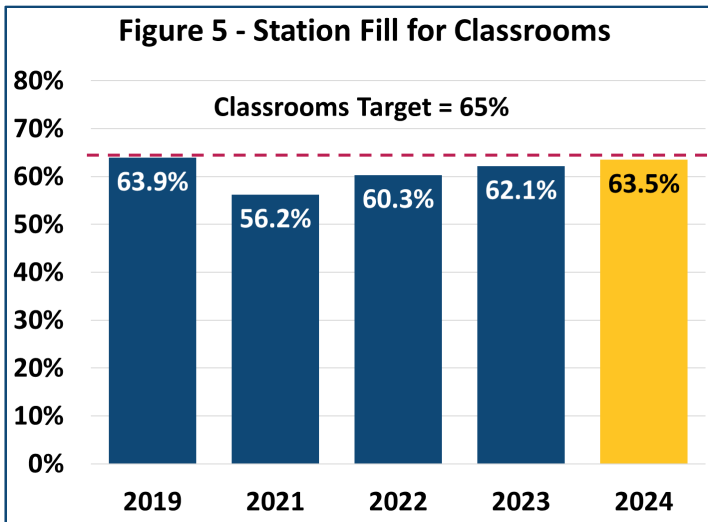
Figure 4 includes a breakdown of average weekly hours for class labs by institution and includes additional details on daytime and nighttime room hours.



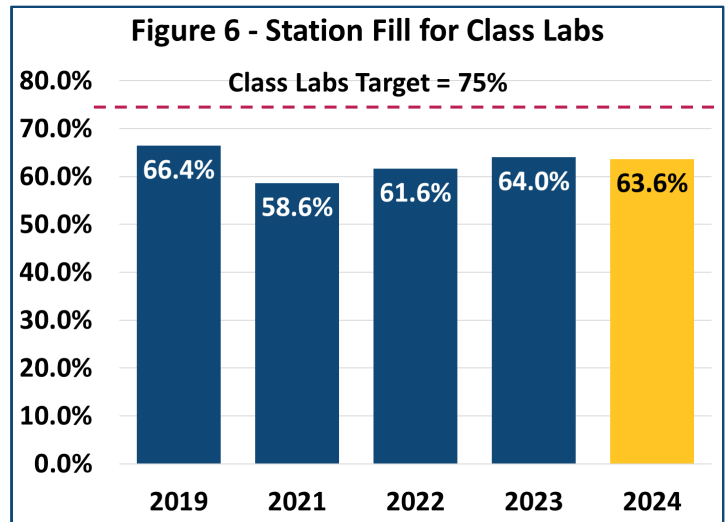
Source: Table 4

Average weekly use of student stations is used to indicate the average number of hours each week a student station is used by room. **A student station is defined as a seat in the room.** Average weekly use of student stations is calculated by dividing the total number of student clock hours generated in the room by the total number of student stations in the room. The UNC System standard target for average weekly use of student stations for classrooms is 65 percent. The UNC System standard for class laboratories is 75 percent. For additional information on Student Clock Hours, see page 4 of the study.

Figures 5 and 6 indicate the average student station utilization Systemwide for classrooms and class labs. In 2024, the average weekly use of student stations in classrooms was 63.5 percent and for class labs was 63.6 percent. This indicates a slight increase from 2023 of 1.4 percent for classrooms and a slight decrease of -0.4 percent for class labs.

