



MEETING OF THE BOARD OF GOVERNORS

Committee on University Funding

September 16, 2026

15 minutes after the adjournment of the Committee on Strategic Initiatives

Via Videoconference and PBS North Carolina Livestream

UNC System Office

223 S. West Street, Board Room

Raleigh, North Carolina

AGENDA

- A-1. WelcomeJoel Ford
- A-2. Overview of University Funding..... Jennifer Haygood
- A-3. Adjourn

AGENDA ITEM

A-2. Overview of University FundingJennifer Haygood

- Situation:** The Special Committee on University Funding was established to enhance the Board of Governors' understanding of university funding and to inform its consideration of future funding priorities. This presentation provides a foundational overview of how the UNC System and its constituent institutions are funded.
- Background:** UNC System institutions rely on multiple funding sources, including State appropriations, tuition and fees, grants and contracts, auxiliary revenues, and gifts and endowment support. The mix of these resources varies significantly across institutions based on enrollment and scale, academic and research mission, cost structure and infrastructure, and statewide responsibilities.
- Assessment:** A common understanding of these differences is important as the committee examines operating funding methodologies, capital investment, philanthropy, and long-term financial sustainability. The presentation reviews the role of State support and tuition in core operations; factors affecting State appropriations, including enrollment and student residency; the distinction between operating and capital funding and categories of capital projects; limitations on the use of certain revenue sources; and emerging financial pressures facing the System.
- Action:** This item is for information only.

University Funding Overview

Special Committee on University Funding

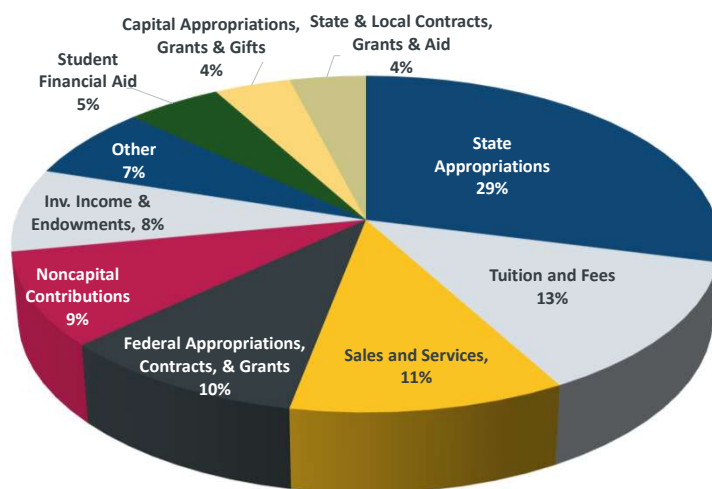
September 16, 2026

1

Institutions Rely on Multiple Funding Sources

**FY 2025 UNC System
Revenues = \$15.1 billion**

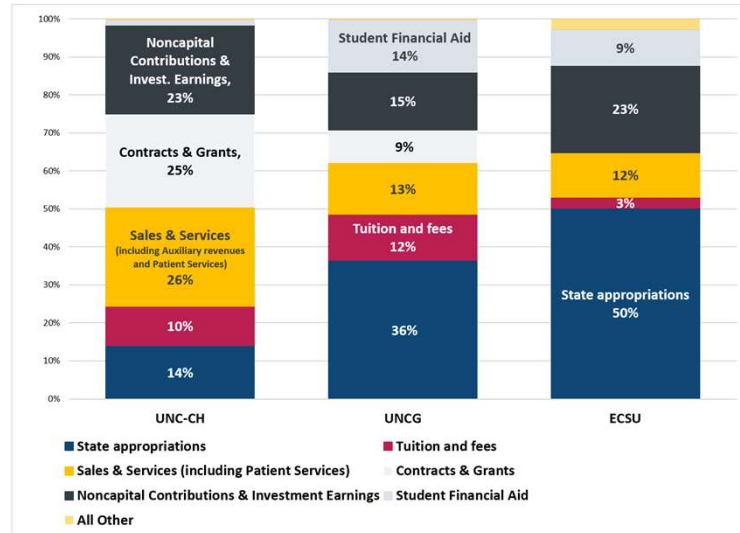
State appropriations are foundational, but they are only one part of the System's overall funding model.



