

## AGENDA ITEM

### 2. 2016-17 Budget Priorities ..... Jonathan Pruitt

**Situation:** One of the principal responsibilities of the Board of Governors (BOG) is to “develop, prepare, and present to the Governor and the General Assembly a single, unified recommended budget for the constituent institutions of the University of North Carolina” [G.S. 116-11(9)a]. In odd numbered years, the Governor recommends and 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:** To meet the Governor’s budget preparation timeline, the Office of State Budget and Management (OSBM) initially required all budget recommendations be submitted by late February. However, OSBM has been flexible with the UNC system, understanding the complexities around our leadership transition as well the required review by the Board of Governors. Hence, UNC has only submitted draft initial recommendations to this point; final recommendations will be provided after review and approval by the Board of Governors.

**Assessment:** As currently enacted, UNC’s FY 2016-17 budget of \$2,586,888,173 is about \$43 million below FY 2015-16 levels (-1.6%). Major changes include additional management flexibility reductions (similar to a negative reserve) of \$28.6 million and a cut associated with a cap on state spending for private fundraising of \$16.4 million.

The FY 2016-17 recommended adjustments (included in the attached document) represent an increase of about \$7.4 million (0.28%) over FY 2015-16 levels and a decrease of \$33.9 million from UNC’s original request for FY 2016-17.

**Action:** This item requires a vote by the Committee, with full Board vote.

## University of North Carolina Recommended FY 2016-17 Operating Budget Priorities

The future growth of North Carolina's economy is dependent on producing more college graduates. The UNC System produces over 52,000 graduates annually and our six-year graduation rate of 63% exceeds the national average. However, this success is uneven. We can and must do better. Implementing aggressive strategies to close the achievement and skills gap and to improve completion rates across our universities are required to meet our state's workforce needs.

### Budget Priorities

#### 1. Retain Top Talent

- a. Reserve for Merit-Based Performance Compensation
- b. Faculty Recruitment and Retention Fund

Equity with other  
state employees  
3,000,000

#### 2. Education Attainment = Growing NC's Economy

**\$29,000,000**

- a. Innovative Intervention Strategies to Improve Completion Rates
- b. Build Data-Centric Systems of Success and Accountability
- c. Leveraging Technology and Learning Innovations to Get Part-Way Students Home
- d. STEM and Health Degrees Merit Scholarship Program