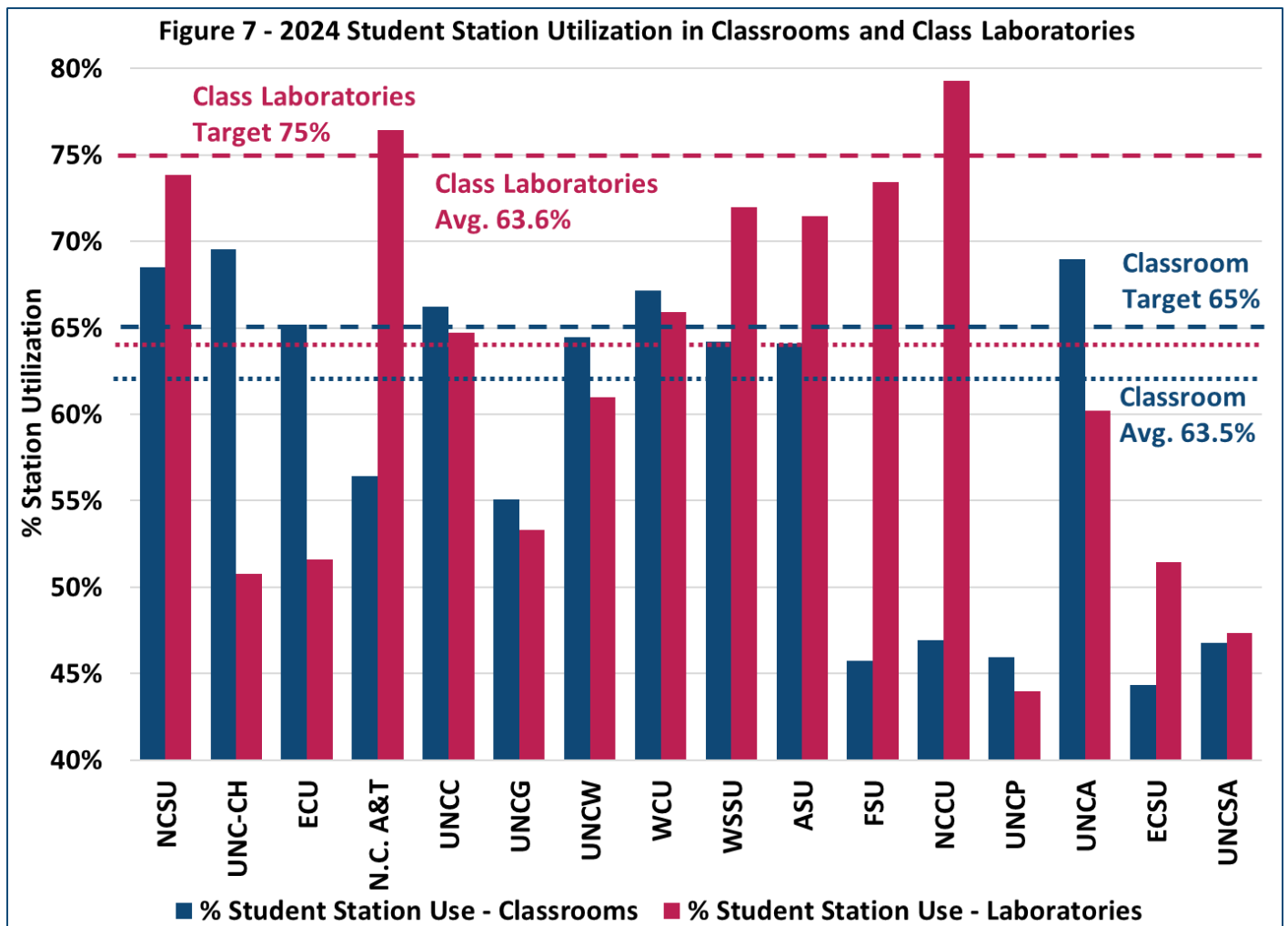


Source: Table 7



Source: Table 7

Figure 7 displays use of student stations data by institution for classrooms and class labs. Further details on the utilization of instructional space are available on pages 3-35 of the study.



Source: Table 7

Room Space Characteristics

The study includes information on the assignment and use of each room at every institution. Of the 93.8 million gross square feet in the UNC System, excluding UNC Hospitals, 51.2 million square feet is considered assignable space. Assignable space is defined as space that is assigned to, or available for assignment to, an occupant or specific use. Assignable space excludes building service areas, circulation, mechanical, and structural areas. From 2020 to 2024, the assignable space has increased by 1,679,300 SF or 3.4 percent.