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The Operating Funding Mix Varies Widely by Institution

- The relative importance of State support, tuition, research, auxiliaries, and philanthropy varies substantially based on institutional mission and activities.



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Why Funding Needs Differ by Institution

- The challenge is not to fund every institution the same way, but to ensure that funding appropriately reflects the work each institution is expected to perform.



ENROLLMENT & SCALE



ACADEMIC & RESEARCH MISSION



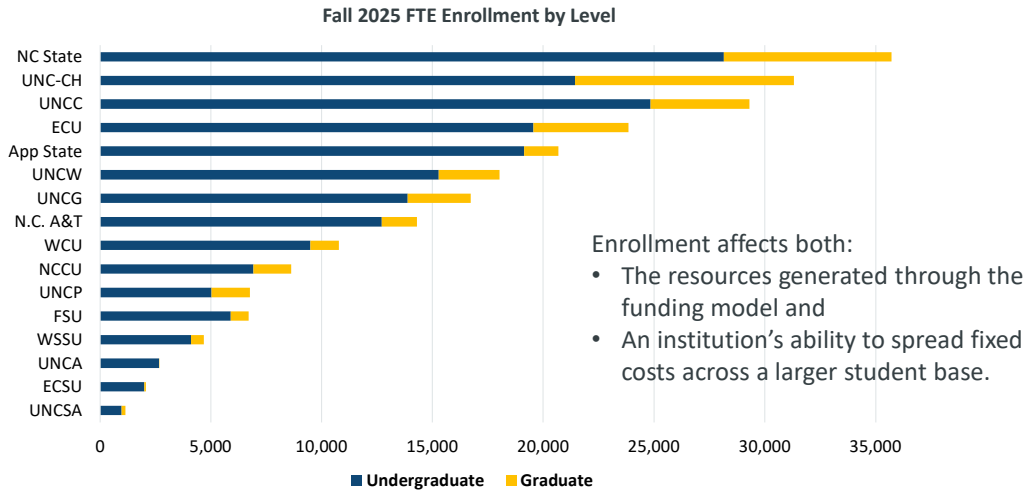
COST STRUCTURE & INFRASTRUCTURE



STATEWIDE RESPONSIBILITIES

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Institutions Operate at Very Different Scales



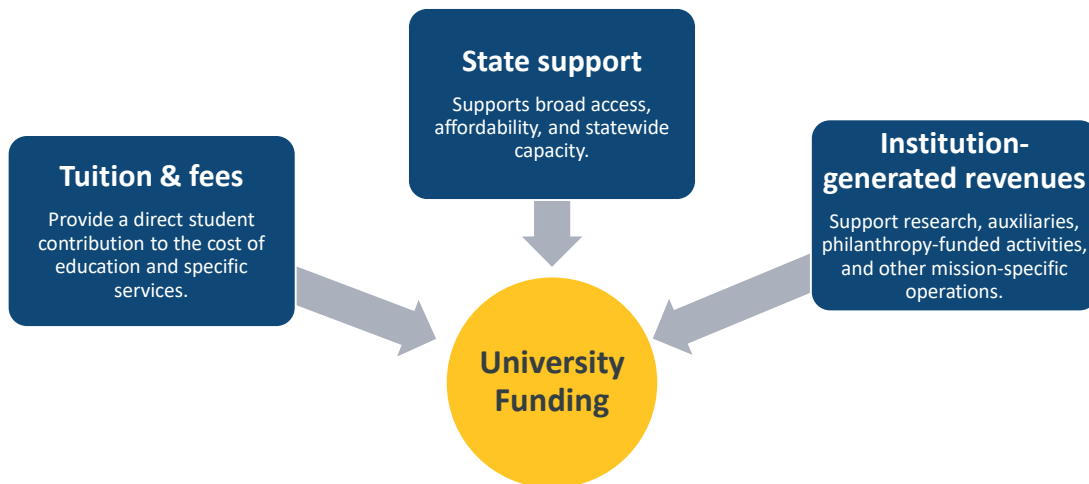
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Mission and Structure Also Drive Cost