18,000,000  
3,000,000  
3,000,000  
5,000,000

#### 3. Technical Adjustments

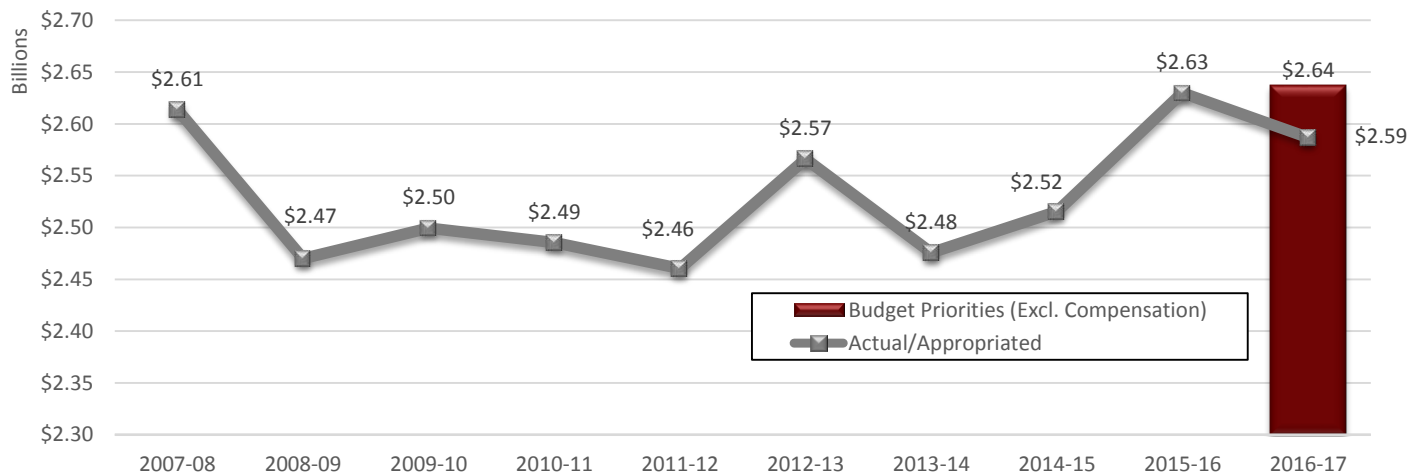
**\$18,326,929**

- a. Fully Fund Enrollment Change (in addition to 2016-17 reserve)
- b. Eliminate Private Fundraising Cap

1,972,533  
16,354,396

In total, excluding our merit-based compensation request, we are requesting \$7.4 million more than our FY 2015-16 budget and \$33.9 million less than originally requested for FY 2016-17.

**Summary of UNC Appropriations FY 2007-08 to Proposed FY 2016-17**



Note: FY 2007-08 to FY 2014-15 figures are year-end actual appropriations. The line graph figures for FY 2015-16 and 2016-17 are as appropriated by the 2015 Appropriations Act.

## **1. Retain Top Talent**

### **Reserve for Merit-Based Performance Compensation**

### **Equity with Other State Employees**

The funds will provide for merit-based increases as allowed by law. Each 1% increase costs \$29.1M, including benefits: \$15.5M for faculty, \$5.7M for EHRA non-faculty, and \$7.9M for SHRA employees.

### **Faculty Recruitment and Retention Fund**

**\$3,000,000**

These funds will improve UNC's ability to recruit and retain nationally-recognized faculty. The fund was established in FY 2006-07 with \$5 million, and has received \$8 million in additional appropriations and made over 500 awards. As of January 2016, the unobligated monies remaining in the fund were \$721,584.

## **2. Education Attainment = Growing NC's Economy**

### **Innovative Intervention Strategies to Improve Completion Rates**

**\$18,000,000**

These funds will provide seed funding to our universities to improve completion rates, using a research-based tool box of strategies. Examples include:

- First-year course enhancements (redesigns, seminars, early alerts)
- Academic enrichment services (tutoring, advising, proactive outreach)
- Merit-based financial interventions (summer, emergency, be-on-time loans)

### **Build Data-Centric Systems of Success and Accountability**

**\$3,000,000**

These funds will be used to improve overall student success through targeted evaluation and programs focused on high impact practices. We will form partnerships with organizations that provide capacities for predictive analytics, which will allow our universities to link students with the proper services to improve completion rates.

### **Leveraging Technology and Learning Innovations to Get Part-Way Students Home**

**\$3,000,000**

These funds will invest in more flexible academic pathways for students and deepen efforts to recruit, retain, and graduate "partway home," military-affiliated, and other non-traditional students. Special emphasis will be on program development in high-demand fields (based on the skills that graduates need for successful careers throughout the state and region).

### **STEM and Health Degrees Merit Scholarship Program**

**\$5,000,000**

These funds will provide a minimum of 4,000 merit-based scholarships (at least 1,000 per year, over four years) to encourage academically gifted and highly sought after STEM, Health, and Education degree-seeking students in those fields to attend UNC institutions. Our universities shall seek private donations to match these scholarships, with a goal of enabling superior, academically qualified resident undergraduate students to complete their degree debt-free.

## **3. Technical Adjustments**

### **Fully Fund Enrollment Change**

**\$1,972,533**

\$31 million was appropriated to a reserve for FY 2016-17 enrollment funding, based on projections completed in Fall 2014. Based on updated data, an additional \$1.97 million will be required to fully fund enrollment. Total budgeted enrollment will increase 1.5%, from 203,014 FTE to 206,139 FTE.

### **Eliminate Private Fundraising Cap**

**\$16,354,396**

Fundraising gifts, commitments, and pledges increased last year 27%, from \$649M to 822M systemwide, with a return-on-investment of \$10.39 to \$1. However, the 2015 Appropriations Act capped campus state appropriations support of advancement activities to \$1 million, and cut \$16.4 million from our budget. Eliminating the cap and the associated reduction will enable our universities to continue their strong private fundraising efforts.