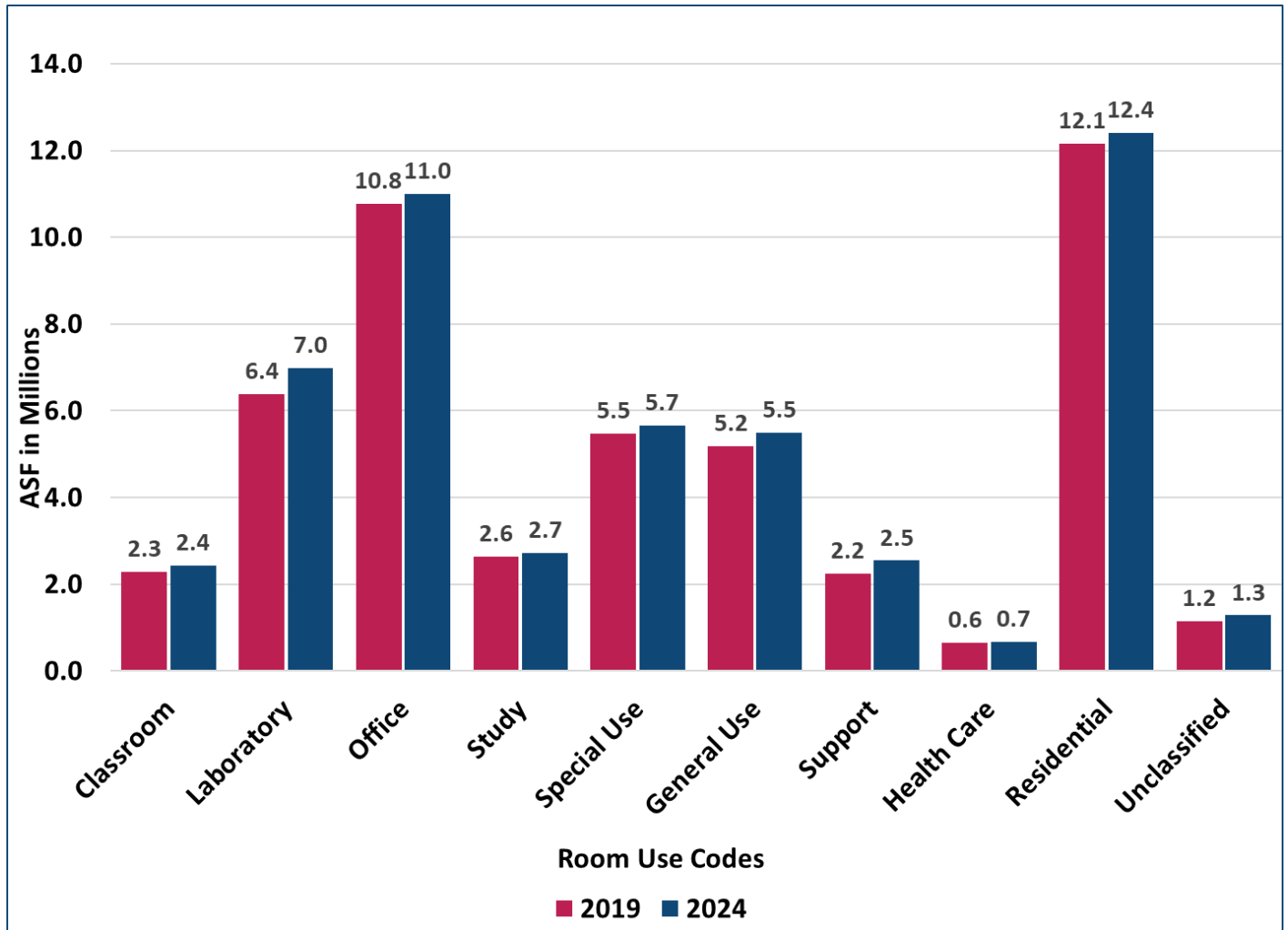
Assignable Space by Program				
Program	Total ASF	% of Total in 2024	% of Total in 2020	% Change
Instruction	12,483,192	24.39%	23.97%	0.42%
Research	5,947,686	11.62%	11.73%	-0.12%
Public Service	1,801,091	3.52%	3.45%	0.07%
Student Service	20,637,023	40.32%	40.86%	-0.55%
Other	10,320,038	20.16%	19.99%	0.17%

Assignable space is categorized by program use category, utilizing the Program Classification Structure developed by the National Center for Higher Education Management Systems. The classification system includes 10 program areas, but the majority of space falls into four program areas: instruction, research, student services, and public service. These four program areas account for nearly 80 percent of all the assignable space. Instruction and research saw moderate increases in assignable square footage over the period: Instruction, 615,529 SF or 5.2 percent; Research, 137,846 or 2.4 percent. Public service assignable square footage, which includes activities established to make available to the public the various resources and capabilities of the institution for the specific purpose of responding to a community need or solving a community problem, increased 95,262 SF or 5.6 percent. The assignable square footage for student services, which includes areas that support students' physical, emotional, and intellectual development in facilities such as student centers and wellness facilities outside of formal, scheduled instruction, increased 406,458 SF, or 2.0 percent from 2020. Assignable square footage for independent operations, which includes institutional activities that are owned or controlled by the institution as investments, and which are financed as part of the institution's current operations, increased 103,934 SF, or 19.9 percent.

Every room on every institution is also assigned a Room Use Code as defined by the *Postsecondary Education Facilities Inventory and Classification Manual (FICM): 2006 Edition*. A detailed list of room use codes is on pages 61-62.

The single largest category of assignable space is for residential facilities, with 12.4M SF, or 24 percent of all space, assigned to this room use code. This represents an increase of 103,871 SF, or 0.8 percent, since 2020. Office space is the second largest room use category at 11.0M SF, or 21 percent of all assignable space. Office space has increased by 159,896 SF, or 1.5 percent since 2020. Together, these two categories account for nearly 50 percent of the assignable space. Since 2020 assignable space increased in Laboratory space by 472,008 SF, or 7.3 percent; General Use space by 169,952 SF, or 3.2 percent; Support Facilities by 322,822 SF, or 14.5 percent; Classrooms by 53,545 SF, or 2.3 percent; and Health Care Facilities by 926 SF, or 0.1 percent. Unclassified Facilities increased by 183,801 SF, or 16.8 percent. All other areas have seen negligible increase in assignable space and proportionally remain the same. For additional details on specific program and subprogram uses and specific details for each institution, see pages 38-66 and 90-106 in the study.

Figure 8 shows the classification of assignable space and five-year change by room use code.



Source: Table 15

Building Characteristics

Excluding UNC Hospitals, the UNC System has 93.8 million gross square feet of space comprised of 2,920 buildings and a total estimated replacement value of more than \$36.4B. The building characteristics primarily focus on the physical attributes of the building including ownership, building use, fund type, age, and building condition. The chart below shows the general characteristics of all buildings in the UNC System.