ACADEMIC & RESEARCH MISSION	COST STRUCTURE & INFRASTRUCTURE	STATEWIDE & SPECIAL MISSIONS
• Program mix • High-cost disciplines (engineering, nursing, etc.) • Research intensity	• Specialized labs, clinical facilities, studios, etc. • Number of operating locations (e.g., NCSSM campuses) • Size & condition of physical plant	• UNCSA's specialized arts mission • Medical, dental, and vet schools • Statewide services (e.g., agricultural extension)

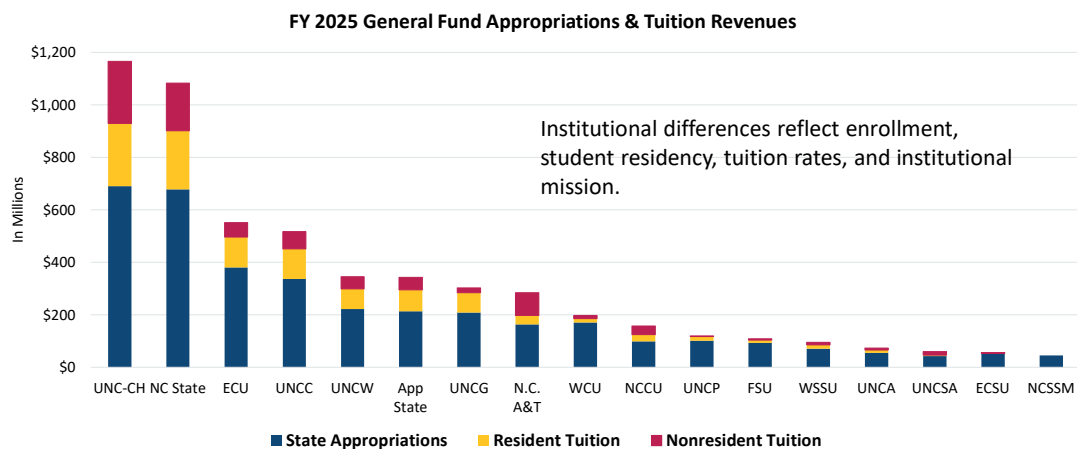
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Despite Institutional Differences, State Support Remains Foundational



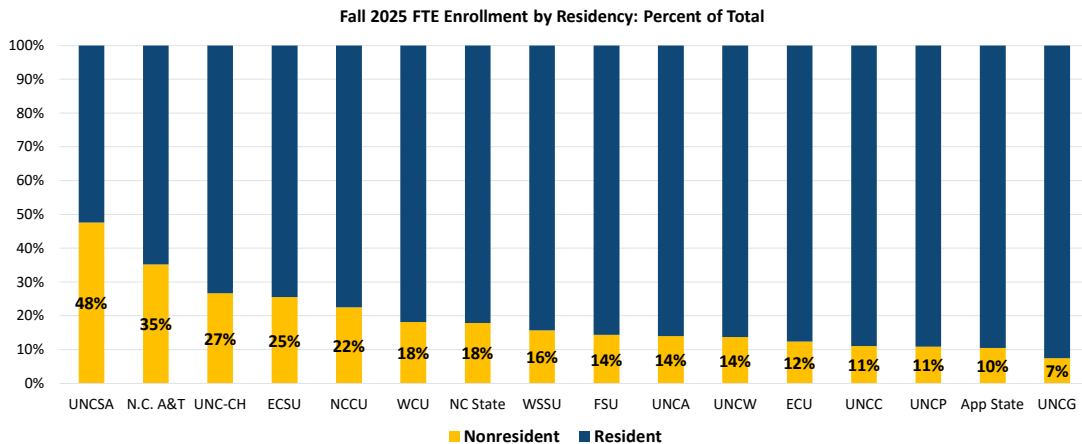
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State Support and Tuition Combine to Support Core Operations



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Nonresident Enrollment Varies Significantly Across Institutions



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How State Appropriations Change Over Time

Funding Type	What It Does	Examples
Base funding (prior year recurring funding)	Sustains ongoing operations.	- Existing faculty and staff - Facility operations
Salary and benefit increases	Provides support for State-funded employee costs.	- Legislative salary increases - Retirement contribution changes - Health benefit cost increases
Enrollment-related funding	Adjusts resources as instructional demand changes.	- Enrollment growth or decline - Differences and level of instruction - Resident/nonresident student mix
Building reserves	Provides operating support when new State-funded space comes online.	- Utilities - Housekeeping - Maintenance - Other facility operating costs
Targeted/strategic funding	Supports specific State priorities, programs, or institutional missions.	- Specific programs - Workforce initiatives - Special institutional missions

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Capital Funding Works Differently

What drives capital decisions?