UNC System Building Characteristics	
2,920 Total Buildings	
1,863 Appropriated	2,459 Owned
1,057 Non-Appropriated	123 Leased
2,920 Total	338 Other Agreement
	2,920 Total

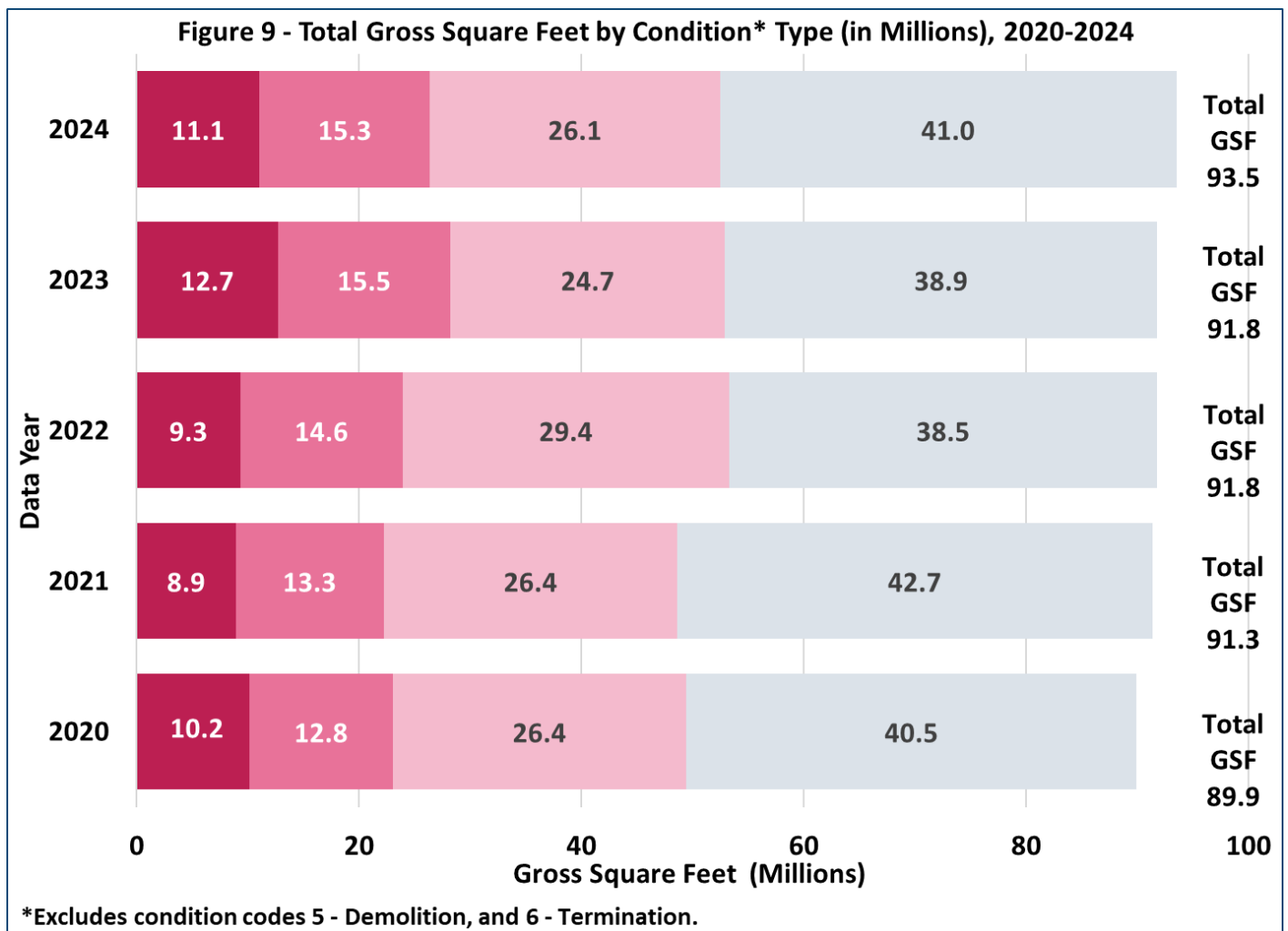
One important building characteristic is building condition. This indicates the extent to which existing facilities are in sound operating order, functioning as originally intended. Building condition categories are listed in the chart on the next page.

Buildings which are in Condition 3 or 4 are generally older and require major renovation to repair or replace building systems that are reaching end-of-life or are obsolete. These condition categories do not incorporate costs associated with modifying facilities to meet current program needs, which change over time. Funding for repairs and renovations permits the useful life of these facilities to be extended and preserves the value of significant assets.

Condition 5 designates facilities that have been identified for demolition, typically because they are unsafe or unsound, while Condition 6 indicates facilities that are no longer in use for reasons other than the condition.

<p>Condition Code 1 - Satisfactory - Suitable for continued use with normal maintenance</p> <p>Condition Code 2 - Remodeling A - Less than 25% of the estimated replacement cost of the building</p> <p>Condition Code 3 - Remodeling B - Between 25% and 50% of the estimated replacement cost of the building</p>	<p>Condition Code 4 - Remodeling C - More than 50% of the estimated replacement cost of the building</p> <p>Condition Code 5 - Demolition - Identified for demolition, typically because they are unsafe or unsound</p> <p>Condition Code 6 - Termination - No longer in use for reasons other than condition</p>
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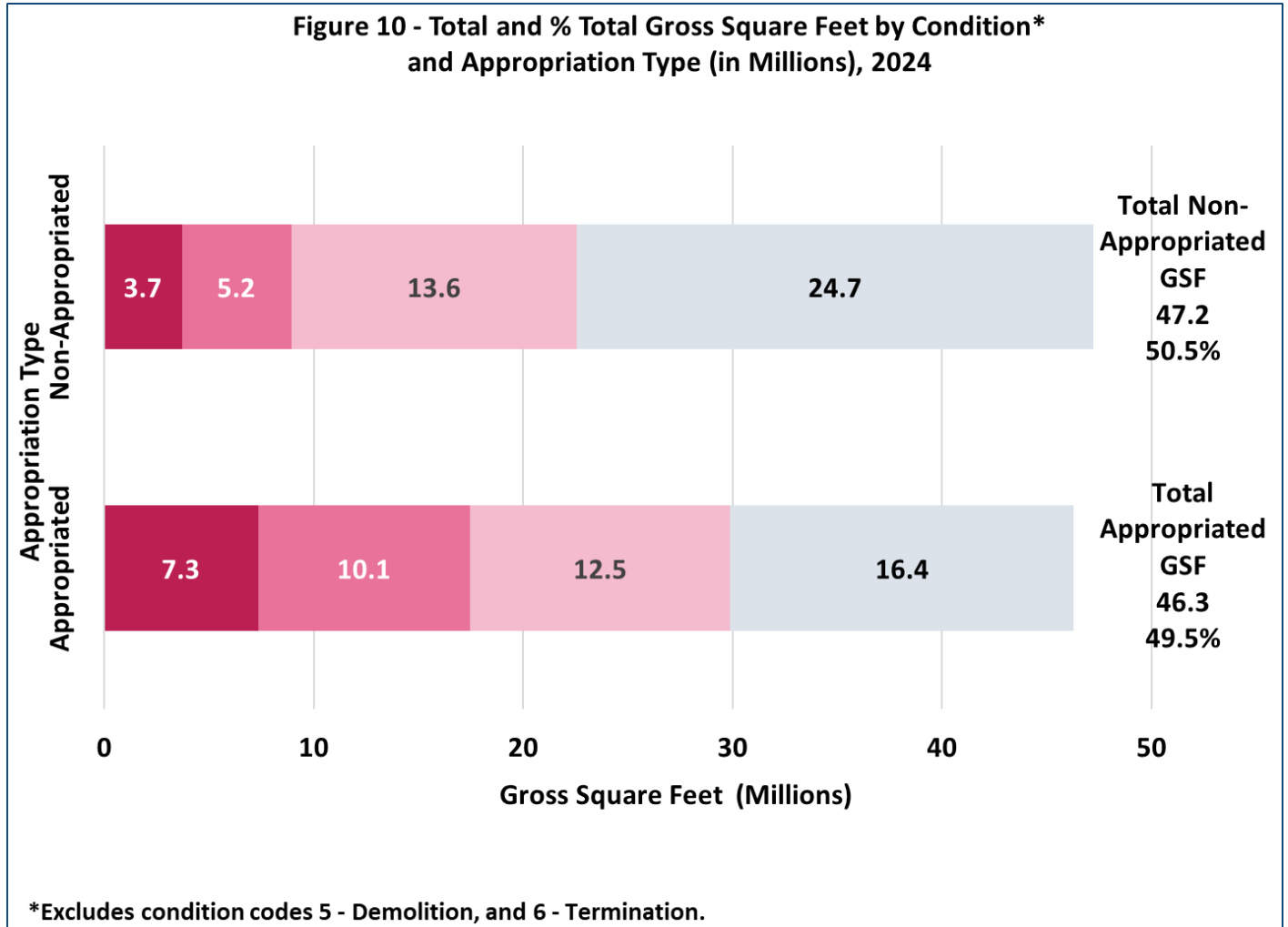
Figure 9 illustrates the GSF and condition type from 2020 to 2024. The GSF in Conditions 3 and 4 has increased by 2,476,246 and 896,426, or 19.3 percent and 8.8 percent respectively since 2020, accounting for more than 28 percent of the 2024 GSF.