- Enrollment and programmatic needs
- Condition of existing facilities
- Space utilization
- Strategic priorities
- Cost and life-cycle implications
- Availability of funding and debt capacity

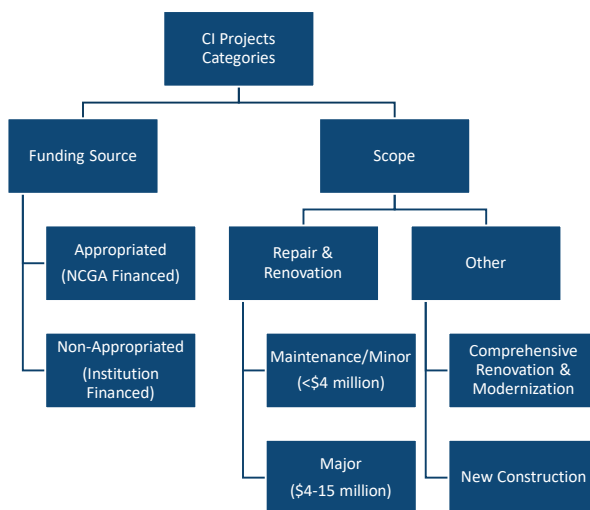
Operating Funding	Capital Funding
Typically recurring (annual)	Non-recurring (project-based)
Supports ongoing activities	Supports the physical infrastructure
• Faculty and staff • Academic and student support • Utilities and maintenance	• New buildings • Major renovations • Infrastructure • Repairs and modernization

Every capital investment creates future operating costs.



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Capital Projects Differ by Scope and Funding Source



§ 143C-8-13. Repairs and Renovations.

1. Roof repairs and replacements
2. Structural repairs
3. Repairs and renovations to meet federal and State standards
4. Repairs to or installation of new electrical, plumbing, and heating, ventilating, and air-conditioning systems
5. Improvements to meet ADA requirements
6. Improvements to meet fire safety needs
7. Improvements to existing facilities for energy efficiency
8. Improvements to remove asbestos, lead paint, and other contaminants, including the removal and replacement of underground storage tanks
9. Improvements and renovations to improve use of existing space
10. Historical restoration
11. Improvements to roads, walks, drives, and utilities infrastructure
12. Drainage and landscape improvements
13. Demolition

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Not All Revenues Are Interchangeable

Revenue Source	Examples	Key Limitation
State funds appropriated for specific purposes	Cooperative Extension Service, Faculty Recruitment & Retention, Health Care Access funds	Designated legislative purpose
Student Fees	Athletics, health services, student activities, ed & tech, campus security, debt service	Restricted by Board of Governors policy
Research Grants & Contracts	Sponsored research and related activity	Restricted to grant/contract purposes
Auxiliary Revenues	Housing, dining, parking, health services	Not restricted, but generally tied to self-supporting operations
Gifts & Endowment Support	Scholarships, programs, faculty support, capital	Often donor-restricted

A strong balance sheet does not necessarily mean those resources are available to support core operating needs.



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What Is Changing?

- **Enrollment growth**
More students require additional instructional and support capacity.
- **Changing workforce and program needs**
Growth in high-cost and high-demand fields can alter the cost of instruction.
- **Compensation and operating cost pressures**
Salaries, benefits, utilities, technology, and other core costs continue to rise.
- **Capital and deferred maintenance needs**
New capacity and aging facilities create both capital and recurring operating demands.
- **Different institutional business models**
Specialized and high-fixed-cost institutions do not fit neatly into a single funding approach.



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Questions This Committee Will Explore

- Are our operating funding methodologies still aligned with enrollment growth, institutional missions, and State priorities?
- How should the System evaluate and prioritize future capital investments?
- How can philanthropy and other non-State resources best complement public investment?
- What emerging financial pressures could affect the System's long-term sustainability?

The committee's role is to build understanding, identify where current approaches may need refinement, and help the Board advocate effectively for the System's long-term needs.



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QUESTIONS?

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