Source: Table 22

Deferred maintenance will continue to increase exponentially if deteriorating building conditions are not addressed in a timely manner. **Building Condition Codes 5 (Demolition) and 6 (Termination) are excluded from the figures.**

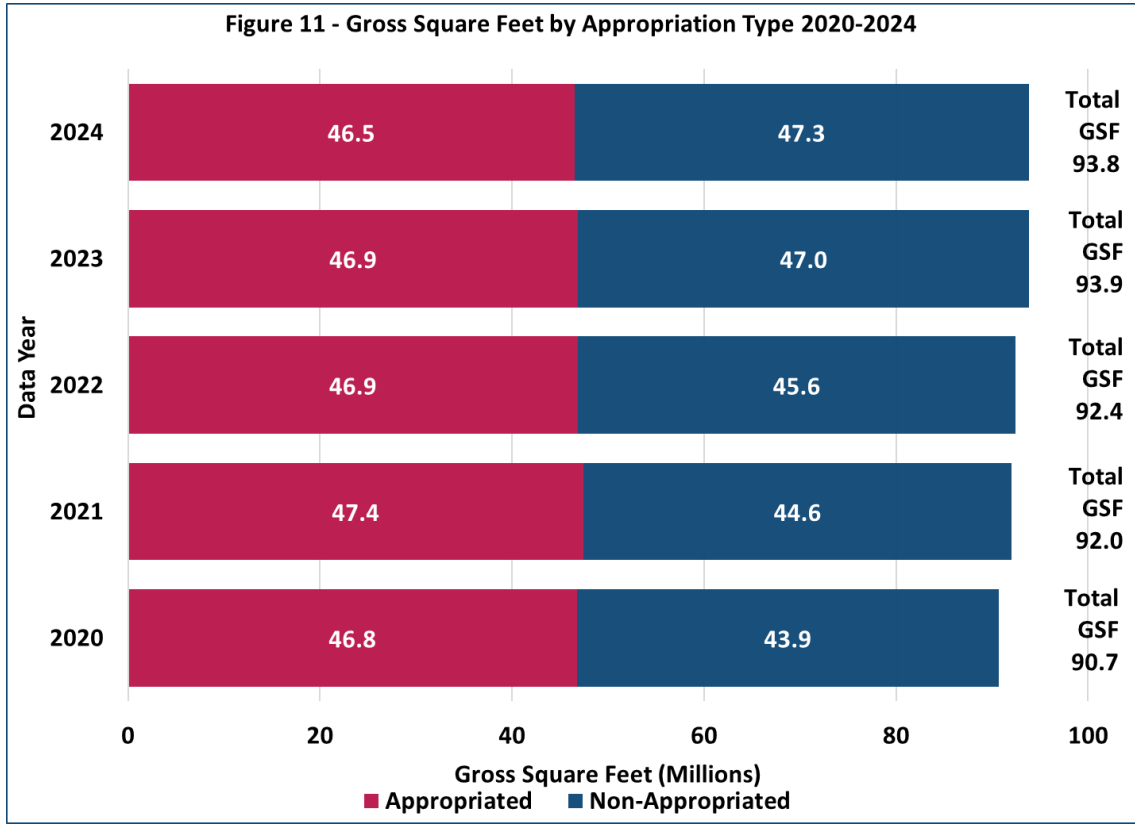
Figure 10 illustrates the GSF by funding type. While state funding can be allocated to address repairs and renovations in appropriated buildings, other sources of funding, including donations, trust funds, or self-liquidating debt, must be identified for non-appropriated buildings. Adequate capital funding to address chronic deferred maintenance continues to be the primary challenge for all institutions.



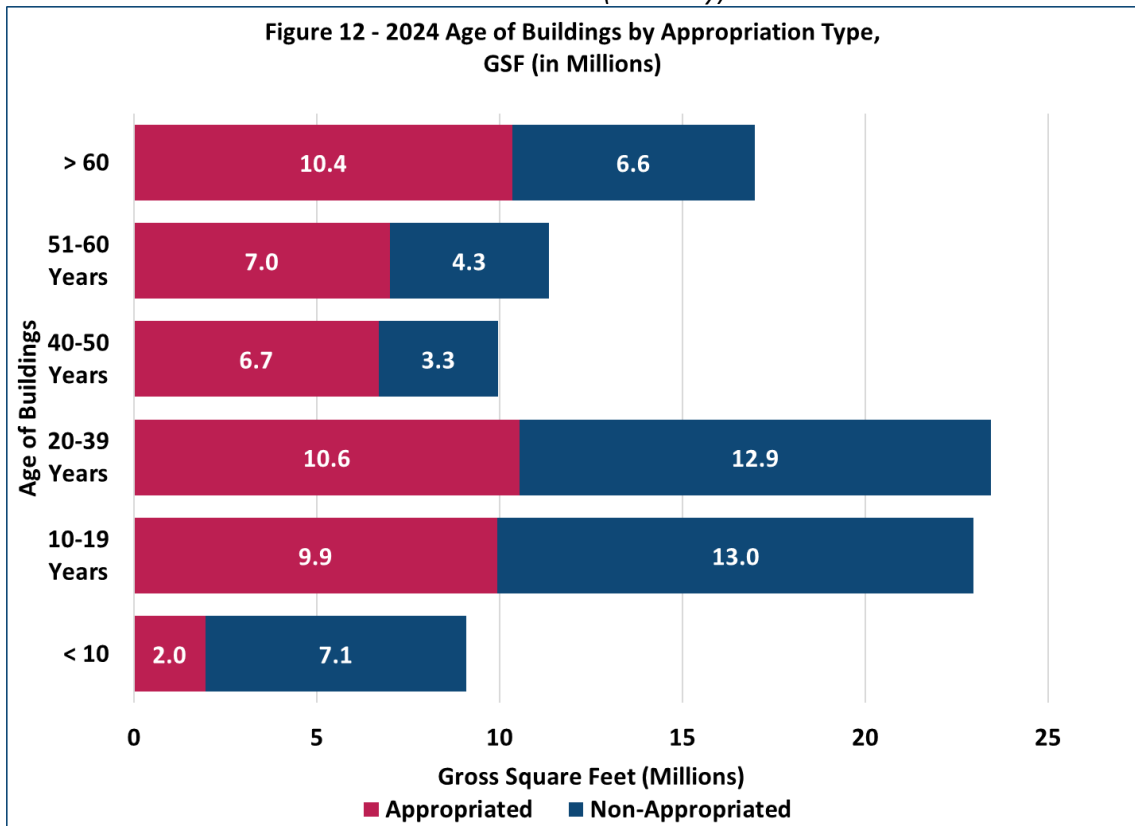
Source: Table 22 (GSF Only)

Another primary building characteristic is the age of buildings. As buildings age, the building systems wear out, reach the end of their useful life, or become harder to repair and maintain due to obsolescence. Failure to plan for timely replacement of systems often leads to building system failures and costly emergency repairs.

Figure 11 provides a five-year review of gross square feet by appropriation type and **Figure 12** demonstrates the age of buildings by appropriation type.



Source: Table 22 (GSF Only)



Source: Table 22 (GSF Only)

Further details regarding building characteristics, including a breakdown by institution, are on pages 70-87 in the study.

AGENDA ITEM

A-5. Establishment of For-Profit Associated Entity —
University of North Carolina at Chapel Hill Brandy Andrews

Situation: The University of North Carolina at Chapel Hill has requested approval to establish a for-profit associated entity (“KFBSF Real Estate Fund VI”) to manage real estate investment funds as an educational program at the Kenan-Flagler Business School.

Background: Section 600.2.5.2[R] (specifically section C.2.) of the UNC Policy Manual, *Regulation on Required Elements of University-Associated Entity Relationship*, requires constituent institutions to receive approval from the Board of Governors to establish an associated entity on a for-profit basis. Since 2006, the Kenan-Flagler Business School has established 10 for-profit student investment funds (five private equity and five real estate) with Board approval. These funds are generally \$2.5 million to \$4 million in size and are established primarily as an educational program. Students in both the Master of Business Administration (MBA) and Bachelor of Science in Business Administration (BSBA) programs evaluate investment opportunities and make recommendations to the General Partner, KFBSF, Inc., a N.C. nonprofit corporation established by Kenan-Flagler Business School Foundation, Inc. (Business Foundation). In addition to the General Partner, profits are distributed to the Limited Partners. Any funds to the General Partner in excess of expenses are transferred to the Business Foundation.

Assessment: These funds provide MBA and BSBA students with hands-on experience in operating a private investment fund. KFBSF Real Estate Funds I, II, III, and IV are fully invested, and KFBSF Real Estate Fund V is almost fully invested. If future students are to participate in this educational program, additional funds will need to be raised, and an additional real estate fund established (“KFBSF Real Estate Fund VI”).

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

Establishment of For-Profit Associated Entity – University of North Carolina at Chapel Hill

ISSUE OVERVIEW

In September 2006, the Board of Governors approved a request from the Kenan-Flagler Business School of The University of North Carolina at Chapel Hill to establish three associated entities: (1) KFBSF Private Equity Fund I, L.P.; (2) KFBSF Real Estate Fund I, L.P., as for-profit investment funds; and (3) KFBSF, Inc., a North Carolina not-for-profit corporation of which the Kenan-Flagler Business School Foundation, Inc. (Business Foundation) is the sole member and serves as General Partner for the funds. The Board of Governors approved similar requests to establish Private Equity Fund II, L.P. (in 2010), Real Estate Fund II, L.P. (in 2011), Real Estate Fund III, L.P. (in 2014), Private Equity Fund III, L.P. (in 2014), Real Estate Fund IV, L.P. (in 2017), Private Equity Fund IV, L.P. (2018), Real Estate Fund V, L.P. (2021), and Private Equity Fund V, L.P. (2023) without tax-exempt status. These student investment funds are all part of an educational program of the Business School and each fund ranges from \$2.5 million to \$4 million in size.

The Limited Partner investors are by invitation only, generally have a relationship with the school, and must meet certain eligibility requirements. In addition to the General Partner, profits are distributed to the Limited Partners. Any funds to the General Partner in excess of expenses are transferred to the Business Foundation.

The General Partner is organized and operated to support the Business School and its educational programs. It is managed under the direction of its board of directors, which consists of six directors, four of whom are employees of the university and two of whom are elected by the board of directors of the Business Foundation. The General Partner is also an "Associated Entity" under Board of Governors rules and has adopted conflict of interest, document retention, and whistleblower policies in accordance with the rules and on behalf of these investment funds.

Kenan-Flagler and UNC-Chapel Hill now request authority to establish an 11th student investment fund — KFBSF Real Estate Fund VI, L.P., since KFBSF Real Estate Fund V, L.P., is almost fully invested. If future students are to participate in this educational program, additional funds will need to be raised and an additional real estate fund established. Section 600.2.5[R] (specifically section C.2.) of the UNC Policy Manual, *Regulation on Required Elements of University-Associated Entity Relationship*, requires that associated entities have nonprofit corporate and tax-exempt status unless the Board of Governors approve otherwise.

The primary objective of these limited partnership funds is to give selected students hands-on experience in operating private investment funds. To our knowledge, the KFBSF Real Estate Funds are the only student-managed real estate private equity funds in the U.S. These students work with faculty and friends of Kenan-Flagler to identify and evaluate investment opportunities and to make investment recommendations to the General Partner. Students participate, without pay, as part of an investment management course for academic credit. After an investment is made by the partnerships, the students monitor the investment. Through the identification, evaluation, and monitoring process, students gain insights into the operation and management of private investment funds and their portfolio companies as well as establish personal and professional relationships with investment managers. A secondary objective is to provide investment returns to the partners who are the investors.

It is recommended the Board of Governors approve the establishment of KFBSF Real Estate Fund VI, L.P., as a UNC-Chapel Hill associated entity and an educational program at the Kenan-Flagler Business School without obtaining nonprofit tax-exempt status.

AGENDA ITEM

A-6. Capital Improvement Projects..... Katherine Lynn

Situation: The University of North Carolina at Charlotte has requested one new project, and Elizabeth City State University and UNC Charlotte have requested increased authorization for two projects.

Background: The University of North Carolina Board of Governors may authorize capital construction projects at University of North Carolina System institutions using available funds.

Assessment: ECSU and UNC Charlotte are requesting projects that meet statutory requirements. It is recommended that the Board approve the projects and the method of funding. It is further recommended that these projects be reported to the North Carolina Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

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

Capital Improvement Projects – Elizabeth City State University and University of North Carolina at Charlotte

ISSUE OVERVIEW

University of North Carolina System institutions are required to request authority from the University of North Carolina Board of Governors to proceed with non-appropriated projects using available funds (non-general funds). Non-appropriated capital projects are funded by the institution and include the construction, repair, or renovation of facilities such as residence halls, dining facilities, research buildings, athletic facilities, and student health buildings.

Two UNC System institutions have requested three capital improvement projects: one new project, and two projects for increased authorization.

I. NEW PROJECTS

Institution/Project Title		Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
University of North Carolina at Charlotte					
1.	Parking Deck Restorations 2026	\$1,000,000	\$0	\$1,000,000	Trust Funds (Parking & Transportation)
<i>UNC Charlotte Subtotal</i>		<i>\$1,000,000</i>	<i>\$0</i>	<i>\$1,000,000</i>	
Grand Total		\$1,000,000	\$0	\$1,000,000	

II. INCREASED AUTHORIZATION

Institution/Project Title		Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
Elizabeth City State University					
1.	New Dining Facility	\$17,800,000	\$16,500,000	\$1,300,000	SCIF Appropriations - 93%/ Trust Funds (Dining) - 7%
<i>ECSU Subtotal</i>		<i>\$17,800,000</i>	<i>\$16,500,000</i>	<i>\$1,300,000</i>	
University of North Carolina at Charlotte					
2.	Friday Classroom Renovations	\$2,000,000	\$1,000,000	\$1,000,000	Carry-forward
<i>UNC Charlotte Subtotal</i>		<i>\$2,000,000</i>	<i>\$1,000,000</i>	<i>\$1,000,000</i>	
Grand Total		\$19,800,000	\$17,500,000	\$2,300,000	

RECOMMENDATION

All projects and associated funding sources are in compliance with G.S. 143C-8-12 (State Budget Act).

It is recommended that these projects be authorized and reported to the NC Office of State Budget and Management as non-appropriated projects that will be funded and operated entirely with non-General Fund and non-State Capital and Infrastructure Fund monies.

III. REPORTING

The following projects are being reported to the Board of Governors and Fiscal Research Division in compliance with GS 143C-8-13 (d) which permits Chancellors to authorize Repairs and Renovation projects less than \$600,000 in thirteen allowable categories.

	Institution/Project Title	Amount	Fund Source	R&R Category
Appalachian State University				
1.	Hill Street District Electrical Infrastructure Repairs	\$499,000	General Funds	(11) Improvements to roads, walks, drives, and utilities infrastructure
2.	Wey Hall Sculpture Shed Improvements	\$499,000	General Funds	(9) Improvements and renovations to improve existing space
3.	East Campus Fiber and Electrical Service Repairs	\$400,000	General Funds	(11) Improvements to roads, walks, drives, and utilities infrastructure
4.	Bodenheimer Road & Innovation District Fiber Replacement	\$500,000	General Funds	(11) Improvements to roads, walks, drives, and utilities infrastructure
East Carolina University				
5.	Main Campus Student Center Burrito Shak Conversion	\$350,000	Dining	(9) Improvements and renovations to improve existing space